

Ceridian
Premium Only Plan

Managed human resource solutions that maximize the value of people



maximize your savings

Marketed in partnership with

AvMED
HEALTH PLANS



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!**

AvMed, through its partnership with Ceridian, can provide you with a POP plan that allows you to offer your employees group insurance on a pretax basis, typically saving them an average of 30 percent in out-of-pocket costs. Additional reasons to implement a POP in your business include:

- 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

- Employers save on payroll taxes when employees make pretax contributions. This ultimately decreases the amount of taxable pay.
- The employer saves on FICA and other payroll related taxes.
- POP fees are tax deductible as a business expense.
- Tax savings often cover the entire cost of administering a Premium Only Plan.

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

Health Savings Account (HSA)

Ceridian has a plan document amendment available to allow High Deductible Health Plan premiums and HSA contributions to be deducted on a pretax basis.

Employer tax savings typically average 7 to 10 percent more by implementing the Section 125 Plan with the HSA module.

By utilizing the Section 125 Premium Only Plan to pretax HSA savings, your business saves on the following:

- Matching Social Security (FICA)
- Federal unemployment taxes (FUTA)
- State unemployment taxes

For more information, contact Ceridian POP Employer Services at 800-767-4969.

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

As a leader in benefits administration, Ceridian understands the importance of successfully implementing a POP. 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, please 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 more than 2% 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 the 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 \$200. 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 (POP) Plan Effective Date will be delayed one month.

- After you receive your Administrative Kit, please read and sign the Plan Document; save for your records.
- Read the POP 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 you have implemented an IRC Section 125 plan 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 and review 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 will be renewed annually for a small fee of \$100. Renewal provides you with timely updates and modifications to ensure your continued compliance with changing IRS regulations.

In addition to lower payroll taxes for you and your employees, renewing your POP provides the following ongoing compliance support:

- Guidance regarding the most current legislation related to cafeteria plans via online 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 business 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.

Premium Only Plan Application



Section A: General Information

1. Plan Sponsor (Employer's complete legal name) ("Client") _____
2. State of Incorporation or domicile _____
3. Name of Plan _____
(Example: ABC Company Premium Only Plan)

The effective date should be the beginning of the first payroll period for which employee contributions will be converted to pretax. 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 must be signed prior to the effective date. The application must be received by Ceridian at least 15 business days prior to requested effective or amendment and restatement date.

4. Type of Plan (check one) 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.

Section B: Definitions

1. **First day of Plan Year** _____ **Last day of Plan Year** (must be a 12-month period after first day) _____
The Plan Year usually coincides with the renewal date of the insurance plan, calendar year or company fiscal 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.
4. **Total number of covered employees of the sponsor** _____

Section C: Administration

Indicate the name and address of the person within the company responsible for plan administration. The application should be signed by an authorized representative of the company. Reminder: Please do not start pretax deductions until you have received the Administrative kit and signed the Plan Document from Ceridian.

Plan Administrative Contact _____ Title _____
Mailing Address _____ County _____ City _____ State _____ Zip _____
Shipping Address (No PO Box) _____ City _____ State _____ Zip _____
Telephone (_____) _____ Fax (_____) _____ Email _____
Email address required for delivery of the e-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 for successive one-year terms ("Renewal Terms") or until terminated by either party upon 90 days prior written notice. For each Renewal Term, Client agrees to be invoiced for and pay an annual fee of \$100. The fees for the services shall increase once annually in an amount not to exceed the annual change in the Employment Cost Index Series 112 (Professional, Technical and Specialty Occupations) (not Seasonally Adjusted).

Signature _____ Date _____

Section D: Broker Information

Name _____
Company/Agency _____
Mailing Address _____ City _____ State _____ Zip _____
Telephone (_____) _____ Fax (_____) _____ Email _____
Email address required for delivery of the e-newsletter.

Agent Signature _____ Date _____

Please contact your AvMedv sales representative with questions about this plan or application form.

Please return completed application via fax to 888-342-5777.

Upon receipt, you will be invoiced \$200. Sales tax may apply.

Ceridian Benefits Services, Attn: POP
3201 34th Street South
St. Petersburg, FL 33711



Learn more at www.ceridian.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.