



Edmund G. Brown Jr.  
Governor

Date: 12/31/2014

To: Voluntary Plan Self-Insurers

Subject: GENERAL RELEASE LETTER

The General Release letter provides information on recent legislation, regulations, and procedural changes that affect your voluntary plan (VP) for the calendar year.

For calendar year 2015, the new changes are the two legislative bills, the new State Disability Insurance (SDI) contribution rate and wage ceiling, and the VP 14 percent assessment rate indicated below:

### Legislation

Assembly Bill 2733 amends Section 3254.1 of the California Unemployment Insurance Code (CUIC) to remove the sunset date of December 31, 2014, which requires a small business third-party administrator (SBTPA) to use separate accounting ledgers for each client's contributions and plan assets and places the responsibility of the financial security requirements on the SBTPA. This bill also authorizes the Director of the Employment Development Department (EDD) to terminate the participation of an individual employer client of the SBTPA from a VP for cause and recover plan assets from the SBTPA, as specified. This bill takes effect immediately as an urgency statute and makes technical non-substantive changes.

**Reference: An act to amend Section 3254.1 of the CUIC.**

**Status: 7/18/14-Chapter 150, Statutes of 2014.**

Senate Bill 1083 authorizes physician assistants (PA) to certify to a disability after a physical examination has been conducted under the supervision of a physician or surgeon. This bill expands the definition of practitioner for Disability Insurance purposes, to include a PA. This bill requires the EDD to implement the provisions on or before January 1, 2017.

**Reference: An act to amend Section 3502.3 of the Business and Professions Code and Section 2708 of the CUIC.**

**Status: 9/18/14-Chapter 438, Statutes of 2014.**

Detailed California legislative information is available at  
<http://leginfo.legislature.ca.gov/>.

**SDI Contribution Rate and Wage Ceiling**

Effective January 1, 2015, the SDI worker contribution rate will decrease to 0.9 percent of an employee's gross taxable wages up to \$104,378. The taxable wage ceiling was \$100,880 in 2013 and increased to \$101,636 in 2014.

**Reference: CUIIC Section 984.**

SDI program taxes cover employees up to a ceiling set by Section 985 of the CUIIC. The 2015 SDI taxable wage ceiling (the maximum amount of wages per employee that are subject to SDI contributions) is \$104,378. The maximum annual contribution per employee for 2015 is \$939.40 (\$104,378 x 0.9 percent). Employers report these contributions to the EDD Tax Branch on the *Quarterly Contribution Return*, DE 3D, line D, box D1 Voluntary Plan.

**Reference: CUIIC Section 985.**

**Voluntary Plan 14 Percent Assessment Rate**

Effective January 1, 2015, the VP assessment rate (on line K of the *Quarterly Contribution Return*, DE 3D) will decrease to 12.6 percent (0.126). This figure is the product obtained by multiplying the worker contribution rate by 14 percent, or  $0.9 \times 0.14 = 0.126$  percent.

**Reference: CUIIC Section 3252(b).**

Employers using a VP must remit payments with their employment tax payments. Employers may pay the assessment out of their corporate funds, or charge it to the VP trust fund. When charged to the VP trust fund, the expenditure must be shown on the *Annual Report of Self-Insured Voluntary Plan Transactions*, DE 2568V Rev. 22 (1-13), and submitted to the Voluntary Plan Group (VPG).

**For the required actions and other information needed to ensure continued approval of your VP, please refer to the following attachments:**

- Voluntary Plan Calendar of Required Actions (Attachment 1)
- Voluntary Plan News and Updates (Attachment 2)
- Voluntary Plan Annual Security Adjustment Requirements (Attachment 3)
- Voluntary Plan Administrative Changes (Attachment 4)
- Voluntary Plan Group Contacts (Attachment 5)

3

You can access information online about Disability Insurance, Paid Family Leave, and the VPG at [www.edd.ca.gov/disability](http://www.edd.ca.gov/disability).

We are currently revising the EDD Disability Insurance website to provide easier access to VP forms and program updates.

For further assistance with your VP, contact us at 916-653-6839.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pauline Sing', with a long horizontal flourish extending to the right.

