

TASC PREMIUM ONLY PLAN (POP)

CLIENT ADMINISTRATION MANUAL



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WELCOME!

Thank you for choosing TASC to administer your Section 125 Premium Only Plan (POP). We appreciate your business.

This manual contains everything you need to implement your POP, including an Employer Checklist and a Participant Guide. These forms are located in the **Client Forms** section of this manual.

Visit our TASC news site at www.tasctracker.com and subscribe to receive news updates via email. Must-know information regarding TASC offerings is posted regularly on this site.

Feel free to call 1-800-422-4661 for any customer assistance you may need.

We look forward to serving you!



Introduction to POPs

How will a company benefit from a Section 125 Premium Only Plan?

A Section 125 Premium Only Plan enables employees to pay for their portion of the employer-sponsored health insurance premiums and Health Savings Account (HSA) contributions, if applicable, on a pretax basis. The result is tax savings for both employer and employees! By offering a Section 125 Premium Only Plan, an employer is able to:

Reduce Payroll Costs. Matching Social Security (FICA) contributions are reduced for each dollar of employee participation!

Recruit and Retain of Quality Employees. An employer is viewed in a positive light by current and prospective employees because a benefit package is being provided to the employees by the company with the employee's interests in mind.

How does a company implement a Section 125 Premium Only Plan?

To implement a Section 125 Premium Only Plan, a Plan Document must be adopted. In order for this plan to be tax advantaged, the IRS requires an employer to officially adopt the Cafeteria Plan. Review the Plan Document you were provided in your welcome email and review the **Adoption** section on the **Introduction and Instructions** page. Save the documents for your records along with a copy of your enrollment materials for each plan year.

To capture all items required in a Plan Document, the enrollment materials you provide to your employees are incorporated by reference and are made a part of the document.

A change is required in the way payroll taxes are calculated. A Section 125 Premium Only Plan will affect employees who have health, dental, vision, disability and/or group term life insurance premiums and/or HSA contributions deducted from their payroll and who elect to participate in the Section 125 Premium Only Plan. Because these expenses are paid with pretax dollars, employees are taxed on a lower gross salary, thereby saving money that would otherwise be spent on federal, state and FICA taxes. Your company also saves on your portion of the FICA taxes (7.65%) for every dollar your employees run through the Plan.

EXAMPLE 1 illustrates how a payroll check would be calculated for an employee who earns \$20,000 annually, is paid on a monthly basis and has three withholding allowances. In this example, the employee is paying for their health insurance premium with after-tax dollars.

EXAMPLE 2 shows how the payroll check is now computed because of participation in the Section 125 Premium Only Plan. The only change required by the Section 125 Premium Only Plan is that the insurance premium be deducted on a pretax basis. This means the employer will need to deduct the insurance premium from the gross salary before computing the FICA, federal and state income taxes.

EXAMPLE 1

Monthly Gross Salary	\$	1,666
FICA	-	\$ 127
Federal Income Tax	-	\$ 249
*State Income Tax	-	\$ 52
Adj. Gross Salary	\$	1,238
Insurance Premium	-	\$ 400
Net Pay	\$	838

EXAMPLE 2

Monthly Gross Salary	\$	1,666
Insurance Premium	-	\$ 400
Adj. Gross Salary	\$	1,266
FICA	-	\$ 97
Federal Income Tax	-	\$ 90
*State Income Tax	-	\$ 39
Net Pay	\$	940
Yearly Savings	\$	1,224

**Some states do not have a state income tax. Examples assume 3.1%.*

Because of the Section 125 Premium Only Plan, the employee's net paycheck has been increased because the insurance premium is paid with pretax dollars. Section 125 permits the gross salary to be reduced by the insurance premiums being funded through the payroll deduction. Therefore, taxes will go down and the employee's paycheck will increase.

Employer Tax Savings

To estimate the potential savings realized by implementing a POP, determine the total number of single employees and the total number of family employees. Then, multiply that figure by the amount of premiums paid by the employees.

