

# Premium Only Plan

## Administrator's Guide

MANAGED HUMAN RESOURCE SOLUTIONS

**CERIDIAN**

*maximize your savings*

## Quick Reference Guide

### Administering Your Premium Only Plan (POP)

#### Determine Plan Type:

- New POP or
- Amendment and Restatement of an existing POP

#### Prior To Plan Effective Date

- Read and sign the plan document
- Read the POP Administrator's Guide
- Send out employee communication materials
  - Employee notification letter
  - Summary plan description
  - Enrollment forms
- Perform nondiscrimination testing

#### Prior To Amendment and Restatement Date

- Read and sign the plan document
- Read the POP Administrator's Guide
- Send out employee communication materials
  - Employee notification letter
  - Summary plan description
  - Enrollment forms
- Perform nondiscrimination testing

#### Ongoing Administration Of The POP

- Send out employee communication materials for new hires, as needed
  - Employee notification letter
  - Summary plan description
  - Enrollment forms
- Perform nondiscrimination testing annually and as needed, depending on new hires
- Receive, read the newsletter, which contains the latest information on IRC Section 125 regulation changes
- For each new plan year, send out the Annual Election Notice

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# Premium Only Plan (POP)

## Introduction

A Premium Only Plan (POP) is an employee benefit program permitted through certain provisions of Section 125 of the Internal Revenue Code (IRC). IRC Section 125 provides for tax-free treatment of employee premium contributions to certain employer-sponsored insurance plans.

The qualified benefit plans that may be included in your POP are:

- Health insurance (medical/dental/vision)
- Disability insurance (short- or long-term)
- Group term life insurance (only for amounts up to \$50,000 of coverage)

By implementing a POP, employee premium contributions to eligible plans may be converted from an after-tax to a pretax basis. These POP pretax premium contributions are considered employer dollars for tax purposes. As a result, your company's total taxable payroll is lower and your employees' taxable incomes are lower.

**Note:** In recognition of the fact that the implementation, interpretation and administration of the POP are beyond the control of Ceridian, Ceridian makes no representations that the intended tax savings or other benefits will result if the POP is not implemented, interpreted and administered as required by IRC Section 125, associated regulations, state and local law and the POP Administrator's Guide.

The materials and statements contained herein are intended to conform with current applicable law at the time of printing. Supplements to assist in compliance with applicable law as enacted and/or amended from time to time will be made available by Ceridian for plans participating in the renewal program.

**The information herein does not provide legal or tax advice. You should consult with your own legal and tax advisors if you need such advice.**

## Implementation Instructions

The POP Administrative Kit includes the information and documentation you need to implement the POP at your company. It is important that all procedures be followed and implemented as outlined in this Administrator's Guide.

### Plan Contributions

Contributions to your POP may be made in several ways. They may include salary reduction contributions, employer credits or a combination of the two.

#### Salary Reduction Contributions

Salary reduction contributions, also referred to as employee contributions, are made solely from dollars that are payroll deducted from the employee's salary. With salary reduction contributions, employees are converting after-tax payroll dollars to pretax contributions to pay for their required portion of insurance premiums.

#### Employer Credits

Employer credits are dollars that the employer provides to each eligible employee to purchase qualified benefits. When you offer employer credits you need to allocate a set dollar amount that the employee can use to purchase benefits. For example, you may offer your employees \$100 per month to purchase benefits.

Any dollars that the employee does not use to purchase benefits should be converted into taxable income and added on to the employee's regular salary. For example, if an employer provides \$100 per month to be used to purchase insurance and the employee's insurance selections total \$80 per month, the remaining \$20 is added to the employee's monthly pay and becomes taxable income.



#### Employer Credits and Salary Reduction Contributions

It is possible that an employee's insurance elections exceed the employer credits that are allocated to the employee. In these cases, any excess dollars needed to pay for the employee's insurance selections can be made with salary reduction contributions.

#### Requirements for Plans with Employer Credits

If your POP offers employer credits to employees, these dollars must be offered on a nondiscriminatory basis.

Please refer to the section on Nondiscrimination Testing for more information.

## Plan Communication

Communication of the plan is important to ensure that employees properly understand plan benefits and enrollment procedures. To facilitate the communication process, the plan administrator should distribute the information listed below to all eligible employees prior to the effective date of the plan.

Employees hired after the plan effective date who become eligible to participate should be given the information listed below before the required waiting period expires (as defined in your plan document).

**Note:** Certain self-employed individuals, including sole proprietors, partners in a partnership and more than 2% shareholders of a Subchapter S corporation are considered ineligible to participate in a POP and should not receive the information listed below. In addition, the IRS Code indicates that certain family members (spouse, children, grandchildren and parents) of an individual who owns more than 2% of the stock in a Subchapter S corporation are also considered to have ownership of the stock and therefore are also ineligible to participate.

***The following POP communication information should be given to all eligible employees:***

### Employee Announcement Letter

The letter highlights plan benefits and gives instructions regarding the election process. The current date and plan effective date should be inserted and the letter reproduced as needed. It can also be reproduced onto your company letterhead if you desire.

Two letters are included in the Administrator's Guide; only one will apply to your plan. The first letter, which has EE LTR in the lower right corner, should be used if your plan only offers salary reduction contributions. The second letter, which has ER Credits in the lower right corner, should be used if your plan uses both salary reduction and employer credits.



### Summary Plan Description (SPD)

The SPD answers common questions from employees in an easy-to-read, easy-to-understand format. The plan administrator should complete the SPD information and reproduce the SPD as needed. Full instructions on how to complete the SPD is in the section entitled Sample Forms.

### POP Enrollment Form\*

If your plan has been designed for salary reduction contributions only, use the POP Enrollment Form to have employees make elections for the plan.

Employees who do not elect to participate in the POP will receive their full compensation in cash as taxable income. Any required premium payments would then be made on an after-tax basis.

**\*Note:** The POP Enrollment Form should only be used for electing benefits to be pretax, not to enroll in each particular benefit.

Complete the POP Enrollment Form prior to distributing to employees. To complete the form, in the pretax section, cross off benefits not available under the plan. If you have more than one medical, dental or other plan, use "other" to list the benefit.

If an employee does not elect to participate in the POP, he or she must complete the Declination section of the POP Enrollment Form.

#### POP Enrollment Form With Employer Credits\*

If your plan offers only employer credits or employer credits and salary reduction contributions, use the POP Enrollment Form with Employer Credits to have employees make elections for the plan. Employees who do not elect to participate in the POP will receive their full compensation in cash as taxable income. Any required premium payments would then be made on an after-tax basis. Also, any excess employer credits not directed to pay for insurance premiums by your employees should be included in taxable income for these employees.

