THRIFT
SAVINGS
PLAN

FERCCA Guidance
March 12, 2008

Agenda

- Back to Basics (Definitions and Rules)
- CSRS to FERS
- FERS to CSRS (or Offset)
- FERS or CSRS to FICA
- Applying breakage on contributions deposited prior to FERCCA instructions (CSRS to FERS)
- Corrections for separated/retired participants
- Resources

TSP Error Correction

- REF: 5 CFR 1605
  - 1605.14 – Misclassified retirement system coverage
  - 1605.12 – Removal of erroneous contributions
  - 1605.11 – Makeup of missed or insufficient contribution
- Bulletins will be referenced within each error correction topic

Special FERCCA Provisions

- For CSRS employees misclassified FERS and corrected back to CSRS:
  - Employee contributions that exceed the applicable contribution percentage may remain in the TSP (5 CFR 1605.14(a)(1))

- For FERS employees misclassified CSRS and corrected back to FERS:
  - Employee as well as agency contributions are due breakage (5 CFC 1605.14(b)(4))

Rule of Thumb Definitions

- Makeup contributions –
  - Employee contributions should have been deducted or agency contributions posted, but they weren't
  - Employee contributions not subject to breakage (the employee had use of the money); agency contributions due breakage (employee did not have use of the money)
- Late contributions –
  - Employee contributions were deducted but not posted timely and agency contributions that weren't posted timely
  - Breakage due on all three sources of money (the employee did not have use of the funds)

Rule of Thumb Definitions

- FERCCA correction –
  - Correction subject to FERCCA provisions
- Breakage (aka lost earnings) –
  - Automatically calculated by the recordkeeping system based on “as of” dates
  - Before January 1, 2000, uses the greater of the G Fund or average return of the TSP individual funds
  - After December 31, 1999, uses the actual or derived contribution allocation, if no allocation, the G Fund
- REF: Definitions in 5 CFR 1605.1

TSP Record Keeping System Transition Rules

- In June 2003, transitioned to daily valued record keeping system
- Pre-January 1, 2000, contribution and some other transaction records were not converted
- Resulted in the special pre-2000 breakage calculation rule

TSP Record Keeping System Transition Rules

- Negative adjustment processing rules:

  – Basic rule: If the record contains an attributable pay date that is earlier than 01/01/2000 and the original contribution was posted before 01/01/2000, the record will not be processed. The system cannot match the negative adjustment record with the original contribution record

  – Exception: If the attributable pay date is before 01/01/2000, but the agency reported the contribution as a late contribution *after December 31, 1999, the negative adjustment will process.* The system will be able to match the negative adjustment record with the original contribution record because the record is in the system

TSP Record Keeping System Transition Rule

- This means that:
  - If you’re correcting a FERCCA error *now* and send in a late contribution with an “as of” date before 2000 and you subsequently need to correct the record, you can process a negative adjustment
  - You cannot adjust contributions that were posted before 2000

TSP Records and Reports

16-Records

- Current payment record:

  – Used to report current contributions and makeup contributions except for makeup contributions attributable to
    - A back pay award or other retroactive pay adjustment or
    - A FERCCA correction requiring breakage on makeup employee contributions

  – Breakage calculated only on agency contributions based on the “as of” date on the record. If no “as of” date, no breakage

- Catch-up contribution corollary record: 86-Record

46-Records

- Late payment record
  - Used to report late contributions, *and* to report makeup contributions that are attributable to
    - A backpay award or other retroactive adjustment or
    - A FERCCA correction requiring breakage on makeup employee contributions
  - “As of” date is the pay date for which the contributions would have been made (retros) or should have been made (FERCCA corrections)
- Catch-up contribution corollary record: 88-Record

26-Records

- Negative adjustment record
- Used to remove erroneous contributions that have been previously reported
- Agencies can only retrieve agency contributions that have been posted for less than one year. Agency contributions that have been in the account for more than a year are forfeited to the plan
- Catch-up contribution corollary record: 29-Record

71 and 72-Records

- FERCCA Payment record (71)
  - Used to deposit the net amount of lost earnings calculated by the OPM FERCCA team in situations where the employee contributions due breakage have already been submitted to the TSP (generally before 2000)

- Miscellaneous payment record (72)
  - Used to deposit miscellaneous lost earnings not calculated or posted as breakage by the TSP. Prior approval by TSP required

- Submit via web with Journal Voucher Form TSP-2F

- REF: Bulletin 05-12, Earnings Adjustments to Thrift Savings Plan Accounts Requested by Employing Agencies (08/02/2005)

Processing Reports of Special Interest in FERCCA Cases

- Rpt 1701 -- Error Report
- Rpts 1702 and 1902 (71 and 72 records only) – JV Recaps
- Rpts 31503 (detail) and 31504 (summary) -- Negative Adjustment Records Processed
- Rpts 5014 (summary), 5015 (by participant), 5016 (detail) – Breakage Reports
- REF: Bulletin 02-16, Payroll Office Reports Produced by New Record Keeping System (06/12/02) and Bulletin 05-12, Earnings Adjustments to Thrift Savings Plan Accounts Requested by Employing Agencies (08/02/05)

CSRS to FERS

The Hardest Scenario

Things to Remember

- Will involve making up employee and agency contributions
- Will need basic pay records for the period involved as well as a record of what the employee has already contributed
- Don’t forget first and second conversion periods (01/01/84-12/31/86 and 01/01/87-03/31/87)
- Don’t forget the 04/01/87-09/30/87 double up periods:
  - FERS participants could contribute up to 15% of basic pay if they were employees on 01/01/87; CSRS was 7.5%
  - Matching was 200% for the first 3% contributed (2 dollars for 1 dollar) and 100% for the next 2% contributions (dollar for dollar) for the pay periods in April through June 1987

CSRS to FERS

- Determine when employee would have been eligible to contribute to the TSP and receive agency contributions (See charts under Historical Information/Info for Agency Reps at www.tsp.gov)

- Determine if (and when) the employee elected to contribute to the TSP

- Submit employee data (06) record to change retirement coverage from CSRS to FERS. To establish a TSP account as a FERS employee, will need to send 06-Record with payment record

- Based on basic pay earned each applicable pay date, determine the Agency Automatic (1%) Contributions the employee is entitled to receive, and any Agency Matching Contributions based on employee contributions made (while coded CSRS)

- Establish a schedule for make-up employee contributions (and associated Agency Matching Contributions)

