

”Premium Only Plan”

Plan Installation Announcement

(Date)

Dear Employee:

We are all interested in maximizing take-home pay... our spendable income.

A unique plan authorized by Section 125 of the Internal Revenue Code allows us to maximize take-home pay by paying certain company-sponsored insurance premiums on a pre-tax basis.

Under our Section 125 plan, the premiums you pay for our group medical and dental insurance will automatically be taken out before taxes, meaning no taxes will be withheld on this portion of your income. If you currently have a payroll deduction for these group insurance premiums, you will now save the tax withholdings for federal income tax, state income tax, and Social Security (FICA) tax.

One of the IRS rules for Section 125 plans is that participants can only change their insurance coverage election once a year*, on the plan anniversary date. (Example: Change from family coverage to single coverage.) It is important to understand that this restriction applies if you participate in the Section 125 plan.

This pre-tax treatment of insurance premiums will begin on (first payroll date) unless you sign a Waiver Form prior to this date to advise us that you want to continue after-tax deductions or wish to waive insurance coverage altogether. If you have questions about the specific cost of these insurance coverages, please see (name), our company Benefits Administrator.

We trust you will be pleased with the additional take-home pay from this new plan.

Cordially,
Signature
President

* An exception to this “Irrevocable Benefit Election” rule may apply if you have a Change in Status event such as marriage, divorce, childbirth, spouse’s job loss, etc.