Purchase Additional Service Credit
Additional Service Credit Will Increase Your Retirement Benefit
2013
The California Public Employees’ Pension Reform Act of 2013 made significant changes to the benefits for members first hired to perform CalSTRS creditable activities on or after January 1, 2013, and who never before performed CalSTRS creditable services under a different retirement system, including Social Security. As a result, CalSTRS now has two benefit structures:

- Members first hired on or before December 31, 2012, are under CalSTRS 2% at 60.
- Members first hired on or after January 1, 2013, are under CalSTRS 2% at 62.

For more information, see the Member Handbook 2013, available at CalSTRS.com/publications.

The information in this brochure applies to CalSTRS Defined Benefit Program members. If a conflict arises between this information and the Teachers’ Retirement Law, the law prevails.

The Governor and Legislature occasionally make statutory changes that may affect your retirement. We make every effort to communicate these changes to you, but legislation can undergo rapid change. To stay informed, consult a variety of sources, including the California State Legislative information website at leginfo.ca.gov, CalSTRS.com, CalSTRSbenefits.us, and your union or elected legislative representatives.
As a CalSTRS member, you participate in a hybrid retirement system that includes a traditional defined benefit plan (Defined Benefit Program), a cash balance plan (called the Defined Benefit Supplement) and a voluntary defined contribution plan (CalSTRS Pension2®). Your service retirement benefit under the Defined Benefit Program is based on your years of service credit, your age at retirement and your final compensation.

The more service credit you have, the more your monthly retirement benefit will be. This brochure describes ways to increase service credit and shares information to help you make an informed decision.

You may purchase a portion, rather than all, of any additional service credit you have available. However, you cannot purchase service credit if you have received, or are eligible to receive, credit for the service covered by another public retirement system.

If you are on Disability Coverage A, you are eligible to buy additional service credit.

If you plan to purchase additional service credit just before retirement, CalSTRS must receive your payment in full before your retirement date.

**Retirement Formula**
The retirement formula, set by law, multiplies three elements:

- Your years of service credit.
- A percentage based on your age at retirement.
- Your final compensation, which is equal to the highest average annual earnable compensation for three consecutive years, or 12 months if you have earned 25 years of service credit. If you are a new member first hired on or after January 1, 2013, your final compensation is based on your highest three consecutive years of pay.

The California Public Employees’ Pension Reform Act of 2013 eliminated the ability to purchase nonqualified service credit, or “air time.”
Rewards for Higher Service Credit
Benefit enhancements provide additional incentives to retire with as much service credit as possible.

One-Year Final Compensation*
If you retire with 25 or more years of qualified service credit, the highest 12 consecutive months of your average compensation earnable during a school year will be used in your retirement benefit calculation, rather than the average of your highest three consecutive years.

Career Factor*
If you retire with 30 or more years of service credit, 0.2 percent will be added to the age factor, up to a maximum combined age factor and career factor of 2.4 percent.

See the Member Handbook for details on benefit enhancements.

Calculating Your Benefit
To see how your service credit purchase will increase your Defined Benefit pension, visit CalSTRS.com/calculators. Use the Retirement Benefits Calculator to estimate your monthly benefit with and without the additional service credit.

Steps in the Purchase Process
There are six steps to purchasing service credit:
1. Understand the types of service credit available for purchase.
2. Estimate the cost to purchase at CalSTRS.com/calculators.
3. Decide if a service credit purchase is right for you. A CalSTRS benefits counselor can help you calculate costs, estimate the potential increase to your retirement benefit, and determine recovery time. Contact a financial professional for advice regarding your situation.
4. Complete and print service credit forms from your myCalSTRS account by selecting “Complete and Submit Forms,” or print the forms from CalSTRS.com/forms.
5. Review the billing statement CalSTRS will send you, with the exact cost, if you’re eligible to purchase service credit.
6. Make the purchase. Purchases must be paid in full prior to retirement.

See page 11 for additional information.

*The California Public Employees’ Pension Reform Act of 2013 made significant changes to the benefits for members first hired on or after January 1, 2013, including eliminating the career factor and requiring that final compensation be based on the highest three consecutive years of pay regardless of years of service.
Types of Service Credit to Purchase

Redeposit
If you previously terminated CalSTRS-covered employment and withdrew your retirement contributions and interest (refund), you can make a full or partial redeposit of your Defined Benefit contributions if you return to CalSTRS membership or if you are a member of one of these California public retirement systems:

- CalPERS
- Legislators’ Retirement System
- San Francisco City and County Employees’ Retirement System
- University of California Retirement Plan
- Systems under County Employees’ Retirement Law of 1937, which include the following counties: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

A redeposit allows you to restore the service credit you lost by your earlier refund. To receive the same amount of service credit you had when you took the refund, you will have to pay the interest that the refunded amount would have earned had the funds remained in your CalSTRS account. The longer the elapsed time between your refund and redeposit, the higher the redeposit amount will be.

