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OFFICE *of the* STATE COMPTROLLER  
165 Capitol Ave.  
Hartford, CT 06106

MEMORANDUM NO. 2025-16

August 22, 2025

TO THE HEADS OF ALL STATE AGENCIES

**Attention:** Fiscal and Administrative Officers, Business Managers, Payroll and Personnel Officers

**Subject:** FY 2025-2026 Revised Fringe Benefit Recovery Rates

The percentage rates for unemployment compensation and the various retirement plans listed on the attached chart are effective July 1, 2025. These rates should be used for any fringe benefit cost recovery taking place on or after July 1, 2025. In FY 2025-2026, as in the previous fiscal year, there will be no composite rates encompassing all fringe benefit components.

**Revised ARP Fringe Benefit Recovery Rate**

The revised ARP rate is **13.98%**. To apply this change, the rates for the **FRAPL, FRA415, and FRARPN deduction codes** will be temporarily reduced by the difference between the old and new rates—**5.96%**—for four pay cycles, starting with the **September 5, 2025** check date through the **October 17, 2025** check date. After the October 17 cycle, a **one-time true-up adjustment** is expected for the **October 31, 2025** check date. Following this adjustment, the rate will be permanently set to the revised **13.98%**.

**Treatment of Accounts 50423 and 50476 for Federal and Other Funds**

To comply with various SEBAC agreements, two new expenditure accounts were created in FY 2018. These include accounts 50423 – OPEB Employer Share and 50476 - SERS Tier 4 Employer DC Match. The employer share of these two benefits is generated through HRMS/payroll and posted to Core-CT financials on a biweekly basis. The 50423 and 50476 amounts are initially charged to the same funding source that pays the employees' salary. However, all expenditures for these accounts are later transferred to central appropriations within the State Comptroller's Office through an automated Core-CT process. The original funding sources are credited back for the charges as part of the process.

Please note – the employer share costs of OPEB are already built into the various fringe benefit rates for retirement. Similarly, the employer matching share cost of the SERS Tier 4 defined contribution is already included in the retirement rates for SERS Regular and SERS Hazardous Duty Retirement. **Therefore, no Federal grant or other funding source should be billed or charged separately for the account 50423 or 50476 expenditure amounts.**

**Memorandum No. 2025-16****-2-****August 22, 2025****Actual Cost Fringe Benefits**

Since November 2003, with the implementation of the Core-CT HRMS module, the state shares of certain fringe benefits have been charged to agencies on an actual cost basis. This includes group life insurance and medical insurance, which are calculated based on the actual cost of the state's share of insurance premiums. In addition, FICA-Social Security and FICA-Medicare have been calculated based on the existing Federal tax rates instead of the percentage rate developed in the past by the Office of the State Comptroller (OSC). The actual cost method will continue to be used in Fiscal Year 2025-26.

**Fringe Benefit Recovery**

All personal service expenditures from Federal and Private Grants and any funds other than the General Fund and Correction Industries Internal Service Fund are subject to fringe benefit recovery.

**Fringe Benefits and Overtime Salaries**

It has been the State of Connecticut's longstanding policy to distribute a proportional amount of all fringe benefits with overtime salaries. These fringe benefits include group life insurance, medical insurance, unemployment compensation, FICA-Social Security, FICA-Medicare and the applicable retirement plan in which the employee is enrolled. For overtime charged directly through payroll, the applicable fringe benefit rates and Federal tax rates for FICA and Medicare will be applied. In addition, a proportional amount of the employer-share group life and medical insurance will be distributed with the overtime salary based on the employee's coverage. Please note – additional group life and medical premiums are not generated or charged with overtime. Rather a proportional amount of the total actual employer-share premium is distributed to the funding source where the overtime salary is charged. Journal transfers of overtime salaries and associated fringe benefit adjustments should follow this approach.

**Charging Employees to the Correct Funding Source**

In Core-CT, fringe benefits are charged to the same funding source as the personal services expenditure. If an employee is paid from the correct funding source, Core-CT will charge the actual cost of fringe benefits to the proper funding source. Therefore, coordination is needed between agency payroll and financial staff to ensure every effort is made to pay employees from the correct funding sources.

