



**PROFESSIONAL GROUP PLANS, INC.**

GENERAL AGENT

*Specializing in Employee Benefits*

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

**Provided by:  
Ceridian Benefits Services**

## **P.O.P. Helps Lower the Cost of Group Insurance**

Premium Only Plans (P.O.P.) offer a way for employers to enhance their employee benefit packages *while reducing both employer and employee taxes*. P.O.P. is an exciting concept in employee benefit programs created through certain provisions of Section 125 of the Internal Revenue Code. IRC Section 125 provides for tax-exempt treatment of employee premium contributions to certain employer sponsored group benefit plans. The type of nontaxable benefit plans which can be included in a P.O.P. plan are:

- Health
- Group Term Life (up to \$50,000)
- Dental
- Vision
- Long-Term Disability
- Short-Term Disability

IRC Section 125 considers P.O.P. pre-tax premium contribution dollars as employer dollars for tax purposes. As a result, your company's total taxable payroll is reduced by the amount of the employee premium contributions. A reduced payroll results in ***lower payroll-related taxes!*** The amount of savings depends on total company payroll and how much employees contribute toward their benefits, but any size company can implement P.O.P. and save money!

The same kind of savings are available to every employee in your company who makes a contribution toward their insurance benefits. Because employees reduce their taxable income by the amount of their premium contributions, they pay less income and social security taxes and actually ***increase their take-home pay!*** The following charts illustrate two examples of the potential tax savings available with a P.O.P. plan.

**Assume the following:** This "typical" company has an annual payroll of \$250,000 and ten employees, each of whom contribute \$100 a month toward group insurance premiums.

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

<b>EMPLOYEE SAVINGS</b>	<b>WITHOUT P.O.P.</b>	<b>WITH P.O.P.</b>
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>

**Use this work sheet to calculate the estimated tax savings your company can achieve with P.O.P.!**

<b>TAX SAVINGS WORK SHEET</b>	
A) Total Monthly Employee Contributions	\$ _____
B) Multiply Line A by .0765	X .0765
C) This is the monthly FICA tax savings	\$ _____
D) Multiply Line C by 12 months	X 12
<b>ANNUAL EMPLOYER TAX SAVINGS</b>	<b>\$ _____</b>

### **P.O.P. Description**

P.O.P. was designed for easy installation to produce immediate savings. Each Installation Kit includes complete information for you to establish P.O.P. with any eligible employer sponsored group plan. The Installation Kit provides the basic information required to set up and administer P.O.P., so there's no need to become an expert in IRC Section 125 plan administration.

- Simple installation instructions in a step-by-step format.
- All the materials necessary to communicate the plan to employees including:
  - Employee announcement letter
  - Enrollment and re-enrollment forms
  - Summary plan description providing answers to common employee questions.
- Administrative guidelines and forms
- Personalized plan document
- Nondiscrimination testing procedures

For an annual fee of \$100, employers may also choose to take advantage of our IRS Form 5500 reporting service.

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 business, or members of an affiliated service group. Certain individuals, however, are prohibited from participating in a P.O.P. plan. These include **sole proprietors, partners within a partnership, or owners of an S corporation**. Even though these individuals are ineligible for a P.O.P. plan, their employees can participate.

Most importantly, Ceridian Benefits Services backs your P.O.P. plan with a staff of technical representatives who are always ready to answer questions from you or your clients. **For answers to your questions about P.O.P., call the P.O.P. INFORMATION HOTLINE, 800-767-4969.**

## **How to Start Saving with "P.O.P."**

By purchasing your P.O.P. through your insurance broker and our wholesale distributor Professional Group Plans, Inc., we'll give you a complete P.O.P. Installation Kit for just \$300. The annual P.O.P. renewal fee is \$100.

To begin receiving the financial benefits offered through P.O.P., complete the one-page application and return it to your insurance broker. Please include a check for \$300 payable to Professional Group Plans, Inc. **In order to ensure timely delivery of the P.O.P. Installation Kit, the completed application must be received at least 12 business days prior to your P.O.P. plan effective date.** Otherwise, the effective date of your P.O.P. plan will be delayed by one month. The following information must be disclosed on the application:

### **SECTION A: GENERAL INFORMATION**

- 1) **Plan Sponsor:** Fill in the complete legal name of the company (employer) sponsoring plan.
- 2) **Business Type:** Indicate the form of business under which the plan sponsor operates.
- 3) **State:** Fill in the state in which the plan sponsor is incorporated. Non-corporate plan sponsors should indicate the state in which the plan sponsor is domiciled.
- 4) **Name of Plan:** Identify complete name of P.O.P. Plan.
- 5) **Effective Date Of Plan:** Indicate desired effective date. The effective date should be the beginning of the first payroll period for which employee premium contribution 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.**

### **SECTION B: DEFINITIONS**

- 1) **First Day Of P.O.P. Plan Year:** The company must adopt a 12-month plan year. Usually coincides with renewal date of insurance plan, calendar year, or company fiscal year. **Last Day Of P.O.P. Plan Year:** Must be 12 months after first day of plan year.
- 2) **Eligibility For New And Existing Employees:** Indicate hours per week and days of service required for eligibility. Usually coincides with eligibility for insurance program.
- 3) **Eligibility For Re-Hired Employees:** Indicate required length of service for re-hired employees. Re-hired employees cannot enter the plan prior to the first day of the first plan year immediately following their termination.

### **SECTION C: ADMINISTRATION**

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

The P.O.P. Installation Kit and supporting documents are created and backed by Ceridian Benefits Services. Please contact us at **800-767-4969** with any questions.

**YOUR NEXT STEP . . .**

**. . . Fill out the application on the next page.**

**P.O.P. APPLICATION** (Please complete this form and mail to the address at the bottom of this page.)

Group # \_\_\_\_\_

Approval Code: \_\_\_\_\_

**SECTION A: GENERAL INFORMATION**

1. Plan Sponsor (legal name): \_\_\_\_\_
2. Business Type (corporation, partnership, proprietorship): \_\_\_\_\_
3. State of Incorporation: \_\_\_\_\_
4. Name of plan: \_\_\_\_\_  
(Example: ABC Company Premium Only Plan)
5. Type of Plan (check one):  a new plan effective as of: \_\_\_\_\_  
 an amendment and restatement of an existing Section 125 plan.  
Original plan effective date: \_\_\_\_\_  
Amendment and restatement date: \_\_\_\_\_

Note: P.O.P. application must be received at least 12 business days prior to requested effective date or amendment and restatement date.

**SECTION B: DEFINITIONS**

1. First day of P.O.P. plan year: \_\_\_\_\_. Last day of P.O.P. plan year (must be 12-month period): \_\_\_\_\_.
2. 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.
3. 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, provided such date is not earlier than the first day of the first plan year beginning after the employee's termination.

**SECTION C: ADMINISTRATION**

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

Street Address (No P.O. Box): \_\_\_\_\_

City, State, Zip: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

Title: \_\_\_\_\_ Telephone: (\_\_\_\_) \_\_\_\_\_

**SECTION D: AGENT/BROKER INFORMATION**

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

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

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

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

Telephone: (\_\_\_\_) \_\_\_\_\_ Sales Office: \_\_\_\_\_

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

Please contact us at 1-800-767-4969 with any questions about the plan or this application form.

Please make check payable to Professional Group Plans, Inc.

