

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 purchasing all or a portion of your substitute service days. If you purchase a portion, you must purchase substitute teaching days worked by whole fall or spring terms, starting with the most recent service first.

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 were employed at as a substitute teacher. The school division(s) must confirm the number of substitute days and related earnings for each applicable school term. The school division(s) will complete the remainder of the form and submit it to TRAF.

Once we receive all completed information, we will supply a letter outlining the cost to purchase the service 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.

APPLICATION BY MARCH 31 OF THE YEAR FOLLOWING YOUR SUBSTITUTE SERVICE

If you apply by March 31 of the calendar year following your substitute teaching days, your cost to purchase will be based on the actual contributions you should have made on those earnings. Under this option, there is no interest charged, and the only option is to pay in full by March 31. RRSP transfers are not permitted.

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APPLICATION AFTER MARCH 31 OF THE YEAR FOLLOWING YOUR SUBSTITUTE SERVICE

If you apply after March 31 of the calendar year following your substitute teaching days, the service may be more expensive as you are responsible for half the actuarial cost (member share) of the substitute teaching days.

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

Under this option, you 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 and minimum payments must be 25% of the total cost to a maximum of four payments. Payments must be completed within four years or before your pension starts, whichever comes first. Interest will start to accrue on any unpaid balances 30 days after TRAF has provided the letter outlining the cost to purchase.

You have the option of making payments through a transfer of your RRSP funds. RRSP transfers can only be accepted if the RRSPs are in your name. Also, TRAF cannot accept a transfer from a LIRA/LRIF/ LIF registered in 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 directly to your financial institution's transfer department and have them mail the form with the cheque payable to TRAF. Do not send the form to TRAF for initial processing.

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.