

Premium Option Plan (POP) for Plan Year 2018

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 2018 will be automatic *unless you decline enrollment* by completing the form on the reverse side of this page and returning it to your benefits administrator by October 31, 2017.

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.

Take Home Income With and Without POP

Individual participating in POP

Net Biweekly Salary*	\$2,000.00
Less Medical/Rx Contribution**	163.34
Less Dental Premium**	25.68
Taxable Salary	\$1,810.98
Less Estimated Taxes:	
Federal	185.84
FICA	138.53
Salary after Taxes	\$1,486.61
Spendable Income with POP	\$1,486.61

Individual NOT participating in POP

Net Biweekly Salary*	\$2,000.00
Taxable Salary	\$2,000.00
Less Estimated Taxes:	
Federal	214.20
FICA	153.00
Salary after Taxes	\$1,632.80
Less Medical/Rx Contribution**	163.34
Less Dental Premium**	25.68
Spendable Income without POP	\$1,443.78
Spendable Income with POP	\$1,486.61
Spendable Income without POP	\$1,443.78

Additional Spendable Biweekly Income with POP	\$42.82
Annual Savings with POP***	\$1,113.32

* Salary after pension (414h) deduction of 7.34%.

** Medical/Rx Contribution based on NJ DIRECT15 2017 Plan Year rate for Family coverage — State Biweekly contribution rate from December 24, 2016, through December 27, 2017. Dental Premium based on Dental Expense Plan 2017 Plan Year rate for Family coverage (26 pay periods).

*** Savings based on a Married person with zero allowances at the 15% federal tax bracket. FICA calculated at 7.65% of taxable salary. At higher tax brackets, the annual savings would be greater.