

Purchase Service Credit Now

Have More Money for Retirement Later

Do you want more money when you retire? Take action now by purchasing service credit. The more service credit you have at retirement—earned or purchased—the greater your CalSTRS retirement benefit will be. So buying “time” could pay off for you in the long run.

Here's How It Works

Service credit is the amount of time in years you work as a CalSTRS member.

You earn one year of service credit for teaching one full-time school year. You can earn part of a year for teaching part time. However, you cannot earn more than one year of service credit in one school year.

If you've substituted, taken a sabbatical, received a refund of your CalSTRS account, been on employer-approved maternity or paternity leave, or performed certain other types of service, you may be eligible to purchase service credit.

The sooner you purchase service credit, the better. It will cost less if you purchase it early in your career. However, even if you're a few years away from retirement, purchasing service credit may still make smart financial sense.

Types of Service Credit

There are many different types of service credit available to purchase:

Redeposit

You can restore service credit you lost if you left public school employment, took a refund of contributions and interest, and then returned to teaching by returning part or all of the funds with interest.

Permissive Service

You may be eligible to purchase certain types of service credit for employer-approved leaves or service not previously credited such as:

- Nonmember service, including substitute and part-time teaching.
- Maternity or paternity leave.
- Employer-approved leave under the federal Family and Medical Leave Act or the California Family Rights Act.
- Sabbatical leave.
- Out-of-state teaching or foreign school service.
- University of California or California State University teaching not already credited in another public California retirement system.

Nonqualified Service

You can purchase up to five years of nonqualified service credit, also known as “air time,” if you are a CalSTRS member with at least five years of service credit. Nonqualified service credit is not connected to any specific prior employment, and it may not be used to qualify for the career factor and one-year final compensation benefit enhancements. You may use it to retire as early as age 50 by helping you reach 30 years of service credit.

In October 2011, the Governor proposed eliminating the purchase of nonqualified service credit as part of his larger pension reform plan. Stay informed at CalSTRSBenefits.US.



What Just One Additional Year of Service Credit Can Do.

For Rick, it's an extra \$100 a month for life.*

EXAMPLES:

Calculating a Benefit Increase

Assuming Rick retires at age 60 with 29 years of service credit and an annual earnable compensation of \$60,000, the one year of service credit he purchases for substitute teaching earlier in his career will give him an extra \$100 per month.

How Purchased Service Credit Can Add to Your Monthly Benefit

Years of Service Credit	Age Factor	Annual Earnable Compensation	Annual Benefit	Monthly Benefit
29 (with purchase)	x 2%	x \$60,000	= \$34,800	= (\$34,800/12) = \$2,900
28 (without purchase)	x 2%	x \$60,000	= \$33,600	= (\$33,600/12) = \$2,800

Buy Early to Save Money

The timing of Rick's purchase makes a difference in his cost since age and compensation matter. This year, if Rick purchases one year of service credit when he is 32 and his highest annual earnable compensation for the last three years is \$35,000, his \$100 extra a month will cost \$5,950.

If Rick waits until a later date, say at age 59 when he also has a higher salary, his \$100 extra a month would cost at least \$15,240. (Since contribution rates are adjusted annually, the cost would likely be higher.)

Rick's Potential Cost to Purchase One Year of Service Credit

	Years of Service Credit	Contribution Rate*	Highest Annual Earnable Compensation	Cost to Buy
Age 32	1	x 17.0%	\$35,000	= \$5,950
Age 59	1	x 25.4%	\$60,000	= \$15,240

*This hypothetical illustration is not meant to represent financial advice. Contribution rates are based on age and are adjusted annually.

How Is the Cost Calculated?

The cost for purchasing a redeposit and the cost for purchasing permissive and nonqualified service credit are calculated differently. Estimate the cost to purchase service credit at CalSTRS.com/calculators.

For More Information

See the booklet, *Purchase Additional Service Credit* (includes forms), available at CalSTRS.com or by calling 800-228-5453. You can also complete and print service credit purchase forms online from your *myCalSTRS* account by selecting *Complete & Submit Forms* from the home page.

CalSTRS Resources



WEB

CalSTRS.com
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CALL

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7 a.m. to 6 p.m.
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