



California Public Employees' Retirement System
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Announcements

Circular Letter

April 2, 2019

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Distribution: IV, V, VI, X, XII, XVI

To: All CalPERS Employers
Subject: Encourage Employees to Purchase Service Credit Early in Their Career

Purpose

The purpose of this Circular Letter is to provide California Public Employees' Retirement System (CalPERS) agencies with information about the various types of service credit purchase options, provide resources on how employees will benefit from purchasing service credit early in their career, and ensure employees are able to make an informed decision prior to purchasing service credit.

Service Credit Purchase Options

CalPERS provides eligible members with the option to purchase more than 25 different types of service credit. Some of the most common options include:

- **Service Prior to Membership:** time worked for a CalPERS-covered employer prior to establishing CalPERS membership
- **Redeposit of Withdrawn Contributions:** redeposit of contributions and interest previously refunded after an employee left CalPERS covered employment
- **Leave of Absence:** time during which an employer authorized an employee to be absent during normal work hours, for reasons such as educational, maternity/paternity, sabbatical, serious illness, service, or temporary disability leave of absence
- **Military:** time spent serving active duty military prior to CalPERS-covered employment

How Service Credit Benefits Employees

Purchasing service credit may help secure your employees' financial future. Service credit is one of three prime factors used to calculate an employee's retirement benefit, along with retirement formula and final compensation. The more service credit an employee has at retirement, the higher their retirement benefit might be. Employees can refer to the [Service Credit Purchase Handout \(PDF\)](#) to gain additional knowledge of the various types of service credit, and how a service credit purchase may benefit them. Employees can also use the [Service Credit Cost Estimator](#) to estimate the cost of purchasing service credit, and help determine if the potential cost is worth the potential benefit.

Advantages of Purchasing Service Credit Early

The cost to purchase service credit may increase the longer an employee waits to submit a request for cost information to CalPERS.

Encouraging employees to purchase service credit early in their career will benefit them by:

- Reducing the cost of the service credit purchase to save money
- Ensuring they will be able to get proper certification of employment for certain service credit purchase types (e.g., Service Prior to Membership), as the payroll records will be more easily obtainable
- Providing more opportunities for employees to pay off their service credit purchase balance in full prior to retirement, which will ensure they maximize their retirement benefit

Resources

Encourage your employees to read the [Service Credit Purchase Handout \(PDF\)](#) to gain knowledge on how a service credit purchase may benefit them, as well as review the [Service Credit Purchase Options \(PUB 12\) \(PDF\)](#) and the [Military Service Credit Options \(PUB 15\) \(PDF\)](#), all available on our website at www.calpers.ca.gov.

To learn more about service credit purchase options, employers can refer to the [Public Agency & Schools Reference Guide \(PDF, 1.65 MB\)](#) and the [State Reference Guide \(PDF, 1.42 MB\)](#) by visiting our website at www.calpers.ca.gov.

Questions

If you have any questions about the information provided in this Circular Letter, contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Donald R. Martinez, Chief
Member Account Management Division