

“Premium Only Plan” ReEnrollment Announcement

(Date)

Dear Employee:

As you recall, our company sponsors a unique plan authorized by Section 125 of the Internal Revenue Code which 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 are automatically taken out before taxes, meaning no taxes are withheld on this portion of your income.

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.

Our plan anniversary date is (date), so you should notify us immediately – prior to this date – of any such desired changes. If you have questions about the coverages for which you are enrolled or eligible or your cost contribution, please see (name), our company Benefits Administrator.

This pre-tax treatment of insurance premiums will automatically continue during the coming plan year unless you sign a Waiver Form prior to (date) to advise that you want after-tax deductions or wish to waive insurance coverage altogether.

Cordially,
Signature
Company Benefits Administrator

* 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.