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, the greater your CalSTRS retirement benefit will be. Buying service credit 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. 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 two main 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.
- 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 not already credited in another public California retirement system.

For a complete listing, see the Purchase Additional Service Credit booklet available at CalSTRS.com/publications.

How Is the Cost Calculated?
The cost for purchasing a redeposit and the cost for purchasing permissive service credit are calculated differently. Estimate the cost to purchase service credit at CalSTRS.com/calculators.

Contact CalSTRS if you are under the CalSTRS 2% at 62 benefit structure and would like help determining the cost and benefit of a service credit purchase.

The California Public Employees’ Pension Reform Act of 2013 eliminated the ability to purchase nonqualified service credit, or “air time.”
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 in retirement.

<table>
<thead>
<tr>
<th>Years of Service Credit</th>
<th>Age Factor</th>
<th>Annual Earnable Compensation</th>
<th>Annual Benefit</th>
<th>Monthly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 (with purchase)</td>
<td>x 2%</td>
<td>x $60,000</td>
<td>$34,800</td>
<td>($34,800/12) = $2,900</td>
</tr>
<tr>
<td>28 (without purchase)</td>
<td>x 2%</td>
<td>x $60,000</td>
<td>$33,600</td>
<td>($33,600/12) = $2,800</td>
</tr>
</tbody>
</table>

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 $15,480. (Since contribution rates are adjusted annually, the cost would likely be higher.)

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

<table>
<thead>
<tr>
<th>Years of Service Credit</th>
<th>Contribution Rate*</th>
<th>Highest Annual Earnable Compensation</th>
<th>Cost to Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 32</td>
<td>1 x 17.0%</td>
<td>$35,000</td>
<td>$5,950</td>
</tr>
<tr>
<td>Age 59</td>
<td>1 x 25.8%</td>
<td>$60,000</td>
<td>$15,480</td>
</tr>
</tbody>
</table>

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

Note: This example does not apply to members under the CalSTRS 2% at 62 benefit structure.

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

Service credit purchases must be paid in full before your retirement date.