

Premium Option Plan (POP) for Plan Year 2010

The Premium Option Plan (POP) is a benefit available to State employees eligible to participate in the State Health Benefits Program (SHBP) under the State's Tax Savings Program. The POP allows you to save money by paying any dental or medical contributions or premiums for your SHBP coverages with before-tax dollars; you won't have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions or premiums. Since, through POP, you pay less in taxes, enrollment in the plan for 2010 will be automatic *unless you decline enrollment* by completing the form on the bottom of the reverse side of this page and returning it to your benefits administrator by October 31, 2009.

Take Home Income With and Without the POP

<u>With POP</u>		<u>Without POP</u>	
Net Biweekly Salary*	\$ 1,500.00	Net Biweekly Salary*	\$ 1,500.00
Less 1.5% Medical/Rx Contribution	\$ 22.50	Taxable Salary	\$ 1,500.00
Less Dental Premium**	27.05	Less Taxes:	
<u>Taxable Salary</u>	<u>\$ 1,450.45</u>	Federal	148.90
Less Taxes:		FICA	114.75
Federal	141.47	<u>Salary after Taxes</u>	<u>\$ 1,236.35</u>
FICA	110.96	Less 1.5% Medical/Rx Contribution	\$ 22.50
<u>Salary after Taxes</u>	<u>\$ 1,198.02</u>	Less Dental Premium**	27.05
<u>Spendable Income</u>	<u>\$ 1,198.02</u>	<u>Spendable Income</u>	<u>\$ 1,186.80</u>
Additional Spendable Biweekly Income	<u>11.22</u>		
<u>Annual Savings***</u>	<u>\$ 291.72</u>		

*Salary after State income tax and pension (414h) deduction.

** Family coverage, Dental Expense Plan rate for 2009 plan year.

*** Savings assuming federal tax at the 15% bracket. At the 25% or higher tax brackets, the annual savings would be higher.

A summary of the advantages and disadvantages of the POP are shown below.

ADVANTAGES

Increase your take-home pay by reducing your federal taxes.

You will not have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions or premiums.

DISADVANTAGES

May reduce your Social Security wage base. For those employees approaching Social Security age, this may slightly affect your Social Security payments when you eventually collect them.

If you participate in the POP, you will not be able to deduct your medical or dental contributions or premiums on Schedule A of your federal income tax return.