

## Office of State Uniform Payroll

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| <b>Procedure Title:</b> Voluntary Benefits (Insurance Products)<br>Vendor Refund Requests | <b>Revision Date:</b><br>10/28/2024 |
| <b>Unit:</b> Benefits and Financial Administration Unit                                   | <b>Issue Date:</b><br>09/30/2017    |
| <b>Contact:</b> _DOA-OSUP-BFA@la.gov                                                      | <b>Page Number:</b> 1 of 2          |

***NOTE: Effective 10/28/2024, due to system changes that no longer require entries on IT15 for miscellaneous insurance refunds, SED-5 forms are no longer required. Refunds are date driven, so they are processed based on the effective dates entered on the payroll deduction records.***

**It is OSUP Policy that agencies are responsible for entering refunds in LaGov HCM for all Statewide Vendor products regardless of Flexible Benefits Plan participation.**

Occasionally statewide vendor deduction refunds may need to be processed to an employee when an incorrect amount has been withheld or when an employee did not qualify for a policy, but deductions have already been withheld (e.g. life insurance).

Agencies are notified of the need to process a refund for a statewide vendor product by the statewide vendor. These requests must be submitted by the vendor on an updated SED-4 form, along with correspondence detailing the reason and total for the refund of product premiums. The updated SED-4 form should include the \$0.00 deduction amount for the product being refunded, the effective date of that cancelled deduction, and all other active deductions the employee has with that vendor. Agency personnel must first verify the amount that will be refunded, according to the effective date on the form, matches the refund total the vendor provided in their correspondence. An updated, signed SED-4 form is required for a change in the total deduction amount.

If an employee's application for a Statewide Vendor policy is denied through underwriting after the deduction has started, the vendor can forward a letter, on company letterhead, to the appropriate agency advising the agency that the employee's policy was not issued. An updated SED-4 [removing the policy that was not issued (\$0.00 deduction) and listing all other active payroll deducted policies] must be attached to the letter to satisfy the signed SED—4 requirement.

If an employee submits a written, dated, signed request to the vendor to cancel a policy, a copy of this dated and signed letter can be attached to an updated SED-4 [removing the cancelled policy (\$0.00 deduction) and listing all other active payroll deducted policies] and forwarded to the appropriate agency from the vendor to satisfy the signed SED-4 requirement.

### **Agency Action:**

1. Upon receipt of proper notification from the vendor, determine if the employee is allowed to receive the refund under IRS Code Section 125 due to FBP participation.

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Pre-tax premium dollars cannot be refunded to employees unless a qualified life event (QLE) has occurred or there was an administrative error in the deduction amount.

2. If a refund is appropriate, process the refund through LaGov HCM by updating the effective dates on the deduction record to reflect the time period it should have been active. If the employee is not allowed, by the IRS Section 125 regulations, to have the refund of premium, please contact the FBP Administrator for further instructions.
3. When an updated authorization form (SED-4) signed by the employee is received, change or stop the employee's deduction accordingly. ***If the refund was required because of incorrect semi-monthly deductions, this amount should be corrected immediately to prevent future refunds.*** If an agency or any employee receives a refund check from a statewide vendor, the agency must return the check to the vendor and process the refund through LaGov HCM if all documentation required (employee name, social security number, agency, amount of refund, reason for refund, and premium time period) can be obtained from the refund check and accompanying correspondence. If all relevant information is not available, the agency should contact the vendor for the necessary data. ***The vendor is responsible for informing the employee of the overpayment.***

To avoid the possibility of additional work for the agency due to not receiving a signed SED-4 from the employee when there is an incorrect semi-monthly deduction, a standard form letter with a copy of the unsigned SED-4 received from the vendor should be forwarded by the agency to the employee with a brief statement about the change.

Agencies should run ZP255 "Miscellaneous Plan Participation Report" to compare the codes and amounts that were deducted during the refund period to the information provided in the correspondence from the vendor. If the amounts do not agree, the agency must contact the person by whom the refund was requested or the Billing Coordinator to resolve the discrepancy.

**Note:** Any changes to a deduction being withheld under the FBP will need OGB approval and will require the agency to submit a LaGov HCM [Help Desk Ticket](#) for entry. Flex Plan deductions cannot be cancelled without a QLE or an administrative error. Refer to the [Mid-Year Flexible Benefits Plan \(Flex\) Eligible Statewide Vendor Processing in LaGov HCM](#) procedure for more details.

After the refund amount has been verified, follow the Online Help Script in LaGov HCM "Adjustments/Delimits for Statewide Misc Products" to make changes to the deduction.