



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

October 24, 2002

«Coordinator»
«PayrollCode»
«VendorName»
«C_Address»
«C_Address2»
«C_CityStateZip»

Dear «Salutatorian»

It has come to our attention that some vendors are allowing ISIS HR paid employees to have payroll deducted Flexible Benefits Plan eligible products (**under OSUP's payroll deduction rule**) for non-dependents. Per the payroll deduction rule, an employee may have a payroll deduction for anyone with insurable interest as defined below:

Insurable Interest - as referenced herein shall be as defined in R.S. 22:613.C.(1) and (2) e.g., an individual related closely by blood or by law, or a lawful and substantial economic interest in having the life, health or bodily safety of the individual insured continue.

However, IRS Code Section 125 eligible products under OSUP's payroll deduction rule can be deducted for ***dependents*** (as defined in section 152 of the IRS code) ***only***.

Ineligible products under OSUP's payroll deduction rule can be deducted for anyone with insurable interest.

OSUP has developed the following vendor procedures to ensure a smooth transition for correcting any affected employee's deductions. ***All steps must be completed by November 22, 2002.*** All informational material distributed concerning this issue must be approved by OSUP **before mailing to employees and agencies.**

1. Review vendor data to determine if any policyholders/employees are affected. Inform OSUP via letter (fax or mail) or email if there are no employees affected.
2. Submit a letter to the employees affected. This letter should:
 - a. Include an explanation for the removal of the premium from payroll deduction, and have a copy of the employees new Payroll authorization form (SED-4) attached. NOTE: The employee is ***not*** required to sign the SED-4 for this situation.

- b. Inform the employee that all payments already made through the ISIS HR system have been approved. The employee will be responsible for the premium when the deduction is stopped in the ISIS HR system (employee can review remuneration statements to determine when deduction is stopped).
 - c. Provide the employee with other options of paying this premium if they choose to keep the policy. Attach any necessary forms that need to be completed along with a self-addressed stamped envelope.
 - d. Indicate the consequences of not responding by a specified date.
3. Mail/Fax a sample copy of letter to employee to agency payroll offices and OSUP with a list of employees affected. This list must include the agency number, employee name, social security number, payroll code (PA, NA, PB, NS, NN, etc)/product name, semi-monthly premium, and new semi-monthly premium (indicate 0.00 if entire premium was for a non-dependent) and must be sorted by agency number.
4. Mail/Fax new SED-4's to agency payroll offices for the employees affected. Employee signature is ***not*** required in this situation and will be communicated to the agencies in an OSUP memorandum.

All documentation to agency payroll offices and employees should be mailed in a timely manner. If you have any questions, please contact Angel Vernon at (225) 342-5344 or avernon@doa.state.la.us.

Sincerely,

Jena W. Cary
Director

JWC:ACV

c: Ray Harrison OGB
File Copy