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**MANAGEMENT ADVISORY #10-024**

**DATE:** October 14, 2010  
**TO:** Personnel Officers and Benefit Managers  
**FROM:** Suzetta Furlong, Manager  
**SUBJECT:** Pretax and Post-tax Insurance Plans

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**State Group Insurance offers pretax insurance plans** as part of your employee compensation package. Here's how pretax works: the state takes your insurance premiums out of your check before calculating taxes. This increases your spendable income and reduces the amount you owe in income tax. Consequently, the Internal Revenue Service (IRS) tax laws require you to stay in the plans you select. Per the IRS, you can only make changes during open enrollment or if you have a qualifying event, such as a birth, marriage, or change in employment status.

**Your employer may offer post-tax insurance plans.** The state deducts premiums for post-tax plans after calculating your taxes. These plans do not have rules that require you to have a qualifying event to make changes, nor do they offer an annual open enrollment. State Group Insurance does not contract with post-tax insurers.

**How can I tell which plans are pretax and which ones are post-tax?**

The plans listed in the [Benefits Guide](#) (see page 5) are pretax plans and work as described above. (The Minnesota Life Optional Life insurance plan is the only exception. It is a post-tax plan; however, it is treated like a pretax plan for enrollment and eligibility purposes because it is contracted through State Group Insurance and offered as part of your employee compensation package.)

Additionally, the benefits statement you received in your open enrollment package lists only State Group Insurance pretax plans.

You can also look at your earning statement (paycheck). Items in the *Deductions* section that have \*\*\* next to them are pretax or tax sheltered.

**Do some companies offer both pretax and post-tax plans?**

Yes. For example, Colonial and Aflac both offer pretax products through State Group Insurance; they also sell individual insurance policies on a post-tax basis.