



POP Will Save You Money

POP is the State's **PREMIUM ONLY PLAN**. This is a pre-tax premium conversion plan that allows State employees to have their health, dental, and vision insurance premiums removed from their pay **BEFORE TAXES** are calculated and deducted.

Reducing taxable income **INCREASES NET TAKE HOME PAY!** This is how POP saves you money; it's that simple.

To simplify the process you will be automatically enrolled unless you return a waiver form rejecting this benefit.

For more information on how POP works, please review this section or contact your agency Group Representative.

WHO IS ELIGIBLE TO PARTICIPATE?

All State employees who are enrolled in any of the State group medical, dental, and/or vision plans will be enrolled in the Premium Only Plan (unless waived). New employees become eligible when their insurance becomes effective.

HOW DO I ENROLL?

If you wish to participate or continue to participate, do nothing: you will be automatically enrolled. If you do not want to participate in the POP program, please see your agency Group Representative or H.R. office. A letter indicating the election to waive POP will be required.

HOW DOES THE PLAN WORK?

When insurance premiums are deducted from a paycheck, the deductions are normally made after FICA and federal income taxes are taken out. This means premiums are paid with "after tax dollars." With this plan, the eligible premiums are deducted before any tax or Social Security (FICA) deductions are made. The health, dental, and vision coverage is paid for with "pre-tax dollars." The income reported on your annual W-2 form is reduced by the amount of the insurance premiums and the taxable income is therefore lower. This is permitted under special sections of the Internal Revenue Code.

IF I WAIVE COVERAGE CAN I ENROLL LATER?

Not until the next annual POP enrollment period. Late enrollments are not permitted under IRS regulations.

AS I PARTICIPATE IN POP, CAN I USE MY MEDICAL, DENTAL AND/OR VISION PREMIUMS AS A DEDUCTION ON MY INDIVIDUAL INCOME TAXES?

No. You will already have received your tax savings by participating in this plan.

WHEN WILL THE EFFECT OF POP SHOW UP ON MY PAYCHECK?

Your pre-tax premium payment will appear on the 1st or 2nd paycheck in July. New employees will see the effects of the program when the first premium for medical, dental and/or vision insurance is deducted from the paycheck.



POP Will Save You Money cont'd

CAN I HAVE JUST PART OF MY PREMIUM PAID THROUGH POP?

No. Only your full eligible premiums can be paid through this plan.

WHAT EFFECT WILL POP HAVE ON MY RETIREMENT BENEFITS?

None. PERA will continue to be calculated on original gross salary before the reduction for premium payment.

WHEN CAN I CHANGE MY POP ENROLLMENT?

Within 31 days after your family status has changed, this includes marriage, divorce, birth of a child, the death of your spouse or a dependent, your spouse's ending or beginning employment, when you or your spouse switch from part-time to full-time employment or full-time to part-time, or when you or your spouse take an unpaid leave of absence which impacts your medical, dental, and/or vision enrollment.

WHAT IF I WANT TO CHANGE OR DISCONTINUE MY INSURANCE COVERAGE DURING THE YEAR AND HAVE NOT HAD A CHANGE IN FAMILY STATUS?

According to IRS guidelines, once you are enrolled in POP you may not change your deduction until the end of the POP plan year.

WITH POP, INSURANCE PREMIUMS ARE DEDUCTED FROM YOUR PAYCHECK BEFORE TAXES ARE DEDUCTED. THE RESULT IS A SMALLER TAX BITE AND MORE MONEY IN YOUR POCKET. IT'S THAT EASY!

WHAT'S THE CATCH?

There really is no "catch." The State's POP is a fully legal form of "Cafeteria Plan," a mechanism for offering group benefit plans which is regulated by Section 125 of the Internal Revenue Code. There are three situations why POP may not be advantageous:

- A lower FICA base may affect your Social Security retirement benefit slightly depending on how far in the future retirement begins. Because your Social Security base is reduced, the final average used in determining your Social Security pension may be affected. However the impact on Social Security Benefits described above is so minimal that POP should be beneficial to nearly 100% of State employees.
- Current tax laws allow employees who itemize deductions to deduct insurance premiums on their federal income tax forms. However, medical expenses—including insurance premiums—are deductible only if out-of-pocket medical expenses for the year exceed 7.5% of income. Therefore, very few people are able to take this IRS deduction, so POP is generally more advantageous. If you participate in POP, you will not be able to deduct insurance premiums.
- There are rules for tax credits for people with young children covered by employee paid health plans, which make it advantageous to pay premiums with post-tax dollars. This tax credit is not as beneficial to many people when compared to the exclusion from income offered by POP. These rules, however, are complex and you should consult your tax advisor if this might apply to you.

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State of New Mexico Premium Only Plan (POP)

Waiver Form

Employee Name: _____ ID Number: _____

Social Security Number: _____

Agency Name: _____

Return only if you do not wish to participate

NO

I do not wish to take advantage of the State's Premium Only Plan, even though I may be enrolled in group medical, dental and/or vision plan(s). I understand that I will not receive the take-home increase that would result from participation in POP. I further understand that if I reject enrollment, I may not enroll until the next enrollment period or have a qualifying event.

Enrollee Signature: _____ Date: _____

