



## Employer's Guide to the Premium Only Plan (P.O.P.)

Cut Your Payroll Taxes and Increase  
Your Employees' Take-Home Pay



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# Tax Savings Everyone Saves

Pre-tax premium payments = savings.



## Everyone Saves

A P.O.P. is a simple, IRS-approved change in your payroll process that allows you to use pre-tax salary dollars to pay your employees' share of benefit premiums. Any size employer can take advantage of this special provision of Section 125 of the IRS code.

As a result, both employers and employees profit. Employees reduce their taxable income, which lowers their taxes and increases their take-home pay. You cut your payroll taxes by decreasing your total taxable payroll. Everybody wins – and saves.

## Better Benefits, Too

Establishing a P.O.P. is an easy way to make your benefits more competitive and create real, lasting value for your employees, while generating continuous tax savings for your business.

## Affordable ... or Even Free

- Through our arrangement with Ceridian Benefits Services, the cost of a P.O.P. is only \$125 per year
- The first year is free if you have 10 or more Medical and Life enrolling employees

## P.O.P. Employer Advantages

- Lower payroll taxes means more company funds can be used for other business needs
- Increased employee satisfaction
- Low pricing at \$125 per year
- First year is free if you qualify
- Simple and quick plan set-up

## P.O.P. Employee Advantages

- More take-home pay
- Reduced taxes
- Tax savings pays for partial costs of premiums

## Plans that Qualify

You can benefit from a P.O.P if you have the following non-taxable, employee-sponsored group plans:

- Medical
- Dental
- Vision
- Short- and long-term disability
- Group term life (up to \$50,000 of coverage)

## Contents

How a P.O.P. Works . . . . .page 4  
Savings Examples . . . . .page 5

How Much Can You Save? . . . . .page 6  
Getting Started . . . . .page 8

# Easy, Simple

## How a P.O.P Works

### How a P.O.P. Works

- Any size employer can take advantage of a P.O.P.
- All you do is adjust your payroll process to deduct the employee portion of your group insurance premiums on a pre-tax basis instead of after-tax.
- A P.O.P. can be established for any single employee or certain related employees, including:
  - Members of a controlled group of corporations
  - Members of a group of commonly controlled trades or businesses
  - Members of an affiliated service group
- Ceridian Benefits Services will provide you with all you need to set up a P.O.P.
- The IRS prohibits certain individuals from participating in a P.O.P. These individuals include:
  - Sole proprietors
  - Partners within a partnership including LLC and LLP members
  - Owners of an S corporation

Even though these individuals cannot participate in a P.O.P. personally, their businesses can still benefit from the tax advantages of setting up a P.O.P. for their employees.

### Savings Examples

Suppose your company has an annual payroll of \$250,000 and 10 employees, each of whom contributes \$100 a month toward their group insurance premiums. Your savings would look like this:

Employer Savings	Without P.O.P.	With P.O.P.
Annual Payroll	\$250,000	\$250,000
Employee Premiums	\$0	(\$12,000)
Taxable Payroll	\$250,000	\$238,000
FICA (7.65%)	\$19,125	\$18,207
<b>EMPLOYER TAX SAVINGS</b>	<b>\$0</b>	<b>\$918</b>

  

Employee Savings	Without P.O.P.	With P.O.P.
Annual Income	\$25,000	\$25,000
Pre-Tax Contribution	\$0	(\$1,200)
Taxable Income	\$25,000	\$23,800
Estimated Taxes (30%)	(\$7,500)	(\$7,140)
After-Tax Contribution	(\$1,200)	\$0
Net Take-Home Pay	\$16,300	\$16,660
<b>TAKE-HOME PAY INCREASE</b>	<b>\$0</b>	<b>\$360</b>

**Turn to the next page to determine your own P.O.P. savings**

# Everyone Saves

## How Much Can Your Business save?

### How Much Can Your Business Save?

Use this simple worksheet to estimate how much your company can save with a P.O.P.\*

\* Savings calculated based on figures entered by the inquiring party, and may not represent the actual savings allowed by law. According to IRS guidelines, certain companies and employees do not qualify for the pre-tax savings. The savings attained with P.O.P. may vary based on the monthly premiums and employer contributions.

