



MEMORANDUM

TO: All State Agencies
FROM: Dhiren V. Shah
Director, Central Payroll Bureau
DATE: June 8, 2026
SUBJECT: Fiscal Year 2027 Employer Paid Fringe Benefits Rates

The purpose of this memo is to inform agencies of the employer-paid fringe benefit rates for Fiscal Year (FY) 2027. A description of each benefit charge is included in this document, and a more detailed breakdown is provided in the tables. Unless otherwise noted in the descriptions, the FY 2027 rates will take effect for the Regular pay period ending June 23, 2026 (pay date July 1, 2026), the University of Maryland pay period ending June 27, 2026 (pay date July 2, 2026), and the Contractual pay period ending June 30, 2026 (pay date July 8, 2026).

As a reminder, all employer-paid fringe benefits are processed through the Statewide Payroll System (SPS), except for Workers' Compensation. Workers' Compensation is billed separately each year to agencies by the Injured Workers' Insurance Fund. 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.

- **Retirement/Pension Subsidy** - New rates are effective Regular pay period ending July 7, 2026 (pay date July 15, 2026) and University of Maryland pay period ending July 11, 2026 (pay date July 17, 2026).
- **Match Contributions to the Supplemental Retirement Annuity Plans** – The state will match deferral funds dollar-for-dollar up to \$600 for FY 2027. The following requirements must be met to receive this benefit:
 - The employee must have a deduction taken for State Employees' Alternate Pension System Deduction Code DC (ST EMP ALT PEN).



- The employee must also have a supplemental retirement annuity (SRA) deduction taken in the same pay period. The SRA plans are identified by Deduction Codes 39 (DEF COMP 457), BP (401-K SAVE), BF (ROTH-457) and BG (ROTH-401K) – all sponsored by the Maryland Supplemental Retirement Plans and administered by Empower.
 - Employees of higher education institutions may be eligible to participate in alternative SRA plans in addition to the Empower plans. The alternate SRA plans are identified by Deduction Codes BS (TIAA-457B), 40 (TIAA-403B), 70 (FDLTY-457B), 68 (FDLTY-403B), BH (TIAA ROTH-403B); and BI (TIAA-ROTH-457B) – Administered by TIAA and Fidelity.
 - An employee may have several “SRA” deductions. **However, the sum of all the 401(a) matches from all state employment cannot exceed \$600 for FY 2027.** See Table # 8 for more details.
- **Unemployment Insurance Premium** - The rate for FY 2027 will be 0.14%. Unemployment wages exclude cafeteria plans, flex spending dependent and health plans, and parking deductions.
 - **FICA (Social Security and Medicare)** - The rate is unchanged through calendar year 2027.
 - **Medicare Insurance Subsidy** - The rate is unchanged through calendar year 2027.
 - **Health Insurance Subsidies** – These rates will not be updated until January 1, 2027.
 - **Special Subsidy** - The rate for FY 2027 will be 53.71% and will appear on the agency’s payroll analysis and check register, cost file, and subsequent R*STARS transactions. It will not appear on employees’ earnings statement (pay stub).
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- **Other Post-Employment Benefits (OPEB)** - This subsidy is not funded in FY 2027.
 - **Check Handling Fee** – The rate for FY 2027 will be 82¢ and is subject to change. If the U.S. Postal Service increases its postal rate, the agency check handling fee will increase accordingly.

- 1) **Retirement/Pension Subsidy** – This subsidy is applied by the Statewide Payroll System when an employee is enrolled in a retirement or pension plan. It is calculated as a percentage of the employee’s annual salary, divided by the number of pay period ending dates in the FY during which the employee’s deduction is active (see divisor column below). The resulting fixed subsidy will be charged each pay period, even if the employee does not contribute under the plan or does not begin contributing until reaching the OASDI FICA wage base (\$184,500 in calendar year 2027). However, if employees are required to contribute and do not have sufficient wages to cover their own contribution, no subsidy will be charged. Agencies with employees who have Baltimore City Retirement or Pension (Deductions 15, BC or BW) are responsible for directly remitting the matching employer subsidy to the appropriate office and charging the proper R*STARS Object.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	FY 2027 Rate	Divisor	Deduction Code	Pay Stub Description
73	RET/PEN SUB	0163	17.98%	20	08*	ST TCHR RETMT
		0161	21.67%	26	09*	ST EMP RETMT
		0165	94.83%	26	10*	ST POL RETMT
		0165	94.83%	26	20*	ST POL NONCTRB
		0166	53.68%	12	11*	JUDGES RETMT
		0166	53.68%	12	AE	JUDGES NONCTRB
		0161	21.67%	12	12*	LEGIS RETMT
		0161	21.67%	12	CB	LEGIS NONCTRB
		0164	17.98%	20	17*	ST TCHR PENS
		0164	17.98%	20	DA*	ST TCH ALT PEN
		0162	21.67%	26	18*	ST EMP PENSION
		0162	21.67%	26	DC*	ST EM ALT PEN
		0169	47.66%	26	BQ*	LAW ENF RETMT
		0169	47.66%	26	BR*	LAW ENF PENS
		0169	47.66%	26	16*	LAW ENF NONCTR
		0168	7.25%	20	28	TIAA NCTR ORP
		0168	7.25%	20	DH	FDLTY NCTR ORP
73	SCHOOL FOR THE DEAF	0162	21.67%	21	BY**	ST MSD EMP MOD
95	FED EMP SAVSUB	0199	Fixed Amt	NA	30	FED EMP SAVING
98	FCSRET SUBSIDY	0170	7.00%	NA	19	FCS RETMT
97	FERS RET SUB	0170	13.70%	NA	96	FERS RETMT

* 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.

