EXPERIENCE.
PRUDENTIAL.

Frequently Asked Questions

2021

California State Disability Insurance (SDI), Paid Family Leave (PFL), and Voluntary Plans (VP)

Group Insurance

Edition Date: November 2020

GL.2020.193

Prudential

Overview

What is Statutory Disability?

California is among the jurisdictions that mandate benefits for workers. While each jurisdiction's program is unique, the common goal of these plans is to provide short-term income replacement for non-occupational disabilities experienced by eligible workers. California's program is governed by the California Unemployment Insurance Code (CUIC) and Title 22 of the California Code of Regulations (CCR). Employers subject to these laws are required to provide a minimum level of coverage in compliance with statutory guidelines.

In addition to disability coverage, California's statutory disability program also includes a Paid Family Leave (PFL) component. The information that follows applies to both SDI and PFL unless specifically noted otherwise.

How does an employer register with California?

Employers with a California payroll in excess of $100 in a calendar quarter are subject to state employment tax laws and must register their business with the Employment Development Department (EDD) within 15 days of eligibility. Registration can be completed online, by mail, or via telephone. Once registered, the employer will be assigned an eight-digit employer account number (example: 000-0000-0). Additional information about the registration process is available on the state's website: http://edd.ca.gov/Payroll_Taxes/Am_I_Required_to_Register_as_an_Employer.htm#registration.

What plan options are available to employers to comply with California statutory disability requirements?

Employers have three options:

- Participate in the State Disability Insurance (SDI) program. NOTE: Enrollment in the state plan is automatic.
- Establish a self-insured Voluntary Plan (VP). Administration can be provided by an insurance carrier, third-party administrator, or the employer.
- Establish an insured program.*

*Special note about insured VDI Plans: In order to establish an insured Voluntary plan, EDD must be satisfied that the approval will not result in substantial adverse risk to the state Disability Fund. In order to meet the standard for approval, the employer's population must substantially conform to the state's population in gender, age, and wage distribution on the voluntary plan application date and each January 1 it remains in effect. Due to the difficulty in satisfying these requirements, self-insured voluntary plans are the only viable plan alternative to California SDI.

Self-insured Voluntary Plans are discussed in greater detail on page 12.

Who is eligible?

An employee is eligible for California SDI if he/she has earned at least $300 from which SDI taxes were withheld during the preceding 12-month base period.*

Eligibility for SDI is based upon the employee's California employment history and is not tied to work for a specific employer. As a result, a new hire may be eligible on his/her first day worked if he/she has already earned $300 in the past year with SDI taxes withheld. For example, if Tina worked for CA Company A for five years, left on March 31 and started working for CA Company B on April 1, she would be eligible for SDI coverage on her first day, April 1, because she already has fulfilled the California earnings requirement with Company A.

Excluded from coverage are most government employees, employees of non-profit agencies, domestic workers, employees of interstate railroads, individuals claiming a religious exemption, and workers in other categories specifically exempted by the law. NOTE: Self-employed individuals who are not required to participate in SDI may voluntarily elect to participate in the program. Refer to Disability Insurance Elective Coverage Program (DIEC) Fact Sheet: http://www.edd.ca.gov/pdf_pub_ctr/de8714c.pdf.

Ultimately, the onus to comply with California's employer laws falls on the employer and non-compliance could result in a penalty. If an employer is unsure if they are obligated to provide SDI benefits to their employees, they should contact the California Employment Development Department (EDD). The California Employer's Guide (DE 44), available on EDD's website provides additional guidance: http://www.edd.ca.gov/pdf_pub_ctr/de44.pdf.

*NOTE: Employees become covered for SDI before they are eligible to receive SDI benefits. SDI tax deductions will be withheld from all eligible earnings, even if the worker has not yet earned the minimum $300.

Are employees who telecommute from homes in California or salespeople with California territories eligible for SDI?

Unfortunately, there is no definitive yes or no answer. To determine if services performed constitute California employment, the employer needs to discuss their unique situation with the state, which will ultimately help them understand why their employees are eligible or not—knowledge that can be applied to future eligibility questions. Questions can be directed to the Employment Tax Office at 888-745-3886. Employers can also refer to California's Information Sheet on Multistate Employment (DE 231D) available on EDD's website: www.edd.ca.gov/pdf_pub_ctr/de231d.pdf.

