

## CONVERSION

### INTRODUCTION

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

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

#### For service prior to July 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 after 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.

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

### HOW TO PROCEED

If you would like your cost calculated, complete a *Service Purchase Application*, which is available through our website or from our office and return it to TRAF. Once we receive your request, we will send you a letter detailing the cost and estimating the impact it will have on your pension.

You are not obligated to make the payment just because we have made the calculation. If you decide not to make the payment at this time, you can apply again any time before you retire.

*Generally, the best time to convert is at retirement when we know the exact amount of the increase to your pension.*

### 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.

If you prefer, you can pay a portion of the cost and therefore convert a portion of your service. You can request a cost for the balance of your pre-1980 years any time until retirement.

You also have the option of making your payments through a transfer of your RRSP funds. To make an RRSP transfer, ask your financial institution to help you complete a *Transfer of Registered Investments* available through our website or from our office.

## INCOME TAX DEDUCTIONS

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.

*Contact Canada Revenue Agency for more information.*