



# *Purchase Additional Service Credit*

Add service credit to improve  
your retirement benefit

## **YOUR GUIDE TO...**

- » **nonqualified service credit purchase**
- » **redeposit of CalSTRS retirement funds**
- » **permissive service credit purchase**

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**The information in this brochure** applies to Defined Benefit Program members of the California State Teachers' Retirement System. If a conflict arises between this information and the Teachers' Retirement Law, the law has precedence.

**Occasionally, statutory changes are made** that affect CalSTRS benefits and may affect any decisions you make in relation to those benefits. CalSTRS makes every effort and provides many options to keep you informed about changes in its benefit structure: Web site ([www.calstrs.com](http://www.calstrs.com)), Customer Service at 800-228-5453 and benefits counselors. In addition, other sources such as your union representative (if applicable), and your legislative representative may help you make an informed decision. You are ultimately responsible for any decision you make regarding your CalSTRS benefits.

# Introduction

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As a CalSTRS member, you may add to your service credit, which is used to calculate your service retirement benefit. The more service credit you have, the larger your monthly retirement benefit. This brochure covers the ways to increase service credit.

## **RETIREMENT FORMULA**

To better understand the importance of service credit, it is helpful to know how the service retirement benefit is figured. The calculation formula is set by law and multiplies together three elements: your years or partial years of service credit; a percentage based on your age at retirement, called the age factor; and your highest average earnable salary (generally 12 consecutive months) called final compensation.

## **REWARDS FOR HIGHER SERVICE CREDIT**

Benefit changes enacted over the past few years provide incentives for CalSTRS members to retire with as much service credit as possible. Please see the *Member Handbook* for additional details on the following benefit enhancements:

### **Career Factor**

If you retire with 30 or more years of service credit, 0.2 percent will be added to the age factor, up to a maximum combined age factor and career factor of 2.4 percent.

### **One-Year Final Compensation**

If you retire with 25 or more years of service credit, the highest 12 consecutive months of your average earnable compensation during a school year will be used in your retirement benefit calculation, rather than the average of your 36 highest consecutive months of earnable compensation.

### **Longevity Bonus**

If you retire with at least 30 years of service credit accumulated by January 1, 2011, a longevity bonus will be permanently added to your monthly unmodified retirement benefit. The longevity bonus amount ranges from \$200 to \$400, depending on the years of service credit at retirement.

## **FIGURING YOUR BENEFIT**

To see how your service credit purchase will increase your retirement benefit, click on *Calculators* at [www.calstrs.com](http://www.calstrs.com). Use the *Retirement Benefit Calculator* to estimate your monthly benefit with and without the additional service credit.

# Types of Service Credit to Purchase

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**Nonqualified service credit**, also known as air time. This service credit is not related to any prior employment. If you have at least five years of CalSTRS service credit, you can purchase up to five years of air time. This service credit cannot be used to qualify for the career factor, one-year final compensation or longevity bonus.

**Redeposit** of CalSTRS retirement funds previously withdrawn upon termination of CalSTRS-covered employment. You can make a redeposit if you return to CalSTRS membership or are a member of certain other California public retirement systems. You can also redeposit an amount equal to the contributions withdrawn by your former spouse as part of a community property settlement.

To receive the same amount of service credit you had when you took the refund, you will have to pay more than the refund. You will have to pay the interest that the refunded amount would have earned had the funds remained in your CalSTRS account. You are not required to redeposit funds equal to all the service credit you lost when you took a refund.

**Permissive service credit** purchased for performing certain other, non-CalSTRS activities. You may purchase a portion, rather than all, of any permissive service credit you have earned. Only these activities are eligible for permissive service credit purchase:

- » **Nonmember service:** part-time or substitute service in the California public school system before you were a CalSTRS member or between refunding and becoming a CalSTRS member again.
- » **Out-of-state teaching:** working in a public education system that was covered by a public retirement system in another state or U.S. territory, or offered by the U.S. for its citizens abroad. If you buy service credit you earned in an out-of-state public retirement system, you must give up benefits you would have received from that system. You can purchase up to 10 years of out-of state service credit, although effective July 1, 2004, the 10-year limit will be eliminated.
- » **Sabbatical leave:** qualified employer-approved leave as authorized by your school district. *Documentation from your employer must accompany this request. See page 3.*
- » **Maternity or paternity leave:** employer-approved for a two-year period or less. *Documentation from your employer must accompany this request. See page 3.*

