

# Premium Only Plan (POP): The Simple Solution

A Premium Only Plan is the building block of the section 125 cafeteria plan. It allows your employees to pay their share of group-sponsored insurance premiums or other qualified benefits with pretax dollars.



## Experience the Savings

Eligible group-sponsored insurance premiums may include the premiums paid for medical, prescription, dental, vision, and/or other qualified benefits under Section 125, such as cancer and hospital policies.

### Employee Savings

By participating in the POP, employees can save 22–40% in payroll deductions; however, the actual savings are dependent on the employee's tax bracket and state residence and can include city, state, and federal income taxes, including Social Security and Medicare.

### Employer Savings

By giving your employees the opportunity to pay for their portion of their group-sponsored insurance premiums with pretax dollars, you also reduce the payroll taxes your company pays.

Employers save the matching Social Security (6.20%), and Medicare (1.45%) taxes, which equates to 7.65% (1.45% for municipalities) in FICA savings.

### Example of Savings

Employees who participate in the plan will have a reduced taxable salary, meaning lower FICA payments and other payroll taxes for your company. Here is an example for a company with 30 employees participating in POP.

#### Insurance Premiums for 30 Employees

		Employer Savings: 7.65%	Employee Savings: 22%
Employee Premium	\$200.00	\$15.30	\$44.00
Monthly Payroll Reduction Savings	\$6,000.00	\$459.00	\$1,320.00
Annual Payroll Reduction Savings	\$72,000.00	\$5,508.00	\$15,840.00

### Questions?

Not sure who to contact? PSA-TPA Sales and Service can help! Call us at (800) 422-7038 and ask for Sales or email us at [psasales@pacificsource.com](mailto:psasales@pacificsource.com).

#### Bend

[BendSales@pacificsource.com](mailto:BendSales@pacificsource.com)

#### Idaho

[IdahoSales@pacificsource.com](mailto:IdahoSales@pacificsource.com)

#### Medford

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#### Springfield

[SpringfieldSales@pacificsource.com](mailto:SpringfieldSales@pacificsource.com)

[PacificSource.com/PSA](http://PacificSource.com/PSA)

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# Frequently Asked Questions

## What does my company get with a POP?

We'll give you all of the information necessary to implement this program:

- A sample letter for your employees
- Sample enrollment forms (enrollment, declination, evergreen notice)
- A model Plan Document
- A Summary Plan Description to give to all plan participants
- Nondiscrimination testing assistance once per plan year at no cost

## How much does it cost?

Your first year costs \$200 with an annual renewal fee of \$150. If your company offers a PacificSource health plan, you get a \$50 discount for the first year.

## Do we need an FSA and POP?

PacificSource Administrators (PSA) offers POPs for companies without a full Flexible Spending Account (FSA) in place. Our FSA plan documents include the pretax premium language, so a separate POP isn't necessary. For more information on FSAs, please see our FSA: A Smart Choice flier, or give us a call.

## Who can participate?

Only employees are eligible to participate. This means more-than-2% owners in an S corporation or LLC taxed as an S corporation (including their spouse, children, parents, and grandparents) and self-employed individuals are not eligible to participate. Self-employed individuals include:

- Sole proprietors
- Partners in a partnership or LLC taxed as a partnership
- General partners and certain limited partners in a limited partnership or LLP

At PacificSource Administrators, we'll work with you to answer any eligibility questions.

## Can employees make changes during the plan year?

Yes, but only if the participant experiences a qualified change in status and the changes are allowed by your insurance carrier.

Examples of qualifying events include:

- Marriage
- Divorce
- Birth
- Death
- Adoption
- Spouse changing employment
- A job shift change for the employee or their spouse that directly affects their premium
- Change in premium and/or cost share

## How can we get started?

Signing up is easy! Simply return the POP Service Agreement with payment, and we'll send the necessary materials.

## What happens next?

After you get the sample enrollment materials:

- Notify your employees that their share of premiums will be taken on a pretax basis.
- Notify your payroll department or payroll vendor of the change.
  - A tax advisor can assist in determining taxes if you process the payroll yourself.
- Administer open enrollment; form examples are provided.
- You'll get an email within 30 days regarding nondiscrimination testing requirements and what is needed for PSA to perform your testing.
- A Plan Document and Summary Plan Description will be provided within 45 days of payment or start of the plan year.
  - Distribute the Summary Plan Description to all employees
- At renewal, we'll send an invoice if you'd like PSA to continue administering your POP.

We're happy to answer any questions you may have to help you get started.

## About Us

PacificSource Administrators offers a broad range of administrative benefits services, including self-funded insurance plans, Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), Premium-only administration, and COBRA/Retiree administration. We've been serving the Northwest since 1987. We pride ourselves on providing full program administration for the employer, informing employees as to how they will benefit, and providing education and prompt service to participants.