**Salary and Fringe Benefit Payroll Corrections**

If an agency pays an employee from the wrong funding source, fringe benefits will be charged to the wrong funding source as well. For corrections, the agency will be responsible for identifying the salary amounts and fringe benefit amounts that need to be transferred.

Salaries can be transferred through spreadsheet journals using the source code of PC, although there are limitations to this approach. In addition, when the salary transfer is between a reimbursable funding source and a non-reimbursable source (e.g., a Grant Fund SID and the General Fund), the agency will need to submit a CO-826 form to identify the fringe benefit amounts to be transferred by fringe benefit account.

Completed electronic copies of CO-826 forms should be sent by e-mail to the following mailbox for processing: [Osc.CO-826@ct.gov](mailto:Osc.CO-826@ct.gov).

**Memorandum No. 2025-16****-3-****August 22, 2025****The Impact of Payroll Corrections on Financial Reporting**

It should be noted that spreadsheet journal transfers of salary and fringe benefits in the Core-CT financials module are not reflected in the HRMS system or in the payroll tables in EPM.

Therefore, if using HRMS for reporting purposes, agencies must track the corrections they make through spreadsheet journals and the use of CO-826 forms.

**Fringe Benefit Variances – New Requests Required**

All variances approved in Fiscal Year 2024-25 or earlier will be deleted for check date August 08, 2025. Variances for Fiscal Year 2025-26 will require a new request.

**Full and Partial Fringe Benefit Variances**

In most cases, full fringe benefit variances can be accommodated in Core-CT through the use of fringe benefit allocations that run when payrolls are posted. Fully exempted fringe benefit expenditures will be transferred to the appropriate OSC central appropriation.

For partial variances, Core-CT will charge the funding source the full amount for fringe benefits. Agencies with approved partial variances should submit CO-826 forms to recover the portion of fringe benefits that have been exempted.

**Deposits to Fund 34005 – Fringe Benefit Recovery Fund**

In certain situations, state agencies bill another state agency, municipality or private firm for services provided by an employee. The bill can include both salary and fringe benefit costs to be reimbursed.

Payments for the fringe benefit portion should be deposited or applied to the following coding:

Fund: 34005  
SID: 40001  
Account: 44338  
Budget Reference: Current Fiscal Year

In addition, the agency should use its own Department ID, Program and Project values.

**Alerting OSC of the Fund 34005 Deposit Using the CO-826 Form**

Once a fringe benefit recovery payment is deposited or applied to Fund 34005, the agency should alert the Office of the State Comptroller using a CO-826 Reimbursable Cost Recovery Form.

This allows OSC to credit the recovery to the proper central fringe benefit appropriations. A sample CO-826 form for Fund 34005 fringe benefit recovery deposits is available as a General Ledger job aid on the Core-CT website. Click the link titled Reimbursable Cost Recovery Report, Sample at <https://www.core-ct.state.ct.us/financials/gl/Default.htm>.

If there are questions, please call the Cost Reporting Unit of the Budget and Financial Analysis Division at (860) 702-3352.

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**Actual Cost Fringe Benefits**

<b><u>Account Code</u></b>	<b><u>Fringe Benefit Description</u></b>	<b><u>Actual Cost Expenditure Basis</u></b>
50410	Employer Share Group Life Insurance	State Share Premium
50420	Employer Share Medical Insurance	State Share Premiums for Medical, Dental and Prescription Coverage
50441	Employer Share FICA-Social Security	Federal Tax Rate of 6.2% of applicable wages up to Federal maximum limit.
50442	Employer Share FICA-Medicare	Federal Tax Rate of 1.45% of applicable wages – no maximum limit.

**Percentage Rate Fringe Benefits**

<b><u>Account Code</u></b>	<b><u>Fringe Benefit Description</u></b>	<b><u>FY 2025-26 Rate</u></b>
50430	Unemployment Compensation	0.10%
50471	Employer SERS Retirement Regular Employee	49.23%
50471	Employer SERS Retirement Hazardous Duty	77.97%
50472	Employer Alternative Retirement Program	13.98%
50473	Employer Teachers Retirement	40.65%
50474	Employer Judges/Compensation Commissioners Retirement Plan	65.43%