Average Final Compensation Whiteboard Video

Hey there! This is Larry from the South Carolina Retirement Systems and I'm here to give you your "Definition of the day." Today we are going to talk about AFC. AFC stands for average final compensation. So, what does this really mean?

AFC is one of three factors used to determine a member's annuity, or benefit, received in retirement.

A member's AFC is the 12 highest consecutive quarters of earnable compensation divided by three. Usually these quarters are your last three years of service.

A few things do not factor into a member's AFC, though. These include: payment for unused annual leave in excess of 45 days; payment for annual leave at times other than termination; payment for unused sick leave; one-time bonus payments; special or incentive-type payments; compensatory time or overtime not earned during the AFC period; any other payment not considered part of the regular salary base; lump sum merit payments or payments for annual leave at the beginning of TERI.

Let's take a look now at an example.

Jane is a high school English teacher in a South Carolina public school.

Jane has been a teacher and member of the South Carolina Retirement System since 1979, and she is planning on retiring this year.

To calculate Jane's AFC, we are going to look at her salary in 2009, 2010 and 2011, which represent her 12 highest consecutive quarters of earnable compensation.

As you can see, Jane's salary has increased since 2009. Jane earned extra money each year as she took on more responsibilities at her school, like becoming the varsity cheerleading sponsor and after she received an advanced technology certification.

To calculate Jane's AFC, we will add the last three years' worth of salary information and divide by three. So now we see that Jane's AFC is $54,500.

To learn more about the other two factors in calculating a retirement benefit and many other retirement definitions, keep visiting our website for more retirement definitions videos.

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