CSRS to FERS

First Conversion Agency Automatic Contributions

- If the correction results in the participant being classified as FERS on 01/01/1987 with prior CSRS interim service, the participant is entitled to the First Conversion Agency Automatic (1%) contributions
- Equivalent to 1% of basic pay (for each pay period) for CSRS interim service during 01/01/1984 through 12/31/1986. Most agencies used salary information from SF-50s to calculate estimated basic pay
- Must submit via TSP web submission on 46 (late payment) record with an “as of” date of “12/31/86. Submit with separate EDR with TSP-SCD that will be used as the first contribution date and journal voucher reporting a pay date of 12/31/86

CSRS to FERS

First Conversion Agency Automatic Contributions

- REF: Bulletin 87-3, Thrift Savings Plan (TSP) One Percent Government Basic Contribution Conversion Computation (12/04/86)

- Included in package

- Added to FERCCA Corrections in Info for Agency Reps at www.tsp.gov

CSRS to FERS

Second Conversion Agency Automatic Contributions

- If the participant is FERS as of 01/01/87 and had no breaks in service between that date and 03/31/87
- Equivalent to 1% of basic pay paid on or after 01/01/87 through the first full pay period that includes 03/31/87.
- Must use a 46 (late payment) record and submit via TSP web submission; the “as of” date is 03/31/87

CSRS to FERS

Second Conversion Agency Automatic Contributions

- REF: Bulletin 87-7, Second Conversion Process (01/06/1987)
- Included in package
- Added to FERCCA Corrections in Info for Agency Reps at www.tsp.gov

CSRS to FERS
Agency Contributions

- Submit 46 (late payment) records, by applicable "as of" date, for the Agency Automatic (1%) Contributions for the period covered by the correction

- If the employee contributed as a CSRS participant, calculate the appropriate matching contributions based on the amounts already contributed. Submit these matching contributions on 46 (late payment) records

CSRS to FERS

Employee Contributions Already Made Up

- If the employee has already made up some or all of the employee contributions that would have been associated with the FERCCA correction and is eligible for earnings on those contributions;
  - If the makeup contributions under FERCCA were made before 06/01/03, the payroll office should have submitted lost earnings records for those contributions. If not, you must contact the OPM FERCCA Team for an earnings amount. (If you received the case from OPM, the amount should have been provided.)
  - Submit the earnings adjustment on the 71 (FERCCA earnings) record. Use the “as of” date provided by OPM to ensure breakage is calculated.
  - If the makeup contributions under FERCCA were made using the 46-records after 05/31/03, breakage was automatically calculated by the TSP record keeping system.
  - If the makeup contributions under FERCCA were made using the 16-records (this is an error), we’ll discuss this scenario on a later slide

CSRS to FERS
Employee Contribution Makeup Schedule

- Use the same rules for regular error correction! REF: 5 CFR 1605.11, Makeup of missed on insufficient contributions, to set up the schedule

- Determine how much is to be made up, the dollar amount per pay period, and the duration of the payments. Calculate the agency matching contributions associated with each pay date's makeup contribution. The employee must agree to the schedule. REF: The contribution percentages and elective deferral amounts are in Historical Information in the Info for Agency Reps at www.tsp.gov

- Makeup contributions which exceed the applicable year's elective deferral rate will be rejected by the TSP record keeping system

CSRS to FERS
Employee Contribution Makeup Schedule

- If the employee is already making up contributions under FERCCA, but decides to switch to FERS based on a FERCCA estimate made using a higher contribution rate, the schedule can be adjusted
  - Otherwise, the participant does not really have a choice

- If the employee wants a FERCCA estimate at a different contribution rate, contact the OPM FERCCA Team

CSRS to FERS

Submitting Makeup Contributions

- Based on the employee's makeup schedule, deduct make up contributions from future basic pay

  - NOTE: Contributions can only be made from basic pay. Employees cannot give you a check for these makeup contributions nor can they use a lump sum annual leave payment!

- Helpful Hint: Flag, highlight, or otherwise annotate these employees as FERCCA cases so everyone working with their payroll records knows that they should be handled as "FERCCA" corrections

CSRS to FERS
Submitting Makeup Contributions

- **Use 46 (late payment) records** to submit these makeup employee contributions and attributable Agency Matching Contributions. Why? So the TSP system will calculate breakage on both the employee and agency matching contributions

- Critical: You must use the 46 record in order to comply with the special FERCCA rule regarding breakage on employee contributions

- If you erroneously use a 16 record,
  – You can submit negative adjustment records to remove the erroneous submissions and resubmit them or
  – If you have really messed up lots of records or if the erroneous records were submitted before 01/01/2000, you'll have to contact the TSP Agency Liaison Team for assistance
    - Coordination with the OPM FERCCA Team will be required in some cases to get an earnings amount to be submitted on a 71-Record

CSRS to FERS
Submitting Makeup Contributions

- Basic Rules:
  - Start with the earliest pay date first and work forward
  - Complete what you can immediately, e.g., submit the Agency Automatic (1%) Contributions and Agency Matching Contributions if the participant had already made employee contributions
  - Make sure a record is kept of the progress of the schedule (particularly since pay technicians do take leave and cases are not necessarily handled by the same person)
  - If an error is made, tackle it right away. The longer an error hangs around, the harder it is to fix

CSRS to FERS

Submitting Makeup Contributions

- ✓ If the employee is entitled to Agency Matching Contributions based on the make-up employee contribution, submit the Agency Matching Contributions on the same 46 (late payment) record. The TSP will calculate breakage on this amount separately and apply the same rules based on the "as of" date provided

- ✓ Don't forget that the makeup contributions for a given pay date can span multiple pay dates in the makeup schedule. Although some participants may "double up" contributions (which makes the calculation easy), some may not be able to afford to. You must make sure that you determine the percentage of basic pay being made up each pay period to apply the matching formula

- ✓ This is basic error correction; there are no special FERCCA rules

CSRS to FERS

Submitting Makeup Contributions

Double-up Example

- FERCCA employee requests a schedule over 3 years to make up 6 years worth of employee contributions that had not been deducted from pay
  - When the makeup contribution amount is deducted, it equals the total makeup contributions for 2 different pay dates
  - Two separate 46 (late payment) records totaling the amount of the makeup contribution must be submitted, each with its own applicable “as of” pay date and the appropriate agency matching contribution amount
  - Each retroactive makeup contribution amount would receive the appropriate breakage back to its original pay date
- If the employee is making current contributions, this money and the associate agency contributions would be submitted on a 16 (current contribution) record

CSRS to FERS

Double-up Example

- Let’s assume that the employee wants to contribute $222.33 for each pay date covered by the period of retirement coverage misclassification. For the pay periods in this example, this amount equals 10% of pay. The participant is entitled to 4% matching contribution
  - $444.66 is deducted from pay for the retroactive contribution
  - One late payment record would come in with a $222.33 employee contribution and $88.92 in matching with a February 16, 1997, “as of” date; the other late payment record would be for the same amounts with a March 2, 1997, “as of” date
- The net amount of breakage on each late payment would be different, because one has a (slightly) longer period of time for which breakage is due than the other. Each contribution will have its own breakage amount posted when the contribution is posted the the account

