

*State of California*

**M E M O R A N D U M**

(Revised)

**TO:** PERSONNEL MANAGEMENT LIAISONS      **DATE:** July 13, 2004  
**REFERENCE CODE:** 2004-028

**THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:**

Personnel Officers  
Personnel Transactions Supervisors  
Personnel Transactions Staff

**FROM:**      **Department of Personnel Administration**  
                 **Benefits Division**

**SUBJECT:**      New Carrier, Premium Rate Changes, and New Plan Options for the Long  
                 Term Disability (LTD) Program for Excluded Employees

**(REVISED)**

**CONTACT:**      Darlene Schell, Manager  
                 Benefits Division  
                 (916) 324-9362, CALNET 454-9362  
                 FAX: (916) 322-3769  
                 Email: darleneschell@dpa.ca.gov

This memorandum is to advise you that effective October 1, 2004, the new carrier for the State's Voluntary Long Term Disability (LTD) program for excluded employees will be Standard Insurance Company (The Standard). Important information about changes to the monthly premium rates and an additional LTD Plan Option for excluded employees is outlined herein.

**Monthly Premium Rate Changes and New Plan Options**

As a result of the most recent competitive bid, the LTD program premium will increase by an average of 13% for enrollees in the current 65% monthly benefit level. In addition, a second Plan Option has been added to enhance member choice and will provide a reduced coverage at a lesser cost. Specifically, for those employees wishing to reduce their monthly benefit level to 55%, monthly premium rates will be approximately 38% lower.

The LTD Program is for excluded employees and is a voluntary employee-paid insurance benefit. Effective October 1, 2004, the current premium rates will change to those listed below. Please note that the current deduction codes 075-111 and 075-112 will remain the same for those employees wishing to continue in the 65% monthly benefit level. Two new deduction codes, 075-119 and 075-120, have been added for the new 55% Benefit Level Plan Option.

**Current Premium Rates**

OPTION A - MISCELLANEOUS/NON-SAFETY/OASDI EMPLOYEES (075-111)

Under 30	30-39	40-49	50-59	Over 60
.0009	.0022	.0050	.0107	.0145

OPTION B - PEACE OFFICERS/FIREFIGHTERS/SAFETY/NON-OASDI EMPLOYEES (075-112)

Under 30	30-39	40-49	50-59	Over 60
.0013	.0031	.0072	.0154	.0207

**New Premium Rates effective October 1, 2004**

**OPTION A - 65% MISCELLANEOUS/NON-SAFETY/OASDI EMPLOYEES (075-111)**

Under 30	30-39	40-49	50-59	Over 60
.00103	.00246	.00564	.01210	.01642

**OPTION B - 65% PEACE OFFICERS/FIREFIGHTERS/SAFETY/NON-OASDI EMPLOYEES (075-112)**

Under 30	30-39	40-49	50-59	Over 60
.00144	.00349	.00810	.01734	.02339

**OPTION C - 55% MISCELLANEOUS/NON-SAFETY/OASDI EMPLOYEES (075-119)**

Under 30	30-39	40-49	50-59	Over 60
.00060	.00132	.00312	.00660	.00900

**OPTION D - 55% PEACE OFFICERS/FIREFIGHTERS/SAFETY/NON-OASDI EMPLOYEES (075-120)**

Under 30	30-39	40-49	50-59	Over 60
.00084	.00192	.00444	.00948	.01284

**Calculations to determine Plan Option Premium Rates**

To help understand these changes and the various rate differences, we have included an example showing an employee with a monthly salary of \$4,700. The example illustrates what an employee is currently paying under the current 65% Benefit Level Plan Option, what the employee would pay under the Current 65% Benefit Level Plan Option calculated with the new premium rate, and what the employee would pay if he/she chooses the lower-cost 55% Benefit Level Plan Option.

**Example:**

Joe is a 45 year old non-safety employee with a salary of \$4,700 per month. The below calculations will not only show you how to calculate premiums but will also show the difference Joe will pay between the current 65% Plan Option and the new 55% Plan Option.

**Option A - 65% Benefit Level Plan Option (Current rate through September 30, 2004)**

\$4,700 (Salary) x .0050 (Factor for Employee's age) + .80  
(Administrative Fee) = \$24.30 (LTD Monthly Premium)

**Option A - 65% Benefit Level Plan Option (Rate as of October 1, 2004)**

\$4,700 (Salary) x .00564 (Factor for Employee's age) + .80  
(Administrative Fee) = \$27.30 (LTD Monthly Premium)

**Option C - 55% Benefit Level Plan Option (Rate as of October 1, 2004)**

\$4,700 (Salary) x .00312 (Factor for Employee's age) + .80  
(Administrative Fee) = \$15.46 (LTD Monthly Premium)

**Employee Communications**

As part of the transition to our new carrier, The Standard will be mailing a detailed communication to all current LTD enrollees. This mailing is scheduled to occur at the end of July and will provide employees with the information and tools they need to make an informed choice between the two Plan Options. A new enrollment form will also be provided in the event the employee wishes to make enrollment changes.

**New Long Term Disability Program Enrollment Form**

The Standard is in the process of developing a new enrollment form that departments will use for newly eligible enrollees or if an employee decides to change from their current Plan Option (65%) to the new Plan Option (55%). A supply of this new form, along with detailed instructions, will be distributed to departments shortly.

**Employee Enrollment Changes**

For those employees wishing to remain in the current 65% Benefit Level Plan Option, **no action** by the employee is needed. They will remain at their current benefit level and premium rates will automatically be changed to the new rate by the State Controller's Office.

PML 2004-028  
July 13, 2004  
Page 4

Employees wishing to change to the new 55% Benefit Level will need to complete the new LTD enrollment form and submit it to their personnel office for processing. The timeframe allowed for employees to make this change will be from August 1, 2004 to September 10, 2004. All forms must be submitted to the State Controller's Office no later than the 10th day of September in order for the change to be effective by October 1. Submissions received after this date will not be accepted.

**LTD Open Enrollment**

The next open enrollment period for the LTD program will be scheduled for early 2005. A PML announcing the LTD Open Enrollment period will be issued as soon as a date is established.

**The LTD Demutualization Funds Premium Holiday is not affected by this change**

The LTD Demutualization Funds Premium Holiday, as outlined in PML 2004-017, will not be impacted by these changes.

If you have questions, please contact Darlene Schell at (916) 324-9362 or Calnet 454-9362.

Sincerely,

Debbie Endsley, Chief  
Benefits Division

cc: Standard Insurance Company  
California Fairs Services Authority  
California Exposition & State Fair