For more information about P.O.P. contact Ceridian at (800) 767-4969; for tax advice, please consult your tax advisor.



### Saving with a P.O.P.

<b>Annual payroll</b> In both columns, write in your gross annual payroll		
<b>Pre-tax employee premiums</b> In the P.O.P. column only, write in your annual pre-tax employee premium contributions	\$0	
<b>Taxable payroll</b> In both columns, subtract row 2 from row 1 and write in the difference		
<b>FICA (7.65%)</b> In both columns, multiply row 3 by .0765 and write in the result		
<b>Your Savings</b> Subtract the amount in row 4, column A from row 4, column B and write in the result	\$	\$

# Quick Set-Up

## Easy Set-Up

### Easy Set-up

After you send in your application, you will receive a P.O.P. Installation Kit from Ceridian Benefits Services, a firm specializing in the design and implementation of Section 125 services (the portion of the IRS tax code that makes premium only plans possible). Kit contents include:

- Simple set-up instructions in a step-by step format
- All materials necessary to communicate the program to your employees including:
  - A clear, easy-to-read announcement letter
  - Enrollment and re-enrollment form
  - A summary program description with answers to common employee questions
- Administrative guidelines and forms
- Personalized program document
- Non-discrimination testing procedures

### Customer Service Support

Ceridian Benefits Services will provide complete customer service support. Ceridian can assist you with any questions you may have about installing and managing a P.O.P. You may also wish to consult with your tax or legal advisor for more details on Section 125. Once your P.O.P. is in place, Ceridian will also keep you informed about any changes in IRS regulations to maintain compliance.

## Set-up can take as little as two weeks

### How to Enroll

**Step 1:** Fill out the P.O.P. Application included in this brochure; please note:

- If enrolling for a P.O.P. as an existing Anthem Blue Cross small business group, submit your completed P.O.P. Application (and separate check if applicable) to Anthem Blue Cross no later than 15 business days before requested P.O.P. effective date or amendment/restatement date.
- If applying for Anthem Blue Cross plans concurrently with P.O.P. enrollment, please submit the completed P.O.P. Application with all other required paperwork.
- P.O.P. Application received less than 15 days before the requested effective date will delay the effective date by one month.

**Note:** Your P.O.P. Application cannot be processed until underwriting approval is final for your group's enrollment, therefore, your P.O.P. effective date may be later than your Anthem Blue Cross effective date.

**Step 2:** Enclose a separate check for \$125 payable to Anthem Blue Cross

**(NOTE:** The first year is free if you have 10 or more Medical and Life enrolling employees.)

**Step 3:** Mail P.O.P. Application and payment if applicable in the postage-paid envelope provided.

**Step 4:** Receive a P.O.P. Installation Kit from Ceridian Benefits Services, and follow kit instructions right away to establish your P.O.P. as soon as possible.

# Affordable Cost

## Completing the P.O.P. Application

### How to Complete the P.O.P. Application

The following information must be included on the application:

#### Definitions

- 1. First day of P.O.P. year:** Your business must adopt a 12-month P.O.P. year, per IRS rules. The start date of a P.O.P. is usually the first day of the month after the application is submitted. The last day of the P.O.P. year must be 12 months after the first day of the P.O.P. year, except for year one, which may be a short P.O.P. year. For this first year only, you may choose any start date.
- 2. Eligibility for new and existing employees:** Indicate number of hours per week and days of service required for eligibility. Eligibility in P.O.P. usually coincides with eligibility in your other benefit plans.
- 3. Eligibility for re-hired employees:** Indicate required number of days of service for re-hired employees. Re-hired employees cannot enter a P.O.P. prior to the first day of the P.O.P. year immediately following their termination.

### Group Information

**A&B. Plan Sponsor:** Fill in the complete legal business name and address of the company sponsoring the plan.

**C. Business Type:** Indicate if the plan sponsor is a corporation, partnership or proprietorship.

**D. State of Incorporation or Domicile:** Indicate the state in which the plan sponsor is incorporated.

Non-incorporated plan sponsors should indicate the state in which they are located.