CSRS to FERS
Submitting Makeup Contributions
Extended Schedule Example

- FERCCA employee requests that the agency set up a repayment schedule over 6 years to make up 3 years worth of employee contributions that had not been deducted from pay

  - When the makeup contribution amount is deducted, the make up amount equals ½ the amount of the total contributions for the pay date being made up

  - In this case, the payroll office will submit one 46 (late payment) record for each of two current pay periods. Each record will reflect ½ of the total contributions to be made up for the given pay date. The appropriate matching contribution must also be included

  - In some cases, the schedule could have a makeup payment being made for a given pay date extending over multiple pay periods

CSRS to FERS
Elective Deferral Limits

- As long as employee contributions are submitted with their original pay dates, each contribution will be applied towards the appropriate elective deferral limit. See Historical Information in Info for Agency Reps at www.tsp.gov for the limits from 1987 to date

- The amounts of the make up contributions attributable to prior years must be annotated in a separate block on IRS Form W-2. This is particularly important if it appears that the participant has exceeded a given year's elective deferral limit

- REF: Bulletin 98-21, Changes to the Error Correction Procedures (06/19/98), Section V

- This is basic error correction; there are no special rules for FERCCA cases

CSRS to FERS
Breakage Calculations

- ✓ Breakage will be computed and posted to the account based on the “as of” date on the payment records
- ✓ Pay dates prior to December 31, 1999, will receive the greater of (for each month) the G Fund return or the average return of all funds
- ✓ Pay dates on or after January 1, 2000, will receive breakage based on the contribution allocation on file in the account. If none on file, then the G Fund return/share price is used

CSRS to FERS

One Final Cleanup Note

- For retroactive agency contributions corrected prior to June 1, 2003, payroll offices should have submitted lost earnings (51) records to request TSP calculate and post lost earnings
  - If a make up contribution was posted prior to June 1, 2003, and lost earnings records were not submitted, the agency can no longer submit lost earnings (51) records to the TSP record keeper for processing
  - You will have to contact OPM to calculate breakage on these agency contributions; the amount must then be submitted on a 71 (FERCCA Correction) record

CSRS to FERS

Submitting 71 Records

- Once the amount(s) of breakage are determined by OPM, the payroll office submits FERCCA earnings (71) record
  - TSP Web-based submission only
  - TSP-2F, Journal Voucher submitted with record

CSRS to FERS
Submitting 71 Records

- Once 71 record submitted, TSP will deposit amount of breakage identified on record
  - OPM provides agency an “as of” date its breakage was calculated
  - Payroll office provides the same “as of” date on 71 record
    - If deposit is made 30 days or more from “as of” date, TSP will calculate and charge additional breakage on original amount
      - Breakage can be positive or negative!
  - Payroll office will receive report of FERCCA earnings charged to its Treasury account
    - And additional breakage if amount(s) on 71 record were deposited 30 days or more from “as of” date

CSRS to FERS

Reports received from TSP

- Report TSP 1702, Payroll Office Recap of Journal Voucher Processing – will show the summary of charges, credits, rejects and the number of records processed in the payroll submission

- Report TSP 1701, Error Report – identifies those records that were not processed with corresponding code

- Report TSP 5014, Summary of Breakage Charges – will show the total breakage charged in the JV submission

- Report TSP 5015, Breakage Report by Agency & Participant
  - Available upon request by the agency

- Report TSP 5016, Detailed Breakage Report by Participant
  - Available upon request by the agency
  - Provides a more detailed summary by contribution and fund of the net breakage calculated and the breakdown of the breakage amount (positive or negative) posted to the account

- Report TSP 1902, Payroll Office Recap of Earnings Adjustment JV Processing

FERS to CSRS

The Easier Scenario

FERS to CSRS
Things to Remember

- The participant does not get to keep **any** of the agency contributions in his/her account

- Employee contributions in excess of the CSRS percentage limits remain in the account. The participant may request a refund of those contributions made after 12/31/1999 (the ones for which you can submit negative adjustments). Earnings always remain in the account

- Make up employee contribution schedules are established under basic error correction rules, but you don’t have to worry about the agency contributions

- Once the retirement code is corrected, the participant cannot take a loan or make a withdrawal until the agency contributions and associated earnings have been removed from the account

FERS to CSRS

Employee Data Record (EDR) and Negative Adjustments

- Submit Employee Data (06) Record to change retirement coverage from FERS to CSRS

- Submit negative adjustment (26) records, by attributable pay date, for each Agency Automatic (1%) and Agency Matching Contribution deposited less than one year from when submission is made

  – TSP will return the exact amount if the contribution value is positive, or the lesser value (if losses occur) to the payroll office

FERS to CSRS
Negative Adjustments

- Negative adjustment records may be submitted for agency contributions that have been deposited for more than one year
  - The TSP will forfeit these contributions from the participant's account along with associated earnings
  - The agency will not receive a credit on these amounts

FERS to CSRS
Negative Adjustments

- Don’t forget that contributions submitted *before* 01/01/2000 cannot be removed by the payroll offices. Error code: R 26

- However, contributions submitted *after* 12/31/1999 with “as of” dates prior to 01/01/2000, can be adjusted (because we converted these history records)

FERS to CSRS

Forfeiting the Agency Contributions

- Contact your Agency Technical Services team or the Thrift Investment Board *after* the retirement code has been corrected and all eligible negative adjustment records processed

- The Board will forfeit the remaining agency contributions and earnings from the participant's account

  – If these contributions are not removed, the employee will be prohibited from obtaining a loan or an in-service or post-service withdrawal

FERS to CSRS
Employee Contributions

- If the employee requests, the employee contributions in excess of the applicable CSRS contribution percentage may remain in the TSP account
  - REF: Historical Information in Info for Agency Reps at www.tsp.gov
- Employee contributions deposited before 01/01/2000 must remain in the employee's account
- Earnings on employee contributions must remain in the account

FERS to CSRS
Employee Contributions

- Employee contributions deposited after 12/31/1999 that exceeded the maximum percentage allowed for CSRS can be returned to the employee if he/she requests
  - The TSP will accept negative adjustment records for contributions deposited after 12/31/1999 even if the “as of” date is prior to 01/01/2000
  - The TSP will return the net value of the contribution to the payroll office. The original amount contributed must be returned to the employee by the payroll office
  - The returned amount is income earned in the year it is returned to the employee and must be reported on the employee’s W-2

