

Purchase Service Credit Now

Have More Money Later for Retirement

Do you want more money when you retire? Take action now by finding out if you're eligible to purchase service credit. The more service credit you have at retirement, the greater your CalSTRS retirement benefit will be. The longer you wait, the more expensive your purchase will likely be. Buying service credit could pay off for you in the long run.



Here's How It Works

Service credit represents the amount of time, in full and partial years, you have worked and contributed to CalSTRS. You earn one year of service credit for teaching one full-time school year. If you work less than full time, your service credit for the year may be less than one year. You cannot earn more than one year of service credit in one school year.

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

The cost of purchasing service credit is calculated based on your age and salary, so the sooner you purchase service credit, the less expensive it will be. However, even if you're just a few years away from retirement, purchasing service credit may still be a smart financial decision.

Types of Service Credit

There are two main types of service credit you may be eligible to purchase:

Redeposit

You can restore the service credit you lost if you left public school employment, took a refund of your CalSTRS contributions and interest, and then returned to teaching by redepositing some or all of the funds with interest. You cannot redeposit Defined Benefit Supplement funds.

Permissive Service

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

- Nonmember service, or service performed prior to becoming a CalSTRS member, such as substitute or part-time teaching.
- Certain employer-approved leaves, including maternity and paternity leave.
- Sabbatical leave.
- Out-of-state teaching or foreign school service.
- University of California or California State University teaching service not already credited in another California public retirement system.

For a complete listing, see the *Purchase Additional Service Credit* booklet.

Did You Purchase Nonqualified Service Credit in the Past?

If you're a CalSTRS 2% at 60 member, nonqualified service credit—also known as air time—can be used for the 30-year service credit requirement to qualify for service retirement between the ages of 50 and 55. However, it cannot be used to qualify for the career factor, longevity bonus or the 25-year threshold for one-year final compensation. Nonqualified service credit is no longer available for purchase.

How Is the Cost Calculated?

The cost for redepositing a refund and the cost for purchasing permissive service credit are calculated differently. Estimate the cost to purchase permissive service credit or redeposits at [CalSTRS.com/calculators](https://www.calstrs.com/calculators).

📺 See the *Purchasing Service Credit* video at [CalSTRS.com/videos](https://www.calstrs.com/videos).

What Just One Additional Year of Service Credit Can Do

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

Example:

Calculating a Benefit Increase

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

How Purchased Service Credit Can Add to Deborah's Monthly Benefit

Years of Service Credit	Age Factor	Annual Compensation Earnable	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 Deborah's purchase matters since age and compensation affect the cost of purchase. This year, if Deborah purchases the one year of permissive service credit for substitute teaching when she is 32 and her highest average annual compensation earnable for the last three school years is \$35,000, her \$100 extra a month will cost \$6,370.

If Deborah waits until a later date, say at age 59 when she also has a higher salary, her \$100 extra a month would cost, at the present contribution rate, \$17,040. (Since contribution rates are adjusted annually, the cost could be different.)

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

	Years of Service Credit	Contribution Rate**	Highest Annual Compensation Earnable	Cost to Buy
Age 32	1	x 18.2%	\$35,000	= \$6,370
Age 59	1	x 28.4%	\$60,000	= \$17,040

**This hypothetical illustration is not meant to represent financial advice. This example does not apply to you if you are under the CalSTRS 2% at 62 benefit structure because you have a lower contribution rate that will result in a lower benefit amount. See the Purchase Additional Service Credit booklet for more information.*

***Contribution rates are based on age and are adjusted annually.*

For More Information

See the booklet, *Purchase Additional Service Credit*, available at CalSTRS.com/publications. You can complete and print service credit purchase forms online from your *myCalSTRS* account or at CalSTRS.com/forms.

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