



## Premium Conversion Account (PCA)

Employee Benefit Administration

### WHAT IS A PREMIUM CONVERSION ACCOUNT (PCA)?

Premium Conversion, under Internal Revenue Code (IRC) Section 125, allows you to avoid FICA and Federal Income (withholding) Tax on your monthly deduction for qualified group insurance premiums.

### HOW DOES IT WORK?

You may be required to complete an Election Form, furnished by your employer, authorizing your employer to make a pre-tax payroll deduction. Your Payroll Department will automatically adjust your monthly deduction for qualifying insurance premiums from an "after-tax" to a "pre-tax" basis.

### WHAT INSURANCE PREMIUMS QUALIFY?

- Premiums for group term life insurance policies with a face value of \$50,000 or less. (Section 79)
- Premiums for group medical, dental, vision, accident and/or disability insurance. (Section 106)
- Qualified premiums you pay for yourself, spouse and/or dependents.

(Please note that any policy that builds cash value or allows for a refund of premium is not a qualified plan. Any disability or salary insurance premium paid pre-tax has a taxable benefit.)

### WHY SHOULD I PARTICIPATE?

Your withholding taxes will decrease and your net take-home pay (spendable income) will increase.

### ARE THERE ANY NEGATIVES?

Because Social Security tax will not be deducted from the amount used to pay for qualifying insurance premiums, your Social Security benefits may be slightly reduced.

### CAN I REVOKE MY PREMIUM CONVERSION AMOUNT?

This can only happen if you have a qualified change in family status during the Plan Year. If your group insurance premiums change, your deduction will be adjusted automatically.

### HOW AND WHEN DO I PARTICIPATE?

Each year during the Open Enrollment period you should determine your annual election amount and enter that amount on the Election Form.

### HOW DO I PARTICIPATE?

Unless you notify your employer to the contrary, your share of out-of-pocket premiums will be automatically deducted from your pay on a pre-tax basis.

### WHAT TYPES OF POLICIES ARE NOT ELIGIBLE?

- Life insurance
- Group insurance sponsored by another employer
- Long Term care
- COBRA premiums for your dependents
- Medicare Part B premiums

Please note: The IRS has determined that any policy that builds cash value or allows for a refund of premium if the benefit is not utilized is not a qualified plan.