POST-TAX VS. PRE-TAX PENSION CONTRIBUTIONS

FACT SHEET

POST-TAX PENSION CONTRIBUTIONS

Post-tax pension contributions are 1) contributions made to the Fund prior to 10/01/2001 and/or 2) contributions for prior service credit (buy-back) paid with post-tax dollars (not rolled over from a pre-tax retirement account). Members that have made post-tax pension contributions will recover these contributions in increments spread out over their life expectancy. This is called the "exclusion ratio." The exclusion ratio is different for every single person and is based on attained age, marital status, survivor's attained age (spouse or joint annuitant, if any), life expectancies based on morality tables, and the amount of post-tax pension contributions paid. Note that the exclusion ratio is usually so small that the taxable effect is barely noticeable each pension check. This amount is reported each month on the "Tax Free" line of the monthly Direct Deposit Advice Statement. Should a retiree die before recovering the entire tax benefit, the remainder is passed to the retiree's survivor and/or estate.

PRE-TAX PENSION CONTRIBUTIONS

Pre-tax pension contributions are 1) contributions made to the Fund after 10/01/2001 and/or 2) contributions for prior service credit (buy-back) paid with pre-tax dollars (either rolled over from a pre-tax retirement account or paid through payroll deductions). Member contributions, including buy-back contributions, are deducted from gross pay, along with other pre-tax deductions (such as 457 contributions), before federal income taxes are withheld. This reduces taxable income, resulting in less dollars withheld in income taxes from active member paychecks.

DROP PARTICIPANTS

DROP participants that have made post-tax pension contributions will receive a small non-taxable distribution representing the partial recovery of post-tax pension contributions that accumulated during their DROP participation period. This is based on the exclusion ratio outlined above. This is a non-taxable distribution that cannot be rolled into a pre-tax retirement account (ie: 457, traditional IRA). This is a one-time occurance and will be issued by December 31 of the same year that the participant's DROP distribution is issued.

CONTACT US

Tampa Fire & Police Pension Fund
3001 North Boulevard
Tampa, FL 33603

813-274-8550

FPPension@tampagov.net

www.tampagov.net/fppension