Redepositing does not re-establish your earlier membership date or satisfy the requirement to work one year after reinstatement for eligibility for certain benefits.

If you took a refund before 2013 and return to active membership on or after January 1, 2013, you will remain under the CalSTRS 2% at 60 benefit structure (see page 2).

You can choose to redeposit a portion, rather than all, of refunded service credit along with applicable interest. If you received multiple refunds, CalSTRS adds each refunded amount, plus interest, to arrive at a total cost. You can then redeposit a portion of that total cost.

You may not redeposit refunded Defined Benefit Supplement contributions and interest.

Community Property Refund
Some court-ordered community property settlements divide your service credit, contributions and interest to create a separate account for your former spouse or registered domestic partner. This division will reduce your service credit.

If you are a current CalSTRS member and your former spouse or partner takes a refund of that separate account, you may purchase all or a part of your lost service credit. If you do not purchase your lost service credit, it will not be counted in calculating your retirement benefit. However, that service credit will count in determining your eligibility for the career factor and one-year final compensation benefit enhancements (see page 4).
**Local Service**
Teachers who were active in the Los Angeles local retirement system on July 1, 1972, and refunded from that system, have the opportunity to redeposit their contributions into CalSTRS. Benefits are reduced at retirement for those members who do not redeposit their contributions.

To redeposit service credit, use the *Redeposit or Purchase of Permissive Service Credit* form.

**Permissive Service Credit**
You may purchase service credit for performing certain other, non-CalSTRS activities. You may purchase a portion or all of any permissive service credit for creditable service you have performed. You may not, however, purchase credit for service:

- You performed as summer school time, prior to July 1, 2002.
- For which you have received, or are eligible to receive, credit in another California public retirement system.

To purchase service credit for the following activities, use the *Redeposit or Purchase of Permissive Service Credit* form:

- **Nonmember service**: Part-time or substitute service in the California public school system before you were a CalSTRS member or between refunding and becoming a CalSTRS member again.
- **Maternity or paternity leave**: Leave approved by your CalSTRS-covered employer, not to exceed 24 months.*
- **FMLA or CFRA Family Medical Leave**: Employer-approved leave under Family Medical Leave Act and California Family Rights Act guidelines for up to 12 work weeks in any 12-month period. You cannot purchase family medical leave for events that occurred before January 1, 1992, the effective date of the FMLA.*
- **Sabbatical leave**: Qualified employer-approved leave in California as authorized by your school district.*
- **Fulbright leave**: Employer-approved leave in any program under the Federal Mutual Educational and Cultural Exchange Program.*
- **Child care center**: Certificated teaching position in a California child care center operated by a county superintendent of schools or school district.
- **Native American school**: Certificated teaching position in a federally administered and supported Native American school in California.
- **School for the deaf or blind**: Teaching in the California School for the Deaf or the California School for the Blind or other special classes operated by California public schools for deaf or blind persons.
- **Job Corps**: Up to two years of service credit in a certified teaching position in a Job Corps center administered by the federal government in California. You must have been a CalSTRS member before starting your Job Corps position and returned to CalSTRS-covered employment within six months of terminating it.
- **Peace Corps**: Up to two years of service credit for service performed in a teaching position. You must have been a CalSTRS member before entering the Peace Corps and returned to CalSTRS-covered employment within six months of terminating your Peace Corps service.
- **Certain active U.S. military service**: Before 1994, active CalSTRS membership within one year prior to entering military is required. A copy of the DD214 must accompany this request. If your military service is after 1994, contact your employer.

*These types of permissive service credit purchases require verification from the employer who approved the leave, using the CalSTRS Verification of Employer-Approved Leaves form or a letter from the employer. The letter must be on the employer’s letterhead and identify the time frame (to and from dates) and the type of approved leave. The employer verification must accompany the Redeposit or Purchase of Permissive Service Credit form. These forms are available online at CalSTRS.com/forms and myCalSTRS.
Out-of-State or Foreign School Service
This includes work in public education for another state, U.S. territory, overseas school administered by the Department of State or a foreign public school that provides a level of education comparable to grades K–12. If you buy service credit you earned in another public retirement system, excluding Social Security, you must give up benefits you would have received from that system. To purchase this credit, use the Out-of-State or Foreign School Service Credit Certification form.

