

2015 Imputed Income for ORP Participants Eligible for Continued Grp Life, *continued*

Reporting Criteria

The following criteria should be used to determine which employees are impacted:

- Employee elected to participate in one of the optional retirement plans instead of VRS, and
- Employee is eligible for continued coverage under Group Life Insurance (at least 50 with 10 years of service or 55 with 5 years of service), and
- Employee's final annual salary is greater than \$25,000, and
- Employee terminated or retired during 2015 or earlier.

Amount of Insurance Coverage

At the time the employee retires or terminates, the amount of life insurance coverage provided is twice the amount of the employee's final salary. The following reductions take place as indicated:

- 25% reduction on January 1st after 12 months from separating service
- 25% reduction every January 1st thereafter
- Final 25% reduction January 1st to fully reduced amount equal to 50% of final salary at time of retirement

Example: At the time Tom retired in May, 2015 his final annual salary was \$75,000. He meets the criteria required for continued GTL insurance coverage and the coverage amount is \$150,000 ($\$75,000 * 2$). In January, 2017 the amount of his life insurance coverage will be reduced to \$112,500 ($\$150,000 * .75$). In January, 2018 the amount of coverage will be reduced to \$75,000 ($\$150,000 * .5$). In January, 2019 the amount of coverage will be reduced for the last time to \$37,500 ($\$150,000 * .25$) which is equal to 50% of his original final salary.

Calculate Amount of Imputed Life

Figure the monthly cost of the insurance to include in the retired employee's wages by multiplying the number of thousands of dollars of insurance coverage over \$50,000 (figured to the nearest \$1,000) by the cost shown in the table below. Use the employee's age on the last day of the tax year. Figure the total cost to include in the employee's wages by multiplying the monthly cost by the number of full months' coverage at that cost.

A spreadsheet to calculate the amount of imputed income and applicable OASDI and HI taxes is available on our website. Use the "Post Retirement Life Insurance Calculation Worksheet for ORP Retirees" to calculate imputed income for calendar year 2015.

http://www.doa.virginia.gov/Payroll/Payroll_Main.cfm

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Cost Per \$1,000 of Protection For 1 Month	Age	Cost
	Under 25	\$.05
	25 through 29	.06
	30 through 34	.08
	35 through 39	.09
	40 through 44	.10
	45 through 49	.15
	50 through 54	.23
	55 through 59	.43
	60 through 64	.66
	65 through 69	1.27
	70 and older	2.06

ORP Participants no longer on CIPPS

If you have ORP participants who meet the reporting criteria, but have been purged from CIPPS, you will need to add them back to the system. Use the H0BNE screen to establish a record for each former employee who has imputed income to be reported. H0BNE must be completed to provide the data elements required to build an employee record in CIPPS. Certain data fields entered on H0BNE automatically generate H0BID, H0BAD, and H0ATX screens for the employee.

W-2 Reporting

Once you have completed the spreadsheet for the imputed income that needs to be added to the former employee's CIPPS record for 2015, fax the "Post Retirement Life Insurance Calculation" page to Denise Halderman at DOA (804-225-3499). In order for DOA to enter the adjustment in CIPPS **before** certification for the final pay period in December and calculate the amount of employment taxes due to the IRS, **all forms must be submitted no later than noon on Friday, December 18, 2015, and PRIOR to your final certification for this calendar year.**

Example

Tom retired in May, 2015, after 23 years of service with one of Virginia's community colleges. When Tom was hired, he chose to participate in one of the optional retirement plans offered to Higher Ed employees instead of the traditional retirement plan through VRS. At retirement, Tom's annual salary was \$75,000. Because Tom is 53 and has over 10 years of state service, he continues to be covered after his retirement by group-term life insurance at twice his annual salary (\$150,000). Tom's W-2 must include a total of \$276.00 in his wages as imputed life for the calendar year of 2015. The community college prepares the "Post Retirement Life Insurance Calculation" and prints a copy to fax to DOA. DOA compares the YTD amount in CIPPS to the amount reported on the spreadsheet and makes the necessary adjustments. Tom's W-2 will include uncollected FICA amounts in boxes M and N; however, the community college portion of FICA will be paid to the IRS.

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**Payment to
IRS**

DOA will make the federal tax deposit for the employer portion of the OASDI and HI taxes prior to the end of the calendar year. Former employees will be responsible for the employee portion when they file their income tax returns.

**DOA
Contacts**

Please contact Denise Halderman at 804-371-8912 or Cathy McGill at 804-371-7800 if you have any questions.