Complete the following information in the Pretax Premium Section of the POP Enrollment Form with Employer Credits prior to distributing to employees:

- List the dollar amount the employer is providing as employer credits on the Employer Credit line and list the time frame the amount is given (e.g., monthly, per paycheck)
- Check off, in the Benefits column, benefits available under the plan
- Use "other" to list additional benefits if you have more than one medical, dental or other plan
- List the employee's benefit cost, the portion the employee has to pay, applicable to each benefit in the Cost columns. Be sure to include the cost for employee only and family coverage

If an employee does not elect to participate in the POP, he or she must complete the Declination section of the POP Enrollment Form with Employer Credits.

After the participant has returned the form, check it for accuracy. For each benefit the employee selects, the cost should be transferred to the Employee Selection column. Total the dollar amount of the Employee Selection column on the Total Employee Cost line. Subtract the employee's total benefit cost from the Employer Credit and follow these instructions:

- If the Employer Credit exceeds the employee's total benefit cost check the box taxable income. The excess amount should be added to the participant's paycheck as taxable income
- If the employee's total benefit cost exceeds the Employer Credit check the box salary reduction. The participant must pay the additional cost. This amount should be deducted before taxes from the participant's paycheck

**\*Note:** This enrollment form should only be used for electing benefits to be pretax, not to enroll in each particular benefit.

## Plan Enrollment – Elections

All eligible employees are required to make their POP elections before the start of the POP effective date or in the case of a newly hired employee, the individual employee's eligibility date. Enrollment forms that are completed after this date are invalid and the employee must wait until the beginning of the next plan year or until an eligible event occurs to enroll in the plan. It is important to encourage your employees to complete their enrollment forms on a timely basis. Be sure to provide these materials before the plan effective date so your employees have time to make their elections and return the enrollment forms before the beginning of the plan year.

### Binding Election Rule - For The Plan Year

Unless an employee's situation fits squarely within one of the descriptions on the election change event table, IRS regulations require that the pretax dollar election under the POP may not be changed until the next open enrollment period. All the events that permit election changes are listed within the *Election Change Events Table* on the next page.

These regulations and the corresponding table do not address the actual coverage elections (such as major medical or dental coverage); they address the pretax dollar (POP) elections. Thus, it is conceivable that a plan or plan administrator would allow changes to coverages without changing the pretax elections, with any difference in the premiums being subject to taxation.

### Benefits Addressed By The Table

- Medical coverage (including an HMO or PPO)
- Vision and Dental coverage

Employee Group Term Life, Accidental Death and Dismemberment, 401(k) and disability coverages are not addressed within the table.



### More Than One Event May Apply

There are 35 events listed on the table. An employee's situation may well fall under more than one event. It is permissible to analyze a participant's situation using more than one of these events, in order to reach a desired outcome.

### When Election Changes Become Effective

All election changes must be on a prospective basis. This means the effective date of the election change is the first date of the first pay period after the completed election form is returned to the plan administrator.

### Your Responsibilities

Ceridian does not make determinations about election changes; this responsibility is the plan administrator's.

The information on this table represents a commonly understood interpretation of the regulations. Nonetheless, there may be situations where, based on the circumstances, a plan administrator could legitimately decide to permit a participant to make changes other than those listed here.

# Election Change Events

## Changes In Status

Election changes based on changes in status (#1 to #12) are based on the premise that employees should be allowed to adjust health coverage to correspond with certain important life events, such as marriage, birth, or changing jobs. The changes listed as permitted follow what is commonly known as the consistency rule, which generally provides that the election change be on account of and consistent with an event that affects eligibility for coverage. Thus, the decision whether to permit a change of election is a two-step process:

1. Did the employee experience one of the events? Did the event affect eligibility for coverage?
2. Does the proposed election change follow the consistency rule? Is the proposed election change being made because of the event? Does the proposed election change affect only the coverages and people that the event affected?

#	Regulatory Event	Example	Medical plan
1	Change in Status: Employee gains dependent	Marriage Birth Adoption	Add dependent coverage Remove dependent coverage if dependent becomes eligible under spouse's plan Change coverage (e.g., HMO to PPO)
2	Change in Status: Employee gains spouse	Marriage	Add spouse coverage Remove employee coverage if employee will be covered under spouse's plan Change coverage (e.g., HMO to PPO)
3	Change in Status: Employee loses dependent	Death Divorce Separation Placement for adoption	Remove dependent coverage Change coverage (e.g., HMO to PPO)
4	Change in Status: Employee loses spouse	Death Divorce Separation	Remove spouse coverage Add employee coverage. To reflect employee losing coverage under spouse's plan Add coverage for employee's dependent. To reflect dependent losing coverage under spouse's plan Change coverage (e.g., HMO to PPO)
5	Change in Status: Employee becomes eligible for benefits by commencing employment or changing employment status	Employee starts job Employee goes from part-time to full-time status Employee goes from hourly to salaried	Add the newly available coverage for employee, spouse, and/or dependent(s)
6	Change in Status: Spouse or dependent becomes eligible for benefits by commencing employment or changing employment status	Spouse or dependent starts a job Spouse or dependent goes from part-time to full-time status	Remove coverage to reflect employee, spouse and/or dependent(s) becoming covered (enrolled) under other employer's plan
7	Change in Status: Employee loses eligibility for benefits by terminating employment or changing employment status	Employee loses job Employee goes from full-time to part-time status Strike Salaried to hourly	Remove employee, spouse or dependent coverage
8	Change in Status: Spouse or dependent loses eligibility for benefits by terminating employment or changing employment status	Spouse or dependent loses job Spouse or dependent goes from full-time to part-time status	Add spouse or dependent coverage

### Changes In Status ... Continued

#	Regulatory Event	Example	Medical plan
9	Change in Status: Dependent satisfies eligibility requirements under an employer-sponsored plan	Birthday Divorce Separation Death of spouse Becoming a student	Add the newly available coverage for dependent
10	Change in Status: Dependent ceases to satisfy eligibility requirements under an employer-sponsored plan	Birthday Marriage Ceasing to be student	Remove coverage for dependent
11	Change in Status: Employee, spouse or dependent changes residence, triggering eligibility under employee plan	Employee, spouse or dependent moves into another coverage area	Add newly available coverage for employee, spouse and/or dependent(s)
12	Change in Status: Employee, spouse or dependent changes residence, causing loss of eligibility under employee plan	Employee, spouse or dependent moves out of coverage area	Remove coverage for affected employee, spouse and/or dependent(s)

### Cost And Coverage Changes

If an employer or provider changes the cost or coverage level of a benefit, employees should be permitted to make corresponding changes to their health coverage. If the cost or coverage change is significant enough, the employee may be permitted to seek coverage elsewhere. These events are not subject to the general consistency rule.

