



Arnold Schwarzenegger
Governor

September 17, 2008

To: Voluntary Plan Self-Insurers

Subject: GENERAL RELEASE LETTER REGARDING CASH SECURITY DEPOSITS

This General Release letter is to inform Voluntary Plan (VP) employers of the new forms and procedures for VP cash security deposits and to inform you that cash security deposits are now deposited in an interest bearing account.

The State Treasurer's Office (STO) advised the Employment Development Department (EDD) to transfer all existing cash deposits into a Special Deposit Fund (SDF) with the California State Controller's Office (SCO) to earn interest. Effective May 22, 2008, all cash deposits were deposited into an interest-bearing SDF account established by the EDD. Interest is compounded quarterly. The quarterly interest rates are based on the SCO Surplus Money Investment Fund Apportionment Yield Rates, and can be accessed online at <http://www.sco.ca.gov/ard/surplus/smifrate.pdf>.

This change required EDD to revise and create new forms for cash and bearer bond security deposits. The new security deposit forms are the Agreement Regarding Deposit of Cash, DE 2545V, and the Agreement Regarding Deposit of Bearer Bond, DE 2545VB. Additionally, the Application for Approval of Self-Insured Voluntary Plan of Disability Benefits, DE 2520BV, was revised to incorporate these forms. These three forms are attached for your convenience. Please discontinue use of any prior revisions.

Submitting a Cash Security Deposit

Effective immediately, the steps to submit a cash deposit are as follows:

- The employer completes an Agreement Regarding Deposit of Cash, DE 2545V, available from the Voluntary Plan Group (VPG), and returns it and a copy to the VPG for approval. This form must indicate: the amount of the cash deposit; the VP name; the signature and printed name and title of the authorized representative; the corporate seal; and, be notarized.
- After receiving the completed DE 2545V, the VPG reviews and if approved instructs the employer to send the cash security to the VPG. The cash deposit is usually in the form of a check made payable to EDD-Voluntary Plan Security Deposit, clearly

indicating on the check its purpose, the principal or corporate VP employer name, and the VP number (99-XXXX).

- The cash deposit is due no later than 30 days after the VPG provides instructions to the employer to send the cash deposit. The employer should arrange in advance to be able to accommodate the 30-day deposit requirement. Mail your cash deposit to:

Mailing Address:

EDD, Disability Insurance Branch
Voluntary Plan Group, MIC 29VP
Attention: Security Deposits
PO Box 826880
Sacramento, CA 94280-0001

In-Person Delivery Address:

EDD, Disability Insurance Branch
Voluntary Plan Group, MIC 29VP
Attention: Security Deposits
800 Capitol Mall, Room 3137
Sacramento, CA 95814

- After the cash deposit is received by the VPG, it is deposited in the SDF account. The VPG will issue a receipt to acknowledge the amount and date of deposit. Please keep this receipt for your records.
- Accrued interest is added to the cash security balance in the SDF on a quarterly basis. The VPG will issue an annual statement of interest earned. This statement will also reflect the total amount of the cash security deposit including the accrued interest.

NOTE: The overall procedures for submitting bearer and guarantee bonds, and irrevocable letters of credit remain the same. The only difference is in the use of the new form Agreement Regarding Deposit of Bearer Bond, DE 2545VB for submitting bearer bonds as security deposits.

General Guidelines for VP Cash Security Deposits

Rate Information: The SCO determines the interest rate based on the Surplus Money Investment Fund. This information is available online at <http://www.sco.ca.gov/ard/surplus/smifrate.pdf>.

Minimum Principle Balance: The minimum balance on each employer account at any time cannot be less than the minimum amount required to secure the plan(s) as required under California Unemployment Insurance Code Section 3258.

Compounding and Interest: Interest will be compounded and credited to each employer account quarterly. An employer may choose to have the interest paid every quarter.

However, such request must be in writing and is subject to our review to determine if the employer's total security deposit would remain adequate to cover potential plan liabilities if a refund were to be issued.

