

# Understanding the Formula

## Your defined benefit pension, explained

As a member of the Defined Benefit Program, you're entitled to a guaranteed lifetime monthly retirement benefit. Your retirement benefit is based on the following formula, not on how much you contribute or how well CalSTRS investments perform:

**Service credit × age factor × final compensation**



### Benefit structures

CalSTRS has two benefit structures that determine how the formula is used to calculate your benefit:

**CalSTRS 2% at 60**—Members who were first hired to perform service that could be credited to the Defined Benefit Program before January 1, 2013, or were a member of a concurrent retirement system before January 1, 2013, and performed service under that system within six months of becoming a CalSTRS member.

**CalSTRS 2% at 62**—Members who were first hired to perform service that could be credited to the Defined Benefit Program on or after January 1, 2013.

### Eligibility

You're eligible to receive a retirement benefit when you reach age 55 and have at least five years of service credit. You may be able to retire with fewer than five years of service credit if you retire concurrently for service from another eligible California public retirement system, such as the California Public Employees' Retirement System. See the CalSTRS *Member Handbook* for more information about eligibility for service retirement and concurrent retirement.

### CalSTRS 2% at 60

If you have at least 30 years of service credit, you can retire as early as age 50.

### Service credit

Service credit is the accumulated period of years—including partial years—you've worked and contributed to CalSTRS. You can earn up to one year of service credit in a school year. You earn service credit based on the percentage of the full-time contract you work. Full-time employees typically earn one year of service credit each school year. Any contributions on earnings from service in excess of one year—up to the

compensation cap—will be credited to your Defined Benefit Supplement account. This account provides additional income for your retirement.

### Age factor

Your age factor is the percentage of your final compensation you'll receive as a retirement benefit for each year of service credit. The percentage is determined by your age, in years and months, on the last day of the month in which you retire. You can find the age factor tables in the CalSTRS *Member Handbook*.

### CalSTRS 2% at 60

The standard age factor is 2% at age 60. The age factor gradually decreases to 1.1% at age 50 if you retire before age 60 and gradually increases to 2.4% at age 63 if you retire after age 60. If you retire with 30 or more years of service credit, you will qualify for the career factor—CalSTRS will add 0.2% to your age factor up to the maximum of 2.4%.

### CalSTRS 2% at 62

The standard age factor is 2% at age 62. If you retire before age 62, the age factor gradually decreases to 1.16% at age 55. If you retire after age 62, the age factor gradually increases to 2.4% at age 65. Under the 2% at 62 benefit structure, there is no career factor benefit.



Check your *Retirement Progress Report*, available on *myCalSTRS*, to find your benefit structure and service credit balance.

## Final compensation

Your final compensation is your highest average annual compensation earnable over a period of 36 consecutive months. Working part time or in multiple positions, or retiring midyear, could negatively affect your final compensation. See the *CalSTRS Member Handbook* or contact us for more information.

### CalSTRS 2% at 60

If you retire with 25 or more years of qualified service credit, CalSTRS will use 12 consecutive months of your highest average annual compensation earnable to calculate your final compensation.

## Increasing your benefit

You can increase your retirement benefit by increasing any part of the formula—your service credit, your age factor or your final compensation. For example, you can increase your service credit by working longer or purchasing permissive service credit, if you're eligible to do so.

## Providing for your loved ones

The formula calculates your Member-Only Benefit, the guaranteed lifetime monthly benefit that stops upon your death. You can elect an option and receive a lower benefit, known as a Modified Benefit, to provide a lifetime monthly payment to one or more people upon your death.

 View the *Understanding the Formula and Beneficiary Options* videos at [CalSTRS.com/videos](https://www.calstrs.com/videos) or contact us for more information.



## The retirement formula: How it works

Mariana, a CalSTRS 2% at 60 member, plans to retire this year. She will have 24 years of service credit and will be age 63 at retirement. The amounts of her highest average annual compensation earnable over a period of 36 consecutive months are \$67,000, \$66,000 and \$65,000. Based on these amounts, Mariana calculates the average over 36 months and determines her final compensation to be \$5,500. She plugs these figures into the formula to calculate her benefit:



## CalSTRS resources



### WEB

CalSTRS.com  
Click *Contact Us* to email  
myCalSTRS.com  
403bCompare.com  
Pension2.com

STAY CONNECTED



### CALL

800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
916-414-1099  
Calls from outside the U.S.  
888-394-2060  
CalSTRS Pension2®  
personal wealth plan  
855-844-2468 (toll free)  
Pension Abuse Reporting Hotline



### WRITE

CalSTRS  
P.O. Box 15275  
Sacramento, CA  
95851-0275



### VISIT

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605  
  
Find your nearest  
CalSTRS office at  
[CalSTRS.com/localoffices](https://www.calstrs.com/localoffices)



### FAX

916-414-5040