#	Regulatory Event	Example	Medical plan
13	<b>Cost Changes:</b> <b>Premium increases that are not significant</b> Employer determines whether cost changes are "significant" IRS has provided no guidance		Employer may increase pretax election automatically Employee not permitted to change coverage
14	<b>Cost Changes:</b> <b>Premium decreases that are not significant</b> Employer determines whether cost changes are "significant" IRS has provided no guidance		Employer may decrease pretax election automatically Employee not permitted to change coverage
15	<b>Cost Changes:</b> <b>Premium increases that are significant</b> Employer determines whether cost changes are "significant" IRS has provided no guidance		Replace existing coverage Remove coverage, if no other coverage available
16	<b>Cost Changes:</b> <b>Premium decreases that are significant</b> Employer determines whether cost changes are "significant" IRS has provided no guidance		Add coverage if no existing coverage Replace existing coverage with the lower cost coverage
17	<b>Coverage Changes:</b> <b>Provider reduces coverage under employer's plan, but not so significantly that it amounts to a loss of coverage</b> Employer determines whether change amounts to a loss of coverage. IRS has provided no guidance		Replace existing coverage with similar coverage
18	<b>Coverage Changes:</b> <b>Provider reduces coverage under employer's plan, so significantly that it amounts to a loss of coverage</b> Employer determines whether change amounts to a loss of coverage. IRS has provided no guidance		Replace existing coverage with similar coverage Remove coverage
19	<b>Coverage Changes:</b> <b>Provider adds or significantly improves coverage under employer's plan</b>		Replace existing coverage with new or improved coverage Add improved coverage if no previous election
20	<b>Coverage Changes:</b> <b>Provider increases coverage under spouse's or dependent's employer's plan (Or under employee's other employer's plan, if working two jobs.)</b>		Remove coverage under employer's plan for participant, spouse and/or dependent Participant, spouse and/or dependent must actually become enrolled under other plan's corresponding increased coverage
21	<b>Coverage Changes:</b> <b>Provider decreases or ceases coverage under spouse's or dependent's employer's plan (Or under employee's other employer's plan, if working two jobs.)</b>		Add coverage under employer's plan for participant, spouse and/or dependent Participant, spouse and/or dependent must have actually been enrolled under the other plan's corresponding coverage that was decreased
22	<b>Coverage Changes:</b> <b>Open enrollment under spouse's or dependent's employer's plan (Or under employee's other employer's plan, if working two jobs.)</b>		Add or remove coverage to correspond with election(s) made under other employer's plan

### Miscellaneous Events Permitting Election Changes

#	Regulatory Event	Example	Medical plan
23	Medicare or Medicaid Eligibility: Employee, spouse or dependent enrolls in Medicare or Medicaid		Remove coverage for affected person No changes permitted to dental or vision coverage
24	Medicare or Medicaid Eligibility: Employee, spouse or dependent loses eligibility for Medicare or Medicaid		Add coverage for affected person No changes permitted to dental or vision coverage
25	Employee, spouse or dependent loses coverage under certain government or educational institution health plans Does not apply to becoming eligible under these plans		Add coverage for affected person No changes permitted to dental or vision coverage unless corresponding dental or vision coverage was lost
26	Employee changes 401(k) contributions.		None
27	HIPAA Special Enrollment Rights: Employee gains dependent under HIPAA	Marriage Birth Adoption The election changes permitted under #1 - <i>Employee gains</i> dependent are generally more liberal than under this special event, but HIPAA portability allows retroactive elections in certain instances	Add dependent coverage Also see #1 - <i>Employee gains dependent</i> If the medical plan is subject to HIPAA portability, the plan may allow changes made within 30 days of a birth or adoption to apply retroactively No changes permitted to dental or vision coverage unless it is subject to HIPAA portability
28	HIPAA Special Enrollment Rights: Employee, dependent or spouse loses coverage under HIPAA portability rules	COBRA continuation period ends	Add coverage for employee, spouse and/or dependent(s) who lost coverage No changes permitted to dental or vision coverage unless it is subject to HIPAA portability
29	COBRA qualifying event (QE): Employee, spouse or dependent experiences a loss of coverage under employer's plan Or under similar state continuation law Does not apply to loss of coverage under another employer's plan	Employee moves from full-time to part-time status, losing eligibility Spouse or dependent loses eligibility under employee's plan	Increase pretax election to pay COBRA premium by salary reduction
30	Judgment, decree or order: Court or government requires coverage for employee's child	Employee required to provide coverage	Add coverage for affected dependent
31	Judgment, decree or order: Court or government requires someone other than employee to provide coverage	Employee no longer required to provide coverage	Remove coverage for affected dependent
32	Commence FMLA leave Note: The plan may permit these election changes, but it is not clear whether or to what extent a plan is required to provide them  The IRS intends that its cafeteria plan pretaxing rules will allow a plan to be structured to reflect FMLA requirements, but the IRS regulation does not appear to impose any requirements in addition to FMLA		Revoke None Employer may require an employee to continue coverage if: · Employer will pay premiums during the leave (employer may recoup these premiums upon employee's return from leave) <b>and</b> · Employees on nonFMLA leave are also required to continue coverage  Continue coverage Pay premiums by · Prepay · Pay-as-you-go · Catch-up
33	Regulatory event during a FMLA leave		Same as if not on leave
34	Return from FMLA leave		Make new election if revoked coverage upon or during leave
35	NonFMLA leaves of absence	Very little guidance exists. Probably permissible to allow same changes as under FMLA Commencing or returning from leave may be a change in employment status	

### Family and Medical Leave Act (FMLA)

Generally, you should offer the same group health plan options to a participant on FMLA leave of absence (LOA) as you offer to those on nonFMLA leave.

### Other Leaves Of Absence

If an employer mandates that coverage be continued during a paid leave, the participant must continue payments in the same fashion as prior to the leave. The payment options explained below would not necessarily apply. The regulations do not address an unpaid leave of absence that is not a FMLA leave; presumably, you may offer FMLA type options to these employees, but you are not required to do so. Your leave policies should address these issues.

**Upon commencement of LOA**, an employer must extend health coverage to an employee participating prior to the LOA. The employer may either:

- Allow the participant the choice to either revoke coverage or continue coverage; or
- Not allow the participant to revoke coverage, requiring the participant to continue coverage during the LOA. In this case, the employer must pay the participant's portion of the premiums during the LOA and recoup it upon the participant's return.