University
This includes teaching at the University of California or California State University that is not credited or cannot be purchased in another public retirement system. To purchase this credit, use the Verification for California Public University Service Credit form. Do not use this form for service performed in a California community college.

Cash Balance Service
If you are a member currently contributing to the Defined Benefit Program and you contributed to the Cash Balance Benefit Program as a part-time teacher, your Cash Balance service may be converted to service credit under the Defined Benefit Program.

For more information on this conversion, call CalSTRS at 800-228-5453 and ask about the Request to Consolidate Benefits package or go to CalSTRS.com.

Service credit plays an important role in building your CalSTRS retirement income.
The Cost to Buy

Redeposit
The cost to redeposit depends on how much service credit you wish to purchase and, because interest must be paid, the length of time between the refund and the request to redeposit the funds.

Because most members end up making a redeposit close to retirement, the time gap between the refund and the redeposit is often large. This gap can make the redeposit costly. You can purchase a portion, rather than all, of the service credit represented by any refund you received. If you took multiple refunds, the cost will be a weighted average of the total of all refunds plus interest.

To estimate the cost to redeposit refunds, visit CalSTRS.com/calculators.

Example
• Julia became a CalSTRS member in 1981 and then terminated her employment in 1992, taking a refund of $19,500 for her 11 years of service credit. She returned to CalSTRS-covered employment in 1994, and in 2013, bought back those 11 earlier years of service credit. The full cost of that purchase was $72,061, which included her original refund of $19,500 plus $52,561 in interest.

Benefit of Redeposit Example
If Julia worked full time from 1994 until her retirement in 2013 at age 60, she would have 19 years of service credit without the purchase of the refunded service credit. However, with the additional 11 years, she would have 30 years of service credit, which would qualify her for the benefit enhancements of career factor and one-year final compensation.

Before Purchase: Multiply 19 years of service credit (1994–2013) x 2 percent age factor x $5,000 final compensation (using Julia’s highest average annual compensation: $58,000; $60,000; $62,000) = $1,900 monthly benefit.

<table>
<thead>
<tr>
<th>Years of Service Credit</th>
<th>Age Factor</th>
<th>Average 36 Months Final Compensation</th>
<th>Monthly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>x</td>
<td>$5,000</td>
<td>$1,900</td>
</tr>
</tbody>
</table>

After Purchase: Multiply 30 years of service credit x 2.2 percent age factor x $5,167 final monthly compensation (using Julia’s highest final compensation of $62,000) = $3,410 monthly benefit.

<table>
<thead>
<tr>
<th>Years of Service Credit</th>
<th>Age Factor and Career Factor</th>
<th>One Year Final Compensation ÷ 12</th>
<th>Monthly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>x</td>
<td>$5,167</td>
<td>$3,410</td>
</tr>
</tbody>
</table>

This is a benefit increase of $1,510 a month after purchasing the 11 years of service credit.

Time to Recover Costs:

<table>
<thead>
<tr>
<th>Purchase Cost</th>
<th>Monthly Increase</th>
<th>Time to Recover Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$72,061</td>
<td>$1,510</td>
<td>47.7 months ÷ 12 = 3.98 years</td>
</tr>
</tbody>
</table>

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

The cost to purchase permissive service credit depends on your highest annual earnable compensation in the last three years of CalSTRS-covered employment, the amount of service credit being purchased, and the current permissive service credit contribution rate for your age (see table below).

To accurately calculate the cost for this purchase, CalSTRS must verify current or past service performance in certain other California public retirement systems. The salaries for this service will be used if they are higher than your highest CalSTRS salary.

2. Multiply the result by your highest annual earnable compensation during the last three years.

Permissive Service Credit Cost Example

In August 2012, Gabriel wanted to purchase one year of service credit for his employer-approved paternity leave. Gabriel was in the 30–39 age group at a contribution rate of 17.0 percent. His highest annual earnable compensation from the last three years was $50,000.

<table>
<thead>
<tr>
<th>Years of Service to Purchase</th>
<th>Permissive Contribution Rate</th>
<th>Highest Annual Earmable Compensation</th>
<th>Cost to Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>x 17%</td>
<td>$50,000</td>
<td>$8,500</td>
</tr>
</tbody>
</table>

If Gabriel retired at age 60 with 29 years of service credit (including the paternity leave service credit) and his highest annual earnable compensation was $80,000, his monthly retirement benefit would increase by $133 per month.