- » **Family care and medical leave:** employer-approved family care and medical leave for up to four months in any 12-month period after January 1, 1992. *Documentation from your employer must accompany this request. See below.*
- » **University:** teaching in a publicly supported and administered California university that is not credited or possible for purchase in another retirement system. *Documentation from your employer must accompany this request. See below.*
- » **Indian school:** a certificated position in a federally administered and supported Indian school in California.
- » **School for the blind or deaf:** teaching in the California School for the Deaf or the California School for the Blind or other special classes operated by California public schools for deaf or blind persons.
- » **Child care center:** a certificated position in a California child care center operated by a county superintendent of schools or school district. *Documentation from your employer must accompany this request. See below.*
- » **Job Corps:** a certificated position for up to two years in a federally administered Job Corps Center in California if you were a CalSTRS member in the year before entering the Job Corps and returned to a CalSTRS-covered position within six months of leaving the Job Corps.
- » **Workers' Compensation:** receipt of Workers' Compensation payments not endorsed by your employer or reported to CalSTRS for a job-related injury after January 1980. *A copy of the Award Letter must accompany this request.*
- » **Fulbright leave:** employer-approved time in any program under the Federal Mutual Educational and Cultural Exchange Program. *Documentation from your employer must accompany this request. See below.*
- » **Certain education positions:** certain service in the California Community Colleges Chancellor's Office between 1991 and 1997.
- » **Certain active U.S. military service during specific periods of time:** On or before December 31, 1991—active CalSTRS membership within one year prior to entering military is required. On or after January 1, 1994—active CalSTRS membership prior to entering the military is required. *A copy of the DD214 must accompany this request.* (This category has a separate purchase process. Contact CalSTRS for details.)
- » **Cash Balance Service:** service under the Cash Balance Benefit Program can be converted to Defined Benefit Program service credit.

#### **DOCUMENTATION FROM YOUR EMPLOYER**

Some types of permissive service credit purchases require verification from the employer who approved the leave. Those service types are noted in the list above. The verification needs to accompany the purchase request form. It must be on the employer's letterhead and identify the time frame (to and from dates) and the type of leave that was approved.

# The Cost to Buy

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## **COST VARIES ACCORDING TO THE TYPE OF SERVICE CREDIT**

**Nonqualified (air time) service credit** The cost depends on your age, service credit and annual earnable salary at the time of purchase. The cost is lower if you are younger, since funds will have a longer time to earn compounded interest before the retirement benefit begins.

### **Examples**

Ed, age 55, has 16 years of CalSTRS-covered service credit and earns \$49,200 per year. It will cost him \$31,442 to buy three years of air time. Retiring at age 60 with an average annual salary of \$60,000, the nonqualified service credit Ed bought to bring his total service credit to 24 years would result in an additional \$300 per month to his retirement benefit.

JoAnn, age 40, is teaching in California with an annual salary of \$44,100. She has 10 years of service credit with CalSTRS and \$3,000 in a 401(k) plan from a former, private sector employer. If JoAnn rolls over her \$3,000 from the 401(k) plan, she would buy .415 years of service credit with CalSTRS (although she could use other available funds to purchase a total of up to five years of credit). If JoAnn retired at age 60 with an average annual salary of \$60,000 and 30 years of California teaching, the purchased air time would increase her total service credit to 30.415 years and increase her monthly benefit by \$46.

**Redeposit** The cost depends on how much service credit you wish to purchase and, since interest must be paid, the length of time between the refund and the request to redeposit the funds.

Because most members become interested in making a redeposit as they approach retirement age, the time gap between the refund and the redeposit is often large. This can make the purchase costly. You have the option to purchase a portion, rather than all, of the service credit represented by the refund you received. However, despite the high cost for many members, as the example below shows, a redeposit can make a significant difference in the benefit.

### **Example**

Kelley left her teaching job in 1984, taking a refund of \$17,400 for her 11 years of service credit. She returned to teaching the next year and, in 2001, bought back those 11 earlier years. The full cost of her redeposit was \$94,400 in 2001. This included her original \$17,400 plus \$77,000 in interest. (If Kelley had waited two years to make her

redeposit in 2003 just before retirement, the interest amount would have increased by \$13,044, for a total cost of \$107,444.)

If Kelley retired in 2003 at age 60, the additional 11 years she purchased would increase her monthly benefit by \$1,709, from \$1,900 to \$3,609.