- 2) **FICA (Social Security and Medicare) Subsidy** – This subsidy is applied by the Statewide Payroll System when an employee is FICA taxable and pays the employee share of FICA. Employees who are exempt are students, patients, and inmates. Others may be excluded by submitting a FICA exemption card. Once an employee reaches the FICA OASDI (Old Age, Survivors, and Disability Insurance) wage base of \$184,500 (calendar year 2027), only the Medicare (Hospital Insurance) tax continues to apply to additional wages, as it has no wage base limit.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	CAL 2027 Rate	Deduction Code	Pay Stub Description
FS	FICA Subsidy	0151 0213	7.65% FICA (total) 6.2% on Social Security wages up to \$184,500 1.45% on Medicare wages (no wage limit)	SS	FICA/MED See next section for MQGE subsidy

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.

- 3) **MQGE Insurance Subsidy** – Medicare Qualified Government Employment (MQGE) applies to employees who do not participate in Social Security (OASDI) because they are enrolled in a Federal Civil Service, State Police, or Baltimore City Fire and Police retirement plan. Employees hired after April 1, 1986, are required to contribute to Medicare, and the agency is charged the Medicare subsidy on all taxable wages. There is no wage limit for Medicare taxation.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	CAL 2027 Rate	Deduction Code	Pay Stub Description
MS	MEDICARE IN SUB	0151	1.45% on Medicare wages (no wage limit)	MT	FICA/MED

NOTE: **Employees** pay a Medicare rate of 1.45% on all wages up to, and including, \$200,000. **Employees** pay a Medicare rate of 2.35% on all wages over \$200,000.

- 4) **Health Insurance Subsidies** – Employee and employer health rates are applied at the direction of the Department of Budget and Management. Employees who enroll themselves, a spouse, or IRS-qualified dependents in health benefits through the Department of Budget and Management (DBM) have their premiums deducted pre-tax under IRS Section 125. When an employee covers a domestic partner or the domestic partner’s children who do not qualify as IRS dependents, the IRS requires that the premium for that portion of coverage be deducted post-tax. Health deductions and subsidies are taken every pay period, with no skipped pay periods as in prior years. Monthly employees have their premium deducted each time they receive a paycheck.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	FY 2027 Rate	Deduction Code	Pay Stub Description
90	HEALTH INS SUB*	0152	Fixed amount to make up total premium	Employee Coverage 42 47 49 58 64 FQ	CF BCBS PPO CF BCBS EPO UHC EPO CF BCBS POS UHC EPO Kaiser IHM
AJ	PHARMACY SUB	0152		AH	PHARMACY PLAN
AQ	DENTAL SUBSIDY	0152		AP FL	UCC DENTL DPPO DELTA DENTAL 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 surcharge percentage on the Health Insurance Subsidy, Dental Subsidy, and Pharmacy Subsidy. It is applied at the direction of the Department of Budget and Management. To be subject to this surcharge, employees must receive these health subsidies and participate in a retirement or pension plan. Employees enrolled in an Optional Retirement Plan (ORP) are charged **one-half** the standard rate (i.e., 26.86%).

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	FY 2027 Rate	Deduction Code	Pay Stub Description
None	None	0154	53.71%	None	None

- 6) **Other Post-Employment Benefits (OPEB)** - This subsidy is applied by the Statewide Payroll System for long-term liability for retiree's health insurance. It was not approved for FY 2027.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Account Object	COM Sub-Object	FY 2027 Rate	Deduction Code	Pay Stub Description
None	None	01	0157	-0-	None	None

- 7) **Unemployment Insurance Premium** - This premium is applied by the Statewide Payroll System when an employee is eligible. Unemployment wages exclude cafeteria plans, flexible spending accounts for dependent care and health, and parking deductions. Employees who are ineligible include legislators, elected officials, students, patients, and inmates. Others may be excluded by submitting the UI exemption certification. The system is designed to accept an agency-specific rate, although all agencies are currently charged a standard rate.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	FY 2027 Rate	Deduction Code	Pay Stub Description
74	UNEMPL INS SUB	0174 0214	0.14%	None	None

- 8) **Supplemental Retirement Plan Match Program** – This charge is a subsidy billed to the state agency. To qualify for the match, an employee must have both an eligible mandatory retirement deduction and an elective deferral taken in the same pay period. The State will match eligible SRA plan contributions dollar-for-dollar, up to a maximum of \$600. An employee may make multiple SRA contributions; however, the total 401(a) match across all state employment may not exceed \$600 for FY 2027.

Employer Paid Deduction

Related Employee Paid Deductions

Deduction Code	Pay Stub Description	R*STARS Object	FY 2027 Rate	Eligible Deduction Code	Pay Stub Description
FA	MATCH TO MSRP	0172	Up to \$600	39 BP BF BG	457B 401K-SAVE ROTH 457 ROTH 401K
FF	MATCH TO FIDELITY	0172	Up to \$600	68* 70*	FDLTY 403B FDLTY 457B
FE	MATCH TO TIAA	0172	Up to \$600	40* BS* BH* BI*	TIAA 403B TIAA 457B TIAA ROTH 403B TIAA ROTH 457B

*Available only to employees at institutions of higher education. Employee Benefits Offices at the colleges and universities can provide additional information.