PAULINE SING  
Deputy Director  
Disability Insurance Branch

Attachments

29:129SK

## Attachment 1

### Voluntary Plan Calendar of Required Actions

#### By January 1:

- Provide written notice to your voluntary plan (VP) employees of the maximum weekly benefit amount (WBA) and maximum benefit amount (MBA) and any other plan changes. A notice of benefit changes is not necessary if your VP already provides a higher WBA and MBA.
- Notify VP and State Disability Insurance (SDI) covered employees of any changes to the contribution rate and the taxable wage ceiling. VP employers may decrease their VP contribution rate and VP taxable wage ceiling to levels lower than the SDI contribution rate and SDI tax ceiling. Please note that the taxable wage ceiling applies to both SDI and VP wages reported on line D1 Voluntary Plan and D2 State Plan, *Quarterly Contribution Return, DE 3D.*

#### By February 16:

##### VP Text Amendment Changes

- For all changes to your VP, please provide the Voluntary Plan Group (VPG) with written documentation describing all amendments made to your plan. Include a copy of the notice informing employees of any rate changes and/or plan amendments.

The law requires the employer to notify covered employees of any VP amendments no later than the effective date of the amendment. The notice of the amendment should include notification of the right to withdraw from the VP as of the effective date of the amendment. The employer is also required to notify the Employment Development Department (EDD) immediately of any plan text changes.

**Reference: California Unemployment Insurance Code Section 3271(a)**

##### Annual Report of Self-Insured Voluntary Plan Transactions, DE 2568V

- Download, complete, and return the form *Annual Report of Self-Insured Voluntary Plan Transactions*, DE 2568V Rev. 22 (1-13), to the VPG. Employers can obtain the form at [http://www.edd.ca.gov/pdf\\_pub\\_ctr/de2568v.pdf](http://www.edd.ca.gov/pdf_pub_ctr/de2568v.pdf).

## Attachment 1—Voluntary Plan Calendar of Required Actions (cont.)

- The form can be submitted to the EDD using one of following methods:

- Via e-mail at [vp68v@edd.ca.gov](mailto:vp68v@edd.ca.gov).

- Mail hard copies to:

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

**NOTE:** Use the most recent version of the DE 2568V Rev. 22 (1-13) to provide the required information completing all fields with the correct information. If a field is not applicable, enter zero (0) or N/A (not applicable).

The DE 2568V form is due on or before the 45th day following the close of each calendar year which the VP is in effect. The EDD will grant an extension for good cause only if the VP provides a written request to the VPG within the 45-day period. Unapproved late submissions of the form could be cause to terminate the VP (California Code of Regulations [CCR], Title 22, Section 3267-2).

**Reference:** CCR, Title 22, Section 3267-2.

### **By April 14:**

#### Security Review Worksheet

- Complete and return to the VPG the attached “Voluntary Plan Security Review” worksheet, Attachment 4, outlining proposed changes to your security deposit, along with required documents.
- Complete and return to the VPG the “Voluntary Plan Administrative Changes” form, Attachment 5, only if you have changes to report.

The “Voluntary Plan Administrative Changes” form must be forwarded to the EDD whenever the responsible person(s) administering the VP changes. Please indicate on the form if you are still using the services of a third-party administrator or if you have decided to process VP claims in-house.

**Note:** If a due date falls on the weekend or on a holiday, the forms are due on the first workday.

## Attachment 2

### Voluntary Plan News and Updates

#### Employers' Guide to Voluntary Plan Procedures, DE 2040 Rev. 4 (9-14)

The Voluntary Plan Group (VPG) is pleased to announce the completion of the revised and updated version of *Employers' Guide to Voluntary Plan Procedures*, DE 2040 Rev. 4 (9-14). The purpose of the DE 2040 is to assist voluntary plan (VP) employers and their agents in the administration of approved VPs. The VPG appreciates the opportunity to collaborate with members of the Voluntary Plan Advisory Group (VPAG) to complete the DE 2040 in a manner that sufficiently meets the needs of employers and their agents. The DE 2040 can be obtained at [http://www.edd.ca.gov/pdf\\_pub\\_ctr/de2040.pdf](http://www.edd.ca.gov/pdf_pub_ctr/de2040.pdf).

#### SDI Online Enhancements

The Disability Insurance Branch continuously strives to enhance the customer service experience. Since the implementation of SDI Online, enhancements have been made within the SDI Online application to increase efficiency with interactions related to processing of claims and application use within the VP program:

- The VP home screen search functionality was updated to allow third-party administrators (TPA) to access DE 2523s submitted.

