

A Employer's Guide to Premium Only Plans

# P.O.P.

*do what  
you do best*

*maximize resources*

*free to be*

*focus on what's ahead*

*follow your instincts*

# Premium Only Plans

## At Last – Real Tax Savings for You and Your Employees

A Premium Only Plan (P.O.P.) is an easy, convenient way to increase employee take-home pay and reduce company payroll taxes.

Under P.O.P., which is regulated by Section 125 of the Internal Revenue Code, your company's taxable payroll can be reduced by the amount employees contribute to certain employer-sponsored group benefit plans...which **lowers your payroll-related taxes!**

With P.O.P., employees' taxable income is also reduced by the amount of their benefits premium contributions, so employees pay less federal, FICA (Social Security and Medicare tax) and most state income taxes...and actually **increase their take-home pay!**

Want more reasons to implement P.O.P. in your business?

- P.O.P. is a valuable enhancement to any employee benefit package.
- P.O.P. is easy to implement and administer.
- P.O.P. is inexpensive.

### Employee Benefits

#### P.O.P. Increases Employee Take-Home Pay

With P.O.P., employees can use pre-tax income to pay premiums for specific types of group insurance, such as:

- Medical/Health (indemnity, HMO, PPO, point-of-service)
- Dental
- Group Term Life (up to \$50,000)
- Vision
- Short- and Long-term Disability

An employee's taxable income is reduced by the amount of his/her contribution toward these insurance premiums. This decreases the employee's income and FICA taxes and **increases his/her take-home pay!**

Employees can design their benefits package a' la carte, paying only for the benefits they really want.

Here's an example of how much P.O.P. can potentially save an employee who contributes \$200 each month toward insurance premiums:

	Without P.O.P.	With P.O.P.
Annual Salary	\$25,000	\$25,000
Annual Pre-tax Premium Contribution	\$0	(\$2,400)
Taxable Income	\$25,000	\$22,600
Estimated Taxes (30%)	(\$7,500)	(\$6,780)
After-tax Premium Contributions	(\$1,200)	\$0
Net Take-home Pay	\$16,300	\$17,020
<b>Increase in Employee Take-Home Pay</b>	<b>\$0</b>	<b>\$720</b>

### Employer Benefits

#### P.O.P. Reduces Employer Payroll Taxes

Businesses of any size can decrease payroll taxes with P.O.P. All qualified employee premium contributions are subtracted from taxable payroll. The employer saves on FICA and other payroll-related taxes.

In addition, P.O.P. fees are tax deductible as a business expense.

The following example illustrates how much P.O.P. can potentially save a small-business employer with seven covered employees:

	Without P.O.P.	With P.O.P.
Annual Payroll	\$175,000	\$175,000
Annual Employee Pre-tax Premium Contribution	\$0	(\$12,000)
Taxable Payroll	\$175,000	\$163,000
Total Payroll Taxes (FICA Tax @ 7.65%)	\$13,388	\$12,470
<b>Employer Payroll Tax Savings</b>	<b>\$0</b>	<b>\$918</b>

## Calculate the estimated tax savings you can realize with P.O.P.

### TAX SAVINGS WORKSHEET

Your Total Monthly Employee Premium Contributions	\$ _____
Multiply by .0765	X .0765
This is your monthly FICA tax savings	\$ _____
Multiply by 12 months	X 12
<b>This is your Annual Tax Savings with P.O.P.</b>	\$ _____

## The Administrative Kit – Your Guide to P.O.P.

Setting up a Premium Only Plan is easy — and you start saving immediately.

The Administrative Kit provides simple instructions for making P.O.P. a part of any eligible employer-sponsored group plan.

The Kit consists of an Administrator's Guide on CD-ROM and a personalized Plan Document.

The Administrator's Guide includes:

1. Simple step-by-step instructions
2. All the materials necessary to effectively communicate the plan to your employees, including:
  - Employee announcement letter
  - Enrollment and re-enrollment forms
  - Summary plan description, that provides answers to common employee questions
3. Nondiscrimination testing procedures and software.

P.O.P. administration is easy – you don't have to become an expert on IRC Section 125 plan administration.

Each Administrative Kit includes easy-to-understand administration guidelines and all the forms you'll need to properly administer the plan.

Most importantly, Ceridian Benefits Services backs its P.O.P. with a staff of technical representatives who are always ready to answer your questions.

For answers to your questions about P.O.P. administration, call the Information Hotline, 1-800-767-4969, or email us at [cyberpop@ceridian.com](mailto:cyberpop@ceridian.com).

P.O.P. can be established for any single employer or certain "related employers," including members of a controlled group of corporations, members of a group of commonly controlled trades or businesses, or members of an affiliated service group.

