

Book	Policy Manual
Section	(G) FINANCES
Title	Policy G127 - Health Care Premium Conversion Plan
Code	G127
Status	Active
Adopted	October 13, 2004
Last Revised	September 11, 2013
Last Reviewed	September 11, 2013

Policy Number: G127
Title: Health Care Premium Conversion Plan
Section: Finances

I. Purpose

The Joint Committee acknowledges the benefit to maintain a Section 125 Premium Conversion Plan that permits employee contributions for medical insurance coverage to be made on a before-tax basis as opposed to an after-tax basis.

II. Delegation of Responsibility

The Business Manager shall be responsible for identifying the conditions for notification of the program to all employees and for identifying procedures for implementation and continuation of the plan.

Adopted: 10/13/2004
Revised: 9/11/13

Policy Number: G127
Title: Health Care Premium Conversion Plan
Section: Finances

Health Care Premium Conversion Plan
IRS-sanctioned Premium Only Plans were created by the Revenue Act of 1978 and are governed by Internal Revenue Code Section 125 and corresponding regulations, allowing an employee to convert certain payroll deductions to tax-free salary reductions. Under current legislation Employees don't pay FICA, federal, state or local taxes on salary reduction amounts used to pay for their portion of employer-sponsored insurance premiums. Income tax and social security tax are applied only to the amount of salary remaining after the employee contribution has been deducted from gross salary. In the event of changes to the law or corresponding regulations and guidance, this policy may be revised by the Administration.

Premium conversion plans allow employees to pay their share of premiums for health coverage, life insurance and other qualified benefits such as disability insurance on a pre-tax basis. This normally is done through payroll deduction. Employees must elect to convert otherwise taxable income to pre-tax contributions prior to the beginning of the plan year. EASTERN defines the plan year to be concurrent with the normal school year, July 1 through June 30. An

employee's election is in effect for the entire plan year unless the employee experiences a change in family status event under applicable law and the Section 125 Premium Conversion Plan. A new election must be made for each subsequent plan year.

Adopted: 9/11/13