Future enhancements include:

- Updating the correspondence views for the DE 2523, DE 2523F, and DE 5022 to provide additional information.
- Enhancing SDI Online VP external user functionality to accommodate TPAs.
- Developing SDI Online VP self-registration functionality.

#### Guidelines for Approval of Master Voluntary Plans

Section 3255 of the California Unemployment Insurance Code (CUIC) authorizes the Director of the Employment Development Department (EDD) to approve a VP for payment of Disability Insurance benefits to employees that work for several employers in the same industry interchangeably during the course of the year if a majority of the employers elects to establish the plan.

Applicants who want to convert existing VPs previously approved under Section 3254 of the CUIC to a master voluntary plan that will operate and administer in accordance with Section 3255 of the CUIC must contact the EDD to obtain the *Employment Development Department Application for Voluntary Plan Conversion*, DE 2520MV. The EDD is in the process of developing a new application for approval of master voluntary plans for new applicants.

## Attachment 2—Voluntary Plan News and Updates (cont.)

The following are high-level guidelines (not all inclusive) for prospective applicants for a master voluntary plan:

- The employers must have majority consent of all eligible employees to participate in the VP.
- The employers electing to participate in this plan must appoint an agent approved by the EDD under Section 1096 of the CUIC.
- The agent must submit the following forms to the EDD:
  - *Memorandum of Understanding: Certification of Payroll Agent*, DE 972
  - *Power of Attorney (POA) Declaration*, or a Letter of Authorization (LOA), DE 48, for each client
  - *Payroll Reporting Agent Registration*, DE 973B
  - *Agent Client Detail*, DE 973C
- The agent must agree to carry out the responsibilities of an agent as described in Sections 3255 and 1096 of the CUIC.
- The agent must submit the *Quarterly Contribution Return*, DE 3D, for each employer in the plan under the employers own name and employer account number.
- The agent or one of the participating employers can submit the application on behalf of all the employees elected to participate in the VP.
- The agent or employer responsible for the plan will be required to establish a trust fund in a federally insured financial institution to hold all the employees' contributions withheld by the agent.
- The agent or employers can only use the trust fund to pay benefits to employees in the plan and to cover approved plan expenditures. The EDD must approve the use of the trust fund to provide other employee benefits.
- The agent must notify the EDD if:
  - New employers elect to join the plan.
  - An employer withdraws from the plan.
  - A merger or acquisition affects any of the employers in the plan.

The master plan must be in effect for at least one year and individual employers requesting withdrawal must first notify the agent or the employer responsible for the plan prior to contacting the EDD for approval to withdraw.

## **Attachment 2—Voluntary Plan News and Updates (cont.)**

### Notification of Benefits

California employers are required to provide Disability Insurance and Paid Family Leave (PFL) benefit information to all employees. For example, the EDD uses the *Paid Family Leave*, DE 2511 brochure to provide PFL information. VP employers may develop their own individual forms to inform employees of PFL or other eligible VP benefits. However, the EDD must approve all VP forms used to administer the VP prior to distribution to covered employees.

### Medical License Verification

CUIC Section 2708 (a) and (b) requires that an employer obtain proof that a treating physician/practitioner is licensed to certify for first claim of benefits. Per California Code of Regulations, Title 22, Section 2708 (d)-1(a), a State Disability Insurance or Family Temporary Disability Insurance claim can be held in suspense for no more than 90 days pending medical verification. The claim is disqualified if a response to a verification request is not received.

The EDD encourages VP employers to utilize the Medical Board of California website ([www.mbc.ca.gov](http://www.mbc.ca.gov)) or the Department of Consumer Affairs ([www.dca.ca.gov](http://www.dca.ca.gov)) for State verifications. For foreign practitioners, consult the Medical Board of the country or region of practice.

The EDD will continue to process verification of license requests for religious and foreign practitioners that may be difficult to locate.

### EDD Tax Questions

Inquiries regarding employer tax issues should be directed to the EDD Tax Branch. The forms that generate most of these questions are the DE 3D, DE 9, DE 16, and DE 938.

For answers to your tax questions, contact the EDD Tax Branch at the toll-free number 1-888-745-3886, or call 916-464-2500 and ask to speak with the "Auditor of the Day."