If an employer has a more generous STD plan in place, do they still need SDI?

Yes. Eligible California employees must be covered for Disability Insurance regardless of what other programs their employer may offer. STD and/or salary continuation plans will not fulfill the requirements and are considered "supplemental" to SDI.

How much do employers and employees contribute to the plan?

California's SDI and PFL programs are fully funded by employee contributions. No employer contributions are required. For 2021, the maximum annual employee contribution for SDI and PFL combined is $1,539.58. This is based upon a 1.2% withholding rate on the employee's first $128,298 in taxable wages. The withholding rate and taxable wage base are updated annually.

What must an employer do to comply with SDI and PFL?

Notice Requirement:

Employers are required by law to withhold and remit SDI contributions and to inform their employees about SDI and PFL, their eligibility for the programs, and how to file a claim. Currently, employers are responsible for providing information on SDI and PFL to their employees by posting the "Notice to Employees: Unemployment Insurance/Disability Insurance Benefits" (DE 1857A). This notice advises employees of their right to claim benefits. The notice is available online at http://www.edd.ca.gov/Disability/DI_Forms_and_Publications.htm.

Withhold and Remit Contributions:

The SDI tax, which funds both the Disability Insurance (DI) and (PFL) programs, is withheld from employee wages. Employers are required to report wages and taxes withheld quarterly to EDD by completing the Quarterly Contribution Return and Report of Wages (DE 9) and the Quarterly Contribution Return and Report of Wages (Continuation) (DE 9C). Tax payments due can be made electronically or via check.

Where can an employer find more information?

Additional information regarding California SDI, PFL, and VDI is available on the Employment Development Department's website: http://edd.ca.gov.

Prudential
Bring Your Challenges®

State Disability Insurance (SDI) Benefits

What is the statutory SDI benefit plan design?

Benefit Percentage	60% of earnings in the highest quarter of their base period; 70% for workers earning less than 1/3 of state's average weekly wage No rounding applies
Maximum Weekly Benefit Amount (MWBA)	$1,357 (effective 1/1/2021)
Minimum Weekly Benefit	$50
Elimination Period	Seven (7) days for accident and sickness
Maximum Benefit Amount (MBA)	Weekly Benefit Amount (WBA) x 52 weeks Benefits are payable up to the MBA, which is generally 52 weeks. However, benefits may be paid longer than 52 weeks if the claimant's benefit is reduced by partial disability or workers' compensation benefits. Maximum Benefit Amount for disabilities incurred on or after 1/1/2021: $70,564 (MWBA x 52 weeks)
Standard Maternity Guideline*	Four (4) weeks pre-partum Six (6) weeks post-partum (normal delivery); or Eight (8) weeks post-partum (c-section)
Exclusions	Benefits are not payable under the following circumstances: • Employee is not suffering a loss of wages • Employee is claiming or receiving Unemployment Insurance or Paid Family Leave benefits • Employee became disabled while committing a felony for which he/she is convicted • Employee is in jail, prison, recovery home, or any other place because he/she was convicted of a crime • Employee receives workers' compensation benefits at a weekly rate equal to or greater than the SDI rate • Employee fails to have an independent medical examination when requested to do so
Recurrent Disability	• Periods of disability separated by 60 calendar days or less of active work will be treated as the same disability. • Periods of disability separated by more than 60 days of active work will be treated as separate claims. • After return to work, a new period of disability caused by a different medical condition will be treated as a new claim.
Post-termination Coverage	Employees may be eligible to receive SDI benefits after their employment has been terminated, provided that when the disability begins he or she meets the eligibility definition with respect to $300 earned in the previous 12-month period. However, SDI benefits are not payable if the terminated employee is receiving Unemployment Insurance benefits (UI).

*These are guidelines only. All disabilities must be certified by an attending physician.

What is the definition of disability under SDI? Is it different from Prudential's STD plan?

