

Considerations for Part-time Educators

Working in multiple positions? Understand how service credit and final compensation could affect you.

As a member of the CalSTRS Defined Benefit Program, your retirement benefit is based on a formula, not on the contributions you made throughout your career.

service credit x age factor x final compensation = your retirement benefit

When you work in multiple positions, service credit and final compensation become more important and may complicate the calculation.

Be sure to meet with a CalSTRS benefits specialist at least three years before you plan to retire to explore your options and determine the best plan for your unique situation.



Retirement benefit formula components

Service credit

Service credit is the number of full and partial years you paid into CalSTRS. The most service credit you can earn in one school year is 1.000. Service credit is calculated by dividing your salary earned by the annualized pay rate of the assignment.

service credit = salary earnings ÷ annualized pay rate

Age factor

The age factor is the percentage of your final compensation you'll receive for every year of service credit.

Final compensation

Final compensation is an average of your highest annual earnable salary over a period of 36 months, or 12 months for members who qualify. For a part-time educator working multiple assignments, this is a weighted average.

★ Your service credit and final compensation are calculated based on your employers' reporting of different pay types you earn. In addition to your regular salary, you may be paid a stipend or an additional amount for teaching a particular subject area.

Service credit and final compensation are the most important components for a part-time educator who works in multiple positions. See the reverse side for an example of how Lisa, a CalSTRS 2% at 62 member who works part time for two employers and is only paid her regular salary, can use these components advantageously.

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Determining service credit

Lisa earns a different amount of service credit for each assignment she works. Her service credit is calculated by dividing her earnings by her annualized pay rate for each assignment.

Employer A

Lisa is hired to teach 300 hours (50% load) at \$60 per hour. Working 300 hours at \$60 per hour, she will earn \$18,000.

The full-time equivalent for this position is 600 hours for the school year. By multiplying \$60 by 600 hours, she finds that the annualized pay rate for this position is \$36,000.

To find her service credit, she divides her earnings by the annualized pay rate.

$$\mathbf{\$18,000 \div \$36,000 = 0.500}$$

Her service credit for this assignment is 0.500.

Employer B

Lisa is hired to teach 219 hours (25% load) at \$55 per hour. Working 219 hours at \$55 per hour, she will earn \$12,045.

The full-time equivalent for this position is 875 hours for the school year. By multiplying \$55 by 875 hours, she finds that the annualized pay rate for this position is \$48,125.

To find her service credit, she divides her earnings by the annualized pay rate.

$$\mathbf{\$12,045 \div \$48,125 = 0.250}$$

Her service credit for this assignment is 0.250.

★ The full-time equivalent is the number of hours required to complete a full-time contract.

Annualized pay rate: Working in multiple positions

As Lisa approaches retirement, she meets with a CalSTRS benefits specialist who points out that the annualized pay rate with Employer A is lower than the annualized pay rate with Employer B.

Employer	FTE	Annual earnings	Annualized pay rate	Service credit
A	600	\$18,000	\$36,000	0.500
B	875	+ \$12,045	\$48,125	+ 0.250
			\$30,045	0.750

$$\mathbf{\$30,045 \div 0.750 = \$40,060 \text{ compensation earnable}}$$

If Lisa stops working for Employer A, her annual compensation earnable will be based on her annualized pay rate of \$48,125, which is higher than if she worked for both employers—but she will earn less service credit.

★ Your annualized pay rate is the amount you could earn if you worked a full-time load.

Final compensation considerations

Since Lisa's final compensation is a weighted average of her highest 36 consecutive months, she can maximize her final compensation if she stops working for Employer A three years before retirement. However, she also needs to think about her take-home pay and the impact of having less service credit. Ultimately, she decides to stop working for Employer A one year before retirement.

If Lisa had worked for both Employer A and Employer B during her last 36 months, her final compensation would be \$3,338:

Year 1	\$40,060
Year 2	\$40,060
Year 3	\$40,060
Total compensation earnable	\$120,180

$$\mathbf{\$120,180 \div 36 \text{ months} = \$3,338 \text{ final compensation}}$$

$$\mathbf{22.75 \text{ years service} \times 2.4\% \text{ age factor} \times \$3,338 \text{ final compensation} = \$1,823}$$

Lisa's monthly retirement benefit would have been \$1,823.

However, working only for Employer B during her final year increases her final compensation to \$3,562 even though she earns less service credit:

Year 1	\$40,060
Year 2	\$40,060
Year 3	\$48,125
Total compensation earnable	\$128,245

$$\mathbf{\$128,245 \div 36 \text{ months} = \$3,562 \text{ final compensation}}$$

$$\mathbf{22.25 \text{ years service} \times 2.4\% \text{ age factor} \times \$3,562 \text{ final compensation} = \$1,902}$$

Lisa's monthly retirement benefit increases by \$80 to \$1,902.