

State of California

M M O R A N D U M

TO: PERSONNEL MANAGEMENT LIAISONS                      DATE: January 27, 1997  
REFERENCE CODE: 97-003

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

ALL PERSONNEL OFFICERS, PERSONNEL TRANSACTIONS SUPERVISORS  
AND PERSONNEL TRANSACTIONS STAFF

FROM: Department of Personnel Administration  
Benefits Division

SUBJECT: Group Term Life Insurance -- Update on Implementation of New Premiums

CONTACT: Desi Rodrigues, Personnel Management Technician  
(916) 324-0533 or CALNET 454-0533  
Office Vision: DPA (DXRodrigues)  
Internet: DXRODRIGUES@SMTP.DPA.CA.GOV

In an earlier PML dated December 18, 1996 (reference code 96-063), the Department of Personnel Administration advised you of new premiums for the basic and supplemental life insurances that would become effective on January 1, 1997 (December pay period).

The new premiums for the basic life insurance program were implemented on schedule by the State Controller's Office (SCO). However, for the supplemental life insurance program, Metropolitan Life Insurance Company (the plan provider) was unable to produce an electronic tape in the appropriate time frame for the SCO to make the necessary premium deduction updates. Therefore, the supplemental insurance premium deduction on employees' December pay check (dated January 1, 1997) did not reflect the new premium rates.

A number of steps are being taken by MetLife and the SCO to rectify this problem. MetLife has forwarded to the SCO a tape that includes the premium data that should have been provided in December. The data includes deduction changes which are a result of the annual age updates as well as applicable rate reductions consistent with the new contract. The employees' January paycheck (February 1, 1997), therefore, will reflect their accurate premium deduction. In February, MetLife will provide the SCO with a tape that adjusts for the incorrect premium that was paid by the employees in their December paycheck. The premium paid in the February paycheck will be the new premium amount (January deduction), plus or minus the differential between the amounts taken in December and January. In the majority of cases, the employee's February premium deduction will represent a reduction from the January amount (unless the employee experienced an age update which would result in a higher premium effective January 1, 1997). In March, the employee's premium will revert back to the new, correct amount and will continue at that amount for the remainder of the calendar year (unless the employee changes the amount of their supplemental coverage). Two examples are shown below to illustrate how premiums will be adjusted.

Example 1 -- Employee has \$40,000 supplemental coverage and has an age update (moving from age 39 to age 40) effective January 1:

-December deduction taken	=\$5.00
-Actual 1/1/97 premium owed	=\$8.84
-January paycheck deduction	=\$8.84
-February deduction (adjusted)	=\$12.68 (\$8.84+\$3.84)
-March deduction	=\$8.84

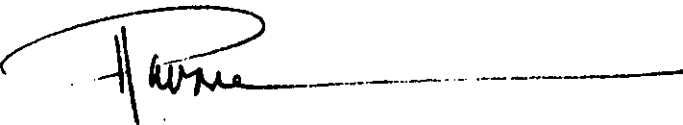
Example 2--Employee is 51 years of age and has \$100,000 of supplemental coverage:

-December deduction taken	=\$61.20
-Actual 1/1/97 premium owed	=\$59.50
-January paycheck deduction	=\$59.50
-February deduction (adjusted)	=\$57.80 (\$59.50-\$1.70)
-March deduction	=\$59.50

MetLife also recently converted from a manual to an automated recordkeeping system. This system automatically calculates supplemental premium deductions based on an individual's age and amount of insurance. It will correct any miscalculations or data entry errors that occurred in the past. As a result, MetLife has identified approximately 100 employees who have had incorrect deductions taken from their paychecks over the years. The majority of these employees have been under-paying while only 19 have been over-paying. MetLife and the DPA have agreed that no attempt will be made to collect from those employees who have been under-paying their monthly premium. For those individuals who have been over-paying, MetLife will be refunding them as soon as an audit of their individual pay history is completed and the amount of refunds due has been calculated. Effective February 1, 1997 (January pay period) the premiums of these individuals will be decreased or increased to reflect the appropriate premium amount. MetLife will be notifying these employees directly by mail of their premium change.

MetLife and the DPA apologize for any inconvenience this situation has caused and we are confident that appropriate steps are being taken to resolve the problems in a satisfactory manner.

If you have any questions regarding this memo, please contact Vallita Lewis at (916) 324-9362 or Calnet 454-9362 or Desi Rodrigues at (916) 324-0533 or Calnet 454-0533.



Patricia Pavone, Chief  
Benefits Division