

SHERWOOD MANAGEMENT CO., INC.

Executive Offices for DANIEL'S JEWELERS
Offices for J H L Development

March 11, 2014

All Eligible Associates:

Re: 2014-2015 Open Enrollment

The company's open enrollment period for the available medical and dental benefit programs is now underway. You have until the end of this month, Wednesday, March 26, 2014, in order to enroll or make changes in your elections. If you are eligible to enroll, you must make any changes in your benefit elections before March 26, 2014, or you must wait until April 1, 2015 before enrollment can begin in any medical or dental benefit program.

Medical Coverage

We will continue to provide access to group medical coverage through Kaiser Permanente. The only change is the seemingly inevitable increase in premiums that Kaiser passes along to us. The monthly premium charged by Kaiser has risen by 5.8% on the "Dual Choice HMO" and 9.8% on the "Deductible HMO". The company increased its contribution by 5.8% for all employees and all subscriptions levels, i.e., employee only, employee plus one and full family.

As in the most recent prior years, two plans are available from Kaiser. One of the two plans from Kaiser offers a substantially lower cost per pay check – the difference between the two plans is about \$22 per paycheck for an employee covering only themselves (employee only coverage). However, the benefits provided by each plan are significantly different. The company will contribute the same dollar amount for employees enrolled in either Kaiser plan. If you are NOT currently enrolled in any medical insurance plan, you may want to consider enrolling in the lower cost Kaiser plan as it will provide access to routine doctor visits for approximately the same cost per office visit as the other, higher cost per pay check Kaiser plan. However, the cost of services for non-routine doctor visits is significantly higher with the lower cost Kaiser plan and you should consider this carefully, especially if you are already enrolled in or are familiar with the level of benefits in higher cost per pay check Kaiser plan. The revised rates are reflected in the benefit election form.

Dental Coverage

We are maintaining our Dental Coverage with Assurant and there is no change in premium or the employee's per pay check cost from last year. Assurant has three different coverage levels.

DHMO: This coverage has the lowest cost. To utilize the coverage under DHMO you need to pre-select a dentist from a list of available dentists in the DHMO directory.



PPO Low Option: You can choose from a network of pre-selected dentists and services are covered at specific levels. You can also choose a dentist that is not a part of the network pre-selected dentists and services are covered at different specific levels – more of the cost of services is paid by you when you do not use a dentist that is part of the network.

PPO High Option: You can choose from a network of pre-selected dentists and services are covered at specific levels. You can also choose a dentist that is not a part of the network of pre-selected dentists and services are covered at different specific levels – more of the cost of services is paid by you when you do not use a dentist that is part of the network.

The differences between the PPO Low Option and PPO High Option are:

1. The premium you pay for the PPO High Option is higher than the premium for the PPO Low Option.
2. Your cost of the services covered by each plan is different. For example, while the premium you pay for the PPO High Option is more expensive than the PPO Low Option, your portion of the cost of services that you actually receive under the PPO High Option plan are lower than your portion of the cost of services that you actually receive under the PPO Low Option plan.

Other questions and answers . . .

Is this an “open enrollment” period?

Yes. Open enrollment is normally held once per year. During open enrollment all associates who are eligible for medical and dental benefits can enroll or make significant changes in their coverage. Our open enrollment period begins now and effectively ends on March 26, 2014. ***If you are eligible for benefits on or before April 1, 2014 and you do not enroll by March 26, 2014, you will not have the opportunity to enroll or make significant changes again until March 2015, effective April 1, 2015.***

Will I have to change doctors?

No. If you are currently enrolled with Kaiser Permanente, your coverage will continue to be provided by Kaiser Permanente. The changes in coverage and the cost that you will have to pay for that coverage will be put into effect starting April 1, 2014 with the new premiums and employee costs going to effect starting with the pay check of April 9, 2014.

Will I have to change dentists?

No. If you are currently enrolled in a plan with Assurant, your coverage will continue and, as long as the dentist you have been seeing remains a part of the Assurant plan you are enrolled in, you will not have to change dentists.

How is the company addressing the Affordable Care Act?

Based upon our understanding of the current implementation details of the Affordable Care Act as it pertains to a business of our size,

1. The plans that are being offered by Kaiser are compliant with the coverage standards of the Affordable Care Act.
2. The current implementation calendar for the Affordable Care Act dictates that the employee cost of coverage for the plan sponsored by the company beginning April 1, 2015 (NEXT year) will have to meet certain criteria, or employees will be permitted to enroll in medical coverage through Covered California and, potentially, receive a subsidy to reduce the cost of coverage obtained through Covered California.
3. For the plan year beginning April 1, 2014 (THIS year) there is no change from prior years. This means that you are NOT required to enroll in one of the company's sponsored plans with Kaiser and you MAY enroll in one of the plans through Covered California. However, unless you (or you and your family) qualify for medical coverage through MediCal, employees that are eligible to enroll in a medical plan sponsored by their employer are NOT eligible to obtain a subsidy for any plan that they may enroll in through Covered California. Said another way, the fact that the Sherwood Management sponsors a health plan for the current plan year beginning April 1, 2014, regardless of the employee's cost of coverage under this plan, means that employees eligible to enroll in this plan are not eligible to obtain a subsidy for any plan that they may enroll in through Covered California.

As you probably know, implementation of the Affordable Care Act has been updated numerous times. We are doing our best to stay abreast of the developments and we will advise all employees when the company's practices change in light of our efforts to address the Affordable Care Act.

What do I do now?

No Changes— If you are currently enrolled with Kaiser (medical) and/or Assurant (dental) and you wish to continue your coverage AND you do NOT want to change between the two Kaiser plans or the three Assurant plans, please complete the election form for the coverage that you currently have, i.e., carrier, plan, type of coverage, and return it to confirm your agreement to the updated per pay check premiums.

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Changes – If you want to switch between the two Kaiser (medical) and/or Assurant (dental) plans you must make your selection for type of coverage and return it to confirm your agreement to the updated per pay check premiums. In order to make ANY CHANGES in carrier, plan or type of coverage OR ENROLLED FAMILY MEMEBERS you must ALSO complete the correct enrollment form for Kaiser Permanente (medical) or Assurant (dental).

For additional information about the difference between the two different Kaiser plans and/or the three different Assurant plans and carrier enrollment forms, please contact Stephanie Little at (310) 846-5632.

You must return Sherwood Management Co., Inc. - Health and Dental Benefits - Election Form and any enrollment forms to Stephanie Little at SMC by no later than Wednesday, March 26, 2014. You can return this material FAX to (310) 665-2151.

We MUST have a completed Election Form from EVERY associate who is eligible, including those who are declining to be enrolled. If you are making any changes, it is important that we receive the proper, completed enrollment for the medical or dental carrier you are enrolling with.

In order to complete this process and ensure that your selections can be put into place properly, we must have your election form AND, if necessary, carrier enrollment forms by no later than March 26, 2014.

If you have any questions, please contact Stephanie Little at SMC, (310) 846-5632.

Thank you,

Art Ronci
Senior Vice President