Retirement Plans

IRS Provisions for Public Safety Workers

Strategies that can help you save money.

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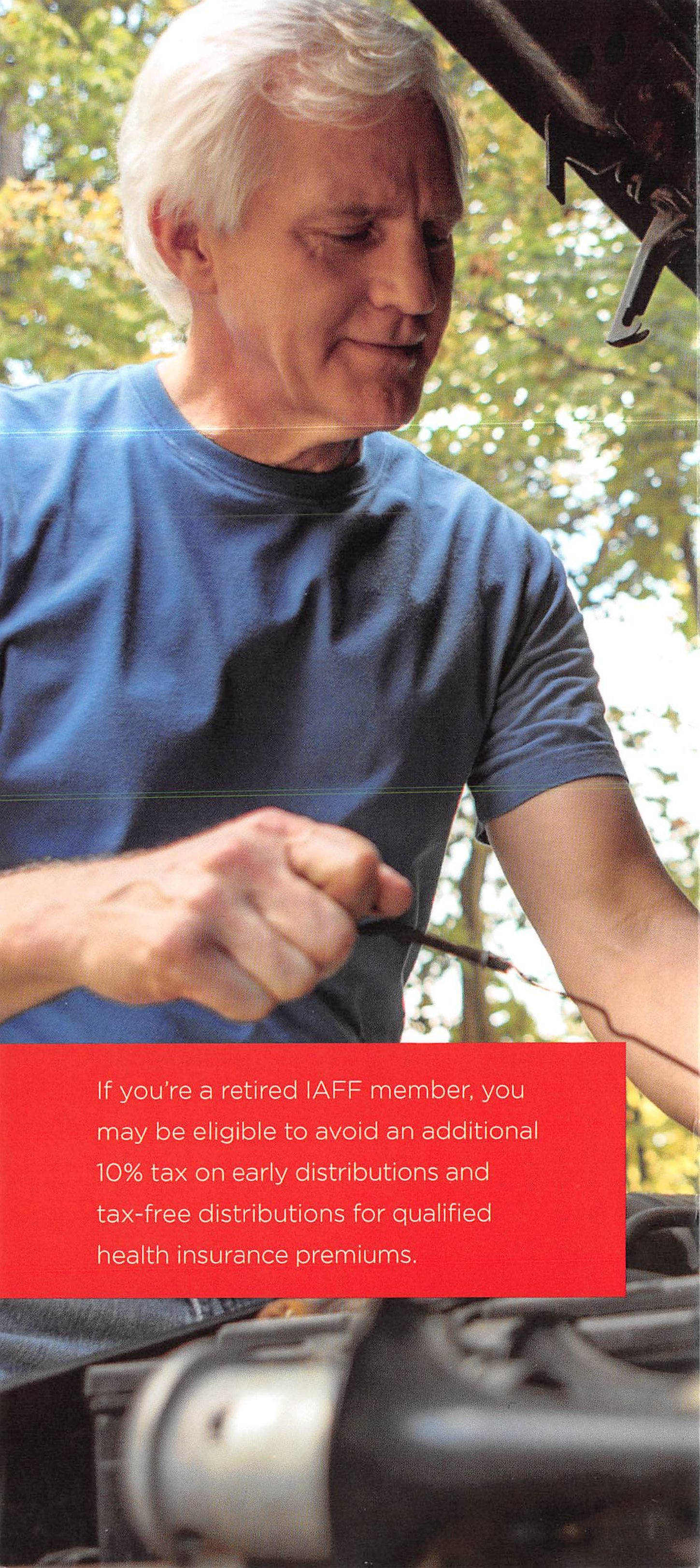

If you're a retired IAFF member, you may be eligible to avoid an additional 10% tax on early distributions and tax-free distributions for qualified health insurance premiums.

Special provisions for retired public safety workers.

Thanks to the federal Pension Protection Act of 2006 (PPA), lobbying by the IAFF and the Defending Public Safety Employees' Retirement Act signed into law in June 2015, public safety workers like fire fighters and other members of the IAFF can take advantage of two distribution provisions:

- **The first waives the 10% early distribution tax** if you separate from service at age 50 or older, effective January 1, 2016.
- **The second allows you to reduce your taxable income** by paying qualified health premiums with up to $3,000 directly from your 457(b) deferred compensation plan (deferred comp). You may know this as the HELPS bill (Healthcare Enhancement for Local Public Safety) or Provision 845.

