

# SUBSTITUTE SERVICE

## INTRODUCTION

If you have substitute service, you may want to purchase this service so it can count toward your TRAF pension.

Your TRAF pension is calculated using your years of service and average salary. The higher these two factors, the larger your pension.

## HOW IT WORKS

TRAF contributions are not generally automatically deducted for substitute service. As a plan member, you have the option of increasing your TRAF pension by paying contributions missed during your substitute service.

Counting each day of substitute service can increase your pension, as it increases your years of service.

## HOW TO PROCEED

If you would like the cost calculated, complete a **Substitute Service Purchase Application** and forward it to the school division(s) you taught for. The school division(s) must confirm the number of substitute days and related earnings. The school division(s) will complete the remainder of the form and submit it to TRAF.

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.

Please note that TRAF requires verification of both service and earnings in order to calculate a cost to purchase. If proper verification cannot be provided, TRAF will be unable to calculate a cost.

## TERMS OF PAYMENT

Generally, the longer you wait to pay, the more expensive it is to purchase your substitute service days.

### **If you apply by March 31 of the year following your substitute service:**

Your cost will be based on the actual contributions you should have made on those earnings.

### **If you apply after this date:**

Your cost will be calculated on the actuarial value of the substitute service. This cost is higher than the original contributions required above.

Different rules apply if you are paying for substitute service prior to 1966.

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**MAKING PAYMENTS**

Avoid interest charges by paying the cost as soon as possible.

You will have the choice to pay in full or by installments plus interest. The installment option is only available if your total cost exceeds \$1,000. Payments must be completed within four years before your pension starts.

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 your substitute service.

Interest will start to accrue on any unpaid balances 30 days after TRAF has provided the letter outlining the cost to purchase. Review the interest-free deadlines listed in the letter.

**INCOME TAX DEDUCTIONS**

Contact Canada Revenue Agency for more information.

**Payment for 1989 or earlier service:**

Can be deducted from your income over time for tax purposes. 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.

**Payment for 1990 or later service:**

Is tax deductible only in the calendar year the payment is made. However, it may reduce the amount you can contribute to your RRSPs or it may require de-registering some of your RRSPs. This is dependent on your RRSP contribution room.

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