Employer Tax Savings Worksheet

A) Estimated Health Premiums

A1 Total Monthly Premium Paid for Single _____

A2 Total Monthly Premium Paid for Family _____

A3 Number of Employees on the Single Plan _____

A4 Number of Employees on the Family Plan _____

B) Other Insurance Premiums (Group dental, vision, disability, and/or term life.)

B1 Total Monthly Premium Paid for Single _____

B2 Total Monthly Premium Paid for Family _____

B3 Number of Employees on the Single Plan _____

B4 Number of Employees on the Family Plan _____

C) Calculated Savings

Total of A1 x A3 = \$ _____

Total of A2 x A4 = \$ _____

Total of B1 x B3 = \$ _____

Total of B2 x B4 = \$ _____

Add the four totals from above = \$ _____

x 7.65%

Estimated Potential Payroll Savings/Month \$ _____

EXAMPLE

Health Insurance for Single Employees \$ 300
(6 Single Employees x \$50 per month)

Health Insurance for Family Employees \$ 2,500
(10 Married Employees x \$250 per month)

Short-Term Disability Insurance \$ 260
(13 Employees x \$20 per month)

Total Monthly Premiums \$ 3,060

Total Employer Monthly Savings \$ 234
(Total Monthly Premiums x 7.65%)

Annual Employer Payroll Tax Savings is \$2,808!

Form W-2 & Your POP

To take advantage of the pretax benefits available with a Section 125 Premium Only Plan, employees are paying for their share of insurance premiums and HSA contributions (if applicable) by reducing their salary before taxes are calculated, as illustrated in the example below. The reduced gross wages (A) is the amount used for W-2 income tax purposes.

Instructions for completion of Form W-2 for Premium Only Plan Participants:

1. Input Item A, Reduced Gross Wages, in Boxes 1, 3, and 5.
2. Input Item A, Reduced Gross Wages, in Box 16.
3. Input either the non-reduced Gross Wages or Item A, Reduced Gross Wages, in Box 18 as determined by local jurisdiction.
4. Input Item B in Box 2.
5. Input Item C in Box 17.
6. Input Item D in Box 4.
7. Input Item E in Box 6.
8. Complete all other lines as they would be completed without regard to the Premium Only Plan.

Box 12 of the form is for reporting various information such as elective deferrals and uncollected taxes. Employers also report the cost of employer-sponsored health coverage in this section using code DD. If applicable, employers would report the aggregated amount of both employer and employee HSA pretax contributions using code W. Refer to Form W-2 instructions for complete details.

Box 14 allows employers the opportunity to provide the employee with information on any additional deductions. Deduction in this box may include union dues, education assistance payments, a clergyman's parsonage allowance and utilities, etc. It may include amounts paid for a Cafeteria Plan, however it is not typical to list these here. The box is used mostly for informational purposes.

Gross Wages		\$ 20,000
Less premiums withheld from salary on a pretax basis		\$ 2,400
Reduced Gross Wages	(A)	\$ 17,600
Less:		
*Federal Income Tax	(B)	\$ 2,640
*State Income Tax	(C)	\$ 540
Social Security Tax	(D)	\$ 1,346
Medicare Tax	(E)	\$ 225
Net Wages:		\$ 12,849

** Figures may vary based on individual filing status.*

POP Form W-2 Example

		a. Employee's social security number 999-99-9999	For Official Use Only OMB No. 1545-0008			
b. Employer's identification number 12-3456789		1 Wages, tips, other compensation 17,600.00		2 Federal income tax withheld 2,640.00		
c. Employer's name, address, and ZIP code SAMPLE COMPANY 100 Cafeteria Drive Kansas City MO 64112		3 Social security wages 17,600.00		4 Social security tax withheld 1,346.00		
		5 Medicare wages and tips 17,600.00		6 Medicare tax withheld 225.00		
		7 Social security tips		8 Allocated tips		
d. Control number 999-99-9999		9 Advance EIC payment		10 Dependent care benefits		
e. Employee's name (first, middle initial, last) Taxpayer 101 Anytown Kansas City MO 64112		11 Nonqualified plans		12a See instructions for Box 12		
		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b		
		14 Other		12c		
f. Employee's address and ZIP code				12d		
15 State	Employer's state I.D. No.	16 State wages, tips, etc. 17,600.00	17 State income tax 540.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form W-2 Wage and Tax Statement