**During the LOA**, if the participant elects to continue coverage during the LOA, you should treat him or her like any other participant. Therefore, the midyear election change restrictions and open enrollment rights apply.

**Returning from LOA**, if a participant terminated coverage during the LOA, either by choice or by failing to pay the premiums, the employee may be reinstated on the same terms as prior to taking FMLA leave.

You may offer the following premium payment options: prepay, pay-as-you-go, or catch-up.

**The prepay option** allows a participant to, prior to the LOA, pay for coverage on a pretax basis. It may not be the sole payment option made available to participants. If the LOA spans two plan years, the participant may not pay for a subsequent year's coverage on a pretax basis.

However, you must provide open enrollment to the participant on LOA and allow him or her to elect another payment option for the subsequent year's coverage.

**The pay-as-you-go option** allows the participant to pay for coverage during the LOA, on an after-tax basis according to a predetermined payment schedule. If a participant fails to make an appropriate payment, you may either terminate coverage or continue coverage during the LOA, paying the participant's portion of the premiums during the LOA and recouping it upon the participant's return. If you offer this option for nonFMLA leaves, it must be offered to participants on FMLA leaves.

**The catch-up option** allows the employer to pay the participant's portion of the premium during the LOA. The deductions may be on an after tax or pretax basis. This option may be the sole option available if it is the sole option available to participants of nonFMLA leave.

### Termination And Rehire Same Plan Year

If a participant terminates employment and is rehired after 30 days, the employee may re-enter the plan with the same election as prior to termination.

If an employee is rehired after 30 days, the employer may allow one of the following options:

- Allow the employee to continue with the same election
- Allow the employee to make a new election
- Require the employee to wait until the next plan year to participate



### New Plan Year

Before the start of each new plan year, all eligible employees should be notified of their ability to change their election in the POP; this is often referred to as the open enrollment period. To make this task simple, we have included an Annual Election Notice within the POP Administrative Kit.

The plan administrator should enter the first day and month and the last day and month of the plan year on the Annual Election Notice. The notice should then be reproduced as needed and distributed to all eligible employees in a timely manner.

If an employee chooses to change his or her election, he or she must complete a new enrollment form.

If an employee does not complete a new enrollment form, the election currently in place will remain for the next plan year.

## Plan Administration

### Payroll Adjustments

Implementation of the POP will require some simple adjustments to your current payroll system. The section *Payroll Adjustments* explains how to adjust the calculations of employee and employer payroll tax for an IRC Section 125 POP. You should discuss these changes with your payroll department or service.

### Plan Document Requirement

Included with the POP Administrative Kit is your plan document and corporate resolution (if applicable) for adopting the plan. These documents must be signed prior to the plan effective date. It is recommended you make a copy of the document for use as needed and file the original away with other corporate papers.

**Note:** Do not return the signed document to Ceridian.

### Nondiscrimination Testing

According to IRS regulations, a POP must pass certain nondiscrimination tests to prevent the plan from discriminating in favor of key and highly compensated employees. It is recommended that the POP be tested at the beginning of each plan year when all employee elections have been made. The plan should also be monitored during the plan year as new employees become participants in the plan and terminated employees leave the plan. Nondiscrimination testing software is also included to help you perform the required tests. More detailed information is provided in the *Nondiscrimination Testing* section of this guide.



### Renewal Of Your POP Support

Renewal of your POP support will keep you advised of any changes in the law affecting the plan document and POP Administrative Kit. POP sponsors choosing to renew their POP support will receive notification of legislative updates, as well as required revisions to the plan document and POP Administrative Kit. You will receive more information about the renewal support prior to the renewal date. If you choose not to continue your POP support by renewing, you will no longer receive updates to support the POP Administrative Kit and plan document.

If you have any questions concerning the POP Administrative Kit and plan document, please call the Information Hotline at 800-767-4969.

## Payroll Adjustments

IRC Section 125 allows for employee contributions to eligible insurance plan(s) to be deducted from gross income prior to the calculation of most payroll taxes. The new gross income for the purposes of federal income, most state income and Social Security and Medicare (FICA) taxes will be gross income, less the employee's contribution to the insurance plan(s).

Beginning with the effective date of the POP, the plan administrator should make one of the following payroll modifications:

- **Manual payroll system:** Reduce a participating employee's taxable compensation by the amount of their elected premium contribution before calculating applicable payroll taxes
- **Computerized payroll system:** Convert the premium deduction field to a pretax basis to calculate applicable payroll taxes
- **Outside payroll service:** Advise the payroll service that you are implementing a Section 125 Cafeteria Plan (POP) which will permit employee premiums to be deducted before the applicable payroll taxes are applied

**Note:** If your plan uses employer credits, any excess employer credits not used by the employee should be added to the employee's salary as taxable income.

The following example shows how the POP would affect the calculation of your payroll. To calculate the net take home wages with POP, the insurance contribution is first deducted from gross wages and payroll taxes are applied to this new taxable income. This example assumes an insurance premium contribution of \$200 per month. Also, all numbers represent an annual period.

Employee's Annual:	Without POP	With POP
Salary	\$25,000	\$25,000
Pretax premium contribution	\$0	(\$2,400)
Taxable income	\$25,000	\$22,600
Federal withholding tax (15%)*	(\$3,750)	(\$3,390)
State withholding tax (5%)*	(\$1,250)	(\$1,130)
FICA tax (7.65%)	(\$1,912.50)	(\$1,728.90)
After tax premium contribution	(\$2,400)	\$0
Take home pay	\$15,687.50	\$16,351.10
<b>Increase in take home pay</b>	\$0	<b>\$663.60</b>

\*Assumes a 15% federal and 5% state income tax rate, actual rates will vary.



### Employee Payroll Application

An employee's taxable income is reduced by the amount of the premium contributions paid through the POP for the purposes of calculating federal income, Social Security and Medicare (FICA), and most state income taxes.

**Note:** If your plan uses employer credits, any excess employer credits not used by the employee should be added to the employee's salary as taxable income.

Because the regulations for city and municipal taxes vary, we recommend that you contact your local tax authority to determine if local taxes would be based on the reduced income.

### Employer Payroll Application

An employer's taxable payroll is reduced by the total of all employee premium contributions paid through the POP for the purposes of calculating employer Social Security and Medicare (FICA) and Federal Unemployment (FUTA) taxes.