A person is disabled under SDI if he/she is not able to perform his/her regular or customary work and experiences a loss of earnings as a result of a sickness, injury, or pregnancy. To receive benefits, the employee must be under the care and treatment of a licensed doctor or accredited religious practitioner and remain under care and treatment to continue receiving benefits.

The SDI definition of disability is similar to the Prudential STD definition in that both require an earnings loss; however, most standard Prudential insured STD plans require at least a 20% earnings loss and may require an employee to be totally disabled during the elimination period.

Does SDI pay benefits for partial disability?

Yes. An employee is eligible to receive SDI benefits if he/she is partially disabled and can demonstrate a loss of at least part of his/her wages as a result of the disability. The employee's benefit may be reduced based upon the amount of income being received.

Does SDI pay benefits for work-related disabilities?

While the SDI program is primarily for non-occupational disabilities, there are two circumstances under which SDI benefits may be payable for work-related disabilities.

- SDI benefits may be payable if the workers' compensation (WC) carrier denies or delays WC benefits (SDI will file a lien with the WC carrier to recover benefits once case is resolved); or
- SDI may pay the difference if the employee's WC benefits are less than his/her SDI benefits.

Paid Family Leave (PFL) Benefits

In addition to SDI, California provides a weekly benefit for eligible employees who take a leave to care for a seriously ill family member or to bond with a new child.

What is the PFL benefit plan design?

Benefit Percentage	60% of earnings in the highest quarter of their base period; 70% for workers earning less than 1/3 of state's average weekly wage Rounding does not apply
Maximum Weekly Benefit Amount (MWBA)	$1,357 (effective 1/1/2021)
Minimum Weekly Benefit	$50
Elimination Period	None
Maximum Benefit Amount (MBA)	Weekly Benefit Amount (WBA) x eight (8) weeks Benefits are payable up to the MBA, which is generally eight weeks. However, if employees take leave on an intermittent or partial basis, benefits may be paid longer than eight weeks. Maximum Benefit Amount for leaves initiated on or after 1/1/2021: $10,856 (MWBA x eight weeks)
Exclusions	Benefits are not payable under the following circumstances: • Employee is not suffering a loss of wages • Employee is receiving benefits from Unemployment Insurance, workers' compensation, or State Disability • Employee is in custody due to conviction for a crime • The need for a leave is not supported by medical certification (applies to the care recipient in a family care event only)
Intermittent Leave	Employees may use PFL leave intermittently, either with non-concurrent days or by working part-time. However, PFL benefit payments may be reduced by earnings received.

For what reasons can an employee take paid family leave?

Benefits may be payable if an employee takes a leave for one of the following reasons:

- To care for a seriously ill child, spouse or registered domestic partner, parent, grandparent, grandchild, sibling, or parent-in-law;
- To bond with a new child*; or
- To bond with a child in connection with the adoption or foster care placement of that child.*
- To participate in a qualifying military exigency

* Limited to the first year after the birth, adoption, or foster care placement of a child.

A "serious health condition" is an illness, injury, impairment, or physical or mental condition that involves inpatient care at a hospital, hospice, or residential medical care facility. It also includes any period of incapacity (e.g., inability to work, attend school, or other regular daily activities) or any subsequent treatment connected to the inpatient care.

Can an employer require the employee to take vacation time or sick leave before receiving PFL benefits?

Employees may be asked to use up to two weeks of unused vacation or paid time off (PTO) before receiving PFL benefits. However, use of vacation time does not diminish the Maximum Benefit Amount payable (eight weeks x MBA).

Employees cannot be asked to use sick leave days if they don't have two weeks of accumulated vacation time.

Can PFL leave be taken intermittently?

Yes. Employees are eligible to receive their eight-week PFL allotment as a result of intermittent absences, provided it is taken within a 12-month period. In addition, benefits may be prorated based upon any earnings the claimant receives from his/her employer for partial hours worked.

To initiate an intermittent PFL claim, employees should indicate on the claim form that they will continue to work during their family leave period and include a detailed explanation of their planned intermittent schedule.

How does PFL integrate with the Federal Family Medical Leave Act (FMLA) and California Family Rights Act (CFRA)?

