

## REFUNDED SERVICE

### INTRODUCTION

If you have received a refund of your TRAF contributions and you have returned to teach, you may want to pay it back into the plan so the related service 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.

Your pension is determined by your service and salary, not your contributions.

### HOW IT WORKS

Purchasing service that has previously been refunded to you allows that service to be credited to your account as if you never took the refund in the first place.

The advantage of purchasing refunded service almost always outweighs the cost.

### HOW TO PROCEED

If you would like the cost calculated, complete a *Service Purchase Application* available on 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.

### MAKING PAYMENTS

Once we calculate your cost, you have 90 days to pay before the cost expires. You will have the choice to pay in full or by installments plus interest. The installment option is only available for amounts over \$1,000. Payments must be completed within four years and all payments must be completed **before** your pension starts.

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 on our website or from our office.

You cannot buy a portion of refunded service; you must purchase the total amount.

It is best to pay the cost as soon as possible to avoid interest charges.

## INCOME TAX DEDUCTIONS

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

Payments made through an RRSP transfer are not tax deductible.

*Contact Canada Revenue Agency for more information.*