

PREMIUM ONLY PLAN (POP)



WE MAKE
THE COMPLEX
SIMPLE

Section 125 Premium Only Plans, often referred to as POPs, reduce income tax liabilities for employers and employees. This is because IRS Section 125 allows employees to pay their portion of medical insurance premiums and health savings account (HSA) contributions using pretax or tax-free dollars. Sterling provides employers with everything they need to establish a Section 125 POP. Section 125 IRS Code allows employees to convert a taxable cash benefit (salary) into non-taxable benefits. Under a Section 125 program, employers may choose to pay for qualified benefit premiums before any taxes are deducted from employee paychecks. This is a great way to cost effectively enhance benefits packages.

GROUP INSURANCE PREMIUMS THAT QUALIFY

If offered by the employer, the qualified group insurance premiums that can be paid with pre-tax dollars under a POP are listed below. HSA contributions can also be made pre-tax, so the combination of a POP and HSA is very cost effective and beneficial to the employer and employee. Note that employee HSA contributions in 46 states can be made pre-tax when the employer has a Section 125 or POP document. However, in CA and NJ, HAS contributions are still state taxable.

- Health
- Dental
- Vision
- Disability (may not be included to avoid taxation upon receipt of benefit)
- Life (up to \$50,000)
- Cancer
- Hospital Indemnity
- Accident

EMPLOYEE SAVINGS

Employees can often realize 30% to 40% in tax savings because contributions to a POP are exempt from payroll taxes. The actual tax savings are on city, state, and federal income taxes, including Social Security and Medicare taxes on all money employees use to pay for their portion of insurance premiums.

Under a Section 125 POP, employees take-home pay is increased which helps reduce the high cost of providing health coverage for family members. Of course, actual savings will vary depending upon the employee's tax situation.

Employers also realize savings by offering a POP to employees. About 10% tax savings is a good estimate as a result of lower Social Security, Medicare, Federal and state unemployment, and worker's compensation taxes, depending on the state. The savings adds dollars to the employer's bottom line.

WHO CAN PARTICIPATE?

Employees of regular corporations, S corporations, limited liability companies (LLCs), partnerships, sole proprietors, professional corporations, and not-for-profits can all reduce payroll taxes by establishing a Section 125 POP. While IRS Code prohibits a sole proprietor, partner, members of an LLC (in most cases), or individuals owning more than 2% of an S corporation from participating in the Section 125 POP, owners may still benefit from the savings on payroll taxes by sponsoring the plan for their employees.

STERLING POP SERVICES

Sterling offers two POPs: Basic and Comprehensive. The Basic plan is a low \$249 set-up fee and does not include nondiscrimination testing. The Comprehensive plan, for groups that offer HSA, have varied eligibility/contribution levels for employees, and/or allow Cash in Lieu of Benefits for a \$495 annual fee, with nondiscrimination testing included. The Comprehensive plan is a very affordable choice for companies without internal resources to complete the testing process.

A POP can be started any time during the year. Sterling will create the following documents in support of your POP and work with you on the details required to set up the plan with your employees:

- Premium Only Plan Document
- Summary Plan Document (SPD)
- Adoption Agreement
- Joinder Agreement (if applicable)

To apply for your POP please complete Sterling's online POP application. Just click on the orange 'Enroll Now' button on Sterling's website and follow the prompts. Payment must be received by Sterling to finalize processing of the setup of your POP.

If you already have a POP that you started years ago, you can amend and restate the plan anytime. We simply need the original start date of your old plan so we can maintain the continuity back to the original start date.

CALL US TODAY

Call or email your Sterling Sales Representative today to talk with us about adding a Premium Only Plan (POP) to your benefits package. For more information, go to www.SterlingAdministration.com or call us at 800-617-4729 or email us at Customer.Service@SterlingAdministration.com.

