

SUBSTITUTE SERVICE

INTRODUCTION

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

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.

HOW IT WORKS

Your TRAF pension is calculated using your years of service and average salary. The higher these two factors, the larger your pension. 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* available through our website or from our office and return it to TRAF. Your school division must confirm the number of substitute days and related earnings.

Once we receive your request, we will send you a letter with the cost details and an estimate of the impact it will have on your pension.

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.

Requesting a cost does not obligate you to make a payment.

TERMS OF PAYMENT

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.

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

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

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.

MAKING PAYMENTS

Once we calculate your cost, 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 the transfer to TRAF, ask your financial institution to help you complete a *Transfer of Registered Investments* available through our website or from our office.

You can choose to purchase only a portion of your substitute service.

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

INCOME TAX DEDUCTIONS

If you choose to make a cash payment to purchase service after 1989, the full amount of your payment is deducted from your taxable income for the year of payment.

This may reduce your RRSP contribution room or may require you to de-register some of your RRSP funds. Payments made through an RRSP transfer are not tax deductible.

Different rules apply for purchasing service prior to 1990. See the **Tax Information fact sheet** for more detail.

We recommend you seek additional guidance from Canada Revenue Agency or tax professionals regarding the circumstances that apply to your personal situation.