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Comptroller

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Director
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To: All State Agencies

FROM: Robert J. Murphy, Director
Central Payroll Bureau *Robert J. Murphy*

DATE: June 18, 2014

SUBJECT: Fiscal Year 2015 Employer Paid Fringe Benefits – Amended 6/19/14

Employer paid fringe benefits are incorporated in the Statewide Payroll System (SPS). The only fringe benefit outside of the SPS is Workers' Compensation which is billed annually to each agency by the Injured Workers' Insurance Fund. Attached is an updated table. Fiscal year 2015, fringe benefits will be charged as follows:

Retirement/Pension Subsidy – New rates are provided for most State Systems. New rates will be implemented for the first pay period which ends July 8, 2014 for the Regular system and July 12, 2014 for the University system.

Match of Employee Contributions to the Maryland Supplemental Retirement Plans [457, 403 (b) and 401 (k)]. The employee match for FY 2015 will not be funded.

Unemployment Insurance Premium - The 0.28% rate remains effective July 1, 2014. Unemployment Insurance Wages exclude cafeteria plans, dependent and health care plans, and parking deductions.

FICA (Social Security and Medicare) – The Social Security Administration (SSA) has announced that the Social Security taxable wage base will increase for calendar year 2014 to \$117,000. The employer's FICA tax rate will hold steady at 7.65% for calendar 2014.

Medicare Insurance Subsidy – The rate is unchanged through calendar year 2014.

Health Insurance Subsidies - Health Insurance subsidies will not be updated until January 1, 2015.

Special Subsidy - The rate for fiscal year 2015 will be 26.74%. The Special Subsidy (retiree health subsidy) will appear on each Agency total page of the payroll and check register, the cost tape and subsequent R*STARS transactions. It will not appear on the employee's earnings statement (pay stub).

Other Post-Employment Benefits (OPEB) - This subsidy for fiscal year 2015 will not be funded.

Implementation will take place effective with the first cash payday in July, 2014 unless otherwise noted in the discussion above. The first cash payday is July 2nd for Regular system, July 3rd for University and July 9th for the Contract system.

**FISCAL YEAR 2015
EMPLOYER PAID FRINGE BENEFITS**

1. Retirement/Pension Subsidy - This subsidy is applied by the Statewide Payroll System when the employee is established in a retirement or pension system. It is computed as a percent of the stated annual salary, divided by the number of pay period ending dates for the fiscal year over which the employee's deduction would be active (divisor column below) and taken as a fixed amount from the first dollar of wages. This subsidy is charged whenever wages are paid, even if by nature of the plan the employees do not make a contribution or do not make a contribution until reaching the value of the OASDI FICA wage base (\$117,000 in calendar 2014). However, if the employees are required to make a contribution and have insufficient wages for their own contribution, no subsidy will be charged.

***** <u>Employer Paid Deduction</u>						***** **** <u>Related Employee Paid Deductions</u>		*****
Deduction Code	Pay Stub Description	R*STARS Object	Accounts COM Sub-Object	FY 2015 Rate	Divisor	Deduction Code	Pay Stub Description	
73	RET/PEN SUB	01	0163	16.58%	20	08*	ST TCHR RETMT	
		01	0161	16.54%	26	09*	ST EMP RETMT	
		01	0165	84.65%	26	10*	ST POL RETMT	
		01	0166	42.74%	12	11*	JUDGES RETMT	
		01	0166	42.74%	12	AE	JUDGES NONCTRB	
		01	0161	16.54%	12	12*	LEGIS RETMT	
		01	0161	16.54%	12	CB	LEGIS NONCTRB	
		01	0164	16.58%	20	17*	ST TCHR PENS	
		01	0164	16.58%	20	DA*	ST TCH ALT PEN	
		01	0162	16.54%	26	18*	ST EMP PENSION	
		01	0162	16.54%	26	DC*	ST EMP ALT PEN	
		01	0169	44.20%	26	BQ*	LAW ENF RETMT	
		01	0169	44.20%	26	BR*	LAW ENF PENS	
		01	0168	7.25%	20	28	TIAA NCTR ORP	
01	0168	7.25%	20	DH	FDLTY NCTR ORP			
73	SCHOOL FOR DEAF	01	0162	16.54%	21	BY **	ST MSD EMP MOD	
95	FED EMP SAVSUB	01	0199	Fixed Amt	NA	30	FED EMP SAVING	
98	FCSRET SUBSIDY	01	0170	7.00%	NA	19	FCS RETMT	
97	FERS RET SUB	01	0170	11.90%	NA	96	FERS RETMT	

Agencies with employees who have Baltimore City Retirement or Pension (Deductions 15, BC or BW) or County Retirement or Pension (Deduction 44) are responsible for directly remitting the matching employer share to the appropriate office and charging the proper object and Comptroller of Maryland (COM) sub-object through R*STARS.

