

# PREMIUM ONLY PLAN DOCUMENT SERVICE

WE MAKE  
THE COMPLEX  
SIMPLE

Section 125 Premium Only Plans (POP Plans) are a great way to save employers and employees money. POP Plans reduce income tax liabilities for both the employer and employee by allowing employees to pay their portion of medical insurance premiums and HSA contributions on a pre-tax basis.

## EMPLOYEE BENEFITS

Employees can often realize 30% to 40% in tax savings because contributions to the POP are exempt from all Federal and state payroll taxes. Of course actual savings will vary depending upon the employee's tax situation. As a result of tax savings, take home pay is increased by reducing gross taxable wages.

## EMPLOYER BENEFITS

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 add dollars to the employer's bottom line.

## POP PLAN SERVICES OFFERED BY STERLING

To set up a POP Plan, the following questionnaire needs to be completed and returned to Sterling. Be sure to check the box indicating whether you choose the Basic or Comprehensive POP. Once we have processed the employer's questionnaire, we will produce the following POP Plan documents for the employer's records and for distribution to employees who participate in the POP.

- POP Plan document
- Adoption Agreement
- Summary Plan Description (SPD)

Return the completed questionnaire to Sterling by email to [customer.service@sterlinghsa.com](mailto:customer.service@sterlinghsa.com) or fax to 877-517-4729. Payment must also be received by Sterling to finalize processing and setup of your POP Plan. Please send your payment to the following address and make the check payable to Sterling.

**Please send your payments to:**

Sterling  
P.O. Box 71107  
Oakland, CA 94612

**Disclosure Statement:** Sterling provides the documents to establish the POP Plan, but employers are advised to review the documents with their legal counsel and direct legal questions there.

TO CREATE YOUR PREMIUM ONLY PLAN (POP) DOCUMENT, STERLING NEEDS THE FOLLOWING INFORMATION. PLEASE COMPLETE THIS FORM IN ITS ENTIRETY. ALL INFORMATION IS NECESSARY FOR DOCUMENT CREATION. PLEASE RETURN YOUR COMPLETED APPLICATION TO US VIA EMAIL: CUSTOMER.SERVICE@STERLINGADMINISTRATION.COM OR VIA FAX TO: 877-517-4729.

## SECTION 1 – COMPANY INFORMATION:

Company Name: \_\_\_\_\_

*(Full and complete legal business name)*

Street: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Employer's Taxpayer ID Number: \_\_\_\_\_

State of Organization or Incorporation: \_\_\_\_\_ Fiscal Year End Date: \_\_\_\_\_

### Type of Entity:

C CORPORATION

S CORPORATION

NON-PROFIT

SOLE PROPRIETORSHIP

LIMITED LIABILITY COMPANY

PARTNERSHIP

LIMITED LIABILITY PARTNERSHIP

UNION

GOVERNMENTAL AGENCY

*Name of the representative of the parties who established or maintain the Plan:*

OTHER: \_\_\_\_\_

NOTE: S Corporation shareholders, partners, sole proprietors, and members of a Limited Liability Company generally cannot participate in the POP.

The following affiliated employers will adopt this Premium Only Plan as Participating Employers (if there is more than one, or if Affiliated Employers adopt this after the date the Adoption Agreement is executed, attach a list to this Adoption Agreement of such Affiliated Employers.

Name of Affiliated Employer(s) \_\_\_\_\_

N/A

### Is this a controlled group (company owned by another company)?

Name of company owned by: \_\_\_\_\_

N/A

## SECTION 2 – CONTACT INFORMATION:

**Primary Contact:** (For contact regarding contracts, legal documents, daily administration, invoicing and plan renewal)

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

**Additional day-to-day contact if applicable:**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

**Lead Broker/Consultant Contact:**

Name: \_\_\_\_\_ Firm Name: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

**General Agent Contact:**

Name: \_\_\_\_\_ Firm Name: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

## SECTION 3 – PLAN INFORMATION:

**NEW POP**    Effective Date \_\_\_\_\_

**RENEWAL POP**    Original Effective Date \_\_\_\_\_

Is this a Restatement of a previously adopted POP plan?     YES     NO

If so, Original effective date: \_\_\_\_\_

Effective date of transition to Sterling: \_\_\_\_\_

Your plan year dates will run from \_\_\_\_\_ to \_\_\_\_\_

The plan has a short plan year:  Yes, the short plan year begins \_\_\_\_\_ and ends on \_\_\_\_\_

No

Total number of employees in your company: \_\_\_\_\_

*If you reach 20 employees or 50 employees prior to your next Plan renewal period, it is your responsibility to notify Sterling so we may add newly applicable COBRA or FMLA language to your Plan Documents.*

Total number of eligible employees in your company: \_\_\_\_\_

**Sterling offers two types of POP Plans - Basic and Comprehensive:**

- **Basic POP** – includes a self-serve tool to perform nondiscrimination testing. This is a complementary tool provided to Sterling clients to assist with understanding and performing the required nondiscrimination testing for a Premium Only Plan. The employer group performing this test is responsible for entering data accurately and ensuring formulas are not altered. Sterling cannot guarantee that results gained from this tool are true and correct and is not liable in the event results prove otherwise at a future date.
- **Comprehensive POP** – includes nondiscrimination testing and is a good value for employers who do not have internal legal counsel, accounting or other appropriate resources to complete the nondiscrimination testing. In order to perform nondiscrimination testing for our clients, Sterling requires certain information to be provided by the company. If the client does not provide this information in a timely manner, any resulting lack of compliance is not the responsibility of Sterling.

