

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, 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
Increase in Employee Take-Home Pay	\$0	\$720

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
Employer Payroll Tax Savings	\$0	\$1,288

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
This is your annual tax savings with POP	\$ _____

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.

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 can 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 one-page 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 tax (if applicable).

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.

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: ____/____/____
(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 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
Upon receipt, you will be invoiced for \$400, plus sales tax (if applicable).
Fax: 800- 272-9654 Sales Rep: _____

Learn more at 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.

CERIDIAN 3201 34th Street South St. Petersburg, FL 33711 800-790-9057 www.myceridian.com

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Printed in USA . 110108-000 Rev 1/05 JN-C