* All employee contributions for these systems are Federal income tax sheltered but continue to be taxable for FICA (Social Security) and Maryland State income tax.

** Represents 21 pay non-faculty employees with the Maryland School for the Deaf.

FISCAL YEAR 2015
EMPLOYER PAID FRINGE BENEFITS

2. FICA (Social Security) Subsidy - This subsidy is applied by the Statewide Payroll System when the employee is FICA taxable and pays the employee share of FICA. Employees that are automatically excluded as non-FICA taxable are students, patients and inmates on the Special Payments Payroll (CT). Others may be excluded by filing the FICA exemption card. When the employee reaches the FICA OASDI (Old Age, Survivors, and Disability Insurance) tax wage base (\$117,000 in 2014), the Medicare (Hospital Insurance) tax alone is applied to the additional wages without any wage base limitation.

<u>Employer Paid Deduction</u>					<u>Related Employee Paid Deductions</u>	
Deduction Code	Pay Stub Description	R*STARS Object	Accounts COM Sub-object	CAL 2014 Rate	Deduction Code	Pay Stub Description
FS	FICA Subsidy	01	0151	7.65% for wages up to \$117,000 and 1.45% for wages over \$117,000 without any wage base limitation	SS	FICA/MED
		02	0213	(for RG & UM pmts)		
				(for CT payments)		For employee Medicare withholding see note below

NOTE: The wage base for the FICA OASDI taxes in calendar 2015 will be announced prior to January 1, 2015.

3. Medicare Insurance Subsidy - This subsidy is applied by the Statewide Payroll System when the employee is only Medicare Insurance taxable and pays the employee share of Medicare Insurance. It applies to Federal Civil Service Employees on the University of Maryland Payroll and new members of the State Police Retirement System and the Baltimore City Fire and Police system on the Regular Payroll who entered State employment on and after April 1, 1986. The employee and employer shares of Medicare Insurance Tax are applied to every dollar of Medicare Insurance taxable wages.

<u>Employer Paid Deduction</u>					<u>Related Employee Paid Deductions</u>	
Deduction Code	Pay Stub Description	R*STARS Object	Account COM Sub-Object	CAL 2014 Rate	Deduction Code	Pay Stub Description
MS	MEDICARE IN SUB	01	0151	1.45%	MT	FICA/MED

NOTE: The employee pays a Medicare rate of 1.45% on all wages up to and including \$200,000. Employee pays a Medicare rate of 2.35% on all wages over \$200,000.

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EMPLOYER PAID FRINGE BENEFITS

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4. Health Insurance Subsidies -These subsidies are applied by the Statewide Payroll System when the employee is enrolled in a health plan and pays the employee and/or employee & domestic partner health premiums. For bi-weekly employees in Calendar Year 2014, two pay periods of the year are omitted for both the employee and employer contribution since the premium is only taken 24 times per year. Monthly employees pay their premium each time they are paid. Employee and employer health rates are applied at the direction of the Department of Budget and Management. All employee payroll deductions for themselves and/or their family health plan selections are taken on a pre-tax basis. All payroll deductions for domestic partner health coverage are taken on a post tax basis. Benefits provided to an employee's domestic partner are treated as additional wages of the employee unless the domestic partner qualifies as a spouse or a dependent under the IRC. [Treas. Reg. §§ 31.3121(a) (2) -1, 31.3306(b) (2) -1]. NOTE: per announcement from Health Benefits, "Domestic Partner" deductions will no longer be valid/used in calendar year 2015. We will still have post-tax deductions and imputed income for grandchildren and court awards.

***** <u>Employer Paid Deductions</u>					*****	****	<u>Employee/Domestic Partner Deductions</u>	
Deduction Code	Pay Stub Description	R*STARS Object	Accounts COM Sub-Object	FY 2015 Rate			Deduction Code	Pay Stub Description
90	HEALTH INS SUB*	01	0152	Fixed amount to make up total premium			Employee Coverage	
							42	CF BCBS PPO
							47	CF BCBS EPO
							49	UHC PPO
							53	UHC POS
							58	CF BCBS POS
							64	UHC EPO
							65	AETNA POS
							66	AETNA EPO
							Domestic Partner Coverage	
							AF	TX CF BCBS PPO
							AG	TX CF BCBS EPO
							AO	TX UHC PPO
							AT	TX UHC POS
							AU	TX CF BCBS POS
							AW	TX UHC EPO
							CI	TX AETNA POS