**PLEASE NOTE:** There is a \$50 per hour charge for client requested changes to Plan documents after initial set-up.

**Choose the POP Plan:**

- BASIC: Includes self-serve nondiscrimination testing**
- COMPREHENSIVE: Nondiscrimination testing performed by Sterling**

**Select the types of insurance plans offered to employees through the Premium Conversion Account:**

- |  |  |
|--|--|
| <input type="checkbox"/> <b>EMPLOYER GROUP MEDICAL</b> | <input type="checkbox"/> <b>EMPLOYER GROUP TERM LIFE</b>     |
| <input type="checkbox"/> <b>EMPLOYER DENTAL</b>        | <input type="checkbox"/> <b>HEALTH SAVINGS ACCOUNT (HSA)</b> |
| <input type="checkbox"/> <b>EMPLOYER VISION</b>        | <input type="checkbox"/> <b>EMPLOYER DISABILITY</b>          |

*(However, if disability premiums are paid pre-tax, benefits received are subject to taxation. Therefore, it is typically preferential to apply taxes to the premiums.)*

**OTHER** \_\_\_\_\_

# ELIGIBILITY REQUIREMENTS

The following eligibility requirements apply. Choose either Option 1 or Option 2 below.

## Option 1:

**THE EFFECTIVE DATE OF HEALTH INSURANCE COVERAGE**

If you check this box, skip to the section called "Automatic Enrollment". You do not need to fill in the rest of the information under "Eligibility Requirements" in this case.

## Option 2:

Part-time employees completing \_\_\_\_\_ hours of work per week will be included (maximum of 25 hours)

Seasonal employees completing \_\_\_\_\_ months of work within a year will be included (maximum of 7 months)

Current employees completing \_\_\_\_\_ months of service with the employer will be included (maximum 36 months)

New employees completing \_\_\_\_\_ months of service with the employer will be included (maximum 36 months)

Do you have union employees under a collective bargaining agreement?

YES     NO

If yes, will they be eligible to participate?

YES     NO

**CURRENT EMPLOYEES WILL BE ELIGIBLE TO JOIN THE PLAN AS OF THE FIRST DAY OF THE PLAN YEAR**

### When will newly eligible employees be able to join the plan:

**IMMEDIATELY**

**FIRST DAY OF THE CALENDAR MONTH**

**FIRST DAY OF EACH PLAN QUARTER**

**FIRST DAY OF THE FIRST MONTH AND SEVENTH MONTH OF THE PLAN YEAR**

**FIRST DAY OF THE PLAN YEAR**

### If not "immediate", selection of entry date:

**COINCIDENT WITH OR NEXT FOLLOWING**     **NEXT FOLLOWING**

**IS THERE A MINIMUM AGE REQUIREMENT TO PARTICIPATE?**

YES     NO    If yes, what age? \_\_\_\_\_

## AUTOMATIC ENROLLMENT

**Provide for automatic enrollment in the POP for all eligible employees?** *Keep in mind that participation in the POP can reduce Social Security benefits.*

YES  NO

## QUALIFYING EVENTS

**Allow employees whose hours are reduced to less than 30 hours per week, and do not have any other qualifying event, to revoke their election due to enrollment in another plan that provides minimum essential coverage:**

Yes  No

**Allow employees to cease coverage under the group health plan and purchase coverage through the Marketplace due to a Special Enrollment Period or during the Marketplace open enrollment period:**

Yes  No

## PLAN CONTRIBUTIONS

**Will employer contribute to the POP?**

YES, in company's sole discretion  YES, pursuant to a fixed method - Specify amount or method of employer contributions to each employee per pay period:  NO

\_\_\_\_\_

**If yes, will employer permit cash in lieu of benefits?**

YES  NO

**If employer is permitting cash in lieu of benefits, will they impose limitations to such cash?**

YES \_\_\_\_\_  NO  
*(specify dollar amount or percentage of the contribution)*

## EMPLOYER FEES PAID TO STERLING

**If fee will be paid through a bank ACH, please provide:**

Bank Account Number: \_\_\_\_\_

Bank Routing Number: \_\_\_\_\_

## APPLICATION AGREEMENT / SIGNATURE

We, the undersigned employer, affirm the accuracy of this application and acknowledge that this application can be relied upon for the preparation of the Premium Only Plan with Sterling and may be used in preparation of the Summary Plan Description and/or Plan Document. We also agree to indemnify Sterling and hold Sterling harmless against any and all loss, damage or lawsuits brought against Sterling to recover benefits under the plan, unless such actions arise out of the willful act or negligence of Sterling.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Employer: \_\_\_\_\_

Print Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_