### Voluntary Plan Advisory Group (VPAG)

The EDD VPG actively participates in the VPAG. The VPAG consists of VP employers, TPAs, and EDD representatives, who meet twice yearly to discuss VP issues and pending legislation, share common concerns, clarify VP claim procedures, and exchange ideas to improve the VP program.

To join the VPAG, contact Chris Okugo, manager of the VPG at 916-654-8250 or e-mail at [cokugo@edd.ca.gov](mailto:cokugo@edd.ca.gov).

## Attachment 3

### Voluntary Plan Annual Security Adjustment Requirements

The voluntary plan (VP) employer must submit a security deposit as part of the VP approval process. The employer is responsible for providing the Employment Development Department (EDD) with an annual review of the amount of security deposit.

#### How to Complete the Voluntary Plan Security Review Worksheet

To complete the security review worksheet, first obtain a reasonable estimate of your taxable wages up to the current wage ceiling amount per employee, and then calculate the required security amount by applying the following formula:

- Estimated VP Total Taxable Wages x 0.5 (per California Unemployment Insurance Code [CUIC] Section 3258) x worker contribution rate = estimated security amount.
- Round up to the next even \$100.
- Minimum required deposit is \$1,000.

EXAMPLE #1:      Year 2015 taxable wages = \$1,455,000  
                          (\$1,455,000 x 0.5) x .009 = \$6,547.50  
                          Security deposit should be \$6,600 to round up to the next even \$100.

EXAMPLE #2:      Year 2015 taxable wages = \$155,000  
                          (\$155,000 x 0.5) x .009 = \$697.50  
                          Security deposit should be rounded up to \$1,000 because the minimum required security deposit is \$1,000.

**Attachment 3—Voluntary Plan Annual Security Adjustment Requirements (cont.)**

**Voluntary Plan Security Review Worksheet**

*(Please do not alter or reformat this worksheet.)*

**Employer Name** \_\_\_\_\_

**Voluntary Plan #** \_\_\_\_\_

**California Employer Account Number** \_\_\_\_\_

**Name of Third Party Administrator, if any** \_\_\_\_\_

**20\_\_ Quarterly Taxable Wages**

(from Line D1 on your *Quarterly Contribution Return* form DE 3D)

1<sup>st</sup> Quarter \$ \_\_\_\_\_

2<sup>nd</sup> Quarter \$ \_\_\_\_\_

3<sup>rd</sup> Quarter \$ \_\_\_\_\_

4<sup>th</sup> Quarter \$ \_\_\_\_\_

**20\_\_ Total** \$ \_\_\_\_\_

**Total Estimated 20\_\_ Taxable Wages\***

**20\_\_ Total** \$ \_\_\_\_\_

\* Reminder: Please take note of the maximum taxable wage ceiling for the year you are submitting the review.

**Security Required to Continue VP**

**Total Estimated 20\_\_ Taxable Wages** \$ \_\_\_\_\_ **x 0.5 x contribution rate = \$** \_\_\_\_\_

(From line above)

(Rounded up to next even \$100)

**Current Security Deposit**

\$ \_\_\_\_\_

**Adjustment (Increase/Decrease)**

+/- \$ \_\_\_\_\_

**Return this form whether or not you need to increase your security deposit.** Submit this worksheet and your security increase documents by April 14 to:

**Mailing Address:**

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

**In-Person Delivery Address:**

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

Check the box below that applies:

- Security adjustment form attached.
- Security adjustment forwarded to the EDD separately.
- Request to submit cash.
- Request to submit bearer bond.
- No adjustment to the current security.

Name \_\_\_\_\_ Date \_\_\_\_\_

(Print or type your name)

Phone Number \_\_\_\_\_ E-mail Address \_\_\_\_\_

## Attachment 3—Voluntary Plan Annual Security Adjustment Requirements (cont.)

### How to Determine When to Increase/Decrease a Security Deposit

- **Making Adjustments to Existing Security Deposits**

The amount of your existing security deposit may need to be adjusted due to the contribution rate used in the calculation. Please see the Voluntary Plan Security Review Worksheet to assist you with this calculation. Complete and return the worksheet to the Voluntary Plan Group (VPG) by April 14 of each year, regardless of whether your VP security amount has changed.