While FMLA, CFRA, and PFL apply to the same types of employee absences (e.g., serious health condition of a family member, bonding with a new child, etc.), FMLA and CFRA provide job protection whereas PFL pays a benefit. Employees are required to use PFL concurrent with any FMLA or CFRA leave, meaning that employees cannot use their six weeks of PFL followed by another 12 weeks of FMLA.

Claims

How does an employee submit a claim for SDI or PFL benefits?

Employees must complete and submit a state claim form no earlier than nine days after the first day of disability begins and within 49 days of the date they became disabled. Both the Claim Statement of Employee and Doctor's Certification portions of the form must be completed. Claims may be submitted as follows:

<u>Electronically</u>:

- SDI Online is an electronic claim filing system to file SDI or PFL claims. All SDI Online users must complete a one-time registration to establish an online account. To register, go to the SDI Online page (www.edd.ca.gov/Disability/SDI_Online.htm).
- Once the registration is complete, claimants may log in and complete their claim by selecting "Log in to SDI Online".
- Once the claim is filed, claimants will receive a receipt number to provide to their treating physician/practitioner. Physicians/practitioners, physician/practitioner representatives, and employers will also receive receipt numbers for confirmation of certifications or forms filed online.

Paper:

- To file a DI claim by mail, an employee must complete and submit a Claim for Disability Insurance (DI) Benefits (DE 2501). To order a claim form online visit Online Forms and Publications (http://www.edd.ca.gov/Forms) or call 1-800-480-3287. The form may also be obtained from the employee's physician/practitioner or visit an SDI Office.
- The employee completes pages 1-4, Part A of the DE 2501 form.
- The physician/practitioner completes pages 5-7 of the DE2501 form. If the employee does not file online, but the physician/practitioner wishes to submit Part B – Physician/Practitioner's Certificate using SDI Online, allow 14 calendar days for SDI to receive and process the employee's portion, Part A of the DE 2501 form. After the claim has been received, the physician/practitioner may search for the claim in SDI Online using the last four digits of the claimant's Social Security number, last name, and date of birth, or by receipt number.
- SDI Online matches the employee's portion of the claim, Part A – Claimant's Statement to the physician/practitioner's medical certification, Part B – Physician/Practitioner's Certificate. When SDI receives a properly completed application, Part A and Part B of the DE 2501, the claim is generally processed within 14 days.
- To file a Paid Family Leave (PFL) claim by mail, an employee must complete and submit a Claim for Paid Family Leave Benefits (DE 2501F). These forms use special ink which allows data to be scanned, captured, and uploaded into SDI Online for processing. To order a claim form online visit Online Forms and Publications (http://www.edd.ca.gov/Forms) or call 1-877-238-4373. The form may also be obtained from the employee's physician/practitioner or visit an SDI Office.
- The employee completes Parts A and B or C. The care recipient's physician/practitioner completes page 4. After a paper claim has been received, the physician/practitioner may search for the claim in SDI Online using the last four digits of the claimant's Social Security number, last name, and date of birth. Mail the completed form to the EDD to:

  Paid Family Leave
  Employment Development Department
  P.O. Box 989315
  West Sacramento, CA 95798-9315

- For care claims, SDI Online matches the employee's portion of the claim, Parts A and B or C – to the physician/practitioner's medical certification, Part D – Doctor's Certification. When SDI receives a properly completed application, Parts A – D of the DE 2501F, the claim is generally processed within 14 days.

After the claim is processed:

- Once the DI or PFL claim is processed, the employee will receive a Notice of Computation (DE 429D). This form explains the employee's benefit award for their claim as well as the wages used to calculate the award. The employee should review the DE 429D for accuracy.

What information does the employer need to provide when a claim is submitted?

Upon receipt of the claim, EDD will send the employer a Notice of Disability (DE 2503) or Paid Family Leave Claim Filed (DE 2503F). An employer must complete and return the form or submit responses to notice through SDI online within two working days. Information on an Employer registering for an SDI Online account is available at http://www.edd.ca.gov/disability/SDI_Online.htm. Data requested on the DE 2503 or DE 2503F includes: last day worked, weekly pay rate, and any sick pay or wages the employee received while he/she is not working. EDD uses this information to confirm the employee's eligibility for benefits.

