ATTACHMENT 4

RETIREMENT COVERAGE ERROR CORRECTION

Thrift Savings Plan Correction Instructions

Removal of Erroneous Employee Contributions

You need to remove erroneous employee contributions when:	Employee elects CSRS, CSRS Offset, or Social Security Only ***AND ALSO*** Elects to remove TSP contributions from account.
You do not need to remove erroneous employee contributions from the TSP account if:	Employee elects to keep his or her contributions in the TSP account. It does not matter which retirement system the employee elected.
What to tell the employee:	If the employee declines FERS coverage, he or she can elect to have all or part of his or her own TSP contributions returned. Earnings on employee contributions remain in the employee's TSP account. All employer contributions and earnings will be removed from the employee's account. Refunded contributions are not an early withdrawal of the TSP account. The contributions are refunded to the employee through his or her paycheck and are taxed as ordinary income in the year that they are received. Earnings associated with employee contributions remain in the employee's TSP account and the employee cannot receive such earnings until he or she withdraws the account (after separation from Federal service).
How to remove erroneous employee contributions:	If the employee requests a refund of excess employee contributions, the payroll office must submit a negative adjustment record (26-Record) for each pay period in which erroneous employee contributions were made. All negative adjustment records must contain the attributable pay date. If the contributions to be removed were reported as current contributions, the attributable pay date is the "current pay date" which was in the Header Record for

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How to remove erroneous employee contributions:	the earlier payroll submission (and in item 4 of the Form TSP-2 which accompanied that earlier submission). If the contributions to be removed were reported as makeup or late contributions, the attributable pay date is the "as of" date that was reported on the earlier payment. The payroll office must refund excess contributions to employee in pay check. Refunded contributions are taxable income for the year that they are received. Do not change prior year IRS Form W-2s, Wage and Tax Statement. Any earnings on erroneous employee contributions remain in the TSP account.
Additional references:	5 CFR 1605.12 TSP Bulletin 01-2, dated 1/20/01 TSP Bulletin 00-6, dated 3/30/00 TSP Bulletin 90-28, dated 10/15/90 TSP Bulletin 90-24 dated 8/7/90 TSP Bulletin 90-22, dated 8/7/90

Removal of Erroneous Agency Contributions

You need to remove erroneous agency contributions when:	Employee elects CSRS, CSRS Offset, or Social Security Only.
You do not need to remove erroneous agency contributions if:	Employee elects to remain in FERS.
How to remove erroneous agency contributions:	The payroll office must submit a negative adjustment record (26-Record) **for each pay period in which erroneous agency contributions can be returned to the agency were made.** Agency contributions will be returned to the agency if they have been in TSP for less than 1 year. Amounts in TSP for 1 year or more are forfeited to TSP to offset administrative expenses. Earnings on erroneous agency contributions are forfeited to TSP. If the contributions to be removed were reported as current contributions, the attributable pay date is the "current pay date" which was in the Header Record for the earlier payroll submission (and in item 4 of the Form TSP-2 which accompanied that earlier submission). If the contributions to be removed were reported as makeup or late contributions, the attributable pay date is the "as of" date that was reported on the earlier payment. All negative adjustment records must contain the attributable pay date.
Additional references	5 CFR 1605.12 TSP Bulletin 01-2, dated 1/20/01 TSP Bulletin 00-6, dated 3/30/00 TSP Bulletin 90-28, dated 10/15/90 TSP Bulletin 90-24 dated 8/7/90 TSP Bulletin 90-22, dated 8/7/90

Makeup of Missed Employee Contributions

You need to give the employee an opportunity to makeup missed contributions when:	The employee elects to remain in FERS and the earliest date the employee could have begun contributing to TSP changes. Because the employee now elects FERS rather than being automatically placed in FERS, the employee could have immediately begun making TSP contributions rather than serving a waiting period. You must now give the employee an opportunity to makeup TSP contributions that could have been made during the (erroneous) waiting period.
You do not give the employee an opportunity to makeup missed contributions when:	The employee chooses CSRS, CSRS Offset, or Social Security Only coverage, or The earliest date that the employee could have begun making TSP contributions does not change. This only applies to errors effective on or after July 1, 2001.
What to tell the employee:	The employee may elect to make up missed contributions. The employee may make a contribution election for each missed open season. Makeup Agency Matching Contributions are payable on the first 5% of pay that the employee elects to contribute as makeup contributions. The makeup contributions will be deposited [until the new recordkeeping system is implemented] according to the employee's current contribution allocation. Lost earnings are not payable on employee makeup contributions. However, the employee will receive lost earnings on any attributable Agency Matching Contributions. The employee also receives lost earnings on the Makeup Agency Automatic (1%) Contributions. For purposes of the IRS annual limit on elective deferrals, makeup employee contributions are subject to the limit for the year in which they should have been made. The employee must make up contributions as payroll deductions. Personal checks cannot be accepted as