As the procedures regarding worker's compensation insurance and state unemployment provisions vary, we recommend that you contact your state's worker's compensation division (or insurance carrier) and unemployment division directly to determine how each would be affected by the implementation of a POP.

### Form W-2 Wage And Tax Statement

For Form W-2 purposes, the reportable "Wages, tips and other compensation" would not include any pretax premiums paid under the POP. The same would be true for reportable "States wages, tips, etc." in most states.

For guidance on reportable wages for municipalities, please consult with your local tax authority. Amounts that are converted to pay premiums under the POP are not required to be reported on Form W-2.

### Quarterly Federal Tax Return (Form 941)

Wage amounts reported on Form 941 should be based on gross wages, less pretax premium amounts paid under the POP.

If your plan uses employer credits, any employer credits that are used to purchase benefits are treated as pretax contributions to the insurance plans. Any excess employer credits attributable to the employee should be converted into taxable income and added to the employee's taxable income.

### Form 5500 With Schedule F

In April 2002, the IRS suspended the Form 5500 with Schedule F filing requirement for cafeteria plans under IRC § 6039D. There is no current filing requirement for the cafeteria plan and a POP is considered a cafeteria plan. However, the component benefits offered under a cafeteria plan may have filing requirements under ERISA. Such plans are generally required to file an annual report: the Form 5500 and associated schedules, if required.

Ceridian provided a Form 5500, Schedule F preparation service until the cafeteria plan filing requirement was suspended in April of 2002. This service included the Form 5500 itself and the Schedule F for the cafeteria plan only; it did not cover any other filings. You are responsible for complying with any ERISA reporting requirements that may apply to the component benefits.

## Nondiscrimination Testing

A POP must apply the nondiscrimination tests required under IRC Section 125. The tests should be applied at the beginning of each plan year when all employee elections have been made. The POP should also be monitored during the plan year as new employees become participants in the plan or terminated employees leave the plan. A POP that is solely maintained under a collective bargaining agreement will generally be considered nondiscriminatory.

*For the purposes of the nondiscrimination tests, the following IRS definitions apply:*

### Highly Compensated Employee (HCE)

An employee is considered highly compensated if he or she is one or more of the following:

- An officer<sup>1</sup>
- A more than 5 percent owner
- An individual receiving compensation from the employer in excess of the indexed compensation amount<sup>2</sup> in the previous year
- A spouse or dependent of an individual above

An employer may elect that an employee earning in excess of the indexed compensation amount in the previous year is considered highly compensated only if that employee was also in the top-paid group (top 20 percent) of employees when ranked on the basis of compensation earned during that year.



### Key Employee

An employee is considered a key employee if he or she is one or more of the following:

- An officer<sup>1</sup> making more than the indexed compensation amount<sup>2</sup>
- A more than 5 percent owner of the company
- A more than 1 percent owner making more than \$150,000

<sup>1</sup>The term officer generally means an administrative executive who is in regular and continued service and who has a position of authority within the company.

<sup>2</sup>The indexed compensation amounts are listed in the below Table of Limits under the Internal Revenue Code.

Table of Limits under the Internal Revenue Code

	2007	2006	2005
Highly Compensated Employee	\$100,000	\$100,000	\$95,000
Key Employee	\$145,000	\$140,000	\$135,000



### Eligibility Test

A POP cannot favor HCEs with regard to eligibility to participate. A plan would not be considered to be discriminatory with respect to eligibility if it meets all of the following requirements:

- The plan must benefit a class of employees, which is reasonable and not considered by the IRS to be discriminatory. Example, a plan may be considered discriminatory if *only HCEs* were eligible to participate
- Employees cannot be required to be employed with the company for more than three years in order to be eligible for the POP. Additionally, the employment requirement must be the same for all employees
- Participation in the plan must begin no later than the first day of the next plan year after the employee has completed the employment requirement
- At least 50 percent of the non-HCEs are eligible to participate in the POP. Non-HCEs are considered eligible for the POP once they have completed the eligibility requirements. Non-HCEs *do not* need to have a required premium contribution to be considered eligible for the plan

If less than 50 percent of the non-HCEs are not eligible for the POP, please call the Information Hotline at 800-767-4969 for more assistance regarding this test.

### Contributions And Benefits Test

A POP cannot favor HCEs with regard to plan contributions or benefits. A POP will not be discriminatory with respect to benefits if it meets the following requirements:

- The plan must give each eligible employee an equal opportunity to elect the pretax premium payment option. HCEs cannot have more favorable election procedures
- The benefits attributable to HCEs cannot be significantly greater than the benefits attributable to non-HCEs

**Note:** The IRS does not provide clear guidance as to what constitutes significantly greater. However, if the plan benefits attributable to non-HCEs measured as a percentage of compensation are at least 75 percent of those attributable to HCEs, measured on the same basis, it should pass this requirement. A slightly lesser percentage may be acceptable under certain facts and circumstances.

The continuing operation of the plan cannot discriminate in favor of HCEs. The IRS will consider a plan to be discriminatory if the duration of benefits or the duration of the plan coincides with the needs of the HCEs.

Discrimination could result where a POP is used to pay for benefits offered to HCEs with no similar benefit offered to non-HCEs.

Failure to satisfy the contributions and benefits test will result in plan benefits becoming taxable to HCEs.

If your plan does not meet this guideline, please call the Information Hotline at 800-767-4969 for more assistance.

### Plans with Employer Credits

Employer credits cannot favor HCEs. Also, the taxable benefits selected by HCEs cannot be significantly greater than the taxable benefits selected by non-HCEs.



**Concentration Test**

No more than 25 percent of the total plan benefits can go to key employees. The total amount of premiums attributable to key employees must be less than or equal to 25 percent of the total premiums attributable to all employees. To perform the concentration test, apply the following steps:

1. Determine all key employees who are participants in the Plan.
2. Compute the total premiums paid on behalf of all plan participants.
3. Compute the total premiums paid on behalf of key employees who are participants in the Plan.
4. Divide the amount in line #3 by the amount in line #2.

If the number in line #4 is less than or equal to 25 percent, the plan satisfies the concentration test.

Failure to satisfy the concentration test will result in plan benefits becoming taxable to key employees.

If the plan does not meet this guideline, please call the Information Hotline at 800-767-4969 for more assistance.

**Table of Limits under the Internal Revenue Code**

	2007	2006	2005
Highly Compensated Employee	\$100,000	\$100,000	\$95,000
Key Employee	\$145,000	\$140,000	\$135,000

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Dear Employee:

We're pleased to offer a Premium Only Plan (POP) that allows you to make your group insurance plan premium contribution(s) on a pretax basis beginning \_\_\_\_/\_\_\_\_/\_\_\_\_. This means your premium payments will be deducted from your gross income before income and Social Security and Medicare (FICA) taxes are calculated. By lowering your taxable income, you'll lower your taxes and take home more money in each paycheck. The chart below shows an example of how much you could save.