FERS to CSRS

Reports Received From TSP

- Report TSP 1702, Payroll Office Recap of Journal Voucher Processing – will show the summary of charges, credits, rejects and the number of records processed in the payroll submission

- Report TSP 1701, Error Report – identifies those records that were not processed with corresponding code

- Report TSP 31503, Report of Detail Negative Adjustment Records Processed – provides details on the net effect of the negative adjustment(s) (processed in the JV submission) in the participant's account

- Report TSP 31504, Summary Report of Negative Adjustments Processed – provides a payroll accounting and reconciliation tool showing the net amounts returned to the agency from the JV submission

FERS or CSRS to FICA

A variation of FERS to CSRS

FERS or CSRS to FICA

- Follow the same procedures as correction from FERS to CSRS except:
  - The employee is now *ineligible* to contribute to the TSP. Stop all future contributions to the TSP account
  - Report the change to FICA on an Employee Data (06) Record (see next slide)
  - Determine disposition of employee contributions that can be returned
  - Remove all agency contributions (by negative adjustment and/or notifying the ATS or Thrift Investment Board)

FERS or CSRS to FICA
Employee Data Record Changes

- Submit an Employee Data (06) Record:
  - To correct the retirement coverage to “4” (none)
  - To reflect a status code of “I” for ineligible for TSP. The status date may be the effective pay date the payroll office used for this (or its last) payroll submission
  - To reflect an employment code of “S” (separated) with an associated employment code date which may be the pay date the payroll office used in this (or its last) payroll submission. This allows the employee access to those employee contributions that cannot be returned through negative adjustments, along with earnings on all employee contributions made

FERS or CSRS to FICA

- Submit negative adjustment records for applicable agency contributions that are less than one year old

- Contact your ATS team or the Thrift Investment Board after the retirement code has been corrected and all appropriate negative adjustment records have been processed to return agency contributions. The TSP will process the forfeiture of the remaining agency contributions and earnings

- The employee may request that all employee contributions remain in the account. Only those employee contributions deposited on or after January 1, 2000, can be returned to the payroll office. The payroll office must return the exact amount of the original contribution to the employee.
  - Returned amounts are income earned in the year received

FERS or CSRS to FICA

Employee Now Hired in a Covered Position

- If the employee elects FICA coverage for a FERCCA period of correction, but is now employed in a position with coverage under FERS or CSRS:

- If the employee is now covered under CSRS, submit negative adjustment records to remove agency contributions less than one year old
  - Contact your ATS team or the Thrift Investment Board after the retirement code has been corrected and all appropriate negative adjustment records have been processed to return agency contributions. The TSP will process the forfeiture of the remaining agency contributions and earnings

FERS or CSRS to FICA

Employee Now Hired in a Covered Position (cont'd)

- If the employee is covered under FERS, submit negative adjustment records for ALL <u>applicable</u> erroneous agency contributions that are posted January 1, 2000 or later
  - TSP will return agency contributions less than one year old
  - TSP will remove erroneous agency contributions more than one year old, along with all associated earnings on the agency contributions
  - Contact your ATS or the Federal Retirement Thrift Investment Board regarding erroneous agency contributions posted prior to January 1, 2000. The TSP will process the forfeiture of those agency contributions and earnings

- The employee may request that all employee contributions attributable to the period of FICA elected coverage remain in the account

- If the employee requests the agency return the contributions, only those employee contributions deposited on or after January 1, 2000, can be returned to the payroll office
  - The payroll office must return the exact amount of the original contribution to the employee. Returned amounts are income earned in the year received

Error Correction Issues for Separated Employees

- A number of issues are identified when agencies attempt to make corrections to the TSP accounts of separated participants

- Agencies are limited in their ability to completely correct accounts when the error involves an employee making up contributions missed
  - Basic pay is the only source of TSP contributions, current or make up. If the employee is separated, he/she is not receiving basic pay to allow for a repayment plan
  - This will also affect the employee’s ability to receive agency matching contributions and breakage associated with make-up employee contributions
    - Agencies will still submit any agency matching associated with employee contributions made prior to separation
  - It will not affect the employee’s ability to receive Agency Automatic (1%) Contributions and breakage

Error Correction Issues for Separated Employees

- For FERCCA corrections, a separated employee should be informed of his inability to make up contributions missed if he elects FERS coverage
  - This should be a significant factor in his/her retirement coverage decision (if they did not contribute to the TSP while covered under CSRS)

- The Federal Retirement Thrift Investment Board cannot grant an exception to contributing to the TSP from a source other than statutory basic pay

- Note: To correct the retirement coverage code, an agency may submit an Employee Data Record (EDR) to change the retirement code for an existing TSP account *without* submitting contributions to the participant's TSP account
  - In most cases, the agency is submitting payment or negative adjustment records to complete the correction

Error Correction Issues for Separated Employees

Depositing retroactive agency contributions

- If an agency submits payment records to deposit retroactive contributions, the TSP record keeping system will deposit those contributions in the account as long as the participant has not fully withdrawn his/her TSP account
  - The TSP system will reject the payment records if the account balance is zero
  - The agency must resubmit the contributions with an EDR (06 record) to overlay the separation EDR on file. Once the contributions are posted, the agency must submit an EDR with separation data to allow the participant to withdraw these amounts

Error Correction Issues for Separated Employees

Depositing retroactive agency contributions (cont'd)

- If the participant is receiving monthly payments, the system will accept the contributions, but the participant's monthly payments will stop!
  - The record keeping system sees these contributions as contributions attributable to new period of employment
  - A new Form TSP-70 must be submitted to start the monthly payments again
  - In the process of correcting TSP accounts of separated participants, agencies should notify the participant of the pending correction and include information regarding resubmission of withdrawal forms if the balance was completely withdrawn prior to corrections made, or TSP is paying monthly payments
- If the participant is deceased and a death benefit payment has been made, the agency should notify the potential beneficiaries to contact the TSP call center, and should also notify ATS or the Federal Retirement Thrift Investment Board

Error Correction Issues for Separated Employees

Removing agency contributions

- If the employee elects CSRS or FICA coverage:
  - An EDR should be submitted immediately to change the retirement coverage to CSRS or FICA
  - Negative adjustments should be submitted immediately (with the EDR or after) to return or remove agency contributions less than one year old
  - Contact ATS or the Federal Retirement Thrift Investment Board to remove remaining agency contributions

- If the EDR is submitted to correct the coverage but the agency contributions are not removed, the TSP will not process the participant's pending withdrawal request

Error Correction Issues for Separated Employees

Removing agency contributions (cont'd)

