

# 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 likely will be. Buying service credit could pay off for you in the long run.



### 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 or worked part time before becoming a member, taken a sabbatical, taken an employer-approved leave, 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 compensation earnable, 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 and permissive service.

#### Redeposit

If you take a refund of your CalSTRS contributions and interest, you forfeit your service credit. You can buy back that service credit by redepositing all or a portion of your refunded contributions if you later return to a CalSTRS-covered position, or if you're a member of certain other California public retirement systems. Because you must also pay interest, the cost will be higher than the amount of your refund and will increase over time. You cannot redeposit Defined Benefit Supplement funds.

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

### Permissive service

You 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 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 of eligible service credit, see the *CalSTRS Member Handbook* at [CalSTRS.com/publications](https://www.calstrs.com/publications).

### How is the cost calculated?

The cost for redepositing a refund and the cost for purchasing permissive service credit are calculated differently:

**Redeposit = refunded contributions + interest from the date of refund**

**Permissive purchase = highest compensation earnable from most recent three years of creditable service × contribution rate × years of service credit being purchased**

Estimate the cost to redeposit or purchase permissive service credit at [CalSTRS.com/calculators](https://www.calstrs.com/calculators).

### Did you purchase nonqualified service credit in the past?

If you purchased nonqualified service credit in the past, see the *CalSTRS Member Handbook* for more information at [CalSTRS.com/publications](https://www.calstrs.com/publications).

# What just one additional year of service credit can do

For David, it's an extra \$150 a month for life.

## Calculating a benefit increase

**EXAMPLE:** David, a 35-year-old CalSTRS 2% at 62 member, plans to retire at age 62 with 29 years of service credit and a final compensation of \$90,000.

If he decides to purchase one year of service credit for the substitute teaching he did earlier in his career, the purchase will give him an extra \$150 per month in retirement.

## How purchased service credit can add to David's monthly benefit

Years of service credit	Age factor	Final compensation	Annual benefit	Monthly benefit
28 (without purchase)	× 2%	× \$90,000	= \$50,400	= (\$50,400/12) = \$4,200
29 (with purchase)	× 2%	× \$90,000	= \$52,200	= (\$52,200/12) = \$4,350

## Buy early to save money

The timing of David's purchase matters since age and compensation affect the cost of purchase. If David purchases the one year of permissive service credit for substitute teaching using this year's contribution rates and his highest compensation earnable from the last three school years is \$70,000, his \$150 extra per month will cost \$13,160.

If David waits until a later date, say at age 50 when he also has a higher salary of \$85,000, his \$150 extra per month would cost, at the present contribution rate, \$19,125. (Since contribution rates may be adjusted annually, the cost could be different.)



## David's potential cost to purchase one year of permissive service credit

	Years of service credit	Contribution rate	Highest compensation earnable	Cost to buy
Age 35	1	× 18.8%	\$70,000	= \$13,160
Age 50	1	× 22.5%	\$85,000	= \$19,125

*This hypothetical illustration is not meant to represent financial advice. This example does not apply if you're under the CalSTRS 2% at 60 benefit structure because you have a higher contribution rate that will result in a higher benefit amount.*

**NOTE:** Permissive service credit contribution rates are based on age and benefit structure and may be adjusted annually.

## For more information

See the CalSTRS *Member Handbook* available at [CalSTRS.com/publications](https://www.calstrs.com/publications). You can complete service credit purchase forms online from your *myCalSTRS* account or at [CalSTRS.com/forms](https://www.calstrs.com/forms).

*CalSTRS is governed by the Teachers' Retirement Law, available at [CalSTRS.com](https://www.calstrs.com), and other governing laws. If there is a conflict between the law and this publication, the law prevails.*

## CalSTRS resources



### WEB

[CalSTRS.com](https://www.calstrs.com)

[myCalSTRS.com](https://mycalstrs.com)

[403bCompare.com](https://403bcompare.com)

[Pension2.com](https://pension2.com)

### STAY CONNECTED



### CALL

800-228-5453

Calls from within the U.S.

916-414-1099

Calls from outside the U.S.

888-394-2060

CalSTRS Pension2®

Personal wealth plan

844-896-9120 (toll-free)

CalSTRS Compliance  
and Ethics Hotline

[CalSTRShotline.ethicspoint.com](https://www.calstrshotline.ethicspoint.com)



### WRITE

#### Postal mail

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

#### Overnight delivery to CalSTRS Headquarters

100 Waterfront Place  
West Sacramento, CA  
95605



### VISIT

Find your nearest  
CalSTRS office at  
[CalSTRS.com/local-offices](https://www.calstrs.com/local-offices).

Call ahead to verify  
the hours and services  
of your local office.



### FAX

916-414-5040

Place FSC logo here