Public safety employees include[1]:

- police, border protection and customs officers
- corrections officers
- specified federal law enforcement officers
- firefighting services employees, including Federal firefighters
- emergency medical services employees
- air traffic controllers

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[1] Check with your primary retirement plan administrator for determination.

Waiver of penalty for early distributions.

Effective January 1, 2016, retired public safety workers over the age of 50 who have separated from service are exempt from the 10% early withdrawal tax on distributions taken before age 59½,[2]. This includes distributions:

- From qualified defined plans, effective since 2006[3]
- From qualified defined contribution plans, effective after December 31, 2015[4]

Taxes can have a significant impact on a distribution, potentially putting you in a higher tax bracket. Rolling all or part of a distribution from a defined benefit plan into a 457(b) plan not only may give you more control over when and how you want to take distributions but also allows taxes to be deferred until funds are withdrawn.

Effective January 1, 2016, public safety workers over age 50 also no longer need to worry about a 10% penalty on withdrawals of assets rolled into a 457(b) plan from other qualified plans.

[2] Distributions to individuals who retire during or after the calendar year they turn age 55 are not subject to the early withdrawal tax.
[3] Pension Protection Act of 2006
[4] Defending Public Safety Employees' Retirement Act of 2015

PLAN	QUICK SUMMARY: WHEN DOES THE 10% PENALTY APPLY?			
	Under Age 50	Age 50-54	Age 55-59½	59½ and older
DROP (DB)	Yes	No	No	No
401(a) (DC)	Yes	No[6]	No	No
457 (DC) FrontLine Plan w/Nationwide	No	No	No	No
Personal IRA (DC)	Yes	Yes	Yes	No

Table assumes the participant is no longer employed by (separated from service with) the plan sponsor.

Important notes:

- If you separate service or retire prior to age 50 and roll your DROP dollars into a 457(b) deferred comp plan, you will not qualify for the exemption on those DROP dollars until age 59½. However, the dollars you previously deferred into your 457(b) plan account will not be subject to penalty.
- The possible penalty on DROP rollovers prior to age 50 may qualify for a waiver if dollars are taken out in substantially equal periodic payments over the course of 5 years or until age 59½, whichever is later.

[5] A 72(t) distribution is a series of substantially equal periodic payments. This allows you to take advantage of your retirement savings before the age of 59½, when there is otherwise a 10% tax on early withdrawal. The withdrawals, however, are still taxed at your income rate. Contact your Retirement Specialist for more details.

[6] Effective for distributions after 12-31-2015

Enjoy tax savings on health insurance premiums.

As health care costs continue to rise, many retirees are paying more for their health care services.

Employees' share of medical costs tripled over a 10-year period, from $1,229 in 2001 to $4,386 in 2011.[7]

While insurance and Medicare will help, you'll still have to pay a larger portion of your health care costs yourself.

The Health Care Enhancement for Local Public Safety (HELPS) Act allows you to pay up to $3,000 a year in qualified health insurance premiums with distributions from the 457(b) plan and exclude this amount from your federal income taxes. **Premiums to self-insured plans are also eligible.**

Criteria for premiums.

To qualify for the tax-free exclusion, premiums must meet **all** of the following criteria:

- ✔ Health or long-term care insurance (this includes dental, vision and Medicare Part B)
- ✔ Provide coverage for you, your spouse or your dependents
- ✔ Distributions must be paid directly from retirement plan provider to the insurance provider

[7] "Trends in HR and Employee Benefits — Health Care Cost Trends," Aon Hewitt, November 2010.

Get the facts on special provisions.

A Nationwide Representative can answer questions, determine your eligibility for these special provisions and help you with required paperwork to initiate withdrawals associated with the HELPS bill.

Talk with your local Nationwide Retirement Specialist or call **1-855-463-4977**

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NRM-12996M1-IF.2 (09/15)