- It is important for agencies to work with their payroll offices in situations where the employee is covered under FERS but eligible under FERCCA to make a CSRS or FICA election after separation
    - If the employment code is not overlaid or the agency cannot immediately change the retirement coverage to CSRS or FICA, the separated employee can withdraw the entire TSP account balance, including agency contributions. There is no recovery of these contributions by the agency
    - If the participant is receiving monthly payments and a negative adjustment is submitted without overlaying the retirement or employment code, the TSP will reject the records. If the Employment Code is overlaid, the TSP will process negative adjustment records attributable to available agency contributions less than one year old. Contact ATS or the Federal Retirement Thrift Investment Board to remove remaining agency contributions
    - The TSP will reject negative adjustment records submitted after a full withdrawal election is processed if the account balance is zero. There is no recovery of these contributions by the agency

Error Correction Issues for Separated Employees

FERCCA actuarial reductions for agency contributions in a retired CSRS employee's TSP account:

- Applies only to employees who retired prior to the implementation of FERCCA
  - New retirements received are returned to the Agency by OPM to apply FERCCA decision rules
- OPM has TSP account data to apply the reduction
  - TSP provided OPM with agency contribution information (as of date of retirement with notes) regarding this population

Resources

- Bulletins:
  - 05-02, Participation in the Thrift Savings Plan (01/26/05)
  - 05-13, Processing Agency Submissions in the New Record Keeping System (08/10/05)
  - 02-16, Payroll Office Reports Produced by New Record Keeping System (06/12/02)
  - 05-17, Elimination of Percentage Restrictions on Employee Contributions to the Thrift Savings Plan (11/30/05)
  - 05-12, Earnings Adjustments to Thrift Savings Plan Accounts Requested by Employing Agencies (08/02/2005)
  - 87-3, Thrift Savings Plan (TSP) One Percent Government Basic Contribution Conversion Computation (12/04/86)
  - 87-7,Second Conversion Process (01/06/1987)
  - 98-21, Changes to the Error Correction Procedures (06/19/98), Section V

United States Department of Agriculture
Office of Finance and Management
National Finance Center
P.O. Box 61500
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Title: 5, United States Code

Chapter: 84, Federal Employees' Retirement System, Subchapter III, Thrift Savings Plan

Bulletin: 87-3, Thrift Savings Plan (TSP) One Percent Government Basic Contribution Conversion Computation

Date: December 4, 1986

To: TSP Agency Payroll Office Representatives
TSP Agency Personnel Office Representatives
TSP Automated Data Processing Representatives

TSP BULLETIN

The purpose of this bulletin is to provide agency representatives with instructions to aid in the computation of the 1 percent Government basic contribution amount for which the Federal Government is liable for the period January 1, 1984, through December 31, 1986. This contribution will be made for all employees covered under the Federal Employees' Retirement System Act of 1986 (FERS).

For employees who have not had a break in service or who have not transferred from another payroll office during this period, the 1 percent Government basic contribution may be computed by using one of the following suggested sources:

- From official data stored in the payroll system.

- From the base salary amount used to calculate the retirement amount furnished to the Office of Personnel Management (OPM) for the period January 1, 1984, through December 31, 1986, multiplied by 1 percent.

- From the retirement amount furnished to OPM for the period January 1, 1984, through December 31, 1986, divided by 1.3.

For active employees who have had a break in service or who have transferred from another payroll office, the personnel office currently holding the Official Personnel Folder (OPF) will be responsible for supplying the necessary information to their payroll office in accordance with Department/agency procedures. This information, in turn, will be transmitted to the National Finance Center.

Agencies may compute the 1 percent Government basic contribution using available automated information and/or one of the following suggested methods:

TSP
Thrift Savings Plan

Expiration Date: When final conversion data covering the period January 1, 1984, through December 31, 1986, is processed by the recordkeeper.

TSP BULLETIN

- Review the OPF to determine the dates of covered appointments, tours of duty, and salary changes. Document the service and salary changes, using the attached worksheet and accompanying completion instructions, to compute the 1 percent basic contribution for the employee's service. The worksheet should be filed on the right-hand side of the employee's OPF for documentation purposes. Local reproduction of this form is authorized.

- If the OPF is missing or incomplete, contact the employee's former personnel office(s) to obtain the needed information.

- If the information cannot be obtained from either the OPF or the former agency, OPM may be able to supply the information from retirement records on file. OPM's assistance should be sought only as a last resort as their filing activity is a manual process and could easily be overwhelmed by requests for records. If OPM's assistance is needed, send your request to:

Office of Retirement Programs
P.O. Box 45
Boyers, PA 16017

Requests for records on more than one employee should list employee names in alphabetical order and must include the employee's social security number and date of birth. State that the copy of the employee's retirement record is needed for the computation of the Government basic contribution under the FERS Thrift Savings Plan and include a self-addressed return envelope.

Clyde G. McShan, II

CLYDE G. McSHAN, II
Director

Attachment

THRIFT SAVINGS PLAN
ONE PERCENT
GOVERNMENT BASIC CONTRIBUTION WORKSHEET

It should be noted that employees who will have 5 or more years of *civilian* service as of December 31, 1986, remain under the Civil Service Retirement System regardless of whether they are covered under Social Security.

SECTION A - IDENTIFICATION

1. NAME (Last)	(First)	(Middle)	2. SOCIAL SECURITY NO

SECTION B - EMPLOYMENT DETAILS FROM OFFICIAL PERSONNEL FOLDER

3. EMPLOYING AGENCY	4. PERIODS COVERED				5. NUMBER OF PAY PERIODS COVERED	6. BASE SALARY PER PAY PERIOD	7. GOVERNMENT BASIC CONTRIBUTION
	START		END				
	Month	Year	Month	Year			
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	
					X	X 1% =	

SECTION C - CONTRIBUTION TOTAL

8. Month	Day	Year	◀ TSP-SCD	TOTAL ▶	9. AMOUNT OF GOVERNMENT BASIC CONTRIBUTION $

FOR EMPLOYING OFFICE USE ONLY

10. SIGNATURE OF AUTHORIZED AGENCY OFFICIAL	11. DATE PREPARED

PRIVACY ACT STATEMENT

Title 5, U.S. Code, Chapter 84, Federal Employees' Retirement System, Subchapter III, Thrift Savings Plan, authorizes solicitation of this information. The data you furnish will be used to determine the Government's basic one percent contribution to the Thrift Savings Plan Account. This information will be shared with the Office of Personnel Management and be placed in your Official Personnel Folder. This information may be shared with other Federal agencies or Congressional offices which have a need to know in connection with your application for a job, license, grant or other benefit. It may also be shared with national, state, local or other charitable or social security administrative agencies to determine and issue benefits under their programs. In addition, to the extent this information indicates a possible violation of civil or criminal law, it may be shared with appropriate Federal, state or local law enforcement agencies. While the law does not require you to supply all the information requested on this form, it may not be possible to process amounts due and payable from your Thrift Savings Plan Account if you fail to do so. Agencies other than the Office of Personnel Management may have further routine uses for the disclosure of information from the records systems in which they file copies of this form and they should provide you with any such uses which are applicable at the time they ask you to complete this form.

