



BlueCross
of California



BlueCross
of California

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

*Cut Your Payroll Taxes and
Increase Your Employees'
Take-Home Pay*



Blue Cross of California is an Independent Licensee of the Blue Cross Association (BCA). The Blue Cross name and symbol are registered service marks of the BCA. Administrative services for P.O.P. are provided by Ceridian Benefit Services, Inc., an independent company that is not affiliated with BCC, it's affiliates or parent organization.

tax savings tax savings

Everyone Saves



Pre-tax premium payments = savings.

Everyone Saves

A P.O.P. is a simple, IRS-approved change in your payroll process that allows you to use pre-tax salary dollars to pay your employees' share of benefit premiums. Any size employer can take advantage of this special provision of Section 125 of the IRS code. As a result, both employers and employees profit. Employees reduce their taxable income, which lowers their taxes and increases their take-home pay. You cut your payroll taxes by decreasing your total taxable payroll. Everybody wins – and saves.

Better Benefits Too

Establishing a P.O.P. is an easy way to make your benefits more competitive and create real, lasting value for your employees, while generating continuous tax savings for your business.

Affordable ... or Even Free

Through our arrangement with Ceridian Benefits Services, the cost of a P.O.P. is only \$125 per year. The first year is free if you have 10 or more Medical and Life enrolling employees.

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P.O.P. Employer Advantages

- Lower payroll taxes means more company funds can be used for other business needs
- Increased employee satisfaction
- Low pricing at \$125 per year
- First year is free if you qualify
- Simple and quick plan set-up

P.O.P. Employee Advantages

- More take-home pay
- Reduced taxes
- Tax savings pays for partial costs of premiums

Plans that Qualify

You can benefit from a P.O.P. if you have the following non-taxable, employee-sponsored group plans:

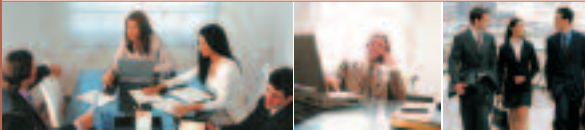
- Medical
- Dental
- Vision
- Short- and long-term disability
- Group term life (up to \$50,000 of coverage)



easy, simple

easy, simple

How a P.O.P. Works



How a P.O.P. Works

- Any size employer can take advantage of a P.O.P.
- All you do is adjust your payroll process to deduct the employee portion of your group insurance premiums on a pre-tax basis instead of after-tax.
- A P.O.P. can be established for any single employee or certain related employees, including:
 - Members of a controlled group of corporations
 - Members of a group of commonly controlled trades or businesses
 - Members of an affiliated service group
- Ceridian Benefits Services will provide you with all you need to set up a P.O.P.
- The IRS prohibits certain individuals from participating in a P.O.P. These individuals include:
 - Sole proprietors
 - Partners within a partnership
 - Owners of an S corporation

Even though these individuals cannot participate in a P.O.P. personally, their businesses can still benefit from the tax advantages of setting up a P.O.P. for their employees.

Savings Examples

Suppose your company has an annual payroll of \$250,000 and 10 employees, each of whom contributes \$100 a month toward their group insurance premiums. Your savings would look like this:

Employer Savings	Without P.O.P.	With P.O.P.
Annual Payroll	\$250,000	\$250,000
Employee Premiums	\$0	(\$12,000)
Taxable Payroll	\$250,000	\$238,000
FICA (7.65%)	\$19,125	\$18,207
EMPLOYER TAX SAVINGS	\$0	\$918

Employee Savings	Without P.O.P.	With P.O.P.
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
TAKE-HOME PAY INCREASE	\$0	\$360

Turn to the next page to determine your own P.O.P. savings



everyone saves
everyone saves
 How Much Can Your Business Save?



*Savings calculated based on figures entered by the inquiring party, and may not represent the actual savings allowed by law. According to IRS guidelines, certain companies and employees do not qualify for the pre-tax savings. The savings attained with P.O.P. may vary based on the monthly premiums and employer contributions. For more information about P.O.P. contact Ceridian at (800) 767-4969; for tax advice, please consult your tax advisor.

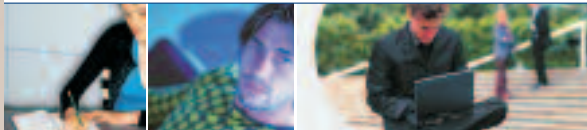
How Much Can Your Business Save?

Use this simple worksheet to estimate how much your company can save with a P.O.P.*

		A	B
			Save with a P.O.P.
1	Annual payroll In both columns, write in your gross annual payroll		
2	Pre-tax employee premiums In the P.O.P. column only, write in your annual pre-tax employee premium contributions	\$0	
3	Taxable payroll In both columns, subtract row 2 from row 1 and write in the difference		
4	FICA (7.65%) In both columns, multiply row 3 by .0765 and write in the result		
5	YOUR SAVINGS Subtract the amount in row 4, column A from row 4, column B and write in the result		\$

quick set-up

Easy Set-up



Getting Started

Easy Set-up

After you send in your enrollment form, you will receive a P.O.P. Installation Kit from Ceridian Benefits Services, a firm specializing in the design and implementation of Section 125 services (the portion of the IRS tax code that makes premium only plans possible). Kit contents include:

- Simple set-up instructions in a step-by-step format
- All materials necessary to communicate the program to your employees including:
 - A clear, easy-to-read announcement letter
 - Enrollment and re-enrollment forms
 - A summary program description with answers to common employee questions
- Administrative guidelines and forms
- Personalized program document
- Non-discrimination testing procedures

Customer Service Support

Ceridian Benefits Services will administer your P.O.P. and provide complete customer service support. Ceridian can assist you with any questions you may have about installing and managing a P.O.P. You may also wish to consult with your tax or legal advisor for more details on Section 125. Once your P.O.P. is in place, Ceridian will also keep you informed about any changes in IRS regulations to maintain compliance.

