

State of California

M E M O R A N D U M

TO: PERSONNEL MANAGEMENT LIAISONS **DATE:** May 24, 2004
REFERENCE CODE: 2004-017

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

Employee Benefit Officers
Personnel Officers
Personnel Transactions Supervisors
Personnel Transactions Staff

FROM: Department of Personnel Administration
Benefits Division

SUBJECT: Long-Term Disability Plan for Non-represented employee -
Demutualization Funds Premium Holiday Information

CONTACT: Desi Rodrigues, Benefits Analyst
(916) 324-9400, CALNET 454-9400
FAX: (916) 322-3769
Email: DesiRodrigues@dpa.ca.gov

This memorandum is to provide you important information regarding the "Demutualization Funds Premium Holiday" that will be implemented **effective July 1, 2004 (June pay period)** for eligible employees currently enrolled in the Long-Term Disability (LTD) Plan.

What are Demutualization Funds?

In recent years, a growing number of large insurance companies have converted from mutual insurance companies (owned by policyholders) to publicly held and traded stock companies through a process known as demutualization. In 1999, Metropolitan Life Insurance Company's (MetLife) Board of Directors adopted a demutualization plan. The demutualization plan was approved in 2000, and subsequently approved by the New York State Superintendent of Insurance.

As a result of the approved demutualization, eligible group insurance policyholders became eligible to receive compensation in exchange for their extinguished mutual "ownership" interest in MetLife.

When an insurer demutualizes, its policyholders, including employers and employees, receive a pro rata distribution of the new insurance company's stock and/or cash.

As a result of this action, certain employees are entitled to a distribution. The actual entitlement is determined by MetLife based upon the premiums paid by the employees participating in the LTD Plan under DPA's group "umbrella" policy with MetLife.

On April 17, 2000, DPA received cash from MetLife for premiums paid by DPA and enrolled employees. The demutualization proceeds have been held in a special demutualization fund account by the State Treasurer's Office until the funds could be distributed accordingly. After researching several options available under IRS rules, DPA elected to refund premiums through the Premium Holiday process.

What is a Premium Holiday?

A Premium Holiday is a period of time that the employee does not have to make a payment for a covered benefit. In this case, a Premium Holiday will be given to all employees currently enrolled in the LTD plan, until the funds provided by the demutualization are exhausted. It is estimated that premiums will not be deducted for the months of July (June pay period), August (July pay period), and September (August pay period).

DPA has been working closely with the State Controller's Office and other State agencies to initiate this Premium Holiday. The employee-paid premium deduction will resume **effective October 1, 2004 (September pay period)**.

What happens to newly eligible employees?

Employees who become newly eligible to enroll in the LTD Plan will not be eligible for the Premium Holiday. Enrollment forms received by SCO or MetLife from June 12, 2004 through September 10, 2004 will be effective October 1, 2004 (September pay period).

Will DPA communicate information about the Premium Holiday to eligible employees?

Yes. DPA and MetLife will be sending notices to the home addresses of eligible/enrolled employees on May 28, 2004. We also encourage departments to communicate this information to eligible/enrolled employees.

If you have any questions regarding this information, please contact Desi Rodrigues, Benefits Program Analyst, at (916) 324-9400, or CALNET 454-9400.

Sincerely,

Debbie Endsley, Chief
Benefits Division