INSTRUCTIONS FOR
ONE PERCENT GOVERNMENT BASIC CONTRIBUTION WORKSHEET

This worksheet is to be used by agency personnel offices in the computation of the 1 percent Government basic contribution amount for which the Federal Government is liable for the period January 1, 1984, through December 31, 1986. This contribution will be made for all employees covered under the Federal Employees' Retirement System Act of 1986 (FERS). The worksheet provides for the documentation of dates of covered appointments, tours of duty, and salary changes contained in an employee's Official Personnel Folder (OPF) for each period of service. This worksheet is to be filed on the right side of an employee's OPF for documentation purposes. This form is to be reproduced locally.

SECTION A. IDENTIFICATION

Block 1, Name. Enter employee's name.
Block 2, Social Security Number. Enter 9-digit social security number of employee.

SECTION B. EMPLOYMENT DETAILS FROM OFFICIAL PERSONNEL FOLDER

Each time there is a change in an employee's employing agency *OR* base salary amount, the Government basic contribution for that period must be computed. Personnel offices should begin with the current appointment and work back to January 1, 1984.

Block 3, Employing Agency. Enter identifying Department/agency. Each time there is a change in employing agency, the Government basic contribution for that period must be computed.

Block 4, Periods Covered. Enter start and end dates of the period covered.

Block 5, Number of Pay Periods Covered. Enter the number of pay periods covered.

Block 6, Base Salary Per Pay Period. Enter the base salary per pay period during the covered periods. To compute this amount, divide the annual base pay for the period covered by the total number of pay periods in a calendar year; e.g., if an employee's annual salary for the specified covered period is $39,000 and the total number of pay periods is 26, the base salary per pay period would be computed as $1500. Each time there is a base salary change, the Government basic contribution for that period must be computed.

Block 7, Government Basic Contribution. Enter the Government basic contribution for the covered period. This amount is computed by multiplying the number of pay periods covered (entered in Block 5) by the base salary per pay period amount (entered in Block 6) multiplied by one percent.

SECTION C. CONTRIBUTION TOTAL

Block 8, TSP-SCD. Enter the employee's Thrift Savings Plan Service Computation Date in MM/DD/YY format. This date is the employee's latest entered-on-duty date. **Exception**: An employee has a break in service, elects not to withdraw his/her retirement contribution, and is rehired. Credit is allowed for the prior appointment(s) and the TSP-SCD should be adjusted accordingly.

Block 9, Amount of Government Basic Contribution. Enter total of amounts entered in Block 7.

CERTIFICATION

This form should be signed and dated by an authorized agency official to ensure that the information provided is accurate.

United States Department of Agriculture
Office of Finance and Management
National Finance Center
P.O. Box 61500
New Orleans
Louisiana 70161-1500

Title: 5, United States Code

Chapter: 84, Federal Employees' Retirement System, Subchapter III, Thrift Savings Plan

Bulletin: 87-7, Second Conversion Process

Date: January 6, 1987

To: TSP Agency Payroll Office Representatives
TSP Agency Personnel Office Representatives
TSP Automated Data Processing Representatives

TSP BULLETIN

Pursuant to the Omnibus Budget Reconciliation Act of 1986, all employees covered under the Federal Employees' Retirement System who are on board as of January 1, 1987, are entitled to the 1 percent Government basic contribution. Unlike the initial payment for January 1984 through December 1986, the Government basic contribution for January 1987 through March 1987 is to be made from agency appropriations. This data should be submitted to the recordkeeper as soon as practicable during 1987.

The 1 percent contribution is to be computed on basic pay paid on or after January 1, 1987, through the full pay period which includes March 31, 1987. A payment record is required for each of these employees. The employee data record is optional if this record was established in the initial conversion process and no changes have occurred.

If an employee has been serviced by more than one payroll office during the period January 1 through March 31, 1987, an employee data record and a payment record are required from the current payroll office. A payment record is required from each payroll office servicing the employee during this period.

Employee data records, if present, should be generated as in a normal reporting period. The TSP-EFFDATE should be March 31, 1987, and the TSP-STATUS should indicate "E" for eligible. The payment record will be used to input the Government basic contribution. This amount should be contained in the TSP-GBADIST, G Fund field, positions 72 through 77, and in the TSP-GBAMT field, positions 90 through 95. The TSP-EFFDATE should be March 31, 1987.

For an employee who was hired on or before January 1, 1987, and separates on or before the end of the pay period which includes March 31, 1987, the agency must submit an employee data record containing "S" in TSP-SEPCODE, position 218, indicating separated, and the date of separation as the TSP-SEPDATE, positions 219 - 224. No payment record will be submit-

TSP Thrift Savings Plan

Expiration Date: When second conversion data covering the period January 1, 1987, through March 31, 1987 is processed by the recordkeeper.

ted for employees who separated on or before April 1, 1987, who were not vested. A payment record will be submitted for employees who separated after April 1, 1987, or who were vested at the time of separation.