**Reference: CUI Section 3258.**

If the difference between your existing security and the required amount is more than five percent, you must increase your security amount.

EXAMPLE #1:      Required Security Amount:    \$205,000  
                         Existing Security Amount:    \$200,000

Example #1 indicates that the security amount does not need to increase since the difference between the two amounts is only 2.5 percent.

EXAMPLE #2:      Required Security Amount:    \$219,350  
                         Existing Security Amount:    \$200,000

Example #2 indicates that the difference between the two amounts exceeds five percent, thus requiring you to increase the security amount.

If a change is required, complete and return the Voluntary Plan Security Review Worksheet with one of the following items to the VPG by April 14:

- Guarantee bond rider amendment
- Letter of credit amendment
- Cash

**Reference: California Code of Regulations, Title 22, Section 3258-1; CUI Section 3258.**

### Where to Send Your Security Deposit

- **Guarantee Bond or Letter of Credit Deposits**

Send an original and one copy of your guarantee bond or letter of credit to one of the following addresses, depending on mail or in-person delivery:

#### **Mailing Address**

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

#### **In-Person Delivery Address**

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

**Attachment 4**

**Voluntary Plan Administrative Changes**

Please provide company contact information and, if necessary, on a separate form provide third-party administrator contact information. Associated companies may report identical information.

➤ Complete and return the form to:

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

Employer Name \_\_\_\_\_ Voluntary Plan # \_\_\_\_\_

Employer doing business as (DBA) or Alias Name \_\_\_\_\_

California Employer Account Number \_\_\_\_\_

**Main contact person (usually the benefits manager, human resources manager, or personnel manager) regarding voluntary plan (VP) issues (VP administration, securities, claims, etc.):**

Name \_\_\_\_\_ Title \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

E-mail Address \_\_\_\_\_

**Second contact person regarding VP issues (VP administration, securities, etc.):**

Name \_\_\_\_\_ Title \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

E-mail Address \_\_\_\_\_

**Contact person for questions regarding *Annual Report of Self-Insured Voluntary Plan Transactions*, form DE 2568V:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

E-mail Address \_\_\_\_\_

**Disputed coverage referrals contact person (claims received by the EDD referred to VP):**

Name \_\_\_\_\_ Title \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

E-mail Address \_\_\_\_\_

Form Completed by:

Name \_\_\_\_\_ Date \_\_\_\_\_

E-mail Address \_\_\_\_\_ Phone \_\_\_\_\_

## Attachment 5

### Voluntary Plan Group Contacts

Voluntary plan (VP) staff are always ready to provide you with assistance.

<b>Name</b>	<b>E-mail Address and Phone Number</b>	<b>Functions</b>
<b>Chris Okugo</b>	Chris.Okugo@edd.ca.gov 916-654-8250	<b>VP Section Manager</b>
<b>Connie Anderson</b>	Connie.Anderson@edd.ca.gov 916-654-9825	<b>Disputed Coverage Claims</b>
<b>Darci Hoffman</b>	Darci.Hoffman@edd.ca.gov 916-651-9344	<b>Paid Family Leave Claims</b>
<b>James Ellsworth</b>	James.Ellsworth@edd.ca.gov 916-654-8742	<b>VP Audit</b>
<b>Jaime Briseño</b>	Jaime.Briseno@edd.ca.gov 916-654-7811	<b><i>Annual Report of Self-Insured VP Transactions, DE 2568V</i></b>
<b>Elena Torres</b>	Elena.Torres@edd.ca.gov 916-654-8393	<b>Withdrawn/Terminated Plans</b>
<b>Caroline Owoyele</b>	Caroline.Owoyele@edd.ca.gov 916-657-5081	<b>Small-BusinessThird-Party Administrator Plan Approvals</b>
<b>Emmanuel Okoronkwo</b>	Emmanuel.Okoronkwo@edd.ca.gov 916-654-8789	<b>Self-Insured Plan Approvals</b>
<b>Sharisse Kemp</b>	Sharisse.Kemp@edd.ca.gov 916-654-6777	<b>Security Deposits and General Release Letter</b>
<b>Glenn Lomax</b>	Glenn.Lomax@edd.ca.gov 916-653-2883	<b>VP Database and SDI Online Technical Support</b>

**Written inquiries regarding VPs may be addressed to:**

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