**E. Type of Plan:** The effective date should be the beginning of the first payroll period for which employee contributions will be converted to pre-tax. It is not necessary for the effective date to coincide with the first day of the plan year (short plan years are permitted in the first plan year).

**Per IRS regulations, all employee communication/election information must be distributed and the plan document must be adopted prior to the effective date.**

Due to timing requirements specified by tax law, we must receive your completed application at least 15 business days prior to your requested effective date or amendment/restatement date.

#### F. Existing Anthem Blue Cross Group Numbers:

For tracking purposes, please list all current Anthem Blue Cross and Anthem Blue Cross Life and Health group policy number(s). If the group has multiple policies, all must be listed.

### Agent/Broker Information

Have your agent/broker complete this section.

### Authorization

Indicate the name and title of the person within the company responsible for P.O.P. administration (your group administrator). The application must be signed and dated by your group administrator as an authorized representative of the P.O.P. sponsor.



Please print or type.

# Premium Only Plan Application

Requested/required group numbers \_\_\_\_\_

## Section A: General Information

1. Plan sponsor (employer's complete legal name) \_\_\_\_\_
2. State of incorporation or domicile \_\_\_\_\_
3. Name of plan \_\_\_\_\_  
(Example: ABC Company Premium Only Plan)
4. Type of plan  A new plan effective as of \_\_\_\_/\_\_\_\_/\_\_\_\_  
 An amendment and restatement of an existing Section 125 plan (transfer of P.O.P. from your current administrator)  
Effective date of original plan \_\_\_\_/\_\_\_\_/\_\_\_\_  
Effective date of amended and restated plan \_\_\_\_/\_\_\_\_/\_\_\_\_
5. HSA amendment  Include language to allow the high-deductible health plan premiums and HSA contributions to be deducted on a pre-tax basis.

**(Note: The application must be received by at least 15 business days before the requested effective date or the amendment and restatement date.)**

## Section B: Definitions

1. **First day of plan year** \_\_\_\_\_ **Last day of plan year** (must be a 12-month period) \_\_\_\_\_  
(The plan year must be 12 months. It usually coincides with the renewal date of the insurance plan, the calendar year or the company fiscal year. The last day of the plan year must be 12 months after the first day of the plan year.)
2. **Eligibility for new and existing employees** An employee of the company regularly performing services at least \_\_\_\_\_ hours per week shall become a participant on the first day of the month coincidental with or next following the date the employee completes \_\_\_\_\_ days of consecutive employment. (Days of service and hours per week required for eligibility usually coincide with eligibility for insurance programs.)
3. **Eligibility for rehired employees** Employees rehired after a period of termination will become eligible for the plan on the first day of the month coincidental with or next following the date the employee completes \_\_\_\_\_ days of consecutive employment. (Employees rehired within 30 days must continue with previously elected pre-tax contribution amounts.)

## Section C: Administration

**Provide the name and address of the person responsible for plan administration. The application must be signed by an authorized representative of the plan sponsor.**

**Reminder: Do not start pre-tax deductions until you have received the P.O.P. installation kit and plan document from Ceridian and implemented the P.O.P.**

Plan administrative contact \_\_\_\_\_ Title \_\_\_\_\_

Mailing address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Shipping address (do not use P.O. Box) \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

E-mail \_\_\_\_\_ (E-mail address required for delivery of the newsletter).

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

## Section D: Agent/Broker Information

Name Steve Shorr Agent # \_\_\_\_\_

Company/agency Steve Shorr Insurance Sales office \_\_\_\_\_

Mailing address 1027 W. 11th # 3 City San Pedro State CA Zip 90731

Telephone ( 310.519.1335 ) Agent signature \_\_\_\_\_

Question? Call Ceridian's P.O.P. information hotline at 800-767-4969.

Please return the completed application in the attached envelope.

For internal use: CA CO

**Anthem Blue Cross** Attn: Underwriting/P.O.P. PO. Box 9042 Oxnard, CA 93031-9924

