Thrift Savings Plan BULLETIN for Agency TSP Representatives

Subject: Processing Agency Submissions in the Modified Current Record Keeping System

Date: January 10, 2001

This bulletin outlines the procedures that agencies must use to report employee data and Thrift Savings Plan (TSP) contributions to the TSP record keeper, the National Finance Center (NFC), after the current record keeping system is modified.

As discussed in TSP Bulletin 00-20, dated October 12, 2000, the current record keeping system will be modified to allow investments in the Small Capitalization Stock Index Investment (S) Fund and the International Stock Index Investment (I) Fund beginning May 1, 2001. The modification to the current system will also allow participants to make contribution allocations at any time by filing requests directly with the TSP. Consequently, beginning May 1, 2001, agencies will no longer report TSP contributions by investment fund, but they will still be responsible for the activities described in Sections I and II of this bulletin.

I. Agency Responsibilities

A. Agencies will continue to report personal information for their participants to NFC on Employee Data Records.

B. Agencies will continue to determine the amount of the TSP contributions of their participants, deduct the Employee Contributions from the pay of their participants, and report employee and agency contributions to NFC each pay period on payment records.

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Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

Chapter: This bulletin may be filed in Chapter 6, Establishing and Maintaining Accounts.

Supersedes: This bulletin supersedes TSP Bulletins 90-41, Revision of Form TSP-2 and Introduction of Form TSP-2-E, dated December 17, 1990; 90-23, Reporting Contributions and Negative Adjustments to the TSP Recordkeeper, dated August 7, 1990; 87-20, Revision to Employee Data Record and Header Record Layouts, dated April 3, 1997; and 87-2, TSP Record Layout Changes, dated December 4, 1986.

1. Participants will continue to file TSP contribution elections with their agencies to start, stop, or change the amount of their contributions.

2. Agencies will continue to use participants' contribution elections and the basic pay earned for the pay period to determine the TSP contributions of these participants.

C. Agencies will continue to deduct loan payments from the pay of their participants and report the payments to NFC each pay period. There will be no change to the current procedures for reporting loan payments to NFC.

Consequently, agencies that use the Journal Voucher method to report loan payments will continue to use the current loan record layouts and Form TSP-2-L, Certification of Transfer of Funds and Journal Voucher for Loan Payments. The record layouts and Form TSP-2-L described in, and attached to, TSP Bulletin 99-14, dated July 15, 1999, should not be used **until** the new record keeping system is implemented.

D. Agencies will continue to correct their erroneous submissions. However, the method of reporting makeup contributions will change, as explained in Section IV of TSP Bulletin 00-6, dated March 30, 2000.

E. Agencies will continue to compensate their employees for earnings lost as a result of certain agency errors, as required by 5 U.S.C. § 8432a. To do so, agencies will continue to submit separate Lost Earnings Records (51-Records) after makeup or late contributions have been reported, as explained in Section II.C below.

II. Agency Submissions

A. Employee data and payment records

Beginning May 1, 2001, agencies should use the record layouts that have been developed for the new record keeping system to submit employee and contributions data to the TSP. These record layouts are attached to TSP Bulletin 00-6, and Section IV of that bulletin describes the records and contains instructions for completing them. These records and record layouts will **not** be changed when the new record keeping system is implemented.

B. Journal voucher for employee data and payment records

Form TSP-2, Certification of Transfer of Funds and Journal Voucher, must accompany employee data and payment records to certify the accuracy of the data and to authorize the transfer of funds from the agency to the TSP. Form

TSP-2 has been revised for use in the modified current record keeping system, and agencies should begin using the May 2001 version of Form TSP-2 (Attachment 1) on May 1, 2001.

Although the information required by the May 2001 version is the same as the information required by the version which has been developed for the new record keeping system (and which is attached to TSP Bulletin 00-6), the certification statement is different. The certification statement will again be revised for use in the new record keeping system, but the information required by the form will not change when the new record keeping system is implemented.

C. Lost Earnings Records (51-Records)

1. Rationale for continued submission

Until the new record keeping system is implemented, the TSP record keeping system will continue to be monthly valued and dollar-based. Breakage, as described in TSP Bulletin 00-6, cannot be determined until the record keeping system is converted to a daily valued, share-based system. Therefore, in the modified current system (as in the current system) agencies must submit separate lost earnings information after they submit makeup or late contributions to allow the calculation and posting of lost earnings.

