

# Understanding the Formula

## Service Credit x Age Factor x Final Compensation

As a member of the Defined Benefit Program, you're entitled to a guaranteed, lifetime monthly 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. If you're a CalSTRS 2% at 60 member, you can retire as early as age 50 with at least 30 years of service credit.

See the *CalSTRS Member Handbook* for more information about eligibility for service retirement.

### Benefit Structures

CalSTRS has two benefit structures that determine how your benefit is calculated. Your initial hire date determines your benefit structure:

**CalSTRS 2% at 60**—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**—first hired to perform service that could be credited to the Defined Benefit Program on or after January 1, 2013.

### Your Retirement Formula

Your retirement benefit is based on the following formula, not on how much you contribute or how well CalSTRS investments perform:

**service credit x age factor x final compensation**

#### Service Credit

Service credit is the number of years, including partial years, you've worked and contributed to CalSTRS. You can earn up to one year of service credit in a 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 year. Any contributions on earnings from service in excess of one year will be credited to your Defined Benefit Supplement account up to any compensation cap. This account provides additional income for your retirement. Check your *Retirement Progress Report*, available on *myCalSTRS*, to find your service credit balance.

#### 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 you have. 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 percent at age 60. The age factor gradually decreases to 1.1 percent at age 50 if you retire before age 60 and gradually increases to 2.4 percent 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 percent to your age factor up to the maximum of 2.4 percent.



### CalSTRS 2% at 62

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

### 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 mid-year, could negatively affect your final compensation. See the CalSTRS *Member Handbook* or contact us for more information.

### CalSTRS 2% at 60 With 25 or More Years of Service

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

Your Member-Only retirement benefit provides a guaranteed monthly payment for your lifetime and 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](http://CalSTRS.com/videos) or contact us for more information.



### The Retirement Formula: How It Works

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

<b>24.000</b>	x	<b>.0240</b>	x	<b>\$5,500</b>	=	<b>\$3,168</b>
Service Credit		Age Factor		Final Compensation		Member-Only Monthly Retirement Benefit

\*\$67,000 + \$66,000 + \$65,000 = \$198,000/36 months = \$5,500

### 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](http://CalSTRS.com/localoffices)



#### FAX

916-414-5040