Balance Computation (Daily Balance Method): Interest is calculated by the daily balance method which applies a daily periodic rate to the balance in the account each day.

Changes to Initial Security Deposits and Plan Withdrawal: After your initial cash deposits are received and deposited in the SDF, you may continue to adjust your security amount by submitting additional securities or requesting the release of excess deposits. If you withdraw your VP or choose to change the type of security deposit from cash to an irrevocable letter of credit or bond, you will be credited the accrued interest for that period.

Annual Security Review Notice and Determination: You will be notified by the end of January of the total amount of cash on deposit including interest earned for the calendar year. This information is provided to help you to complete the Annual Security Review Worksheet to determine if your security deposit is adequate for the following calendar year.

Taxability of Earned Interest: Contact your tax advisor or the Internal Revenue Service regarding whether or not you must report the interest earned on your VP cash security deposit on your tax returns or to tax authorities.

For more information about submitting securities, see the Employer's Guide to VP Procedures, DE 2040, online at http://www.edd.ca.gov/pdf_pub_ctr/de2040.pdf. Please note that the DE 2040 will be revised in accordance with information provided in this letter.

If you have further questions or need assistance, please contact Mr. Glenn Lomax at (916) 653-2883 or Mr. Doug Richmond at (916) 654-6777.

Sincerely,



SANDRA O. POOLE
Deputy Director
Disability Insurance Branch

Attachments

Agreement Regarding Deposit of Cash

For approval of Voluntary Plan under Part 2 of the California Unemployment Insurance Code

VOLUNTARY PLAN (VP) EMPLOYER NAME:

Having applied to the Director (Director) of the Employment Development Department (EDD) for approval of a voluntary plan, the VP employer shown above desires to deposit cash in the amount of

_____ dollars (\$ _____)
as a condition precedent to approval of the voluntary plan. (round up to the next even \$100)

The VP employer agrees to:

1. Secure payment of VP employer's obligations under the plan in accordance with the California Unemployment Insurance Code or pay any assessments that may be levied under the provisions of California Unemployment Insurance Code, Part 1, sections 1126 and 1176, and Part 2, by depositing cash with the EDD.
2. Transmit the cash to the EDD upon authorization and direction of the Director. The cash deposit will be held in trust by the EDD subject to the order of the Director. The Director or his/her designee has authority to apply cash to payment of any assessment for which the VP employer may be in default.
3. The EDD and the Director are hereby authorized and directed to use the cash, or any security substituted therefore for the purposes herein set forth. The EDD is hereby authorized and directed to carry out all lawful orders made and entered upon cessation of the purpose of their deposit upon the notification and order of the Director only.
4. Produce and deliver within thirty days after the mailing of the notice any additional deposit required by the Director. The VP employer understands that failure to comply within the time allotted may result in termination of the voluntary plan.

The VP employer hereby tenders the deposit to the Director in fulfillment of the Director's conditions and requirements for approval of such voluntary plan under provisions of Part 2 of the California Unemployment Insurance Code.

PRINT VOLUNTARY PLAN EMPLOYER NAME:	(CORPORATE SEAL)
SIGNATURE OF AUTHORIZED REPRESENTATIVE:	
NAME AND TITLE OF AUTHORIZED REPRESENTATIVE:	ATTEST BY SECRETARY

Subscribed and sworn to before me, a Notary Public in and for the county of _____, this _____ day of _____, 20_____.

My Commission Expires _____.

Agreement Regarding Deposit of Bearer Bond

For approval of Voluntary Plan under Part 2 of the California Unemployment Insurance Code

VOLUNTARY PLAN (VP) EMPLOYER NAME:

Having applied to the Director (Director) of the Employment Development Department (EDD) for approval of a voluntary plan, the VP employer shown above desires to deposit bearer bond(s) with the State Treasurer in the amount of _____ dollars (\$ _____) as a condition precedent to approval of the voluntary plan. (round up to the next even \$100)

The VP employer agrees to:

- Secure payment of VP employer's obligations under the plan in accordance with the California Unemployment Insurance Code or pay any assessments that may be levied under the provisions of California Unemployment Insurance Code, Part 1, sections 1126 and 1176, and Part 2, by depositing with the Treasurer of the State of California the bearer bond securities. Show in the space below the title, bond number, denomination, date of issue and maturity date of each bearer bond.