Copy 2 To Be Filed With Employee's State, City, or Local Income Tax Return

Department of the Treasury - Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Getting Started with TASC

Starting Your Plan

In order for an employer to begin taking employee's group health insurance premiums pretax, the IRS requires the employer to adopt a Plan Document. TASC provides a POP Plan Document and also a POP Summary Description that is complete with all required regulations. Throughout the year, TASC continues to monitor the regulations for you, providing peace of mind that your POP Plan Documents are compliant.

Access the Plan Document from the POP welcome page at www.tasconline.com/premium-only-plan-welcome.

Download and adopt the Plan Document and save it in your files along with a copy of your enrollment materials for each plan year.

TASC will prepare the POP Summary Description and customize with your information. Once received, copy and distribute to each eligible employee the POP Summary Description and the POP Participant Guide, found later in this manual. Your employees will be instructed to inform you only if they elect not to participate in the plan.

Eligible Employees

The Section 125 Plan regulations require all Participants in the Plan to be employees of the employer. As such, eligibility to participate is generally limited to common-law employees of the employer and the specific eligibility requirements for the Plan are set out in the Plan Document and POP Summary Description. It is important to note there are individuals who are specifically excluded from participating. For instance a sole proprietor can sponsor a Section 125 Plan, however the sole proprietor is not considered an employee and thus cannot participate. The same holds true for Partners in a partnership. In addition, more-than-2% shareholders of an S-Corporation are not eligible to participate and due to attribution rules the shareholder's spouse, children, parents, and grandparents are also excluded from participation.



Non-Discrimination Assessment

To ensure that your plan complies with all the rules and regulations of the Internal Revenue Services, you must complete the Non-Discrimination Assessment each year for your POP. The assessment is provided on an annual basis. TASC will send an assessment request to you annually. This request includes instructions on how to gather and complete the data worksheet. Once received, please submit this information within 30 days to TASC in order that the assessment can be performed in a timely manner.

Plan Renewal

Your Plan is Operational

Your POP is in place and operating. If you or your plan participants have questions or require additional information, contact TASC Customer Care at 1-800-422-4661. To retain the pretax advantages of your POP, you must renew your plan each year. Each renewal includes the following services:

- Plan Document
- Summary Plan Description (SPD)
- Non-Discrimination Assessment
- Toll-Free Support
- Compliance Guidance

Renewal notifications are sent approximately 75 days prior to your Plan effective date. This is the time to ensure we have up-to-date account information for you and on your plan. Renewal time is also an excellent time to consider offering your employees a full Section 125 Plan.

TASC Invoicing Practices

Purpose

TASC's invoicing practices aim to foster a clear understanding by communicating expectations to all clients and distributors, ensuring compliance to TASC plans and offerings, creating consistency between all of TASC's divisions, and ensuring the continuation of services.

Philosophy

To ensure that TASC operations continue to run smoothly, various actions need to occur in a timely manner, including the payment of TASC administrative fees. Paying in advance demonstrates that the Plan is for the benefit of employees, provides further evidence that the Plan has been established on a pre-thought basis, and ensures coverage under TASC's Audit Guarantees. TASC invoices in advance for two reasons:

1. TASC requires a commitment in advance of the business being processed, and
2. TASC requires a payment history for its clients, so as to determine the clients' status of good standing.