Visit CalSTRS.com/calculators to estimate the cost to purchase permissive service credit. To manually calculate your cost:

1. Multiply the amount of service credit (years) you want to purchase by the contribution rate for your age group.

Contribution Rates

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2012–13 Contribution Rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>20–29</td>
<td>15.5%</td>
</tr>
<tr>
<td>30–39</td>
<td>17.0%</td>
</tr>
<tr>
<td>40–49</td>
<td>20.5%</td>
</tr>
<tr>
<td>50–59</td>
<td>25.8%</td>
</tr>
<tr>
<td>60–69</td>
<td>29.7%</td>
</tr>
<tr>
<td>70 and older</td>
<td>24.7%</td>
</tr>
</tbody>
</table>

*Members under the CalSTRS 2% at 62 benefit structure may be subject to different rates. Rates can change each July 1. The new rates are available in spring by calling 800-228-5453.
Make an Informed Decision

Regardless of the type of service credit you purchase, you will want to compare the purchase price with the potential boost in your retirement benefit. To help you make an informed decision, a few simple steps can provide you with an idea of the cost and how long it will take to recover that cost.

1. Calculate the cost to purchase the service credit.
   - **Online**: Go to CalSTRS.com/calculators.
   - **Manually**: See the steps on page 9.

2. Estimate the monthly increase you would receive with the extra service credit. Use the Retirement Benefits Calculator at CalSTRS.com/calculators to estimate your monthly payment with and without the extra service credit.

3. Calculate how long it will take to recover your cost to pay for the service credit.

   - For a rough estimate, divide step 1, the cost of buying the service credit, by step 2, your monthly benefit increase. Then divide this amount by 12 (months). See example under “Benefit of Redeposit Example” on page 8.

We recommend discussing your options with a professional financial planner.

To help you make important decisions about your retirement, read more online at CalSTRS.com.
After you estimate the cost to purchase service credit, the increase to your monthly benefit and the recovery time—the time it will take you in retirement to recover your cost to purchase the increase to your monthly benefit—your next action is to make the purchase.

There are three required steps to make the purchase:

1. Go to myCalSTRS or CalSTRS.com/forms and complete the proper form, then mail it to CalSTRS.
2. CalSTRS determines your eligibility and sends you a billing statement.
3. Select your payment choice and return your billing statement by the due date. Failure to respond by this date may result in a higher cost to purchase your service credit or denial, if you have retired.

Payment methods may include any combination of the following:

- A lump-sum payment.
- Rollover from a qualified plan.
- Up to 120 monthly installments (not less than $25 each) made by direct mail or payroll deduction. Interest is charged each month on the unpaid balance. You must complete the purchase before you retire.

For payroll deduction, select the payment schedule that meets your financial needs. Payments may be tax deferred if authorized by your employer. Once you sign up for tax-deferred payments, you cannot change the payment method, amount or period of installments. You are locked into an irrevocable payment authorization contract.

However, under certain circumstances, such as termination of employment or retirement, the contract may be terminated.

If you requested to purchase only a partial amount of your available service credit and want to purchase the remaining service credit, the cost of the service will be calculated at current rates, which may be at a higher cost. Payments are not accepted after you retire.

You must inform CalSTRS when changing school districts if your payments are made through payroll deductions.

Your service credit purchase must be paid in full prior to your retirement date. Purchased service credit does not post to your account until paid in full. Under certain conditions, members may receive prorated service credit at retirement for amounts already paid.

You may roll over funds from a qualified plan such as a 403(b), 401(a), 401(k), 457 or IRA for all or a portion of the purchase amount. CalSTRS will provide a rollover request with your billing statement. Rollovers and lump-sum payments may be completed in combination with installment plans but must be completed before beginning tax-deferred payroll deductions.

CalSTRS must receive the signed billing statement along with your payment (lump sum or initial monthly installment), your payroll deduction or rollover request by the due date on the billing statement.

Estimating Installment Payments
Interest will be charged on the unpaid portion of your balance if you pay in installments. All interest paid to purchase service credit is added to your CalSTRS Defined Benefit retirement account. You can estimate how much your payments would be by using the cash payments and payroll deductions Finance Calculator at CalSTRS.com/calculators.

If you are nearing retirement and purchasing service credit, particularly if you intend to pay for service credit with a rollover, we recommend you contact CalSTRS at least 90 days or more before your retirement date to complete payment. Your service credit must be paid in full before your retirement date.
CalSTRS Resources

WEB
CalSTRS.com
Click Contact Us to e-mail
403bCompare.com
Pension2.com
CalSTRSbenefits.us

CALL
800-228-5453
7 a.m. to 6 p.m.
Monday through Friday
888-394-2060
CalSTRS Pension2®
Personal Wealth Plan
855-844-2468
Pension Abuse Reporting Hotline

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

VISIT
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100 Waterfront Place
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Find your nearest CalSTRS office at
CalSTRS.com/localoffices

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