Title	Bond Serial #	Denomination	Issue Date(s)	Maturity Date(s)
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

- Transmit the above securities to the State Treasurer upon authorization and direction of the Director. Securities will be held in trust by the State Treasurer subject to the order of the Director. The Director or his/her designee has authority to collect the security as it becomes due, to sell the security and any substitute security or any part as may be required, and to apply the application of the proceeds to the payment of any assessment for which the VP employer may be in default. Subject to the order of the Director, interest coupons, if any, belonging to the bonds deposited shall be returned to the VP employer by the State Treasurer as they mature.
- The State Treasurer and the Director are hereby authorized and directed to use the security, or any security substituted therefor, for the purposes herein set forth. The State Treasurer is hereby authorized and directed to carry out all lawful orders made and entered upon cessation of the purpose of their deposit upon the notification and order of the Director only.
- Produce and deliver within thirty days after the mailing of the notice any larger deposit required by the Director. The VP employer understands that failure to comply within the time allotted may result in termination of the voluntary plan.

The VP employer hereby tenders the security to the Director in fulfillment of the Director's conditions and requirements for approval of such voluntary plan under provisions of Part 2 of the California Unemployment Insurance Code.

PRINT VOLUNTARY PLAN EMPLOYER NAME:	(CORPORATE SEAL)
SIGNATURE OF AUTHORIZED REPRESENTATIVE:	
NAME AND TITLE OF AUTHORIZED REPRESENTATIVE:	ATTEST BY SECRETARY

Subscribed and sworn to before me, a Notary Public in and for the county of _____, this _____ day of _____, 20_____.

My Commission Expires _____.

**APPLICATION FOR APPROVAL OF SELF-INSURED VOLUNTARY PLAN
OF DISABILITY BENEFITS**

1. The requested effective date of this voluntary plan is _____.

EMPLOYER INFORMATION

2. California Employer Account Number _____ (the eight-digit number that the Employment Development Department assigned to the employer when the employer registered with the Department).

3. Employer's legal name: _____

4. If this employer is doing business in the State of California under any other business name(s) besides the one identified above, list the dba(s) or commercial nickname(s) (provide a separate list if necessary): _____
_____.

5. Employer's headquarters address: _____

City, State, ZIP Code: _____

6. Describe the employer's business, for example, type of product manufactured or service provided: _____

_____.

7. Individual responsible for coordinating all activities of the voluntary plan:

Name: _____

Company name: _____

Address (if different from address above): _____

City, State, ZIP Code: _____

Phone: () _____ Fax No.: () _____ E-mail: _____

8. Voluntary plan claims will be processed by:

_____ Third Party Administrator

_____ Self-Administered by employer

Individual who will process voluntary plan claims:

Name: _____

Company name: _____

Address: _____

City, State, ZIP Code: _____

Phone: (____) _____

PLAN PROVISIONS

9. Will the voluntary plan be made available to employees in all establishments of the employer in California? Yes _____ No _____

If no, provide an alphabetical list by city of the locations that will be covered. Include the physical address. Separate the list according to different business names, if more than one. Note the number of eligible employees at each location. Also provide a similar list of all locations that will not be covered.

10. Are part-time employees (employed less than half the hours in the workweek) eligible for coverage? Yes _____ No _____

11. Are short-term employees (employed with the expectation that employment will not exceed two weeks) eligible for coverage? Yes _____ No _____

12. The contribution required of employees electing the voluntary plan will be:
_____ % of the first \$ _____ of taxable wages paid in this calendar year, or
(other) _____.

NOTE: A complete description of the voluntary plan benefits, limitations, and exclusions must be included in the plan text.