Types of Payments

- **Check**
Clients may pay by check.
- **E-Pay**
Clients may pay administrative fees electronically as long as they use E-Pay, and as long as these fees are debited seven (7) days prior to their service period start date. Therefore, if a service period begins January 1, clients will be debited on December 23.
- **ACH Credit**
Clients may pay administrative fees, funding invoices or Payroll Verification Reports via an electronic ACH Credit transfer. A \$40 per transaction service charge will be assessed. Clients should contact their distributor for details.
- **ACH Debit**
Clients may pay administrative fees, funding invoices or Payroll Verification Reports via an electronic ACH Debit transfer.

Types of Invoices

- **Administration Fee**
Generated annually, quarterly, or monthly for TASC offerings that are provided during a predetermined service period.
- **Premium Services Fee**
This invoice is generated when a client has elected a Premium Service.

Standard Procedures Across all Divisions

- **Invoice**
Generated and sent forty-five (45) days prior to the service period start.
- **Due Date**
Will be seven (7) days from the date the invoice was generated.
- **Service Charge Date**
An additional \$20 fee will be assessed sixty (60) days from the original invoice date if the invoice is not paid by the service charge due date, and the account will be placed on hold.
Exception: If TASC HRA funding or TASC FSA invoices are not paid within twenty-one (21) days of plan start a notice will be sent to the client; if the invoice is still unpaid at thirty (30) days the account will be placed on hold.
- **Statement**
A statement (second notice) of unpaid invoices will be mailed fifteen (15) days prior to the start of the service period.
- **Past Due Email Notification**
On the first day of the service period or forty-five (45) days after the original invoice date (whichever comes first), an email will be sent to any account with unpaid invoices older than forty (40) days. This email will inform the client that the account will be put on hold and that a \$20 service fee will be charged if the invoice is not paid within sixty (60) days of the original invoice issue date.
Exception: TASC FSA invoices will receive notification of past due at fifteen (15) days after the date of invoice.

- **Final Notice Statement**

A final notice statement (third notice) will be mailed out fifteen (15) days into the service period, with a service charge of \$20, a notice of “default” status, and a notice that all account services have been placed on hold.

- **Collections**

The account will be placed in collections forty-five (45) days into the service period start, or ninety (90) days after the original invoice date, whichever comes first.

- **Plan Termination**

The account will be terminated one hundred and four (104) days into the service period start. Letters will be provided to each client being terminated.

- **Fee Calculations**

Fees are calculated on the number of known participants at the time the invoice is generated. Administration fees are either the minimum fee or the number of participants multiplied by the per-participant fee, whichever is higher. If the number of participants is unknown the minimum fee will be charged.

Client Responsibilities

- Mail invoices and payments in the envelope provided (gold-enrod color) to:
TASC - Client Invoices
PO Box 88278
Milwaukee, WI 53288-0001
 - All invoice payments must be submitted separately from all other payments and transactions.
 - All invoice payments must be made separately (*i.e.*, one check with one invoice).
- Notify TASC of any disputes or any changes.

CLIENT FORMS

Employer Checklist

The Employer and Plan Administrator (if other than the employer) should complete the following steps:

1. Complete the **TASC Plan Application**, sign, date, and return to TASC.
2. Download your **Plan Document** from the welcome page at www.tasconline.com/premium-only-plan-welcome.
3. Review the **Adoption** section on the Plan Document's **Introduction and Instructions** page.
4. Review the **POP Summary Description** received from TASC.
5. Download and print the **Terms of Use** from the welcome page.
6. Distribute to all eligible employees:
 - a copy of your **POP Summary Description**
 - a copy of the **POP Participant Guide** (page 14)
7. Adjust payroll to reflect the pretax premium (and HSA, if applicable) deductions.

POP Participant Guide

What is a Section 125 Premium Only Plan?

Section 125 Premium Only Plans allow you to use pretax dollars to pay for your portion of the employer-sponsored health, dental, vision, disability and/or group term life insurance premiums and/or Health Savings Account (HSA) contributions.

What does pretax mean?

Pretax is your pay before state, federal and social security taxes have been deducted. Because these premiums are paid with pretax dollars, you are taxed on a lower gross salary, thereby saving money that would otherwise be spent on federal, state, and FICA taxes. The bottom line: you take home more pay.