/gls

FILE: Attachment FY15 FRBN

6/18/14

**FISCAL YEAR 2015
EMPLOYER PAID FRINGE BENEFITS**

4. Continued

AJ	PHARMACY SUB	01	0152	Employee Coverage AH PHARMACY PLAN
				Domestic Partner Coverage BK TX PHARMACY
AQ	DENTAL SUBSIDY	01	0152	Employee Coverage AP UCC DENTL DPPO AS UCC DENTL DHMO
				Domestic Partner Coverage CR TX UCC DT DPPO CS TX UCC DT DHMO

* Vision Plan and Vision Subsidy are now included in the health plan and health subsidy program.

5. Special Subsidy - This subsidy is applied by the Statewide Payroll System as a percentage of the agency charge for Health Insurance Subsidy, Dental Subsidy and Pharmacy Subsidy. This subsidy will be charged to agencies for Fiscal Year 2015 per the Department of Budget and Management.

***** <u>Employer Paid Deduction</u> ***** ****				<u>Related Employee Paid Deductions</u> ****			
Deduction Code	Pay Stub Description	R*STARS Accounts Object COM Sub-Object	FY 2015 Rate	Deduction Code	Pay Stub Description		
None	None	01	0154	26.74%	None	None	

* The Special Subsidy will not be charged for those individuals who are not eligible for or do not participate in any retirement or pension system. Participants in the optional retirement systems will be charged a Special Subsidy which is one-half that for other eligible employees (13.37% versus 26.74%). This is the budgeted rate for Fiscal Year 2015.

**FISCAL YEAR 2015
EMPLOYER PAID FRINGE BENEFITS**

6. Other Post-Employment Benefits (OPEB) - This subsidy is applied by the Statewide Payroll System as a percentage of the agency charge for Health Insurance Subsidy, Dental Subsidy and Pharmacy Subsidy. This subsidy will be dormant for Fiscal Year 2015 per the Department of Budget and Management.

<u>Employer Paid Deduction</u>					<u>Related Employee Paid Deductions</u>		
Deduction Code	Pay Stub Description	R*STARS Account Object	COM Sub-Object	FY 2015 Rate	Deduction Code	Pay Stub Code	Description
None	None	01	0157	-0-	None	None	

* The OPEB Subsidy when active is not charged for those individuals who are not eligible for or do not participate in any retirement or pension system. Participants in the optional retirement systems would normally be charged a Special Subsidy which is one-half that for other eligible employees.

7. Unemployment Insurance Premium - This premium is applied by the Statewide Payroll System when the employee is Unemployment Insurance eligible and is computed on all wages paid, less qualified cafeteria plans and dependent care assistance plans. Employees that are automatically excluded as ineligible are legislators, and other elected officials, on the Regular Payroll (RG) and students, patients and inmates on the Contract Payroll (CT). Others may be excluded by filing the UI exemption certification. The system is designed to accept an agency specific rate, although currently all agencies are charged a standard rate.

<u>Employer Paid Deduction</u>					<u>Related Employee Paid Deductions</u>		
Deduction Code	Pay Stub Description	R*STARS Account Object	COM Sub-Object	FY 2015 Rate	Deduction Code	Pay Stub Code	Description
74	UNEMPL INS SUB	01 (for RG & UM pmts)	0174	0.28%	None	None	
		02 (for CT payments)	0214				

FISCAL YEAR 2015
EMPLOYER PAID FRINGE BENEFITS

8. Supplemental Retirement Plan Match Program - There will be no match program for FY 2015. Therefore no employer paid deduction.

***** <u>Employer Paid Deduction</u>					***** ****	<u>Related Employee Paid Deductions</u>		*****
Deduction Code	Pay Stub Description	R*STARS Object	Accounts COM Sub-Object	FY 2015 Rate		Deduction Code	Pay Stub Description	
FA	MATCH TO MSRP	01	0172	No employer match		39 BP 99*	DEF COMP 401K-SAVE 403B TSA PLAN	
FF	MATCH TO FIDELITY	01	0172	See FA		68* 70*	FDLTY 403 B FDLTY 457B	
FE	MATCH TO TIAA	01	0172	See FA		40* BS*	TIAA 403 B TIAA 457B	

* Available to employees at institutions of higher education only. Employee Benefits Offices at the Colleges and Universities will have additional information.
NOTE: All subsidy rates are current as of the date of publication but are subject to change based upon federal legislation, state legislation or administrative actions, as applicable.