

Life Insurance Announcement, Effective October 1, 2005:

The District currently provides all active regular monthly employees with 50% or greater assignments with a Group Term Life Insurance policy with a value of \$50,000. This insurance has been provided through the Hartford Life Insurance Company. Effective 10/1/05, the District is changing carriers to Blue Cross Life Insurance and increasing the policy amount to \$100,000 per eligible active employee. There is also \$100,000 coverage for accidental death and dismemberment. This is a great benefit!

Now is a good time to review your records to see who you have designated as your beneficiary. If you wish to change your beneficiary, please come to the Payroll/Benefits Office (LAC N108) and we will update your Beneficiary Designation Form. Please do not call us to find who you have designated as beneficiary. We do not provide this information over the phone.

The value of employer provided group term life insurance in excess of \$50,000 is a taxable fringe benefit. The taxable amount will be imputed (added) to your gross taxable income. The table below shows how the imputed value is calculated. If you make the calculation for your age group, you will see that the tax consequence is very minor, especially compared to the benefit. If you have any questions, please call Joan Carr Payroll/Benefits Manager at (562) 938-4465.

The monthly cost of GTL to include in employees wages is calculated by multiplying the number of thousands of dollars of insurance coverage over \$50,000 (figured to the nearest \$100) by the cost shown in the following table. The employee's age is their age on the last day of the tax year.

<u>AGE</u>	<u>COST</u>
Under 25	\$ 0.05
25 through 29	\$ 0.06
30 through 34	\$ 0.08
35 through 39	\$ 0.09
40 through 44	\$ 0.10
45 through 49	\$ 0.15
50 through 54	\$ 0.23
55 through 59	\$ 0.43
60 through 64	\$ 0.66
65 through 69	\$ 1.27
70 and older	\$ 2.06

Example. Assume that LBCC provides \$100,000 of GTL coverage. That means that the cost of the amount above \$50,000 (\$50,000 in this case) must be included in employee's wages subject to Social Security and Medicare taxes. The amount is also taxable as federal and state wages but tax withholding is not required. You would pay any additional taxes due when you file your personal income taxes.

Tom is eligible and will be 59 years old on December 8th. The total annual cost of the insurance is \$258 (\$0.43 x 50 x 12). This amount can be imputed (added) monthly(12), tenthly (10), quarterly (4), annually (1), etc. depending on the payroll system and process. If this employee contributes to Social Security and Medicare, he would pay an additional \$16.00 (annual) of Social Security tax and an additional \$3.74 (annual) Medicare taxes. If he only contributed to Medicare, he would pay just the additional \$3.74 (annual) for Medicare. The additional \$258 (annual) would be taxable for federal and state income tax purposes, but probably would not be a significant impact to the taxable gross.