

## *What's Involved in "POP" Plan Administration?*

What is involved in administering a simple "Premium Only Plan" under Section 125? Since such flex plans qualify for payroll tax exclusion, it is essential that IRS guidelines be followed.



**Plan Document** – First, the employer must properly adopt the plan via a Board Resolution. Thereafter, the Plan Document must be kept current to reflect periodic changes in regulations and legal interpretation. (*ProBenefits* provided revised documents to all clients twice in the last 3 years to conform to changing regulations.)

**Summary Plan Description** – The law requires that an SPD be distributed to explain plan provisions to employees upon eligibility for the plan and periodically thereafter. This SPD must be updated whenever the Plan Document is revised.

**Eligible Coverages** – Only qualifying pre-tax coverages may be offered, per IRS rules. [See "What Insurance Products Can Be Pre-Taxed?", *Flex Plan News*, August 2002. Online Readers: [Click Here](#) ]

**Irrevocable Benefit Elections / Qualifying Events** – Pre-tax coverage choices ("benefit elections") made by employees on each plan anniversary are irrevocable for the plan year. If a "Qualifying Event" occurs, a change-in-status election *may* be allowed, subject to careful adherence to the so-called "Consistency Rules".

**Non-Discrimination Testing** – Offering the plan equally to everyone meets the Eligibility Test. The

"Benefit Concentration Test" must also be passed to verify that Key Employees - as defined by law - do not receive over 25% of all plan benefits.

**COBRA/FMLA Events** – Special rules and privileges granted to flex plan participants under these regulations must be followed.

All *ProBenefits* clients have an assigned Flex Administrator to provide unlimited toll-free technical support for these and other benefit administration issues, to help keep your plan legally compliant and audit-ready.

### ***Your Questions Answered***

***We have been offered free Section 125 plan administration. Should we accept this?***

Clients are sometimes offered "free" plans, usually by sellers of payroll deduction products.

In your business experience, are quality and professionalism usually free? Clients are generally not familiar with flex administrative requirements and sometimes find the allure too great to resist.

Questions to ask about "free" plans:

- Will accurate legal documents be provided? "Form" documents or custom prepared, signature-ready? By whom?
- Who maintains these documents thereafter? Who prepares plan amendments if you add a new benefit, change the waiting period, etc?
- Who performs discrimination testing? ... Determines if any employees are ineligible altogether to participate?
- Who monitors irrevocable benefit elections? ... Qualifying changes in status?
- Who provides responsive and reliable answers when normal questions arise? Will quality of service be maintained in future years when fewer products are being sold?

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