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MANAGEMENT ADVISORY #09-014

DATE: May 5, 2009
TO: Agency and University Personnel Officers and Benefit Coordinators
FROM: Suzetta Furlong, Manager
SUBJECT: Salary Reduction Is Not a Qualifying Event

Some of your employees may ask you if the proposed 2 percent salary reduction will allow them to lower or cancel their pretax benefits. In anticipation of the bill's approval, we asked our outside tax counsel this question. Unfortunately, salary reduction is not a qualifying event to allow employees to make changes to their pretax benefits. The significant cost increase qualifying event pertains only to a significant increase in premiums and cannot be used for other financial changes (change in salary, mortgage increase, etc.).

As always, employees may make changes to their pretax benefits within 31 days of experiencing a qualifying event (60 days for birth or adoption). Employees may also typically change their post-tax benefits whenever they desire.