

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.



Here's 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, or 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

When 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 are a member of certain other California public retirement systems. Because you must also pay interest, the cost will be much 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 also 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, see the *Purchase Additional Service Credit* booklet 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 x contribution rate x 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 *Member Handbook* for more information.

What Just One Additional Year of Service Credit Can Do

For David, it's an extra \$100 a month for life.*

Example:

Calculating a Benefit Increase

Assuming David, a 2% at 60 member, retires at age 60 with 29 years of service credit and a final 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.

How Purchased Service Credit Can Add to David's Monthly Benefit

| Years of Service Credit | Age Factor | Final Compensation | Annual Benefit | Monthly Benefit |
|-------------------------|------------|--------------------|----------------|---------------------------|
| 29 (with purchase) | x 2% | x \$60,000 | = \$34,800 | = (\$34,800/12) = \$2,900 |
| 28 (without purchase) | x 2% | x \$60,000 | = \$33,600 | = (\$33,600/12) = \$2,800 |

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 when he is 32 using this year's contribution rates, and his highest compensation earnable in the last three school years is \$35,000, his \$100 extra per month will cost \$7,595.

If David waits until a later date, say at age 59 when he also has a higher salary of \$60,000, his \$100 extra per month would cost, at the present contribution rate, \$18,660. (Since contribution rates are 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 32 | 1 | x 21.7% | \$35,000 | = \$7,595 |
| Age 59 | 1 | x 31.1% | \$60,000 | = \$18,660 |

This hypothetical illustration is not meant to represent financial advice. This example does not apply to you if you are under the CalSTRS 2% at 62 benefit structure because you have a lower contribution rate that will result in a lower benefit amount.

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

For More Information

See the booklet, *Purchase Additional Service Credit*, available at CalSTRS.com/publications. You can complete and print service credit purchase forms online from your *myCalSTRS* account or at CalSTRS.com/forms.

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