ENROLLMENT INFORMATION

13. Total number of employees eligible to be covered by the plan:

_____ as of _____.
Number Date

14. Total number of employees who have consented, in writing or by electronic mail, at the employee's option, if electronic means are available, to be covered by the plan:

_____ as of _____.
Number Date

15. The enrollment was conducted between _____ and _____.
Date Date

SECURITY DEPOSIT

16. Check the type of security that will be filed to secure the voluntary plan:

- Guarantee Bond, DE 2544V or later revision
- Letter of Credit (based on Model Letter of Credit provided by the Employment Development Department)
- Cash
- Bearer Bond(s)

NOTE: Do not send the security with this application. Instructions for sending the security will be provided to the individual identified in Question 7 upon approval of the plan. If cash is being deposited, file the form, Agreement Regarding Deposit of Cash, DE 2545V, with this application. If a bearer bond(s) is being deposited, file the form, Agreement Regarding Deposit of Bearer Bond, DE 2545VB, with this application.

17. Estimated State Disability Insurance (SDI) taxable wages projected to be paid over the 12-month period following your requested voluntary plan effective date:

Estimated SDI taxable wages: \$_____.

NOTE: (1) The estimated SDI taxable wages are used to determine the amount of deposit required using the following formula:

Estimated Annual Taxable Wages x .5 x SDI Contribution Tax Rate =
Amount of Security Deposit; and

(2) The minimum required deposit is \$1,000 (uneven dollar amounts will be rounded up to the next \$100).

REQUIRED DOCUMENTS

Items 18 through 20 must be filed with this application:

- 18. A copy of the written text which fully describes the provisions of the voluntary plan.
- 19. Security deposit form if posting cash or bearer bond (see items 16 through 17).
- 20. Copies of all enrollment literature which were distributed to the employees to secure their consent for the voluntary plan.

Did the literature include a copy of the written text? Yes _____ No _____

Did the literature include a copy of a statement of coverage? Yes _____ No _____

21. A copy of the statement of coverage which will be given to all covered employees (if this is not attached, check one of the following).

The covered employees will be given a copy of the written text instead of a separate statement; therefore, a statement of coverage has not been developed.

The statement of coverage is not attached but will be sent within 30 days.

CERTIFICATION

By signing below:

- A. I am submitting an application for approval of a voluntary plan under the California Unemployment Insurance Code (hereinafter identified as "Code") and Title 22 of the California Code of Regulations (hereinafter identified as "Regulations").
- B. I agree to operate the voluntary plan in conformity with the Code and Regulations and in accordance with the provisions of the voluntary plan text provided to the Employment Development Department Voluntary Plan Group.
- C. I understand and agree that approval of the plan is contingent upon the deposit of security as required under the Code and Regulations, and further agree that such security may be held or disposed of in accordance with the provisions of the Code and Regulations. I agree to send the security within 30 days upon notification by the Employment Development Department Voluntary Plan Group.
- D. I agree to pay any assessments which are levied in conformity with the Code and Regulations.
- E. I certify that all eligible employees were given the opportunity to elect or reject coverage under the plan and that a majority of the eligible employees consented, in writing, to coverage under the plan.
- F. I agree to offer the plan to all eligible new employees, and will maintain available for inspection by Department representatives the signed consent documents of all employees.
- G. I certify that the plan will be in effect for not less than one year and that no reduction in disability benefits or increase in employee contributions for disability benefits will be made while the plan is in effect without the approval of the Department.
- H. I certify that the foregoing statements, including any accompanying statements, are to the best of my knowledge and belief true and correct.

Complete this side if plan is proposed by the employer.

By _____
(Must be signed by Owner, Partner, or Officer if a Corporation)

Print Name and Title

Date _____

Complete this side if plan is proposed by an employee group.

By _____
Authorized Representative

Print Name and Title

The employer consents to the proposed plan and agrees to make employee deductions, if any.

By _____
(Must be signed by Owner, Partner, or Officer if a Corporation)

Print Name and Title

Date _____