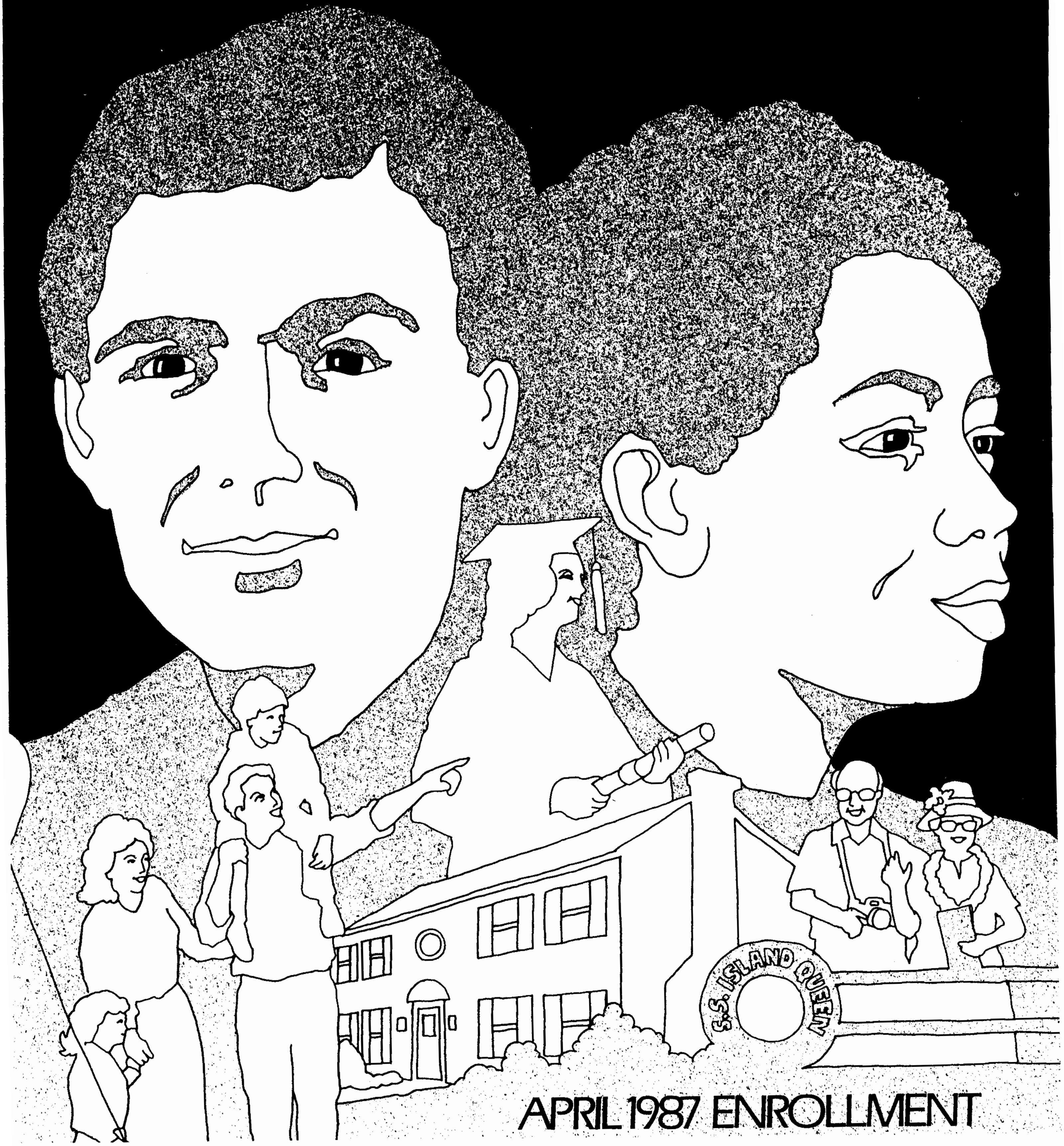
T S P B U L L E T I N

Clyde G. McShan, II

CLYDE G. McSHAN, II
Director

THRIFT SAVINGS PLAN

FOR FEDERAL EMPLOYEES



APRIL 1987 ENROLLMENT

PUTTING YOUR MONEY IN

GETTING INTO THE PLAN

FERS employees and CSRS employees are eligible to join the Thrift Savings Plan. There are different Plan rules for each of these employee groups. Following are the rules that determine when an employee may contribute to the Plan.

FERS EMPLOYEES

If you are a FERS employee, you are automatically in the Thrift Savings Plan. Generally, FERS employees include those hired after December 31, 1983. If you do not know whether you are covered by the new FERS retirement plan, please contact your personnel office.

In addition, if you were hired on or before January 1, 1987, your agency will open a Plan account in your name as of the first full pay period in April 1987. At that time, you will be considered a Plan *participant* and begin to receive the 1% automatic contribution from your agency into your Plan account. You may elect to contribute to the Plan starting the first full pay period in April 1987. You should complete and submit an Election Form, which will be explained, whether you decide to contribute to the Plan or not.

NEW EMPLOYEES

If you are a new employee hired after January 1, 1987, and before July 1, 1987, a Plan account will be opened automatically in your name as of the first pay period in January 1988—and your account will begin to receive the 1% automatic contribution from your agency. You may also elect to make contributions to the Plan at that time. You should not submit an Election Form until the open season beginning November 15, 1987.

CSRS EMPLOYEES

If you are covered by CSRS, you too may contribute to the Thrift Savings Plan, effective the first pay period in April 1987. In addition, CSRS employees will be able to *transfer* from CSRS to FERS—and begin to take advantage of agency automatic and matching contributions under FERS—but only during the period July 1, 1987, through December 31, 1987. (Once you transfer from CSRS to FERS you may not transfer back.) Your decision to contribute to the Plan beginning in April does not affect your option to transfer into FERS during the July through December 1987 period. CSRS employees who transfer into FERS will be given an opportunity to change their rate of savings under the Plan, or to begin making contributions without waiting for an open season. CSRS employees will be given information later this year on their option to transfer to FERS.

OPEN SEASONS

Two open seasons for enrollments and changes of enrollment will be held each year. The 1987 open seasons will begin February 15 and May 15, and each period will last for two and one-half months. You will be provided enrollment guides like this one at the start of each open season.

SIGNING UP

When you become eligible to join the Plan, whether now or during a later open season, you should fill out a Thrift Savings Plan Election Form. The Form asks for basic information about you, and gives you an opportunity to choose the amount you wish to save each pay period through the Plan.

You should submit a completed Election Form to your employing agency as early in the open season as you can. Remember, however, that generally your election will not be effective until the first pay period following the first month and one-half of the open season. If you submit an Election Form during or after this pay period but during the open season, your contributions will begin no later than the next pay period.

In addition, you may complete a Thrift Savings Plan Designation of Beneficiary Form, which asks you to name a beneficiary to receive your Plan account balance if you die. You will need to complete the Beneficiary Form only if you wish to name persons other than those designated by law as your beneficiaries (see page 10).

Please review the completed sample Election Form and Designation of Beneficiary Form at the end of this booklet before completing your own Forms.

If you wish to join the Plan at the earliest possible date—and take full advantage of the special "catch-up" benefits (see page 4)—you should submit your Election Form as soon as possible, according to the instructions provided by your agency.

PLANNING FOR RETIREMENT

Your Thrift Savings Plan account provides an important part of your total retirement income. By contributing a small amount each pay period throughout your career, you will be able to afford to retire earlier and live more comfortably.

For example, a FERS employee who contributes 5% of pay to the Thrift Savings Plan every year for 30 years, then retires at age 62 when earning a salary of $30,000, is estimated to receive a total retirement benefit of 68% of pay from FERS (including the basic FERS annuity, Social Security and a Thrift Savings Plan annuity). But if this employee had never contributed to the Thrift Savings Plan, his/her total benefit would be only 51% of pay. The difference of 17% of pay comes from the Thrift Savings Plan.*

For someone with higher earnings, where Social Security benefits are a lower percentage of pay, the Thrift Savings Plan is an even more important source of retirement income.