How does a Section 125 Plan work?

Funds are withheld from your salary and used to pay your portion of the employer-sponsored insurance premiums. Your employer will deduct your share of the premiums before your wages are taxed! The opportunity for you to pay your eligible insurance premiums pretax is made possible through Section 125, commonly referred to as Flexible Compensation. The income taxes saved include state, federal and FICA. The reduction in Social Security taxes may reduce Social Security retirement benefits.

What if my premiums change during the Plan Year?

Participants may change their elections during the plan year only if they experience a change of status such as a marriage or divorce, birth or adoption of a child, or a change in employment status. If there is an increase or decrease in the amount of your you can make a corresponding change to your pretax election amount.

In the case of HSA contributions, you may change your election at any time during the year as allowed by your employer.

How do I enroll?

You are not required to participate in the TASC Premium Only Plan. If you do participate, no paperwork is necessary. Your share of eligible premiums will automatically be deducted before taxes. If you do not wish to take advantage of having your eligible insurance premium deducted pretax, and prefer instead to be taxed on these dollars, contact your payroll department.

There may be additional enrollment paperwork required if you are making pretax contributions to an HSA.

Increase your take-home pay and improve your benefits with TASC.

IT SAVES MONEY! Pay your portion of the employer-sponsored insurance premiums and/or HSA contributions and save substantial tax dollars. The result is an improved benefit package and substantial tax savings.

Participants save hundreds of dollars in taxes each year.

HOW MUCH WILL YOU SAVE?

Pretax Example

	Without POP	With POP
Gross Pay	\$1,666/mo	\$1,666/mo
Pretax Benefits		
Premiums	\$0	\$400
TOTAL	\$0	\$400
Wages subject to tax	\$1,666	\$1,266
Federal tax	\$249	\$190
FICA tax (Social Security)	\$127	\$97
State tax	\$52	\$39
Premiums	\$400	\$0
Spendable Income	\$838	\$940

Net Increase in Annual Take-Home Pay = \$1,224

This is an illustration only and actual numbers may vary. Paying certain qualified expenses before tax increases your take-home pay.

POP Change of Election Form

This form is for your internal use only. Retain for your records.

A change of election must be (1) on account of and correspond to one of the qualifying events below and (2) made within 30 days of the qualifying event.

Participant Name _____ Participant ID _____

Effective date of change _____ First payroll affected by change _____

TYPE OF CHANGE

I hereby request a change in my benefit election(s) as follows:

Benefit	Current Payroll Deduction Amount	New Payroll Deduction Amount	Revised Annual Election*
Employer Group Insurance Premium	\$ _____	\$ _____	\$ _____

***Required to be entered.** The revised annual amount is determined by adding your year-to-date deductions taken at the old rate to your deductions to be taken for the remaining pay periods in the Plan Year.

Reason For Change (Qualifying Events)

- Change in Legal Marital Status
- Change in Number of Dependents
- Change in Employment Status
- Dependent Satisfies or Ceases to Satisfy Eligibility Requirements
- Change in Residence
- FMLA
- COBRA
- Change in the Cost of Coverage
- HIPAA Special Enrollment Rights
- Judgement, Decree or Order
- Significant Curtailment of Coverage
- Addition or Elimination of Benefit Package
- Entitlement to Medicare or Medicaid
- Change in Coverage of Spouse or Dependent Under Other Employer's Plan
- Loss of Group Health Coverage Sponsored by Governmental or Educational Institutions
- Exchange Event: Reduction in Hours (less than 30)
- Exchange Event: Exchange Enrollment during Exchange Open or Special Enrollment Period
- Exchange Event: Exchange Enrollment of Family Members during Exchange Open Enrollment or Special Enrollment

Participant Signature _____ Date _____

Client Signature _____ Date _____

Participants: Submit this form to your employer and retain a copy for your records.

Employers: Retain this form for your records.