2. No change to current lost earnings record layouts

The lost earnings record layouts (51-Record, Header Record, and Trailer Record) which agencies currently use and which are described in TSP Bulletin 90-42, dated December 17, 1990, will not be changed.

If the date the contributions should have been invested (i.e., the "beginning date" reported on the 51-Record) is before May 1, 2001, agencies must complete the records as they currently complete them.

If the "beginning date" reported on the 51-Record is on or after May 1, 2001, agencies should leave the fund fields blank (because they will not know the funds in which the makeup or late contributions should have been invested). The fund fields are "TSP-EADIST" for Employee Contributions due lost earnings, "TSP-GBADIST" for Agency Automatic (1%) Contributions due lost earnings, and "TSP-GMADIST" for Agency Matching Contributions due lost earnings.

3. Records requesting correction of fund allocation errors will not be processed

Currently, if agencies submit contributions on time but allocate the contributions to incorrect investment funds, they submit 51-Records to request correction of the allocation error. However, the TSP will **not** process such 51-Records in the modified current system. Consequently, 51-Records to correct fund allocation errors that are received by the TSP after March 29, 2001, will be rejected. (Records received during the period March 30 through April 27, 2001, would ordinarily be processed during the May 2001 monthly processing cycle, but the TSP will **not** process 51-Records to correct fund allocation errors after the conversion to the modified system on May 1.)

After April 30, 2001, agencies will no longer be able to make fund allocation errors because they will no longer report contributions by investment fund. In addition, by the time the modified current system is implemented, agencies should have corrected all (or most) valid fund allocation errors that they have made. This is because our error correction regulations will be amended to state that agencies cannot correct a fund allocation error that occurred before May 1, 2001, **unless** the error is discovered within 30 days of its first occurrence (either as a result of a claim filed by the participant or an independent discovery by the agency).

To correct a valid fund allocation error after March 29, 2001, agencies must contact the TSP record keeper for instructions.

4. Modification to the TSP Data Submission Program

The TSP program, which many agencies use to submit lost earnings information, will be modified to reflect the changes described above. This program is available from the TSP Web site (www.tsp.gov), and a Web-based version will be developed shortly which will allow agencies to submit data via the Internet. A future TSP bulletin will contain more information about this data submission program, including its new version.

D. Journal vouchers for lost earnings records

1. Current requirement

Currently, Form TSP-2-E, Request to Calculate Lost Earnings: Certification of Transfer of Funds and Journal Voucher, must accompany lost earnings submissions. Like Form TSP-2, Form TSP-2-E certifies the accuracy of the data on the 51-Records and authorizes the transfer of funds from the agency to the TSP.

2. Requirement for modified current system

In the modified current system, agencies will continue to submit 51-Records with a discrete lost earnings journal voucher. Form TSP-2-E (Attachment 2) has been revised for use in the modified current system to eliminate information relating to the investment of contributions due lost earnings. Agencies should begin using this revision on May 1, 2001, to submit lost earnings records to NFC.

However, if lost earnings must be determined using the Government Securities Investment (G) Fund rates of return, agencies must use Form TSP-2-EG to submit 51-Records to NFC beginning May 1, 2001. The new Form TSP-2-EG, Request to Calculate Lost Earnings at G Fund Rates of Return: Certification of Transfer of Funds and Journal Voucher (Attachment 3) is explained below.

3. Form TSP-2-EG

Generally, lost earnings are determined using the participant's contribution allocation at the time the makeup or late contributions due lost earnings should have been deposited to the account. However, in certain instances, the lost earnings that makeup contributions should receive must be determined using the G Fund rates of return. Lost earnings that must be determined using G Fund rates of return are:

a. Lost earnings for agency makeup contributions attributable to the performance of military service (see TSP Bulletin 95-13, dated April 21, 1995);

b. Lost earnings for makeup contributions attributable to a back pay award for an erroneous separation **unless** a court or agency official specifies otherwise (see our error correction regulations at 5 C.F.R. § 1605); and

c. Lost earnings for agency makeup contributions attributable to the performance of service with an international organization **if** the participant so elects (see TSP Bulletin 00-13, dated May 9, 2000).