If a California employee's SDI or PFL benefits are denied or terminated, can he/she appeal to the state?

Yes. Upon denial or termination of benefits, claimants receive an Appeal Form (DE 1000A), along with their disqualification notice from EDD. Claimants have 30 days from the date of the notice to submit their appeal. If upon initial review EDD denies the appeal, the request will be forwarded to the California Unemployment Insurance Appeals Board and the claimant will be advised of a hearing date and time. An Administrative Law Judge will make a final determination on the appeal at that time.

How are SDI and PFL benefits paid?

SDI and PFL benefits are paid via an EDD Debit Card℠ issued by the Bank of America. Once a claim is approved, claimants receive a card and welcome package with instructions. To avoid withdrawal fees, claimants have the option to request a direct deposit transfer of funds from the debit card to their personal checking or savings account. Direct deposit requests must be submitted directly to the Bank of America and can only be requested after the debit card is activated.

Claimants should keep their debit cards even after SDI or PFL benefits have ended. The cards are valid for three years from the date of issue and any subsequent benefits that become payable will be issued to claimant's original card.

Can an employer integrate SDI and PFL benefits with sick pay/salary continuation?

Yes. Benefit integration allows an employee to receive his/her full SDI or PFL benefit from the state in addition to sick pay/salary continuation from the employer, up to 100% of pre-disability income. However, employers must contact EDD for approval to integrate/coordinate benefits. If the employer is not approved to integrate, EDD will continue to deduct any wages the employee receives during their leave from their SDI or PFL benefit payment.

NOTE: When state benefits are integrated, it is the employer's and employee's responsibility to ensure that the employee does not receive more than 100% of his/her pre-disability income.

Employers interested in benefit integration should contact EDD online at www.edd.ca.gov or by calling 888-745-3886.

How can the employer confirm the benefit amount paid to an employee?

Many employers want to confirm the SDI or PFL benefit amount payable so that they can deduct this amount from regular wages and prevent the employee from receiving more than 100% of his/her pre-disability earnings. Unfortunately, EDD will not share benefit information with an employer unless the employee provides written authorization either on his/her initial claim form or separate document. Because SDI and PFL benefits are 100% employee paid, the benefit is "owned" by the employee, not his/her employer. For this reason, EDD will not disclose claim information to an employer without the claimant's permission. Employers may ask employees to grant this authorization; however, employees cannot be required to agree. If SDI or PFL benefits are paid, the claimant receives a Notice of Computation from EDD, which includes the claim effective date, weekly benefit amount, and maximum benefit. Employees may be asked to provide this documentation to their employer, however it must be a voluntary request.

Are SDI and PFL benefits taxed?

As sick pay benefits fully funded by employee contributions, SDI is not taxable income. However, SDI benefits are taxable if paid in place of Unemployment Insurance (UI) benefits.

PFL benefits may be subject to federal income tax as they are not wages or sick pay. California will issue a Form 1099-G (Certain Government Payments) as necessary.

NOTE: The above is provided for informational purposes only and should not be construed as tax advice. Please consult your own tax advisor for advice regarding your personal circumstances.

Is an employee on a temporary leave of absence eligible for SDI or PFL?

An employee on a leave of absence may still be eligible for SDI or PFL benefits even though he/she was not actively at work when his/her disability or qualified leave began. To be eligible, the employee must have earned at least $300 from which SDI deductions were withheld in the past 12-month period. If an employee on a temporary leave can meet this requirement, he/she may be eligible for benefits.

Is an employee eligible for SDI or PFL benefits if he/she is receiving unemployment?

No. If an employee is receiving unemployment, he/she is ineligible to receive SDI and/or PFL benefits.

Does a woman need to submit a separate PFL claim to bond with a newborn child following her SDI maternity claim?

When a pregnancy-related disability claim ends, a Claim for PFL (PFL) Benefits – New Mother, DE 2501FP will be sent to the claimant. PFL claim payments will begin as soon as SDI benefits terminate. A PFL claim for bonding may also be initiated through SDI online.