**These figures were prepared by the Congressional Research Service based on certain assumptions, including 4% inflation, 6.1% interest, and 5.5% annual pay raises.*

HOW MUCH CAN I SAVE?

As mentioned earlier, an individual account is automatically started for you—with a deposit equal to 1% of your basic pay each pay period—by your employing agency. This automatic contribution applies only to FERS employees and is explained on page 6.

If you want, you may add to this automatic contribution with your own contributions through payroll deductions. On your Election Form, you may choose an amount for payroll deduction savings. This amount must be a whole dollar amount or a whole percentage amount (see Special Catch-Up Benefit No. 1 for a one-time exception to this rule).

FERS employees may choose to save as much as 10% of basic pay. CSRS employees may choose to save as much as 5% of basic pay. One of the Thrift Savings Plan's most important attractions is that the money you save is deducted from your pay on a "before-tax" basis, explained below.

Please note that the law contains a special definition of *basic pay* for the purpose of computing Thrift Savings Plan deductions. For most employees basic pay is the same as gross salary earned. However, certain trade, craft, and labor occupations (federal wage system employees) and some employees receiving selected types of premium pay may be able to contribute slightly higher amounts—and receive higher matching contributions—from their employing agencies. If you have any questions concerning this provision, please consult your personnel office.

SPECIAL CATCH-UP BENEFITS

Congress originally intended that the Thrift Savings Plan would go into effect January 1, 1987. The normal rates of employee contributions and matching contributions have been temporarily increased because of the delay in getting the Plan established. To compensate employees for the lost opportunity to make contributions and receive matching payments, the Plan offers three Special Catch-Up Benefits *in 1987 only:*

- **Catch-Up Benefit No. 1—Higher Maximum Contribution Rates**
  If you were a FERS employee on January 1, 1987, you may contribute a maximum of 15% of basic pay—instead of the standard 10% maximum—for the period April 1 through September 30, 1987.
  CSRS employees may contribute a maximum of 7.5% of basic pay—instead of the standard 5% maximum—from April 1 through September 30, 1987. A CSRS employee who transfers to FERS may contribute a maximum of 10% of basic pay to the Thrift Savings Plan, beginning the pay period following the date of transfer.
  On October 1, 1987, the maximum employee contribution rates will return to the standard rates.
  For highly-paid employees, however, these maximum contribution rates may be subject to certain limits, as explained on page 11.
- **Catch-Up Benefit No. 2—Retroactive Contribution**
  Employees covered by FERS on January 1, 1987, who have not received a refund of their required federal retirement contributions, will receive a special benefit under the Thrift Savings Plan. If you are such an employee, your account will be credited a retroactive contribution of 1% of the basic pay you received from the date you were hired to April 1, 1987.
  You will immediately own the amount earned up through January 1, 1987, plus interest; the amount earned from January 1, 1987, through the first pay period in April will be yours when you complete three years of service (two years for certain non-career employees).
- **Catch-Up Benefit No. 3—Double Match**
  If you are a FERS employee hired on or before January 1, 1987, you will receive a special *double match benefit* from your employing agency on your savings during April, May, and June of 1987.
  This means that for every $1.00 you save up to 3% of basic pay, your agency adds $2.00. For each $1.00 you save of the next 2% of basic pay, the match is $1.00 (see chart on page 6).

As mentioned earlier, these Special Catch-Up Benefits are available on a one-time basis only. To take full advantage of Catch-Up Benefits 1 and 3, remember to complete and submit your Plan Election Form to your employing office as soon as possible to ensure your election will be effective as of the first pay period in April.

HELPING YOUR MONEY GROW

The following Plan features help your savings grow rapidly:

- Agency Automatic Contributions (FERS employees)
- Agency Matching Contributions (FERS employees)
- Tax-deferred investment earnings

AGENCY AUTOMATIC CONTRIBUTION

As mentioned earlier, if you are a FERS employee, your agency automatically contributes an amount equal to 1% of your basic pay to your personal account each pay period. This money is called your *Agency Automatic Contribution.* You receive this contribution whether or not you save your own money through the Plan.

AGENCY MATCHING CONTRIBUTION

If you are a FERS employee and choose to save money through the Plan, your agency will match a part of your savings to make them grow even faster. This money is known as your *Agency Matching Contribution,* and is paid *in addition* to the 1% Agency Automatic Contribution mentioned above.

Here's how Agency Contributions work:

Percent of Basic Pay Contributed to Your Account (FERS Employees Only)

	April, May, and June 1987		July 1987 and After	
If your contribution is:	Then agency contribution (including automatic contribution) is:	And total contribution is:	Then agency contribution (including automatic contribution) is:	And total contribution is:
0%	1%	1%	1%	1%
1%	3%	4%	2%	3%
2%	5%	7%	3%	5%
3%	7%	10%	4%	7%
4%	8%	12%	4.5%	8.5%
5%	9%	14%	5%	10%
over 5%	9%	9% plus percent you contribute	5%	5% plus percent you contribute

Note: Maximum percentage a FERS employee may contribute is—

- 15% in April through September 1987 (except transfers from CSRS)
- 10% in October 1987 and after (or at any time for transfers from CSRS)
- Subject to limitations for highly-paid employees under IRS rules

CSRS employees may contribute up to 5% of basic pay into the Thrift Savings Plan, but will not receive Agency Matching Contributions. The maximum contribution rate for CSRS employees is 7.5% of basic pay in April through September 1987.

Note that agency contributions are not taken out of your pay. They are separate contributions made to your Plan account by your employing agency.

Matching Contributions apply only to the first 5% of pay you save. If you choose to save more than 5%, your agency will not match the amount exceeding 5%. You still enjoy, however, a tax-deferral advantage on your additional savings.

This means that when added together, your Agency Automatic and Matching Contributions can total up to 5% of your basic pay.

The combination of tax savings and agency contributions will make your money grow faster through this Plan than with almost any other savings program. Investment earnings are also an important part of the Thrift Savings Plan, as explained next.

INVESTING FOR GROWTH

During 1987, all Plan funds—including your savings and your agency's contributions—will be invested in a fund consisting of special issues of U.S. government securities. This is called the Plan's G Fund.

All investments in the G Fund will yield a rate of interest which is equal, by law, to the average of interest yields on U.S. Treasury marketable securities outstanding with four or more years to maturity. That rate was 7.5% for January 1987. The calendar year averages of the monthly rates for such securities for the last five years are shown here:

1982 .... 12¾%
1983 11
1984 .... 12⅜
1985 .... 10¾
1986 8