

Summary Plan Description / Premium Only Plan

Frequently Asked Questions

What is an SPD?

A summary plan description (or SPD) is a document that is provided to plan participants to explain their rights and benefits under the welfare benefit plan. The SPD must be written in a manner calculated to be understood by the average plan participant. ERISA and DOL regulations require SPDs to include certain types of information, such as information to help participants identify their plan. There are also requirements for when and how the SPD must be distributed to participants.

Virtually all welfare benefit plans subject to ERISA must provide participants with an SPD, regardless of size. Both insured and self-funded group health plans must comply with ERISA's SPD requirements. While ERISA contains an exception for certain welfare benefit plans with fewer than 100 plan participants, that exception only applies to the Form 5500 filing requirement, and does not apply to SPDs.

Who receives a copy of the SPD?

An SPD must be provided to all participants covered by an ERISA plan. The SPD can be a separate document or can be combined with the actual plan document. For fully insured plans, it will also typically incorporate by reference the certificate of coverage issued by the insurance carrier.

Participants must receive an SPD:

- Within 120 days of the plan becoming subject to ERISA (for example, a new group health plan);
- Within 90 days of enrollment for new participants; and
- Within 30 days of a participant's written request for an SPD.
- Every five years if material modifications are made during that period. If no material modifications have been made, an updated SPD must be provided at least every 10 years.

As a practical matter, to help participants understand their plan benefits, plan administrators should provide new participants with SPDs and distribute updated SPD information to current participants as soon as possible.

How do we distribute an SPD?

“Distributing” an SPD does not necessarily mean simply making it available to participants. The SPD must be distributed by a method that ensures affirmative delivery to each participant. Placing copies of the SPD in a break room or common area does not satisfy this requirement. The most common methods of providing the SPD are in-hand delivery, U.S. mail and electronic delivery. The DOL has specific guidelines for electronic delivery of SPDs.

Since receipt of the SPD by a participant can become an important issue in litigation or audits, employers need to be prepared to provide documentation that the SPD was furnished in a way “reasonably calculated to ensure actual receipt.” Mailing lists, whether internal, external or electronic, should be maintained to confirm that appropriate steps were taken to properly distribute the SPD on a timely basis.

For more information on distributing SPDs, see the [Summary Plan Description Overview](#).

Does the SPD we receive from Austin include Section 125 information, or do we need a separate Section 125 premium only plan (POP) document?

If you require employee contributions and allow them to be deducted from payroll on a pre-tax basis, you need a Section 125 premium only plan (POP). The SPD document provided by Austin includes this information if applicable, making it unnecessary to have a separate Section 125 premium only (POP) document in most cases. As background, Internal Revenue Code (Code) Section 125 requires a plan document when employees are allowed to pay for certain qualified benefits (including health coverage) on a pretax basis. ERISA also requires a plan document and SPD for a welfare benefit plan, such as a group health plan. The wrap plan document/SPD produced by Austin ties all of the benefits (pre-tax premiums and qualified benefits) into a single plan, so that a separate Section 125 POP document is generally not necessary. However, as an option, you may request a separate POP document that permits pre-tax deductions for certain qualified benefits.