

MEMORANDUM

To: PERSONNEL MANAGEMENT LIAISONS
PERSONNEL OFFICERS
PERSONNEL TRANSACTION STAFF

Date: March 17, 1989
Reference Code: 89-16

From: Department of Personnel Administration

Subject: Health Plan Cessation

You have already been notified by the Public Employees' Retirement System (PERS) that First Far West health insurance company has become insolvent. PERS notified First Far West members how they were affected and the health insurance options available to them. This letter outlines the procedures Flexelect and Med/Care/Elect participants must follow when coverage under a health plan is significantly curtailed or ceased.

Flexelect and Med/Care/Elect participants have been notified directly by DPA of the options available to them; a copy of those letters are attached for your reference.

To assure the transactions are completed correctly, you need to:

ON THE FLEXELECT (STD. 701) and MED/ELECT (STD. 138) FORMS

Make sure Box #1 is left blank
Verify remainder of form is completed correctly per type of action (as noted in letter to employees)
Ensure the dependent care deduction amount is the same as employee's original deduction

When completing "Agency Use Only" section:

"Permitting Event Date" should be left blank
Use "Permitting Event Code" 50
"Effective Date of Action" must be on prospective basis based on normal cut-off dates (i.e. document submitted to SCO by 4/10/89; effective date of action will be 5/1/89)
If cancelling, at the very top of each form note, "CANCEL"

ON THE HEALTH BENEFITS (HBD-12), FLEXELECT (STD. 701) & MED/ELECT (STD. 138) FORMS

Note in the "Remarks" sections, "First Far West insolvent"
Retain copy of corrected HBD-12 and STD.701 or STD.138
Staple HBD-12 to the back of the STD.701
Submit all forms (STD.701, HBD-12, STD.138) to:

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State Controller's Office
Division of Personnel/Payroll Services
Flexible Benefits Unit
P.O. Box 942850
Sacramento, CA 94250-5878

SCO will forward HBD-12 to PERS

If you any questions, please call Blanche Harbridge-Wright at (916)
324-9486, ATSS 454-9486.

Sincerely,



Anita G. Leach, Chief
Benefits Division

DEPARTMENT OF PERSONNEL ADMINISTRATION

115 "S" Street, North Building, Suite 400
Post Office Box 944234
Sacramento, CA 94244-2340



March 17, 1989

Dear Med/Care/Elect Participant,

You have already been notified by the Public Employees' Retirement System (PERS) that First Far West health insurance company has become insolvent. As a result, PERS' notification outlined how you are affected and the options you have regarding your health insurance and the deadlines by which you must take action. This letter is to clarify your options as a Med/Care/Elect participant.

As a Med/Elect enrollee, a selection of any health carrier other than PERS Care must be on a prospective basis. In instances where a health plan is significantly curtailed or ceases, Internal Revenue Service allows you to make certain changes in your Med/Elect Program. As a result, you have the option to:

1. Increase or decrease your medical reimbursement deduction if the health plan you choose results in a significant increase or decrease in premiums, co-payments/deductibles and you were using the account for the purposes of claiming your premiums, co-payments/deductibles; or,
2. Cancel your medical reimbursement deduction if the health plan you choose results in a significant decrease in premiums, co-payments/deductibles and you were using the reimbursement account for the purposes of claiming your premiums, co-payments/deductibles; or,
3. If you are only participating in Med/Care/Elect to use the medical reimbursement account, and the health plan you choose results in zero out of pocket premiums, co-payments/deductibles, you may cancel your Med/Care/Elect participation.

All changes must be on a prospective basis.

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If you decide to change/cancel your medical reimbursement account deduction/participation, you need to complete a "Bargaining Unit Employees Dependent Care/Health Care Reimbursement Authorization" enrollment form, STD. 138. You do not need to complete the enrollment form if you do not want to change your medical reimbursement account deduction.

COMPLETING THE ENROLLMENT FORM, STD. 138

If you change your medical reimbursement deduction, the enrollment form (STD. 138) needs to be filled out reflecting your corrected medical reimbursement account deduction, and the deduction, if any, you currently have for the dependent care reimbursement account. Box #1 should be left blank, as this change does not fall within any of those categories. The corrected health enrollment form, HBD-12, must be attached to the corrected STD. 138 enrollment form and submitted to your Personnel Office.

If you cancel your Med/Care/Elect participation, only complete Box #'s 2, 3, 4, and 5; sign the document under "Employee's Signature"; and submit to your Personnel Office.

If you have any questions, please contact your Personnel Office.

Sincerely,



Anita G. Leach, Chief
Benefits Division

DEPARTMENT OF PERSONNEL ADMINISTRATION

1515 "S" Street, North Building, Suite 400

Post Office Box 944234

Sacramento, CA 94244-2340



March 17, 1989

Dear Flexelect Participant,

You have already been notified by the Public Employees' Retirement System (PERS) that First Far West health insurance company has become insolvent. As a result, PERS' notification outlined how you are affected and the options you have regarding your health insurance and the deadlines by which you must take action. This letter is to clarify your options as a Flexelect participant.

As a Flexelect enrollee, a selection of any health carrier other than PERS Care must be on a prospective basis. Any health insurance premium you pay out of your pocket, regardless of the plan you choose, will continue to be deducted before federal, state, or social security taxes are assessed. In instances where a health plan is significantly curtailed or ceases, Internal Revenue Service allows you to make certain changes in your Flex Program. As a result, you have the option to:

1. Increase or decrease your medical reimbursement deduction if the health plan you choose results in a significant increase or decrease in co-payments/deductibles and you were using the reimbursement account for the purposes of claiming your co-payments/deductibles; or,
2. Cancel your medical reimbursement deduction if the health plan you choose results in a significant decrease in co-payments/deductibles and you were using the reimbursement account for the purposes of claiming your co-payments/deductibles; or,
3. If you are only participating in Flex to use the medical reimbursement account, and the health plan you choose results in zero out of pocket premiums, co-payments/deductibles, you may cancel your Flex participation.

All changes must be on a prospective basis.

You may not cancel your health plan and elect the cash option, or start a medical or dependent care deduction. Those types of changes can be done only during Flex open enrollment with an effective date of 1/1/90.

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If you decide to change from PERS Care to another health carrier; you change your medical reimbursement account deduction; ~~or~~ you cancel your Flex participation, you need to complete a FleXelect enrollment form, STD. 701. You do not need to complete a Flex enrollment form if you retain PERS Care and do not want to change/cancel your medical reimbursement account deduction/participation.

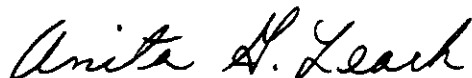
COMPLETING THE FLEX ENROLLMENT FORM

If you change your medical reimbursement deduction, the FleXelect enrollment form (STD. 701) needs to be filled out reflecting your choice of health carrier; your corrected medical reimbursement account deduction; and, the deduction, if any, you currently have for the dependent care reimbursement account. Box #1 should be left blank, as this change does not fall within any of those categories. The corrected health enrollment form, HBD-12, must be attached to the corrected Flex enrollment form and submitted to your Personnel Office.

If you cancel your Flex participation, complete Box #'s 2, 3, and 4; sign the document under "Employee's Signature"; and in the "Remarks" section note: "Cancelled Flex participation per First Far West bankruptcy."

If you have any questions, please contact your Personnel Office.

Sincerely,



Anita G. Leach, Chief
Benefits Division