	<b>Without POP</b>	<b>With POP</b>
Annual salary	\$25,000	\$25,000
Annual pretax premium contribution	\$0	(\$2,400)
Annual taxable income	\$25,000	\$22,600
Federal withholding tax (15%)*	(\$3,750)	(\$3,390)
State withholding tax (5%)*	(\$1,250)	(\$1,130)
FICA tax (7.65%)	(\$1,912.50)	(\$1,728.90)
After tax premium contribution	(\$2,400)	\$0
Annual take home pay	\$15,687.50	\$16,351.10
<b>Increase in take home pay</b>		<b>\$663.60</b>

\*Assumes a 15% federal and 5% state income tax rate, actual tax rates will vary.

Please take a few moments to review the Summary Plan Description (SPD) included with this letter for a more detailed explanation of the POP.

Participation in the POP is voluntary. However, because it costs you nothing and helps increase your take home pay, it is an important option to consider. Remember that once you have made an election, you cannot change it until the next year's benefits enrollment unless you have a qualifying election change event.

Every company is looking for ways to reduce taxes and save money. We are also doing everything we can to help you save money too!

Sincerely,

Human Resources Department

Date: \_\_\_/\_\_\_/\_\_\_\_\_

Dear Employee:

We're pleased to offer a Premium Only Plan (POP) that allows you to make your employee premium contribution(s) to our group insurance plan(s) on a pretax basis beginning \_\_\_/\_\_\_/\_\_\_\_\_. This means your premium payments will be deducted from your gross income before income and Social Security and Medicare taxes are calculated. By lowering your taxable income, you'll lower your taxes and take home more money in each paycheck.

In addition, we are contributing \$ \_\_\_\_\_ per \_\_\_\_\_. These dollars, called employer credits, can be used to help you purchase insurance benefits. Any amounts that you do not use to purchase benefits will be converted into salary and added to your income. The chart below shows an example of how much you could save.

	<b>Without POP</b>	<b>With POP</b>
Annual salary	\$25,000	\$25,000
Annual pretax premium contribution	\$0	(\$2,400)
Annual taxable income	\$25,000	\$22,600
Federal withholding tax (15%)*	(\$3,750)	(\$3,390)
State withholding tax (5%)*	(\$1,250)	(\$1,130)
FICA tax (7.65%)	(\$1,912.50)	(\$1,728.90)
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Please take a few moments to review the Summary Plan Description (SPD) included with this letter for a more detailed explanation of the POP.

Participation in the POP is voluntary. However, because it costs you nothing and helps increase your take home pay, it's an important option to consider. Remember that once you have made an election, you cannot change it until the next year's benefits enrollment unless you have a qualifying change in status.

Every company is looking for ways to reduce taxes and save money. We are also doing everything we can to help you save money too!

Sincerely,

Human Resources Department

## How To Complete The Summary Plan Description

This section answers common questions from employees in an easy-to-read, easy-to-understand format. The plan administrator should complete the following SPD Plan Identification information and reproduce the SPD as needed.

- **Name of Plan:** Insert the complete name of the plan as indicated in the plan document, Article II Definitions, Section 2.01
- **Plan Effective Date:** Insert the effective date of your POP as indicated in the plan document, Article II Definitions, Section 2.01
- **Plan Year:** Insert the 12-month POP plan year as identified in the plan document, Article II Definitions, Section 2.01
- **Plan Identification Number:** The employer must assign a three-digit identification number for the POP. This number can range from 501 to 998 (excluding 888) and should not be used to identify any other employer-sponsored welfare or fringe benefit plan.
- **Plan Sponsor/Administrator:** Insert the name of the company sponsoring the POP.
- **Employer Tax Identification Number:** Insert the nine-digit federal tax identification number assigned to the Plan Sponsor.
- **Agent for Service of Legal Process:** Identify the name and address of the entity serving as the agent for service of any legal process against the plan. Typically, this is the company or its legal counsel.
- **In question #2 of the SPD:** What insurance premiums can be paid pretax through the POP? Identify the specific employer-sponsored insurance premiums that can be paid pretax at your Company.

**Note:** The last page of the Summary Plan Description is for a POP with Employer Credits. If your plan does not include Employer Credits, do not include this page with the SPD for distribution.

# Premium Only Plan

## Summary Plan Description

The Company has established a Premium Only Plan (POP) within the meaning of Section 125 of the Internal Revenue Code of 1986. The POP has been established so that participants will not have to include as taxable income the amount of compensation they use to pay for their premium contributions to eligible insurance plans offered by the Company. This Summary Plan Description (SPD) describes the benefits, terms and conditions of the POP as it applies to all employees of the Company on and after the effective date.

This SPD is intended only as a summary of the POP and is not meant to interpret, extend or change the POP in any way. We suggest that you read the SPD carefully so you understand the POP's operation and benefit to you. The provisions of the POP can be determined by also reading the plan document itself. In the event of any perceived inconsistencies between this SPD and the actual provisions of the plan document, the plan document will govern.

### 1. Plan Identification

Name of Plan: \_\_\_\_\_

Plan Effective Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Plan Year: \_\_\_\_\_

Plan Identification Number: \_\_\_\_\_ Any number between 501 and 998, excluding 888

Type of Plan: Cafeteria Plan

### Plan Sponsor/Administrator

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone Number: (\_\_\_\_\_) \_\_\_\_\_

Employer Tax Identification Number: \_\_\_\_\_

### Agent for Service of Legal Process:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**2. What insurance premiums can be paid pretax through the POP?**

The company-sponsored insurance premiums that can be paid on a pretax basis through the POP are:

Health insurance	Dental insurance	Disability insurance
Vision insurance	Group Term Life insurance	
Other (Specify)_____	Other (Specify)_____	
Other (Specify)_____	Other (Specify)_____	

Please contact the plan administrator for more information regarding the insurance premiums that can be paid through your POP.

**3. How does the POP work?**

As a participant in the POP, you can make your insurance premium contributions on a pretax basis, instead of after-tax. To do this, your regular group insurance contribution is deducted from your gross income for each payroll period and the company pays your insurance premiums with this money. Your new gross income is your income less the pretax contributions to the insurance plans. By deducting the premium contributions before calculating your federal income, state income (in most states), and Social Security taxes, your taxable income is lower and your taxes are lower.