19 years of service credit  $\times$  2 percent age factor  $\times$  \$5,000 final compensation (three-year monthly average of salaries \$58,000; \$60,000; \$62,000) = \$1,900.

However, with the additional 11 years, she would have 30 years of service credit, which qualified her for the rewards for higher service credit described on page one: career factor, one-year final compensation and longevity bonus. Kelley's benefit would be \$3,609.

30 years of service credit  $\times$  2.2 percent age factor  $\times$  \$5,166 final compensation  
= \$3,409 + \$200 longevity bonus = \$3,609.

**Permissive service credit** The cost depends on your highest earnable salary in the last three years of CalSTRS-covered employment, the amount of service credit desired and the current permissive service credit contribution rate (see box on page 6).

### **Example**

In July 2003, Tom wanted to purchase one year of service credit for his employer-approved paternity leave. His highest annual salary in the last three years was \$30,000. The cost calculation is: 1 year  $\times$  .16497 (the contribution rate for fiscal year 03–04)  $\times$  \$30,000 = \$4,949. If Tom retired at age 60 with 29 years of service credit (including the paternity leave service credit) and a final compensation of \$3,334, his monthly retirement benefit would increase by \$67.

### **FIGURING YOUR COST YOURSELF**

Regardless of the type of service credit you purchase, you will want to compare the purchase price with the potential boost in your retirement benefit. To help you make an informed decision, a few simple steps can provide you with an idea of the cost.

1. Calculate the cost to purchase the service credit.
  - » For **redeposit and nonqualified service credit**, click on *Calculators* under Resources at [www.calstrs.com](http://www.calstrs.com).
  - » For **permissive service credit**, click on *Calculators* at [www.calstrs.com](http://www.calstrs.com) or you can do this less complex calculation by hand. Multiply the amount of service credit you want to purchase by the current contribution rate, which is 16.497 through June 30, 2004 (see box on page 6). Then multiply that amount by your highest annual earnable salary in the last three years of CalSTRS-covered employment.

**2.** Estimate the monthly increase you would receive with the extra service credit. Click on *Calculators* at [www.calstrs.com](http://www.calstrs.com) and use the *Retirement Benefits Calculator* to estimate your monthly payment with and without the extra service credit.

**3.** Figure how long it will take to recover the money you pay for the service credit. For a rough estimate, divide step 1, the cost of buying the service credit by step 2, your monthly benefit increase. Then divide this amount by 12 (months).

**Example**

In the redeposit example of Kelley on pages 4 and 5, it will take her more than four years to recover the purchase cost.

$$\begin{aligned} \$94,400 \text{ purchase cost} \div \$1,709 \text{ monthly increase} &= 55.24 \text{ months} \\ \div 12 \text{ months} &= 4.6 \text{ years} \end{aligned}$$

*Beginning July 1, 2004, there will be a substantial increase in the cost of permissive service credit. This increase more accurately reflects the actual cost of the benefit. Any purchases initiated on or after July 1, 2004, will reflect the higher contribution rate. If you have been thinking about buying permissive service credit, now is the time to act.*

# Making the Purchase

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**After you estimate** the service credit purchase cost, the increase to your monthly benefit and the recovery time, your next decision is to make the purchase.

To initiate the purchase process for permissive or nonqualified service credit or a redeposit, complete the *Redeposit or Purchase of Permissive or Nonqualified Service Credit* form. Be sure to include documentation from your employer described on page 3, if necessary. If you wish to purchase out-of-state service credit, complete the *Out-of-State Service Credit Certification* form. Your former retirement system must complete Section Two of this form and return it to CalSTRS. (These forms are provided in this brochure.)

You can also download either form from [www.calstrs.com](http://www.calstrs.com) or request it from Customer Service at 800-228-5453.

After you return the completed form, CalSTRS verifies your eligibility for the purchase or redeposit and sends a billing statement listing the amount due.

If you decide to purchase the service credit, you must choose the payment method:

- » a lump-sum payment
- » up to 120 monthly installments (not less than \$25 each) made by direct mail or payroll deduction. Interest is charged each month on the unpaid balance. If you pay by payroll deduction, the payment may be tax deferred if authorized by your employer. For payroll deduction, take the billing statement to your payroll office to begin deductions. Once you sign up for tax-deferred payments, you cannot change the payment method. However, you can increase or decrease the monthly amount, not to exceed 10 years of payments.

