

# Public Safety Officer Insurance Premium Withholding FAQ

The Pension Protection Act of 2006 allows certain retired and disabled public safety officers to reduce taxable income by up to \$3,000 annually to pay qualified insurance premiums. As a public safety officer with Minnesota State Retirement System (MSRS) who retired at full retirement age or is collecting a disability, you are eligible to participate in this program.

## Who is eligible?

A public safety officer is defined by section 1204(9)(A) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3796b(9)(A)). Generally, public safety officer refers to anyone covered by the MSRS State Patrol, Correctional and Judges Plan, as well as probation and parole officers, regardless of the plan that covers their service.

Employees must have retired at **full retirement age** or are collecting a disability benefit. Full retirement age for the State Patrol and Correctional Plan is 55 years or older; Judges Plan is age 65, if first appointed or elected as a judge before July 1, 2013, **or** age 66, if first appointed or elected as a judge after June 30, 2013. Employees who retire prior to full retirement age are not eligible for the tax exclusion.

## What insurance premiums are qualified?

Qualified insurance premiums include health, dental or long-term care insurance coverage for you, your spouse and your dependents. Premiums must be deducted from your monthly retirement benefit and paid directly by MSRS to the insurance provider.

The premium deductions from your retirement benefit will continue even after you have reached the \$3,000 limit.

## What is the advantage of paying for insurance premiums this way?

The program allows you to reduce taxable income by up to \$3,000 annually. The lifetime value of this benefit may be substantial. For example, a retiree who participates in the program for 25 years could reduce their federal taxable income by up to \$75,000 over this period. We recommend that you consult your tax preparer or financial advisor to determine if participation in this plan is right for you.

## How do I enroll?

You may enroll at any time by completing the *Authorization for Premium Withholding form*. Please attach a photocopy of your insurance billing statement and/or medical card(s) to the *Authorization for Premium Withholding form*. Forms received by MSRS by the 15th of the month will be processed on the first business day of the following month. A separate *Authorization for Premium Withholding form* must be completed for each type of insurance premium withholding. For example, one form is needed for medical insurance premiums, a second form is needed for dental insurance premiums, and a third form is needed for long-term care premiums.

It is your responsibility to ensure the information provided on the *Authorization for Premium Withholding form* is accurate and complete. Be sure to sign and date the backside of the form. You must sign all forms, even those requesting reimbursement for your spouse's insurance.

## How do I request changes?

It is your responsibility to inform MSRS of any changes related to the insurance premium or the insurance provider once MSRS begins premium withholdings. **Your insurance provider does not notify MSRS of any changes to your coverage.**

- Requests to increase or stop premium withholding or to change the insurance provider must be requested by completing the *Authorization for Premium Withholding form*.
- Requests to decrease your premium withholding amount can be made by calling MSRS, as long as it is the same insurance provider.

## I receive state-paid retiree insurance. Can I participate?

Yes. The portion of the monthly premium amount that is your responsibility may be deducted from your MSRS monthly retirement benefit and paid directly to Minnesota Management and Budget (MMB) as your insurance

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## Can I receive reimbursement of insurance premiums from my Health Care Savings Plan?

If you participate in a Health Care Savings Plan (HCSP) or another similar program that allows reimbursement from a tax-preferred account for eligible health care expenses, you cannot receive tax-preferred treatment of the same expenses from both programs.

You may use your HCSP for reimbursement of other eligible health care expenses including copays, deductibles and insurance premiums not deducted from your retirement benefits. You may also request reimbursement of your insurance premiums after you have exceeded the \$3,000 tax exclusion maximum.

## What happens when I reach the maximum \$3,000 tax exclusion maximum?

Premiums will continue to be deducted from your retirement benefits even after you have reached the \$3,000 tax exclusion limit.

## How does MSRS report the insurance premiums deducted from my retirement benefits?

Each January you will receive a letter from MSRS that reports the total premium amount withheld from your retirement benefits. This amount is not reported on your *Form 1099-R* tax statement.

## Can my spouse participate in the premium withholding program after my death?

No. Survivors do not maintain eligibility for this provision after the death of an eligible public safety officer.

## What else should I know?

- MSRS is not responsible for lapsed premiums or cancelled insurance coverage.
- MSRS will not withhold premiums if your monthly retirement benefit is not sufficient to pay the entire monthly premium amount. Withholding from your monthly retirement benefit in order of priority is medical dental, long-term care and taxes (federal and state).
- MSRS will only withhold premiums for one insurance policy and one insurance provider if the premium amount is sufficient to satisfy for entire \$3,000 tax exclusion.
- Due to the itemized nature of this deduction, you must be signed up for direct deposit of your retirement payments to your bank account. If you are not currently setup for direct deposit, please contact MSRS or visit [www.msrs.state.mn.us](http://www.msrs.state.mn.us) to obtain a *Direct Deposit Agreement* form.



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[www.msrs.state.mn.us](http://www.msrs.state.mn.us)

Teletypewriter users and telecommunications-device-for-the-deaf (TDD) users should call the Minnesota Relay Service at 1-800-627-3529 and ask to be connected to MSRS at 651-296-2761.

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