

# **Pension Protection Act of 2006**

## **How Does it Effect Correctional Officers?**

The following is a brief Q & A between ACOIN Executive Director Brian Dawe and Robert Underwood CPA concerning this legislation. Thanks to ACO Legislative Chairman Dean Balmer ([deanb@opea.org](mailto:deanb@opea.org), or [DeanBlmr7DBB@aol.com](mailto:DeanBlmr7DBB@aol.com)) for bringing this to our attention.

**Brian Dawe:** This past August President Bush signed into law the Pension Protection Act of 2006. What is it and how does it affect correctional officers across the nation?

**Robert Underwood, CPA:** In recent years the nation's retirement system has been rocked by the collapse of corporate giants such as WorldCom and Enron. In general the Act is in response to this and the continuing deterioration of the private pension system and the effect it will have on the participants who depend on it as well as the sponsors who must fund these plans.

For correctional officers the Act contains health care provisions designed to provide tax benefits for funding retiree health care and long term care costs. Beginning in 2007, the Act permits a retired public safety officer to direct, tax free, up to \$3,000 dollars a year from a government retirement plan to pay for health or long term care insurance premiums. A "public safety officer" is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew who worked for a public agency. The health or long term care premium payments must be for the participant, the participant's spouse, or a dependent. The governmental plan must pay the insurer directly. Individuals cannot receive reimbursements for having paid the premiums. In essence, this provision is providing the retiree with a tax free retirement distribution of up to \$3,000 dollars to pay the premiums.

In addition, distributions from retirement plans and IRAs are subject to an additional 10 percent tax if the participant is not at least 59-1/2 years old. For public safety personnel the Act reduces the minimum age requirement for exemption from the tax to age 50 provided the individual participated in a governmental pension plan and has separated from service.

**Brian Dawe:** How would a retired correctional officer take advantage of this opportunity?

**Robert Underwood, CPA:** I would encourage those who believe this applies to contact their benefits office as soon as possible to initiate the paperwork necessary to take advantage of the full benefit.

Note: The Omnibus Act of 1968 includes Correctional Officers in the definition of "public safety officer" so the Pension Protection Act applies to us. If you have any questions you can contact Robert Underwood at 781-245-1615.