To complete this transaction, select your payment option by checking the appropriate box on the billing statement.

CalSTRS must receive your payment (lump sum or initial monthly installment) or rollover request within 35 days of the billing statement date. Include the billing statement with the payment. Any purchase must be completed within 30 days of your retirement date in order to receive service credit. Members may receive prorated service credit at retirement for amounts already paid under certain conditions.

You may roll over funds from a qualified plan (such as a 403(b), 401(k) or IRA) for all or a portion of the purchase amount. The rollover request is on the reverse side of the billing statement. Rollovers may be done in combination with installment plans but must be completed prior to beginning tax-deferred payroll deductions.

### **ESTIMATING INSTALLMENT PAYMENTS**

Interest will be charged on the unpaid portion of your balance if you pay in installments. You can estimate how much your payments would be by using the cash payments and payroll deductions *Finance Calculators* in the Resources section at [www.calstrs.com](http://www.calstrs.com).

## Redeposit or Purchase of Permissive or Nonqualified Service Credit

CalSTRS will use the information on this form to prepare a billing statement, which will indicate the cost to redeposit previously refunded contributions and interest and the cost to purchase permissive or nonqualified service credit. (For purchase of out-of-state service credit, please use the Out-of-State Service Credit Certification. For consolidation of benefits (Cash Balance Benefit Program), use the Consolidation of Benefits form at www.calstrs.com.

### Section A Member Information

NAME (LAST, FIRST, INITIAL)		SOCIAL SECURITY NUMBER							
_____				-					
STREET		(APT #)							
_____		_____							
CITY	STATE	ZIP CODE	TELEPHONE NUMBER(S)						
_____	_____	_____	_____						

### Section B Redeposits

I request a billing statement to redeposit my previously refunded contributions and interest.

Are you a member of another California public retirement system?

No       Yes      If yes, name of system \_\_\_\_\_

How much service credit do you wish to purchase? \_\_\_\_\_

Check here if you are redepositing service credit that was awarded to your former spouse as community property, for which that person has taken a refund of their service credit.

### Section C Permissive/Nonqualified Service Credit Purchase

I request a billing statement for permissive or nonqualified service credit and I understand that further information and verification may be required.

Check the type and indicate the amount of service credit to be purchased: (Check as many boxes as applicable. See descriptions on reverse)

<input type="checkbox"/> Nonmember service	_____	<input type="checkbox"/> Child care center	_____
<input type="checkbox"/> Sabbatical	_____	<input type="checkbox"/> Job Corps	_____
<input type="checkbox"/> Maternity or paternity leave	_____	<input type="checkbox"/> Workers' Compensation	_____
<input type="checkbox"/> Family care and medical leave	_____	<input type="checkbox"/> Fulbright leave	_____
<input type="checkbox"/> University	_____	<input type="checkbox"/> Certain education positions	_____
<input type="checkbox"/> Indian School	_____	<input type="checkbox"/> Certain active U.S. military service	_____
<input type="checkbox"/> Schools for the Blind or Deaf	_____	<input type="checkbox"/> Nonqualified	_____

Please identify the employer and time frames for the service credit you wish to purchase:

County/District \_\_\_\_\_ From \_\_\_/\_\_\_/\_\_\_ to \_\_\_/\_\_\_/\_\_\_.

I have attached \_\_\_\_\_ page(s) to provide additional employer names and time frames.

I have attached verification from my employer as required for certain permissive service credit purchases (See page 3)

**I understand this is not a contract and that my signature does not create an obligation on my part.**

 \_\_\_\_\_ DATE (MO/DAY/YR) \_\_\_\_\_

SIGNATURE OF MEMBER

## OUT-OF-STATE SERVICE CREDIT CERTIFICATION

### Attention Member:

To comply with your request to purchase out-of-state service credit, please complete Section One below and send these forms to your former retirement system. Your former retirement system will be asked to complete Section Two of this form and return the completed forms to **CalSTRS, Post Office Box 15275, Sacramento, CA 95851-0275**. Upon receipt of all required information, CalSTRS will prepare a billing statement. Section Three must be completed by your former (out-of-state) employer only if your retirement system is not able to verify employment information in Section Two.