As discussed in 2 above, agencies currently complete fund fields on the 51-Records that they submit and, if lost earnings must be determined using G Fund rates, the agency completes the fund fields to indicate "G Fund." In the modified current system, however, the fund fields will be blank if the "beginning date" is after April 30, 2001. Consequently, to inform the TSP that lost earnings must be determined using the G Fund rates of return, the 51-Records must be accompanied by Form TSP-2-EG, rather than the routine Form TSP-2-E.

Other than the title and the instructions for using the form, Form TSP-2-EG is the same as Form TSP-2-E. **However, it is critical that agencies use Form TSP-2-EG only as described above; lost earnings for all records accompanied by Form TSP-2-EG will be determined at the G Fund rates of return regardless of a participant's contribution allocation in effect at the time the makeup contributions should have been made.**

III. Processing Agency Submissions

A. Contributions

1. The TSP will invest all contributions reported on a Current Payment Record or a Late Payment Record according to the participant's contribution allocation in effect on the date the contributions are posted to the account.

2. For purposes of applying the IRS annual elective deferral limit, the TSP will use the current year for current contributions and the year of the "as of" date for makeup and late contributions. Thus, employee makeup and late contributions will count against the limit for the year in which they should have been made. (See TSP Bulletin 98-21, dated June 19, 1998, for more information about this application of the elective deferral limit.)

B. Loan payments

The TSP will invest loan payments (reported by either the discretionary allotment method or the Journal Voucher method) according to the participant's contribution allocation in effect on the date the payments are posted to the account.

C. Lost earnings

The TSP will calculate lost earnings based upon the information provided on the 51-Records and the lost earnings journal voucher that is used to submit the records.

1. If 51-Records are accompanied by Form TSP-2-E, the lost earnings will be calculated based upon the fund information contained on the 51-Records if the "beginning date" on the records is before May 1, 2001; if the "beginning date" is on or after May 1, 2001, the lost earnings will be calculated based upon the contribution allocation in effect for the "beginning date."

2. If the records are accompanied by Form TSP-2-EG, the lost earnings will be calculated at the rates of return for the G Fund. As discussed in II.D above, it is imperative that agencies use Form TSP-2-EG **only** to submit 51-Records for makeup contributions for which lost earnings must be calculated at the G Fund rates of return.

IV. Determining Contribution Allocations

A. Beginning May 1, 2001, participants may change the investment of future contributions and loan payments made to their accounts at any time by making contribution allocations directly to the TSP. There will be no limit on the number of contribution allocations participants may request, but only one contribution allocation can be made effective on a given business day.

Participants may use electronic media (i.e., the TSP Web site or the ThriftLine) or paper (i.e., Form TSP-50, described below) to request contribution allocations. However, **participants will be encouraged to use the more efficient electronic media to request contribution allocations.**

1. Electronic contribution allocation requests will generally be effective no later than 2 business days after they are received.

2. Paper contribution allocation requests will generally be effective no later than 2 business days after they are received (if the form is properly completed). Form TSP-50, Investment Allocation, is a new form which will be used for both contribution allocation and interfund transfer requests.[*] A future TSP bulletin will announce the availability of this new form.

B. Until a participant requests a contribution allocation, the TSP will invest contributions and loan payments received after April 30, 2001, by applying the following rules:

1. Current participants

   The TSP will use the allocation of the most recent contribution deposited on or before April 30, 2001. If no contributions have been posted to the account during the 45-day period ending April 30, the allocation of an interfund transfer request pending for April 30, 2001, will be used. If there is no pending interfund transfer request, the allocation of the March 31 month-end account balance will be used. If this month-end account balance is zero, the allocation will default to 100% G Fund.

2. New participants

   The TSP contributions of a participant whose account is first established after April 30, 2001, will be invested in the G Fund until the participant makes a contribution allocation with the TSP record keeper.

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Executive Director

Attachments: Form TSP-2 (5/2001)
Form TSP-2-E (5/2001)
Form TSP-2-EG (5/2001)

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[*] Until the new daily valued record keeping system is implemented, interfund transfers will continue to be processed on a monthly basis, and the processing of interfund transfer requests will continue to be subject to the current rules (e.g., requests received by the fifteenth of the month will be made effective as of the end of the month).