*Certain individuals, however, are prohibited from participating in P.O.P.* These include sole proprietors, partners within a partnership, or 2% or more shareholders of an S Corporation.

Even though these individuals are ineligible for P.O.P., their employees can participate.



## Getting started with P.O.P.

It's easy and convenient to start saving money with P.O.P.

First determine the Plan Year. It is recommended that it coincide with your group health insurance Plan Year.

Then, determine the Plan Effective Date, the date you wish P.O.P. to go into effect. It's not necessary for the Plan Effective Date to coincide with the first day of the Plan Year. The first year could be a short Plan Year.

After the Plan Year and Plan Effective Date have been determined, go through the following simple steps:

### Prior to the Plan Effective Date

- Fill out the one-page Application Form on page 4 of this Guide.
- Forward the Application Form with the fee. The complete Administrative Kit is available for \$400. *(Note: To ensure timely delivery of the P.O.P. Administrative Kit, Ceridian must receive the completed Application Form and check at least 15 business days prior to your P.O.P. plan effective date. If the Application and fee are received after that date the Plan Effective Date will be delayed one month).*
- After you receive your Administrative Kit, read and sign the Plan Document.
- Read the Administrator's Guide on the CD-ROM.
- Send out employee communication materials:
  - Employee notification letter
  - Summary plan description
  - Enrollment forms.
- Perform non-discrimination testing.
- Notify your payroll vendor or adjust your own payroll system.

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### After the Plan Effective Date

- Send out employee communication materials for new hires, as needed:
  - Employee notification letter
  - Summary plan description
  - Enrollment forms.
- Perform non-discrimination testing annually and as needed, depending on new hires.
- Receive the Newsletter, which contains the latest information on IRC Section 125 regulation changes.
- For each new Plan Year, send out the Annual Election Notice.

## Renewing P.O.P.

P.O.P. may be renewed annually for only \$125. Renewal provides employers with timely updates and modifications to ensure continued compliance with changing IRS regulations.

Continuing support includes:

- Guidance regarding the most current legislation related to cafeteria plans via Newsletter.
- Updates to your Administrative Kit and required amendments to plan documents.
- Non-discrimination testing support.
- Unlimited, free consultation on our Information Hotline, by Fax or via email.

The P.O.P. Administrative Kit and supporting documents are backed by Ceridian Benefits Services, Inc., a firm that specializes in the design and implementation of employee benefits programs.

**For answers to your questions about P.O.P. call our P.O.P. INFORMATION HOTLINE**

**1-800-767-4969**

Or email us at [Cyberpop@ceridian.com](mailto:Cyberpop@ceridian.com).

# PREMIUM ONLY PLAN APPLICATION

Reminder: **Do not start pre-tax deductions until you have received the P.O.P. Administrative Kit and Plan Document from Ceridian Benefits Services.**

## SECTION A: GENERAL INFORMATION

1. Plan Sponsor (Employer's complete legal name): \_\_\_\_\_
2. Business Type (corporation, partnership, proprietorship): \_\_\_\_\_
3. State of Incorporation or domicile: \_\_\_\_\_
4. Name of Plan: \_\_\_\_\_  
(Example: ABC Company Premium Only Plan)

The effective date should be the beginning of the first payroll period for which employee premium 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 adopted prior to the effective date.

5. Type of Plan (check one):  
 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: \_\_\_\_\_

(Note: **The application must be received by Ceridian at least 15 business days prior to requested effective date or 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, calendar year or company fiscal year. The last day of 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 Re-Hired 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 re-hired within 30 days must continue with previously-elected pre-tax contribution amounts.

## SECTION C: ADMINISTRATION

Indicate the name and address of the person within your company responsible for plan administration. The application should be signed by an authorized representative of the plan sponsor.

Plan Administrative Contact: \_\_\_\_\_ Title: \_\_\_\_\_

Mailing Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Shipping Address (No PO Box): \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

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

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

Email\*: \_\_\_\_\_

\*Email address required for timely delivery of the P.O.P. Newsletter and for confirmation of receipt of Application.

## SECTION D: BROKER INFORMATION

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

Company/Agency: \_\_\_\_\_

Mailing Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

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

Agent Signature: \_\_\_\_\_ Email: \_\_\_\_\_

\*Email address required for timely delivery of the P.O.P. Newsletter.

Please contact us at (800) 366-3130 with questions about this application form.

Mail the completed application  
and your check to:

Ceridian Benefits Services  
Attn: Marketing  
3201 34th Street South  
St. Petersburg, FL 33747-4233



Learn more online at [www.ceridian.com/myceridian](http://www.ceridian.com/myceridian)  
or call us toll-free at 800-366-3130

free to be



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Best in class solutions. Extraordinary expertise. Proven service for thousands of companies around the world. Ceridian frees your company to maximize your human, financial and technological resources and get them focused on what's really important – your business.