**4. Who is a participant in the POP?**

All employees who meet the eligibility requirements of the POP can participate as of the effective date of the plan. Newly hired employees can participate in the POP on the first day of the month following completion of their eligibility requirements. Please contact the plan administrator for more information regarding the eligibility requirements for the POP.

**5. How do I make my election for the POP?**

To participate in the POP, you must make your election on the enrollment form during the enrollment period and return it to your plan administrator before the plan effective date. The company will make the appropriate adjustments to your pay, beginning with the first pay date after the plan effective date or your eligibility date. If you do not wish to participate, you must sign the "Declination" option on the form and return it to the plan administrator. Remember, if you choose to decline participation, you will receive no pretax benefits. Please contact your plan administrator if you have any questions about the election process.

## **6. Can I change my election for the POP?**

The election decision you make for the POP will be binding for the full plan year. You may change this election only under the following circumstances:

**A) Open enrollment.** You may change your election prior to the beginning of each new plan year. The election you make will be binding for the full plan year. If you fail to change your participation election prior to the beginning of each new plan year, your prior election will carry forward for the next plan year.

**B) Status Changes.** You may change your election during the plan year if you experience a qualified election change event and the requested election change is consistent with that event. Events that constitute a status change event include:

- Legal marital status – Events that change your legal marital status, including marriage, death of spouse, divorce, legal separation or annulment
- Number of dependents – Events that change your number of dependents including birth, adoption, death or placement for adoption
- Employment status – Events that change your employment status or your spouse's or dependent's employment status including termination or commencement of employment; strike or lockout; commencement or return from unpaid leave of absence or change of work-site
- Dependent satisfies or ceases to satisfy the requirements for unmarried dependents – Events that cause your dependent to satisfy or cease to satisfy the requirements for coverage due to attainment of age, student status, or any similar circumstance as provided in the accident or health plan under which the employee receives coverage
- Residence – A change in the place of residence of you, your spouse or dependent that affects your eligibility for coverage

**Consistency Rule.** The election change is consistent with the status change only if the election change is on account of and corresponds with a status change that affects your eligibility for coverage under your employer's plan.

**C) Special Events.** You may change your election during the plan year if you experience one of the following special events:

- Judgment, Decree or Order – If there is a judgment, decree or order resulting from a divorce, legal separation annulment or change in legal custody that requires a change in accident or health coverage for your child or foster child, you may make an election change to add or drop coverage as ordered
- Medicare or Medicaid – You may make an election change to cancel accident or health coverage for yourself, your spouse or dependent, if you, your spouse or dependent is enrolled in an accident or health plan of the employer and enrolls in Medicare or Medicaid. In addition, if an employee, spouse, or dependent who was enrolled in Medicare or Medicaid loses eligibility, the employee may elect or increase coverage
- HIPAA Special Enrollment – You may also revoke or modify your election during a current plan year if the revocation or modification is on account of the special enrollment rights of the Health Insurance Portability and Accountability Act of 1996 (HIPAA)

- COBRA Qualifying Event – If you, your spouse or dependent becomes eligible for continuation coverage under the employer's group health plan, you may elect to increase payments under the employer's cafeteria plan in order to pay for the continuation coverage

**D) Cost Changes.** If there is an increase or decrease in the cost of your benefit plan, your employer may automatically change your premium election to cover the change in cost. If the cost change is a significant increase, you may be allowed to either make a new election for the higher cost or revoke your election, but you must elect similar coverage if available. If the cost change is a significant decrease, you may be allowed to commence participation for the option with a decrease in cost.

**E) Coverage Changes:**

- Significant Curtailment of Coverage that is not a loss of coverage. If coverage is significantly curtailed without loss of coverage, you may revoke the election under the plan that is being curtailed, but must make a new election for similar coverage under a new benefit package option
- Significant Curtailment of Coverage with a loss of coverage. If coverage is significantly curtailed with a loss of coverage, you may revoke coverage under the plan being curtailed and make a new election for similar coverage under a new benefit package option, if available
- Addition or improvement of benefit package option providing similar coverage. If during a period of coverage a benefit plan adds a new coverage option or significantly improves a benefit option, you may be allowed to elect the new option or improved benefit option prospectively on a pretax basis and change your election with respect to the other benefit option providing similar coverage
- Coverage change of another employer plan. You may change your election if the change is on account of and consistent with a change in another employer's plan and (i) the change is permitted under the cafeteria plan of the other employer or (ii) the periods of coverage under the plan are different from the periods of coverage under the plan of the other employer.

**Family and Medical Leave Act (FMLA).** If your company is subject to the requirements of FMLA, this legislation entitles employees who take leave to retain any health benefits which are in effect before the date on which the leave begins. If you take a leave under FMLA, your employer must permit you to continue health coverage under the POP during the period of the leave. Of course, you are required to pay any applicable premium due for coverage extended during the leave if you were paying the premium prior to the leave. If the leave is paid, pretax premiums deducted before taxes can continue during the leave. If the leave is unpaid, there are several options available for payment of your premiums. Please see your plan administrator for more information regarding FMLA and the POP.

**7. Can the Company modify my election under the POP?**

If the amount of your required premium contribution(s) increases or decreases, the Company will automatically increase or decrease the amount of your pretax premium contribution(s). The POP is also required to meet certain nondiscrimination provisions as outlined by the Internal Revenue Code. The Company can modify the amount of any pretax premium contribution(s) of company shareholders, officers and other highly compensated or key employees by the amount necessary to allow the Plan to satisfy the nondiscrimination requirements.

**8. Can I make a new election if I terminate and I am rehired in the same plan year?**

If you terminate employment and are rehired in less than 30 days, you may re-enter the plan with the same election you had before you left

If you are rehired after 30 days, please contact your benefits representative for information on the options available to you.

**9. Are the premium amounts paid through the POP reported on my W-2 at the end of the year?**

The premium amounts that are paid through the POP are not considered taxable wages by the IRS or by most states. As a result, "Wages, tips and other compensation" reported for federal and most state income taxes, and FICA on your W-2 will be gross income less any premiums paid through the POP.

**10. What happens if I terminate employment?**

If you terminate employment, your participation in the POP will automatically terminate. Your pretax premium payment will continue through your last payroll period. Termination of participation in the POP will not affect any rights you may have to continue in the insurance plans.

**11. Are there other ways that my participation in the POP can be terminated?**

If you no longer meet the eligibility provisions of the POP or if the Company terminates the plan, your participation will be terminated.