How to Enroll

Step 1: Fill out the P.O.P. Enrollment Form included in this brochure; please note:

- If enrolling for a P.O.P. as an existing Blue Cross small business group, submit your completed P.O.P. Enrollment Form (and separate check if applicable) to Blue Cross no later than 15 business days before requested P.O.P. effective date or amendment/restatement date.
- If applying for Blue Cross medical coverage concurrently with P.O.P. enrollment, please submit the completed P.O.P. Enrollment Form with all other required paperwork.
- P.O.P. enrollment forms received less than 15 days before the requested effective date will delay the effective date by one month.

Note: Your P.O.P. enrollment form cannot be processed until underwriting approval is final for your group's medical enrollment, therefore, your P.O.P. effective date may be later than your Blue Cross effective date.

Step 2: Enclose a separate check for \$125 payable to Blue Cross of California (the first year is free if you have 10 or more Medical and Life enrolling employees).

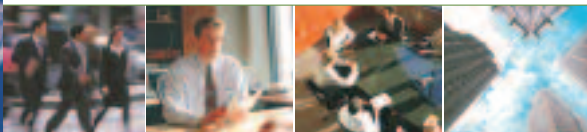
Step 3: Mail P.O.P. Enrollment Form and payment if applicable in the postage-paid envelope provided.

Step 4: Receive a P.O.P. Installation Kit from Ceridian Benefits Services, and follow kit instructions right away to establish your P.O.P. as soon as possible.

affordable cost

affordable cost

Completing the P.O.P. Enrollment Form



How to Complete the P.O.P. Enrollment Form

The following information must be included on the enrollment form:

Definitions

1. **First day of P.O.P. year:** Your business must adopt a 12-month P.O.P. year, per IRS rules. The start date of a P.O.P. is usually the first day of the month after the enrollment form is submitted. The last day of the P.O.P. year must be 12 months after the first day of the P.O.P. year, except for year one, which may be a short P.O.P. year. On this first year only, you may choose any start date.
2. **Eligibility for new and existing employees:** Indicate number of hours per week and days of service required for eligibility. Eligibility in P.O.P. usually coincides with eligibility in your other benefit plans.
3. **Eligibility for re-hired employees:** Indicate required days of service for re-hired employees. Re-hired employees cannot enter a P.O.P. prior to the first day of the P.O.P. year immediately following their termination.

Group Information

- A&B. **Plan Sponsor:** Fill in the complete legal business name and address of the company sponsoring the plan.
- C. **Business Type:** Indicate if the plan sponsor is a corporation, partnership or proprietorship.
- D. **State of Incorporation or Domicile:** Indicate the state in which the plan sponsor is incorporated. Non-incorporated plan sponsors should indicate the state in which they are located.
- E. **Type of Plan:** The effective date should be the beginning of the first payroll period for which employee contributions 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 must be adopted prior to the effective date.**

Due to timing requirements specified by tax law, we must receive your completed enrollment form at least 15 business days prior to your requested effective date or amendment/restatement date.

- F. **Existing Blue Cross of California Group Numbers:** For tracking purposes, please list all current Blue Cross of California and BC Life & Health group policy number(s). If the group has multiple policies, all must be listed.

Agent/Broker Information

Have your agent/broker complete this section.

Authorization

Indicate the name and title of the person within the company responsible for P.O.P. administration (your group administrator). The application must be signed and dated by your group administrator as an authorized representative of the P.O.P. sponsor.

Premium Only Plan Enrollment Form

Please complete using ballpoint, non-liquid ink.

Definitions

1. Plan year (must be 12 month period): First day _____ Last day _____
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 program 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 program year beginning after the employee's termination.

Group Information

- A. Plan Sponsor (legal business name) _____
- B. Address (no P.O.Box) _____
City, State, ZIP _____ Phone (_____) _____
e-mail _____ Fax (_____) _____
- C. Business Type (corporation, partnership, proprietorship) _____
- D. State of Incorporation or Domicile _____
- E. Type of Plan New program effective as of _____
(check one) Amendment or reinstatement of existing 125 Program
Original Program effective date: _____
Amendment/restatement date: _____
- F. Existing Group Numbers (provide all Blue Cross of California and BC Life & Health Insurance Company Group Numbers if you have more than one) : _____

Agent/Broker Info

Agent's Name _____ Agent's Signature _____

Company/Agency _____

Address (no P.O. Box): _____

City, State, ZIP _____ Phone (_____) _____

Important Notes

Due to timing requirements specified by tax law, we must receive your completed enrollment form at least 15 business days prior to your requested effective date or amendment/restatement date.

- Please be sure to provide all requested information on this form to avoid the possibility of any delays.
- Also, please enclose a separate check for \$125 payable to Blue Cross of California ... or your first year is FREE if 10+ employees are enrolled in both Medical and Life.

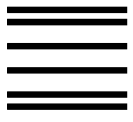
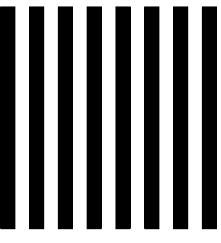
Authorization

Group Administrator Name _____ Title _____

Signature _____ Date _____

QUESTIONS? Call Ceridian's P.O.P. Information Hotline (800) 767-4969

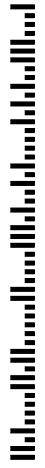
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ATTN: UNDERWRITING/P.O.P.
PO BOX 9042
OXNARD CA 93031-9924



**Please detach at the perforated lines.
Complete the enrollment form and return in
the envelope, postage-paid.
Please print or type.**