### SECTION ONE: MEMBER INFORMATION (To be completed by member.)

*NOTE: Complete one form for each (former) retirement system.*

#### Member Information

Member's Name (including any previous names used)	_____-_____-_____ Social Security Number	____/____/____ Date of Birth
Address	(____)_____ Daytime Telephone Number	
City, State/Zip	(____)_____ Evening Telephone Number	

#### Employer Information (one form for each employer)

Name of Former Employer	Name of Former Retirement System
Address of Former Employer	(____)_____ Phone Number
City, State/Zip	

Amount of out-of-state service that you wish to purchase (not to exceed 10 yrs): \_\_\_\_\_ years.

Dollar amount (if any) that you wish to roll over from your former retirement system to CalSTRS \$\_\_\_\_\_.

*By agreeing to purchase the amount of service credit indicated above, I fully understand that I am forfeiting all benefits from my former retirement system. I hereby authorize the above named system and/or employer to release any information concerning my service and/or account balance to the CalSTRS, as listed above, in connection with my application to purchase out-of-state service credit.*

**Member Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

## OUT-OF-STATE SERVICE CREDIT CERTIFICATION

### Attention Retirement System Administrator:

The CalSTRS member referred to in Section One of this document has requested information concerning the possible purchase of out-of-state service credit towards retirement with CalSTRS. The service credit in question pertains to your retirement plan or an equivalent plan. Please complete Section Two for CalSTRS to determine the cost for the interested member. After completing the information in Section Two, return this document to **CalSTRS, Post Office Box 15275, Sacramento, CA 95851-0275**. If you are unable to complete Section Two, Item No. 3, please forward this document to the individual's former employer whose address is listed in Section One. Thank you for providing CalSTRS with the requested information.

### SECTION TWO: CREDITED SERVICE INFORMATION (To be completed by retirement system.)

Member's Name _____	Member's Social Security Number _____
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1. Was this individual ever a member of your retirement system?*(If the answer is "NO," Please STOP and return all forms to CalSTRS.)*  Yes  No
  
2. Did this member receive credit in your plan for service performed in public education?*(If the answer to this question is "NO," please explain the type of service performed.)*  Yes  No
  
3. Please enter dates of service (Month/Year). From: \_\_\_\_\_ To: \_\_\_\_\_.  
*(See instructions on Page 1, SECTION TWO regarding item 3.)*
  
4. Did this member forfeit the right to all benefits under from retirement system?  Yes  No  
Date of refund: \_\_\_\_\_  
Amount of service credit cancelled by refund: \_\_\_\_\_
  
5. If this member does not return to teaching in your state, will he/she be eligible to receive a benefit from your system? *If the answer to this question is "Yes," please explain in the space below. CalSTRS does not allow members to purchase service credit if the member is entitled to retirement benefits under the previous employer's retirement plan.*  Yes  No
  
6. If the individual is still a member of your retirement system, how many years of service does the member have credited in your system and what is the total amount of contributions and interest on account at this time?  
Service Credit: \_\_\_\_\_ years. Contributions and Interest \$ \_\_\_\_\_.

***I certify that the information provided in Section Two of this document was taken from the official records of this system.***

Name of Retirement System _____	(____) _____ Telephone Number
Name of Retirement System Representative (please print) _____	Title _____
Signature of Retirement System Representative _____	Date _____



# Contacting CalSTRS

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## WEB SITE

The CalSTRS Web site is [www.calstrs.com](http://www.calstrs.com).  
To e-mail CalSTRS, click on *Contact CalSTRS*. Click on *Forms and Publications* to order forms.

## myCalSTRS [NEW]

Now you can access certain personal account information online in a secure environment. MyCalSTRS provides access to your *Annual Statement of Account* since 2002. Additional services will be added during the upcoming months. To access myCalSTRS, visit [www.calstrs.com](http://www.calstrs.com) and click on myCalSTRS.



## TELEPHONE

Customer Service at 800-228-5453. Select option 2 for Teletalk and message 250 for information regarding service credit purchase. Select option 3 to order forms and publications.

## TTY

For deaf or hard of hearing, call 24 hours a day at 916-229-3541.



## MAIL

Please include your Social Security number, address and telephone number when writing CalSTRS:

CalSTRS  
Attn: Customer Service  
P.O. Box 15275  
Sacramento, CA 95851-0275



## FAX

916-229-3879

# CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers' Retirement System  
P.O. Box 15275  
Sacramento, CA 95851-0275  
800-228-5453/TTY 916-229-3541  
[www.calstrs.com](http://www.calstrs.com)