Voluntary Plans

Can an employer provide better benefits than required by California law?

Yes. An employer has two options to improve upon benefit levels required by California.

Supplemental STD Plan:
To improve the disability benefits mandated by California, employers can offer a supplemental STD plan that adds to or supplements the underlying statutory plan. Under this arrangement, the SDI benefits are paid to the employee first and are then subtracted or "offset" from any additional STD benefit payable. In addition, a supplemental STD plan allows an employer to limit STD plan features to specific classes of employees. For example, a supplemental STD plan can be limited to salaried employees only versus an SDI plan, which must cover all eligible California employees.

Voluntary Plan:
Instead of participating in the state plan, employers can establish a private, self-insured Voluntary Plan (VP). A more detailed explanation of VP requirements and implementation follows.

What is a Voluntary Plan (VP) and how does it work?

An employer can choose to provide Voluntary Disability Insurance (VDI) and PFL benefits in lieu of the mandated state plan. VPs can be administered by the employer, a third-party administrator (TPA), or an insurance carrier.

FUNDING

- Voluntary Plan Trust Fund: Instead of being remitted to the state, VP employee contributions are paid into a VP trust fund from which claim payments and certain administrative fees are deducted (NOTE: Claim and program administration costs are considered plan costs, not employer costs). The fund must be maintained in a separate and identifiable bank account.
- Contributions: Employees cannot be asked to contribute more for the VP than they would for the state plan.
- Security Deposit: Employers must post a security deposit with EDD to guarantee VDI and PFL benefit obligations. This can be in the form of a Security Bond*, Letter of Credit,* or cash from the employer's assets. The amount of the deposit must be assessed by the employer annually via a Security Deposit Review Worksheet and may increase or decrease from year to year. Maintaining an adequate security deposit with the state is required for continued approval of the VP.
- Excess Trust Funds: If employee contributions to the VP trust fund exceed plan expenses, including a reasonable reserve, those funds may be used to benefit the employee group covered by the plan. The withdrawal must be pre-approved by EDD and cannot deplete the fund to the extent that it cannot honor future claim expenses, assessments, and administrative costs. Examples of how an employer can use such excess funds include reducing/waiving employee contributions for a period, increasing benefit levels, or paying premium for other employee-paid benefits such as medical coverage.
- Fund Shortfalls: If VDI and PFL benefit expenses exceed the balance of the employer's VP trust fund, the employer is responsible for making up this shortfall by depositing additional funds. An option is to consider this a temporary loan to the plan that can be repaid from future contributions.

* The premium for a security bond and the administrative fee for a Letter of Credit are costs to the Plan, which can be charged to the VP trust fund.

EMPLOYEE CONSENT

- Elections: The majority of an employer's eligible California employees must agree to implement a VP and this consent is established through an election process. If 85% or more of eligible employees agree to establish a VP, all new hires are automatically enrolled in the VP. If fewer than 85% consent, all new hires must actively elect to participate in the state plan versus the VP.
- Opt-Out Requirement: Employees must be given the right to individually opt out of the VP. As a result, even though an employer has a VP, they may still have employees participating in the state plan for whom contributions must be remitted to the state.

BENEFITS

- Enhanced Benefits: Voluntary plan VDI and PFL benefits must be better than those offered by the state plan in at least one respect. "Better" benefits may be monetary (i.e., increasing the maximum weekly benefit amount) or non-monetary (i.e., increasing the time a claimant has to report his/her disability from 49 to 60 days).
- Joint DI and PFL Administration: The VP must include both Voluntary Disability Insurance (VDI) and PFL—benefits cannot be split between a VP and the state.

EDD regulates VPs in accordance with state law and regulation. All VPs must be filed and approved by EDD prior to their effective date.

What are the advantages of establishing a Voluntary Plan (VP)?