**12. Does the POP change my insurance programs?**

Making an election under the POP will not affect the types and amounts of insurance benefits available to you, the requirements for participating in the insurance plans, or any other terms and conditions of coverage or benefits under the insurance plans. The purpose of this POP is to give you the opportunity to make your premium contributions for those benefits on a pretax basis.

**13. Does the POP affect how I make insurance claims?**

The POP does not affect how you make benefit claims under the company-sponsored insurance plans. You should submit claims in accordance with the procedures described in those plans. No insurance benefits are paid from the POP.

**14. How does the POP affect my Social Security benefit?**

An election to make pretax premium contributions through the POP reduces your gross taxable income and may affect your Social Security benefit by reducing the total taxable income used to calculate your Social Security benefit. In most instances, the current tax savings under the POP will outweigh the slight impact on future Social Security benefits.

**15. Who pays the POP expenses?**

The Company pays all the administrative expenses associated with the POP.

**16. Can the Company terminate or amend the POP?**

The POP can be amended or terminated, in whole or in part, at any time by the Company.

## POP with Employer Credits

**17. What is an employer credit to the POP?**

An employer credit to the POP is a set dollar amount that the company gives to you to purchase insurance benefits.

**18. What if my insurance contributions are less than the money that is offered to me as employer credits?**

Any excess employer credits (above the amount of your insurance contributions) will be converted into after-tax income and added to your salary.

**19. What if my insurance contributions exceed the amount of money that is offered to me as an employer credit?**

Any insurance contributions you elect that exceed the amount offered to you in employer credits will be deducted from your income on a pretax salary reduction basis.

# Premium Only Plan

## Enrollment Form

Employer Name	Department
Employee Name	Social Security Number - -
Address	Plan Year (from - to - mm/dd) / to /
City State Zip	Hours regularly worked each week

### Pretax premium elections

Listed below are the benefits that may be available under the POP. Please indicate which benefits you elect to deduct pretax by checking the box next to the applicable benefit.

Medical \$ \_\_\_\_\_

Dental \$ \_\_\_\_\_

Vision \$ \_\_\_\_\_

Group Term Life \$ \_\_\_\_\_

Disability \$ \_\_\_\_\_

Other \_\_\_\_\_ \$ \_\_\_\_\_

Other \_\_\_\_\_ \$ \_\_\_\_\_

Other \_\_\_\_\_ \$ \_\_\_\_\_

### Authorization

I authorize the adjustment to my annual base salary based on my elections above. I understand that by signing and submitting this form I am making a binding election for the plan year as stated unless such revocation or new election is on account of and consistent with a change in status (e.g., marriage, divorce, death, and termination of employment of spouse). I further understand that this form must be signed and dated prior to my plan effective date in order to be eligible to participate in this plan year.

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

### Declination

The benefits of the plan have been thoroughly explained to me and I decline to participate. I understand that I cannot re-enroll until the beginning of the next plan year or until I experience an election change event that would allow me to change my election.

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

# Premium Only Plan

## Enrollment Form with employer credits

Employer Name	Department
Employee Name	Social Security Number - -
Address	Plan Year (from - to - mm/dd) / to /
City State Zip	Hours regularly worked each week

### Pretax premium elections

Listed below are the benefits that may be available under the POP. Please indicate which benefits you elect by checking the box next to the applicable benefit. Your employee or family cost (whichever is applicable) is indicated in the next columns. Transfer this amount to the Employee deduction column for each benefit you elect. Total the cost of the Employee deduction column and then subtract the employer credit. If the benefit cost exceeds the employer credit, the excess cost will be paid by you via pretax salary reduction. If the employer credit exceeds the benefit cost, the excess amount will be included in your salary as taxable income (cash).

Employer credit amount	\$ _____		
<input type="checkbox"/> Benefit	Employee only cost	Family cost	Employee deduction
<input type="checkbox"/> Medical	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Dental	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Vision	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Group Term Life	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Disability	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Other _____	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Other _____	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Other _____	\$ _____	\$ _____	\$ _____
Total employee deduction	\$ _____		

Taxable income <input type="checkbox"/>	Salary Reduction <input type="checkbox"/>	\$ _____
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### Authorization

I authorize the adjustment to my annual base salary based on my elections above. I understand that by signing and submitting this form I am making a binding election for the plan year as stated unless such revocation or new election is on account of and consistent with an election change event (e.g., marriage, divorce, death, and termination of employment of spouse). I further understand that this form must be signed and dated prior to my plan effective date in order to be eligible to participate in this plan year.

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

### Declination

The benefits of the plan have been thoroughly explained to me and I decline to participate. I understand that I cannot re-enroll until the beginning of the next plan year or until I experience an election change event that would allow me to change my election.

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

# Premium Only Plan

## Annual Election Notice

Date: \_\_/\_\_/\_\_\_\_

Dear Employee:

As an eligible employee in our company-sponsored benefit plan(s), you have the opportunity to take advantage of the tax savings available through our Premium Only Plan (POP). The POP saves you money each paycheck by allowing you to pay your insurance premiums on a pretax basis instead of after-tax. This lowers your taxable income and increases your take home pay.

Before the beginning of each plan year, \_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_, you have the option of changing your election in the POP. If you have already made the pretax election you are enjoying the benefits of tax-free premium payments and increased take home pay. To continue this arrangement, you do not have to do anything and your election in the POP will continue as long as you remain eligible.

If you choose to change your election in the POP, you must complete a new election form and return it to your benefits administrator before the beginning of the new plan year. If you do not complete a new election form, your current election will remain for the next plan year. You will not have the opportunity to change your election until the beginning of the next plan year, unless you have a qualifying election change event.

Because POP costs you nothing and puts extra money in your pocket, we encourage all employees to elect the pretax option. If you have questions or need more information, please contact your Benefits Administrator.

# Premium Only Plan Election Change Form

Employee Name		Social Security Number	
Address	City	State	Zip

I hereby request to change my election to reflect an eligible midyear election change for the Premium Only Plan.

On \_\_\_/\_\_\_/\_\_\_ (Date), I will/have experience(d) the following midyear election change:

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Examples may include events that fall into the following categories: legal marital status, number of dependents, employment status, dependent satisfies or ceases to satisfy the requirements for unmarried dependents, residence, special events or cost/coverage changes.

Please see the plan administrator for more information regarding a change in status election.

In coordination with my eligible midyear election change, please change my premium contribution as indicated:

Increase my election to \$\_\_\_\_\_
  Decrease my election to \$\_\_\_\_\_
  Revoke my election

I agree with and understand that this requested change in election has been a result of, and is consistent with, the change in status indicated above.

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

For Plan Administrator Use	
Authorized Signature:	Name:
Election change effective date:	Payroll period effective date: