



# WATER AND POWER EMPLOYEES' RETIREMENT PLAN

## Retirement Plan Office Announcements

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Date: October 20, 2021

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### **IMPORTANT: IRS Withholding Requirements on Your Paycheck for the Death Benefit Provided by the Plan**

As Full Members of the Water and Power Employees' Retirement Plan, you contribute one dollar (\$1) each per pay period to Temporary Disability, Permanent Total Disability, and Death Benefit. This minimal contribution provides an "insurance" protection for you and your family should you become disabled or pass away as an active employee while employed in the LADWP.

For the Death Benefit insurance, your one-dollar contribution provides a lump sum death benefit payment equal to fourteen times your monthly base salary (14x), which is paid to your beneficiary tax free with no limits. In addition, if you have minor children, your children will receive a monthly Family Death Benefit (FDB) allowance until they are 18 years old. Finally, if you are married or have a registered domestic partner, they may also be eligible for FDB if they do not receive their own spousal allowance payable from the Retirement Fund. The costs for these valuable death benefits are borne largely by the LADWP.

In accordance with IRS Code §79, a death benefit like the 14x salary provided by the Plan in excess of \$50,000 is treated as a taxable fringe benefit. To comply with this rule, the Retirement Plan Office will calculate your taxable fringe death benefit (imputed income) by taking your bi-weekly salary applicable to the first pay period of each month and applying the rates as specified by the Premium Table published by the IRS each year. The Payroll Office will then apply the necessary taxable pay adjustments and withholdings to your paycheck once a month, usually the second pay period. Your calculated imputed income will be subject to tax withholdings (Federal, State, and Medicare A, when applicable), but not paid as actual wages. **You will not see an increase in your take home pay, but you will see an increase in the taxes withheld as a result of this calculation.**

**Beginning October 2021 and going forward**, the imputed income for your taxable fringe death benefit will be reflected on your paycheck once a month starting with your paycheck for pay period ending October 24, 2021 (payable November 2, 2021). This pay adjustment will equal the value of one month of the death benefit provided by the Plan with taxes (Federal, State, and Medicare A) held accordingly.

*\*\*Please note, there will be a one-time adjustment on pay period ending November 7, 2021 (payable November 16, 2021) for the amounts that should have been reported from January through September 2021. The Payroll Office will not withhold Federal or State income taxes for the first nine months of 2021; however, the imputed income (taxable fringe benefit) will be adjusted and reported with your W-2 for calendar year 2021. The corresponding deduction for the Medicare A portion for the nine months will be deducted against your check and reflected as either deduction code "IC-P Med-A DB" or "IC-W Med-A DB" on your pay stub.\*\**

Samples of the imputed income and tax withholdings calculation have been attached to this announcement. Individualized estimates have also been added to the Retirement Information System (RIS) under the tab labeled "Employee". If you are unable to access RIS or have questions on the calculation of your imputed income, please call the Retirement Section at (213) 367-1715 or come see us in JFB Room 357, Monday through Thursday from 7am to 3pm. For questions on the tax withholding amounts, please contact Ms. Arevik Vanetsyan at (213) 367-2431 or Ms. June Coumparoules at (213) 367-1741.

For more information on this tax reporting requirement, please visit the IRS website or click on the attached IRS link: [Group-Term Life Insurance | Internal Revenue Service \(irs.gov\)](#). Please also see the attached Frequently Asked Questions at the end of this bulletin.



Linda P. Le  
Retirement Plan Manager

**SAMPLE CALCULATIONS OF IMPUTED INCOME ATTRIBUTABLE TO THE 14X DEATH BENEFIT FOR  
ACTIVE EMPLOYEES WHO ARE FULL MEMBERS OF THE PLAN**

<b>Premium Table from Publication 15-B (2021)</b>	
<b>Cost Per \$1,000 of Protection for 1 Month</b>	
<b>Age</b>	<b>Cost</b>
Under 25	\$0.05
25-29	0.06
30-34	0.08
35-39	0.09
40-44	0.10
45-49	0.15
50-54	0.23
55-59	0.43
60-64	0.66
65-69	1.27
70+	2.06

➤ **Calculation of your Imputed Income by Retirement Plan Office**

<b>Imputed Income (Taxable Fringe Death Benefit)</b>	Employee 1	Employee 2	Employee 3
Birthdate	7/24/1971	5/28/1983	3/5/1950
Age as of 12/31 of current year	50	38	71
Bi-weekly salary	\$8,725	\$2,572	\$6,420
Monthly salary	\$18,977	\$5,594	\$13,964
14x Death Benefit	\$265,676	\$78,317	\$195,489
Death Benefit above \$50,000	\$215,676	\$28,317	\$145,489
Benefit per \$1000	\$215.68	\$28.32	\$145.49
Age range cost (Premium Table above)	\$0.23	\$0.09	\$2.06
Monthly cost	\$49.61	\$2.55	\$299.71
Less monthly employee contribution to death benefit	\$2.18	\$2.18	\$2.18
<b>Amount included with W2 as taxable income per month (not paid as actual wages)</b>	<b>\$47.43</b>	<b>\$0.37</b>	<b>\$297.53</b>

➤ **Calculation of your Tax Withholdings by Payroll Office**

The estimated tax withholdings are calculated based on the taxable income shown above. The applicable tax rates are applied for Federal, State and Med-A regardless of your tax status currently on file with the Payroll Office.

<b>Estimated Tax Withholdings 2021</b>	Employee 1	Employee 2	Employee 3
Federal (22%)	\$10.43	\$0.08	\$65.46
State (6.6%)	\$3.13	\$0.02	\$19.64
Medicare A (applicable to employees hired after 4/1/1986)	\$1.11	\$0.01	\$4.31
<b>Total Estimated Tax Withholdings per Month</b>	<b>\$14.68</b>	<b>\$0.11</b>	<b>\$89.41</b>

## FREQUENTLY ASKED QUESTIONS IMPUTED INCOME FOR THE DEATH BENEFIT COVERAGE

**1. May I opt out of the death benefit?**

No. As employees eligible to full membership in the Water and Power Employees' Retirement Plan (Plan), you are required to make the required contributions to the Plan, which includes \$1 each for disability, permanent disability, and death benefits. This minimal amount ensures that you and your family will have a source of income when you are unable to work due to an injury, illness, or death.

**2. Is this a new law? Why are you implementing this requirement now?**

No. The law has existed for several years and amended multiple times by lawmakers and court challenges. The Plan is continually working to ensure our compliance with changes in IRS rules so that we can maintain our status as a tax qualified plan. This status ensures that your contributions and LADWP's contributions to the Plan on your behalf remain tax free while you are working. In order to maintain our tax qualification status, our tax attorneys have advised us to implement this provision of the IRS Codes.

**3. How will this affect my paycheck?**

Starting in October 2021, on a monthly basis, the imputed income for this taxable fringe benefit will be included in your paycheck as taxable income, but not paid to you as actual wages. You will also see corresponding deductions for Federal, State and Medicare A taxes.

**4. Will the amounts change from month to month?**

This depends. If your salary changes on the first Monday of the first pay period of the month, then the calculation will change. However, if your salary remains constant, then the calculation and corresponding deductions will remain constant for the period.

**5. What happens if I'm on a disability or workers' compensation leave?**

When you are on a disability or workers' compensation leave, your contributions to the Plan are suspended, however, you are still eligible for Plan benefits. As such, the imputed income for this taxable fringe benefit will still be included with your W2 and the corresponding deductions for Federal, State and Medicare A taxes will still apply. The only difference that you may experience is that the deductions for taxes will be billed to you at a later time, rather than deducted from your disability or workers' compensation benefits.

**6. What happens if I'm on a leave of absence without pay, such as an unpaid family leave?**

When you are on a leave without pay for a full pay period, you will not contribute to the Plan and will not be eligible for Plan benefits. If the full pay period occurs on the first pay period of the month, you will not have an imputed income nor the corresponding tax deductions. Please note, you may be able to pay for coverage with the Plan prior to your leave. Please contact the disability section at (213) 367-1680 if you have a planned unpaid leave.

**7. If I have more questions, who should I call?**

For questions on death benefit or the imputed income calculation, please call the Retirement Section at (213) 367-1715.

For questions on the tax withholdings or W2 reporting, please call the Payroll Office at (213) 367-2431 or (213) 367-1741.