

State of California

MEMORANDUM

DATE: May 6, 1997

TO: PERSONNEL MANAGEMENT LIAISONS REFERENCE CODE: 97-016

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

ALL PERSONNEL OFFICERS
PERSONNEL TRANSACTIONS SUPERVISORS
PERSONNEL TRANSACTIONS STAFF

FROM: Department of Personnel Administration
Benefits Division

SUBJECT: DELTA DENTAL PREMIUM REFUND - NOTICE TO EMPLOYEES

CONTACT: William Page, Dental Program Coordinator
(916) 324-0525 or CALNET 454-0525
Office Vision: DPA(WHPAGE)

Attached is a memo to all employees regarding recent decisions which impact employees enrolled in the State-sponsored Delta Dental Plan between the period of July 1, 1992 and December 31, 1995. We are asking your assistance in seeing that the attached memo is duplicated and distributed to all employees as quickly as possible.

As a result of a recent arbitration ruling, an award was made to the following three bargaining units: the Association of California State Attorneys (Unit 2), the Professional Engineers in California Government (Unit 9), and the California Association of Professional Scientists (Unit 10). This award stipulates that employees in these bargaining units are entitled to a refund of 38.9 percent of their total out-of-pocket Delta Dental premium paid between July 1, 1992 and December 31, 1995. The award further extends the refund to any separated employee, from those units, who paid a premium copay during this period and files a request for a refund.

While the arbitration ruling only applies to Bargaining Units 2, 9, and 10, a decision was made by the Department of Personnel Administration (DPA), after meeting with other affected bargaining units, to extend the refund to all employees, including those excluded from collective bargaining, who were enrolled in Delta Dental and paid an employee copay. An offer to refund copayments for retirees has also been made to the Public Employees' Retirement System (PERS).

Refunds will be paid from the State's Delta Dental Reserve Account. The memo also provides employees with some background information about the reserve account. No adjustment is being made to the current Delta Dental premiums at this time. DPA is in the process of arranging for an independent actuary to review our current dental premiums to ensure they are appropriate. Any recommended adjustment to our current rates will be brought to the bargaining units as part of our ongoing negotiations.

We have been working with staff from the State Controller's Office and PERS to determine the exact premium amount paid by each affected employee in order to apply the refund calculation. For active employees, the copay is deducted on a pre-tax basis. As a result, any amount refunded will now be subject to federal, state and, if applicable, social security taxes. The refund calculation will be based on the amount of each employee's monthly dental premium copay from July 1, 1992 through December 31, 1995. The following examples are estimates of the net amount to be refunded for employees covered by social security who paid a copay and remained in the same party code for the entire 42-month period.

<u>Party Code</u>	<u>Net Refund</u>
Party Code 1 (employee only)	\$ 66.73
Party Code 2 (employee and 1 dependent)	120.85
Party Code 3 (employee and 2 or more dependents)	176.90

It is anticipated that the refund checks for all active employees will be issued sometime in July. Use of the excess reserves applicable to retirees is being coordinated through PERS. DPA is also developing a notification letter and claim form to be sent to all former separated employees who paid a copay during that period. Every effort is being made to expedite the distribution of refund checks. Questions regarding this information should be directed to William Page, Dental Program Coordinator at (916) 324-0525 or CALNET 454-0525.



David J. Tirapelle
Director

Attachment

MEMORANDUM

TO: All State Employees

DATE: May 6, 1997

FROM: Department of Personnel Administration
Office of the Director

SUBJECT: Delta Dental Premium Refund

The purpose of this memo is to notify all State employees of recent decisions impacting employees enrolled in the State-sponsored Delta Dental Plan between the period of July 1, 1992 and December 31, 1995.

As a result of a recent arbitration ruling, an award was made to the following three bargaining units: the Association of California State Attorneys (Unit 2), the Professional Engineers in California Government (Unit 9), and the California Association of Professional Scientists (Unit 10). This award stipulates that employees in these bargaining units are entitled to a refund of 38.9 percent of their total out-of-pocket Delta Dental premium paid between July 1, 1992 and December 31, 1995. The award further extends the refund to any separated employee, from those units, who paid a copay during this period and files a request for a refund.

While the arbitration ruling only applies to Bargaining Units 2, 9, and 10, a decision was made by the Department of Personnel Administration (DPA), after meeting with other affected bargaining units, to extend the refund to all employees, including those excluded from collective bargaining, who were enrolled in Delta Dental and paid an employee copay. An offer to refund copayments for retirees has also been made to the Public Employees' Retirement System (PERS).

Refunds will be paid from the State's Delta Dental Reserve Account. Over the past few years excess funds have accumulated in this reserve account. In 1994 the Dental Cost Containment Committee, comprised of both management and labor representatives, conducted an analysis of the reserve account and recommended either we (1) provide employees with a lump-sum refund before the end of the 1994 tax year or (2) initiate a premium reduction effective January 1, 1995. Given the administrative cost of distributing a lump-sum refund and projected premium increases by Delta Dental, the decision was made to use the reserve to offset future premium increases. As a result, premiums have been frozen since January 1994. While we have avoided any premium increase, the reserve has continued to grow to the extent that refunding excess premium is now a viable alternative. We are having an independent actuary review our current dental premiums to ensure they are appropriate. Any recommended adjustment to our current rates will be brought to the bargaining units as part of our ongoing negotiations.

We have been working with staff from the State Controller's Office and PERS to determine the exact premium amount paid by each affected employee in order to apply the refund calculation. For active employees, the copay is deducted on a pre-tax basis. As a result, any amount refunded will now be subject to federal, state and, if applicable, social security taxes. The refund calculation will be based on the amount of each employee's monthly dental premium copay from July 1, 1992 through December 31, 1995. The following examples are estimates of the net amount to be refunded for employees covered by social security who paid a copay in the same party code for the entire 42-month period:

<u>Party Code</u>	<u>Net Refund</u>
Party Code 1 (employee only)	\$ 66.73
Party Code 2 (employee and 1 dependent)	120.85
Party Code 3 (employee and 2 or more dependents)	176.90

It is anticipated that the refund checks for all active employees will be issued sometime in July. Use of the excess reserves applicable to retirees is being coordinated through PERS. DPA is also developing a notification letter and claim form to be sent to all former employees during that period. ~~Every effort is being made to expedite the distribution of~~ refund checks. In the interim, if you have any questions regarding this information, please contact your Personnel Office.


David J. Trápelle
Director