The advantages of establishing a VP include:

- Enhanced Benefits – One of the requirements for establishing a VP is that it must provide better benefits than the state plan in at least one respect. Employers with a VP can opt to provide a higher weekly benefit, waive the elimination period, offer telephonic claim submission, or remove plan exclusions, among other enhancements. Such changes can increase the overall value of the benefit plan to employees.
- Claim Management – A VP provider such as an insurer has the resources and expertise to better manage claims for improved return-to-work outcomes. Better claim management can help reduce claim costs and may result in excess funding in the VP fund, which the employer can then use to enhance VDI/PFL benefits, reduce employee contributions, or apply to other benefit costs.
- STD/Sick Leave Integration – Without the employee's consent, the state will not share SDI or PFL benefit information with an employer. However, a voluntary plan provider has direct access to benefit amounts, maximum durations, and other claim information. This data can be used to coordinate benefits with the employer's sick pay or salary continuation plans, thereby reducing plan costs.
- Claim Coordination – An employer can have one entity, such as an insurer, manage their statutory disability, short-term disability, and absence management programs. Employees can initiate a claim by making one phone call, instead of needing to submit separate claims to California and the STD or Absence to a third-party administrator.
- Reporting Capabilities – A VP provider can aggregate VDI, PFL, STD, and other leave data for enhanced reporting and absence trending.

Are employers with fewer than 500 California employees good candidates for a Voluntary Plan?

Generally, no. VPs must be self-sustaining, meaning that employee contributions to the plan fund must be sufficient to cover all benefit expenses. If the plan is underfunded, the employer is responsible for paying the difference. Employers need to weigh the time and expense of implementing a private plan for which they may be responsible for subsidizing any fund shortfalls, against the benefits of remaining in the state plan, which costs them nothing as it is 100% funded by employee contributions. As a result, this option is generally only cost effective for employers with more than 500 California employees.

Are employers with over 500 California employees good candidates for a Voluntary Plan?

Maybe. Employers with more than 500 California employees should undergo a feasibility analysis to determine if a VP is cost effective for their organization. The analysis projects future claim and administrative expenses based upon a client's past claim experience and plan design. It then compares these costs to projected employee contributions that would be deposited into a VP Trust Fund. If the anticipated VP fund revenue exceeds projected claim expenses with sufficient margin to act as a reserve, the employer may want to consider implementing a Voluntary Plan.

Financial feasibility, however, is only one consideration. Next, an employer must determine if they have the resources and expertise to handle plan implementation and ongoing administration. Due to the complexities of filing a VP, holding an election, and complying with claim procedures, many employers recognize that they need assistance to make the VP option administratively viable. Some insurers and TPAs may be able to provide this support.

Ultimately, each employer must decide whether a VP is financially and administratively beneficial for their organization and their employees.

What services will Prudential provide as the claim administrator?

- Plan Design Consultation: Prudential will help employers develop a self-insured plan that fits the company's unique needs and corporate culture and meets the state's mandatory requirements.

- Plan Approval and Implementation: Prudential will facilitate filing and approval of the VP by EDD. This includes:
  - VP Plan Document, Statement of Coverage, and Employee Communication
  - Employee Election/Voting support, including enrollment literature, Questions & Answers document, and Summary of Provisions
  - Security Deposit Worksheet
  - Application for Approval of Self-Insured Voluntary Plan (DE 2520BV)

- VP Plan Management: Prudential will prepare for the client's review and approval the following:
  - Annual Report of Self-Insured Voluntary Plan Transactions (DE 2568v)
  - Voluntary Plan Security Review Worksheet
  - Plan Document amendments, revisions to the Statement of Coverage and/or Employee Posting Notices

- Claim Management and Payment:
  Prudential will perform all claim management and payment tasks for VDI and PFL claims in compliance with California statutory requirements.

- Appeal Handling:
  Claimants have the right to appeal a VDI or PFL adverse claim decision to the state. To appeal the claim determination to the state, claimants must file their appeal with the state within 30 days from the date on their denial or termination notice from Prudential. Prudential will represent the Plan at Administrative Law Judge hearings.

This policy provides disability income insurance only. It does NOT provide basic hospital, basic medical, or major medical insurance as defined by the New York Department of Financial Services.

Group Disability Insurance coverages are issued by The Prudential Insurance Company of America, a Prudential Financial Company, Newark, NJ. The Booklet-Certificate contains all details, including any policy exclusions, limitations and restrictions, which may apply. (Contract Series: 83500)