



2006 Pension Protection Act



Government Plan Provisions Affecting
Public Safety

Purchase of Service Credit

- Purchase of “air time” up to 5 years is allowable
- Provisions allowing service credit purchase with 457 plan assets made permanent

Early Distribution Penalty

- Distribution to public safety officer separated on or after age 50 not subject to 10% penalty
 - Previously age 55
 - Effective August 17, 2006
- Questions
 - Treatment in 2006
 - Public Safety Officer definition

Retiree Health Deduction

- Must separate from service due to disability or normal retirement
- Up to \$3,000 annually excluded from tax
- Purchase health/accident/long-term care for retiree, spouse or dependent

Retiree Health Deduction

- Premiums must be deducted by plan and paid directly to provider
- Questions
 - Public Safety Officer definition
 - Inclusion of duty and non-duty disability
- Treasury guidance expected January 2007

Treatment of Tribal Plans

- Changes the definition of governmental plans
 - Includes Indian tribal plans
 - “covering workers doing governmental functions”
- Can Indian tribal workers doing governmental jobs participate in State or local plans without jeopardizing plan status?
 - The answer appears to be “Yes”

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Questions?

Pension Protection Act of 2006

Government Plan Provisions Affecting Public Safety

1. Purchase of Service Credit Clarification
 - Purchase of “airtime” up to 5 years is permissible
 - Purchase of permissive service credit with 457 assets made permanent

2. Exception to Early Distribution Penalty
 - Distributions from governmental defined benefit plan to public safety officer, who separates from service on or after age 50 (previously 55), is not subject to 10% early withdrawal penalty.
 - Effective on date of enactment (August 17, 2006)
 - *Questions*
 - What employees beyond police officers, fire fighters, corrections officers, and paramedics are deemed “public safety officers”?
 - Does this apply in the year they turn 50, like the practice for the current age 55?

3. Retiree Health Deductions
 - Must separate from service as a public safety officer due to disability or normal retirement
 - Up to \$3,000 annually from governmental plan distributions excluded from tax
 - Purchase health/accident/long term care insurance for retiree, spouse or dependent
 - Premiums must be deducted and paid directly to the insurer by the governmental plan
 - *Questions*
 - Who is included in the definition of “public safety officer”?
 - Does disability retirement include both duty and non-duty disability?
 - Further guidance from Treasury expected by January 2007

4. Treatment of Tribal Plans as Government Plans
 - Changes the definition of governmental plans to include Indian tribal plans “covering workers doing governmental work”.
 - *Question*
 - Can Indian tribal workers doing governmental jobs participate in State or local plans without jeopardizing governmental plan status? Answer appears to be “yes”.