



Final Compensation

CalSTRS 2% at 60

If you are a CalSTRS 2% at 60 member, and you retire with 25 or more years of service credit, CalSTRS uses your highest 12 consecutive months of average annual compensation earnable as the final compensation component in your retirement calculation.

The following cannot be used to qualify for the necessary 25 years:

- Unused sick leave in excess of two-tenths of one year
- Nonqualified service credit
- Retirement incentive credit

If you have fewer than 25 years of service credit, your final compensation is based on your highest average annual compensation earnable during any period of 36 consecutive months of paid employment covered by CalSTRS. CalSTRS will automatically determine your final compensation by searching your past 15 years of records.

Eligible classroom teachers with fewer than 25 years of service credit may use 12 month final compensation if it is included in a written collective bargaining agreement, all costs are paid by the employer or the employee, or both, and the collective bargaining agreement was not entered into, extended, renewed or amended after January 1, 2014.

CalSTRS 2% at 62

If you are a CalSTRS 2% at 62 member, your final compensation is based on your highest 36 consecutive months of average compensation earnable, and you are not eligible for 12 month final compensation.

All Members

For all members, 36 month final compensation may be calculated using non-consecutive periods if your salary was reduced as a result of a reduction in school funds. Upon certification from your employer, CalSTRS will exclude the period of the salary reduction when determining final compensation.

Compensation Earnable

Compensation earnable is the creditable compensation you could earn in a school year for service performed on a full-time basis. Your compensation earnable is determined by dividing the sum of your earnings for which contributions are credited to your Defined Benefit account by the sum of your service credit earned during the school year.

If you have earned creditable compensation at multiple pay rates during a school year and your service credit at the highest pay rate is at least equal to 90 percent of a school year, then your compensation earnable will be your highest pay rate.

To determine the average annual compensation earnable for final compensation purposes, your highest compensation earnable is pro-rated for years in which you did not complete the school term.

For example, if you terminate employment in December and retire in January in the middle of the school term, CalSTRS will determine 12 months of average annual compensation earnable by combining one half of your compensation earnable for the 6 months of the year of your retirement with one half of the previous year's compensation earnable for the previous 6 months.

Compensation Limits

Your compensation earnable may also be limited by federal or state law. Compensation in excess of these limits is not considered creditable compensation. As a result, CalSTRS will not collect any contributions on excess amounts.

Although your creditable compensation and compensation earnable cannot exceed these limits, your service credit will be determined based on all your service without consideration of the limits.

Internal Revenue Code section 401(a)(17) limits the compensation that can be used to calculate defined benefit pensions for anyone who became a member of a government pension plan, including CalSTRS, on or after July 1, 1996. For fiscal year 2017–18, the IRC 401(a)(17) compensation limit is \$270,000.

If you are a CalSTRS 2% at 62 member, the Public Employees' Pension Reform Act of 2013 (PEPRA) similarly limits creditable compensation and compensation earnable. For fiscal year 2017–18, CalSTRS compensation limit for 2% at 62 members is \$143,082.

Current and previous compensation limits:

School Year	PEPRA Compensation Limit*	401(a)(17) Compensation Limit
January 1 to June 30, 2013	\$136,440	\$250,000
2013–14	136,440	255,000

2014-15	137,941	260,000
2015-16	137,941	265,000
2016-17	139,320	265,000
2017-18	143,082	270,000

**The first annual adjustment to the limit went into effect on July 1, 2014.*