

Ceridian

# Premium Only Plan (POP)

Managed human resource solutions that maximize the value of people



*maximize your savings*

# Premium Only Plans

## At last — real tax savings for you and your employees

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

Under POP, which is regulated by Section 125 of the Internal Revenue Code (IRC), 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 POP, employees' taxable income is also reduced by the amount of their benefits premium contributions, so employees pay less federal, Social Security and Medicare tax (FICA) and most state income taxes and actually **increase their take-home pay!**

Ceridian can provide you with a POP plan that allows you to offer your employees group insurance on a pretax basis, saving them up to 30% in out-of-pocket costs. Want more reasons to implement POP in your business?

- POP is a valuable enhancement to any employee benefit package
- POP is easy to implement and administer
- POP is inexpensive

### Employee benefits

#### POP increases employee take-home pay

With POP, employees can use pretax income to pay premiums for specific types of group insurance, such as:

- Medical/Health (indemnity, HMO, PPO, etc.)
- 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 POP can potentially save an employee who contributes \$200 each month toward insurance premiums:

|   | Without POP | With POP     |
|---|-------------|--------------|
| Annual Salary                             | \$25,000    | \$25,000     |
| Annual Pretax Premium Contribution        | \$0         | (\$2,400)    |
| Taxable Income                            | \$25,000    | \$22,600     |
| Estimated Taxes (30%)                     | (\$7,500)   | (\$6,780)    |
| After-tax Premium Contributions           | (\$2,400)   | \$0          |
| Net Take-home Pay                         | \$15,100    | \$15,820     |
| <b>Increase in Employee Take-home Pay</b> | <b>\$0</b>  | <b>\$720</b> |

### Employer benefits

#### POP reduces employer payroll taxes

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

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

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

|   | Without POP | With POP       |
|---|-------------|----------------|
| Annual Payroll                              | \$175,000   | \$175,000      |
| Annual Employee Pretax Premium Contribution | \$0         | (\$16,800)     |
| Taxable Payroll                             | \$175,000   | \$158,200      |
| Total Payroll Taxes (FICA Tax @ 7.65%)      | \$13,388    | \$12,100       |
| <b>Employer Payroll Tax Savings</b>         | <b>\$0</b>  | <b>\$1,288</b> |

### Health Savings Account (HSA)

Ceridian now has a plan document amendment available to allow High Deductible Health Plan premiums and HSA contributions to be deducted on a pretax basis. Contact Ceridian Sales at 800-790-9057 for more information.

## Calculate the estimated tax savings you can realize with POP

### 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 POP</b>   | \$ _____ |

## The Administrative Kit – your guide to POP

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

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

The Kit consists of an Administrator's Guide on CD-ROM and a customized 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

POP 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 backs its POP with a staff of technical representatives who are always ready to answer your questions.

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

POP 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 POP. These include sole proprietors, partners within a partnership, or 2% or more shareholders of an S Corporation. Even though these individuals are ineligible for POP, their employees may participate.*



## Getting started with POP

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

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 POP 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 Premium Only Plan application.
- Forward the completed application to Ceridian. You will be invoiced by Ceridian upon receipt of the completed application. The POP Administrative Kit is available for \$400, plus \$50 for the HSA amendment (if elected). Sales tax may apply.

**Note:** To ensure timely delivery of the POP Plan Document and Administrative Kit, Ceridian must receive the completed application form at least 15 business days prior to your POP plan effective date. If the application form is 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 nondiscrimination 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 nondiscrimination 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 POP

POP may be renewed annually for a small fee of \$125. Renewal provides you with timely updates and modifications to ensure your 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
- Nondiscrimination testing support
- Unlimited, free consultation on our Information Hotline, by fax or via email

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

**For answers to your questions about POP, call our Information Hotline**

**800-767-4969**

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

## 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 POP 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 pretax basis. (Additional \$50 fee applies.)

**(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 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 pretax contribution amounts.)*

## Section C: Administration

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

**Reminder: Do not start pretax deductions until you have received the POP Administrative Kit and Plan Document from Ceridian and implemented the POP.**

Plan Administrative Contact \_\_\_\_\_ Title \_\_\_\_\_  
 Mailing Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_ Zip \_\_\_\_\_  
 Shipping Address (No PO Box) \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_ Zip \_\_\_\_\_  
 Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
 Email \_\_\_\_\_ *Email address required for delivery of the newsletter.*

This Agreement will become effective on \_\_\_\_/\_\_\_\_/\_\_\_\_ (the "Effective Date," or "Amendment and Restatement Date," if applicable). It will continue for an initial term of one year beginning with the Effective Date, or the Amendment and Restatement Date and continue thereafter until terminated by either party upon 90 days prior written notice.

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

## Section D: Broker Information

Name \_\_\_\_\_ Company/Agency \_\_\_\_\_  
 Mailing Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_ Zip \_\_\_\_\_  
 Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
 Agent Signature \_\_\_\_\_ Email \_\_\_\_\_  
*Email address required for delivery of the newsletter.*

**Please contact your sales representative at 800-790-9057 with questions about this plan or application form.**

Please return completed application to:

Ceridian Marketing  
 3201 34th Street South  
 St. Petersburg, FL 33711  
 Fax: 800- 272-9654

**Jesse Sahler x8786**  
**Fax (727) 865-3187**

Upon receipt, you will be invoiced \$400, plus \$50 for the HSA amendment (if elected). Sales tax may apply.

Sales Rep \_\_\_\_\_

Learn more at [www.myceridian.com](http://www.myceridian.com)  
or call toll-free at 800-790-9057.

*changing the  
world of work*

MANAGED HUMAN RESOURCE SOLUTIONS



World-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.