

# CONVERSION

## INTRODUCTION

If you have service prior to July 1, 1980, you may want to convert it to the five-year average current formula to increase your TRAF pension.

The cost to convert is based on the increase to your pension. The higher the increase, the higher the cost.

## HOW IT WORKS

To be eligible, you must have service before July 1, 1980, and you cannot be receiving a pension.

### For service prior to July 1, 1980

The salary used in your pension calculation is the average of your **highest seven salary years** out of your final 12 years.

### For service on and after July 1, 1980

The salary used in your pension calculation is the average of your **highest five salary years** out of your final 12 years.

You have the option of paying to convert your pre-July 1980 service to a five-year average. This will likely increase your pension because the average of five years is almost always higher than the average of seven years.

## HOW TO PROCEED

If you would like the cost calculated, complete a [Service Purchase Application](#) and return it to TRAF. Generally, the best time to convert is at retirement when we know the exact amount of the increase to your pension.

Once we receive your request, we will supply a letter outlining the cost to purchase and the estimated impact to your future pension.

You are not obligated to make the payment even if you request the calculation. If you decide not to make the payment at this time, you can apply again any time before you retire.

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## MAKING PAYMENTS

Once we calculate your cost, you have 90 days to pay before the cost expires. Depending on when you retire, these deadlines may change. Make sure you discuss this with a Member Services Specialist.

You have the option of making your payments through a transfer of your RRSP funds. RRSP transfers can only be accepted if the RRSPs are in the plan member's name. TRAF cannot accept a transfer from a LIRA/LRIF/LIF from a jurisdiction outside of Manitoba.

To make an RRSP transfer:

- Ask your financial institution to help you complete **Canada Revenue Agency's T2033 form** (*Direct Transfer Under Subsection 146.3(14.1), 147.5(21) or 146(21), or Paragraph 146(16)(a) or 146.3(2)(e)*).
- Afterwards, forward the form to your financial institution's transfers department and have them mail the form with the transferred funds to our office. Do not send the form to TRAF.

You can choose to purchase only a portion of the cost to convert.

## INCOME TAX DEDUCTIONS

Contact Canada Revenue Agency for more information.

The total conversion payment can be deducted on your income tax return over time. Each year, you may deduct the difference between \$3,500 and your current annual TRAF contributions. If your annual TRAF contributions are greater than \$3,500, you have the option of carrying your payments forward to when you are making lower pension contributions or when you are no longer making pension contributions.

Payments made through RRSP transfers are not tax deductible. We suggest you contact your financial advisor to determine how your tax situation is impacted.