Makeup of Missed Employee Contributions

What to tell the employee:	repayment. The agency cannot require the employee to make up contributions in any time frame less than 2 times the number of pay periods over which the error occurred. The agency can give the employee up to 4 times the number of pay periods over which the error occurred.
How to submit employee makeup contributions:	Use a Current Payment Record (16-Record) to report makeup contributions. Agencies must submit a separate Current Payment Record for each applicable pay date. Therefore, if a payroll submission contains both current and makeup contributions for a participant, the current contributions and the makeup contributions must be submitted on separate Current Payment Records. Participants are not entitled to lost earnings on employee makeup contributions.
Additional references:	5 CFR 1605.11 TSP Bulletin 01-2, dated 1/20/01 TSP Bulletin 00-06, dated 3/30/00 TSP Bulletin 98-21, dated 6/19/98

Makeup of Missed Agency Contributions

You need to make up missed agency contributions when:	The employee elects to remain in FERS. Because the employee now elects FERS rather than being automatically placed in FERS, the employee should have been immediately eligible to receive agency TSP contributions rather than serve a waiting period. You must now submit the Agency Automatic (1%) Contributions. You must also submit Agency Matching Contributions if the employee decides to makeup the TSP contributions that could have been made during the (erroneous) waiting period. Agency Automatic (1%) Contributions and Agency Matching Contributions are subject to lost earnings.
You do not make up missed agency contributions when:	The employee chooses CSRS, CSRS Offset, or Social Security Only coverage.
How to submit missed Agency Automatic (1%) Contributions:	Use a Current Payment Record (16-Record) to report missed contributions. Agencies must submit a separate Current Payment Record for each applicable pay date. Therefore, if a payroll submission contains both current and makeup contributions for a participant, the current contributions and the makeup contributions must be submitted on separate Current Payment Records. Lost earnings are due on makeup Agency Automatic (1%) Contributions.
How to submit missed Agency Matching Contributions:	Use a Current Payment Record (16-Record) to report missed contributions. Make up missed Agency Matching Contributions as employee makes up employee contributions. Agencies must submit a separate Current Payment Record for each applicable pay date. Therefore, if a payroll submission contains both current and makeup contributions for a participant, the current

Makeup of Missed Agency Contributions

How to submit missed Agency Matching Contributions:	contributions and the makeup contributions must be submitted on separate Current Payment Records. Lost earnings are due on Agency Matching Contributions.
Additional references:	5 CFR 1605.11 TSP Bulletin 01-2, dated 1/20/01 TSP Bulletin 00-06, dated 3/30/00 TSP Bulletin 98-21, dated 6/19/98

Submitting Lost Earnings Records

You need to submit a Lost Earnings Record when:	The employee elects to remain in FERS, **And** The agency made up missed Agency Contributions Agency Automatic (1%) Contributions were missed because the employee should have been immediately eligible to receive agency TSP contributions rather than serve a waiting period. Attributable Agency Matching Contributions are due only if the employee makes up employee contributions that could have been made during the (erroneous) waiting period. Agency Automatic (1%) Contributions and Agency Matching Contributions are subject to lost earnings.
You do not submit a Lost Earnings Record when:	The employee chooses CSRS, CSRS Offset, or Social Security Only coverage.
How to submit a Lost Earnings Record:	After you report makeup contributions, you must submit lost earnings records (51-Records) for each applicable pay date so that lost earnings may be calculated by the TSP system. These records must be submitted promptly, i.e., within 30 days of the submission of the payment records. The records must be accompanied by Form TSP-2-E, Request to Calculate Lost Earnings and Certification of Transfer of Funds and Journal Voucher, or Form TSP-2-EG, Request to Calculate Lost Earnings at the G Fund Rates of Return and Certification of Transfer of Funds and Journal Voucher. The records must reflect: 1. The “beginning date,” which is the pay date on which the contribution should have been made. 2. The “ending date,” which is the pay date on which the contribution was made. 3. The amount of the contribution by source (employee, agency automatic (1%), or agency matching).

Submitting Lost Earnings Records

How to submit a Lost Earnings Record:	4. If the “beginning date” is before May 1, 2001, the amount of the contribution must also be shown by investment fund (G, F, or C). Generally, agencies must use the participant’s Election Form (TSP-1) that was in effect for the “beginning date” to determine the amount of contributions by investment fund. However, if the participant has no Form TSP-1 on file for the “beginning date,” the contributions must be reported as “G Fund.” Lost Earnings Records (51-Records) must be submitted to NFC on magnetic tape or diskette. Each agency payroll office should have a personal computer (PC) program that is used to create individual Lost Earnings Records (51-Records) and Forms TSP-2-E. Lost Earnings Records cannot be submitted on the same magnetic tape that contains a routine payroll submission of contributions data. For each lost earnings journal voucher that is processed during the midmonth processing cycle, agency payroll offices will receive a set of reports for that journal voucher that must be processed through the agency’s accounting systems. Therefore, it is recommended that Lost Earnings Records (51-Records) be submitted monthly to NFC. **Note**: Lost Earnings Records must be edited and accepted by the TSP System as of the next-to-last business day of the month in order to be processed during the following month’s midmonth processing cycle.
Additional references:	5 CFR 1606 TSP Bulletin 01-35, dated 8/15/2001 TSP Bulletin 01-2, dated 1/10/01 TSP Bulletin 91-3, dated 1/29/91 TSP Bulletin 90-42, dated 12/17/90