

# Purchase Service Credit Now

## Have More Money For Retirement Later

Do you want more money when you retire, but you think there's nothing you can do about it?

You can take action now by purchasing service credit.

It's simple. The more service credit you have at retirement—earned or purchased—the greater your pension 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 an approved medical leave or performed certain other types of service, you may be eligible to purchase service credit.

### It's Always An Option

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, it may still be worthwhile to purchase service credit.

### Types of Service Credit

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

#### *Redeposit*

You can restore service credit that you lost if you left public school employment, took a refund of contributions and interest and then returned to teaching.

#### *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, such as substitute or part-time teaching.
- Maternity or paternity leave.
- Leave approved under the Family and Medical Leave Act.
- Sabbatical.
- Out-of-state teaching or foreign school service.
- University of California or California State University teaching not already credited in another 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 benefit enhancements of career factor, longevity bonus and one-year final compensation. You may use it to retire as early as age 50 by helping you reach 30 years of service credit.



# What Just One Year Of Service Credit Can Do.

For Rick, it's an extra \$100 a month for life for just one year of purchased service credit.

## Benefit Increase Calculation

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

### How Purchased Service Credit Can Add to Your Monthly Benefit

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

## Buy Now 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 from the last three years is \$35,000, his \$100 extra a month would cost \$6,195.

If Rick waited until a later date, say at age 59 when he also had a higher salary, his \$100 extra a month would cost at least \$15,120. (Since contribution rates are adjusted annually, the cost would likely be higher.)

### What it Costs to Purchase One Year of Service Credit

	Years of Service Credit	Contribution Rate*	Highest Annual Earnable Compensation	= Cost to Buy
<b>Age 32</b>	<b>1</b>	<b>x 17.7%</b>	<b>\$35,000</b>	<b>= \$6,195</b>
<b>Age 59</b>	<b>1</b>	<b>x 25.2%</b>	<b>\$60,000</b>	<b>= \$15,120</b>

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

## How Is The Cost Calculated?

Calculations for purchasing a redeposit, permissive or nonqualified service credit are calculated differently. Go to [www.CalSTRS.com/calculators](http://www.CalSTRS.com/calculators) to estimate the cost to purchase. Note: Any redeposits or purchases of permissive service credit must be paid in full by December 31, 2010, for that service credit to be used for longevity bonus eligibility.

## I Want More Information About Purchasing Service Credit

For more information, order a copy of the CalSTRS brochure, *Purchase Additional Service Credit*, at [www.CalSTRS.com/publications](http://www.CalSTRS.com/publications) or call 800-228-5453.

## CalSTRS Resources



### WEB SITES

[www.CalSTRS.com](http://www.CalSTRS.com)  
Click *Contact Us* to e-mail  
[www.403bCompare.com](http://www.403bCompare.com)



### CALL

800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
TTY 916-229-3541



### WRITE

CalSTRS  
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Sacramento, CA  
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### VISIT

Member Services  
7919 Folsom Boulevard  
Sacramento, CA 95826  
(until June 19, 2009)



### FAX

916-229-3879

866-384-4457  
Home Loan Program

888-394-2060  
CalSTRS Pension2®  
Personal Wealth Plan

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605  
(starting June 22, 2009)

