



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

Subject: Changes to the Error Correction Procedures

Date June 19, 1998

This bulletin provides agency representatives with information regarding changes to the procedures for correcting certain administrative errors. It supersedes TSP Bulletin 98-3 because it contains revised instructions for completing IRS Form W-2, Wage and Tax Statement. It also transmits a copy of the amendment to the error correction regulations at 5 C.F.R. Part 1605, as published in the Federal Register on May 1, 1998.

I. Background

- A. **Internal Revenue Service guidance.** The Federal Retirement Thrift Investment Board (Board) has received guidance from the Internal Revenue Service (IRS) which permits makeup Employee Contributions to the TSP to be attributed to the year in which the contributions should have been made, as long as these contributions do not exceed the IRS deferral limits for the applicable year(s) as described in I.R.C. § 402(g). Previous guidance from the IRS required that makeup Employee Contributions be attributed to the year in which the contributions were actually made, rather than the year in which they should have been made.¹

Participants may make up contributions missed due to an agency administrative error under the Board's regulations at 5 C.F.R. § 1605. They may also

(continued on next page)

¹ A list of the elective deferral limits from 1987 through 1998 is contained in Attachment 1.

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 Bulletin 98-3, Changes to the Error Correction Procedures, dated January 29, 1998.

make up missed contributions due to military service under the Uniformed Services Employment and Reemployment Rights Act (USERRA) and the Board's regulations at 5 C.F.R. § 1620.

- B. **Program Changes.** In order to implement the new IRS guidance, agency representatives will need to make several changes to the way makeup contributions for prior years are submitted to the TSP record keeper. Up until the present time, the accumulation of Employee Contributions in the TSP System was based on the year in which the contributions were actually made, rather than the year to which the contributions were attributable. As a result, when previous makeup contributions were made to a participant's TSP account, the cumulative amount of Employee Contributions in the TSP System might not accurately reflect the contributions for the attributable years.

To ensure that all valid contributions are processed, a new Journal Voucher (JV) has been developed. Agency payroll offices will use the new JV when previous makeup contributions have been processed and the reported Employee Contributions will cause the participant's account, as recorded in the TSP System, to exceed the elective deferral limit. (See Section IV below for more information).

II. Current Procedures for Reporting Makeup Employee Contributions Attributable to a Prior Year and Late Contributions

A. Makeup contributions

1. Makeup Employee Contributions are retroactive contributions being deducted from a participant's current pay or back pay award. They are generally submitted with routine contributions on a Current Payment Record (11-Record).
2. These contributions are edited by the TSP System against the annual elective deferral limit (\$10,000 for 1998) based on the effective date on the Current Payment Record (11-Record). If the amount of Employee Contributions on the Current Payment Record (11-Record), when added to the Employee Contributions posted to the participant's TSP account for the same year, exceeds the elective deferral limit, the record is deleted by the TSP System and the contributions are not processed.

B. Late contributions

1. When Employee Contributions that were previously deducted (and agency contributions that were previously charged to the agency's accounting appropriation) are not timely reported to the TSP record keeper, they are generally submitted on a Late Payment Record (41-Record). In addition, contributions that were previously deleted and which must be

resubmitted to the TSP record keeper are required to be submitted on Late Payment Records (41-Records) with the applicable pay date to which the contributions relate.

2. When the TSP System receives a Late Payment Record (41-Record) that contains Employee Contributions with an effective date that is earlier than the prior year (e.g., an effective date in 1996 or earlier for a record edited in 1998), the Employee Contributions are edited first against the elective deferral limit for the year in which the effective date falls (based on that year's year-to-date Employee Contributions cumulative total). If the Late Payment Record (41-Record) fails this edit, the record is deleted. If the Late Payment Record (41-Record) passes this edit, the Employee Contributions are then edited against the elective deferral limit for the current year (based on the current year's year-to-date Employee Contributions cumulative total). If the Late Payment Record (41-Record) also passes this edit, the effective date of the record is changed to the "date payroll paid" from the Journal Voucher. The Late Payment Record (41-Record) is then posted to the participant's TSP account with the current year's effective date.

III. Revised Procedures for Reporting Makeup Employee Contributions Attributable to a Prior Year

A. Makeup contributions

1. The revised procedures require agency payroll offices to report makeup Employee Contributions **attributable to a prior year** on Late Payment Records (41-Records). **Makeup Employee Contributions that are attributable to a prior year can no longer be submitted with routine contributions on a Current Payment Record (11-Record).**

These makeup contributions include makeup contributions required because of an agency's failure to deduct the proper amount of Employee Contributions, makeup contributions required as a result of a back pay award or other retroactive pay adjustment, makeup contributions required due to a retirement coverage error, and makeup contributions required under USERRA.

2. The effective date reported on each Late Payment Record (41-Record) is the pay date to which the contributions are attributable, rather than the pay date on which the contributions are actually made.
3. Makeup Employee Contributions that are attributable to the current year, however, can continue to be submitted with routine Employee Contributions on a Current Payment Record (11-Record). They can also be submitted on a Late Payment Record (41-Record) with the attributable pay date.

4. The TSP System will edit all Employee Contributions against the elective deferral limit only for the year reported on Current Payment Records (11-Records) and on Late Payment Records (41-Records).
- B. **Late contributions.** There are no changes to the procedures for reporting late contributions. However, the TSP System will edit Employee Contributions only against the year reported on the Late Payment Record (41-Record).

IV. New Certification Process

- A. **New Journal Voucher.** A new Journal Voucher, Form TSP-2-I, Certification That the IRS Annual Elective Deferral Limit Is Not Exceeded and Journal Voucher, has been created to ensure that all valid contributions are processed. (See Attachment 2.)

1. This special JV is to be used exclusively for submitting those contributions that have been (or would be) deleted by the TSP System because the cumulative amount of year-to-date Employee Contributions for the applicable year is not correct in the TSP System. This is because previous makeup Employee Contributions were processed based on the year in which the contributions were actually made, rather than the year in which the contributions should have been made. Consequently, if the makeup contributions, when added to the previous contributions made for the applicable year, would cause contributions to be deleted by the TSP System, Form TSP-2-I should be used to submit the makeup contributions on Late Payment Records (41-Records).
2. Form TSP-2-I is not to be used for regular payroll submissions or the submission of other makeup contributions.
3. In cases where previous makeup contributions have been submitted to the TSP record keeper for a participant, the agency payroll office is encouraged to contact the TSP Operations Office at 504-255-5110 before submitting makeup contributions for a prior year.

B. **Resubmission of deleted records**

1. If an agency payroll office has submitted makeup Employee Contributions for a participant which are attributable to a prior year using the previous error correction procedures, the cumulative year-to-date contributions for that year and the year in which the contributions were posted to the participant's account will not be correct in the TSP System. Consequently, the TSP System may delete a Current Payment Record (11-Record) or a Late Payment Record (41-Record) because, according to the records posted for that account, that record will cause the elective deferral limit

for the applicable year to be exceeded. In this case, the agency payroll office should immediately resubmit those contributions on a Late Payment Record (41-Record) if, based on the agency's payroll records, the contribution does not cause the participant's total contributions to exceed the elective deferral limit for the applicable year.

2. The Late Payment Records (41-Records) must be accompanied by Form TSP-2-I to certify that the amounts submitted do not cause the participant's total contributions to exceed the elective deferral limit for the year(s) reported on the Late Payment Records (41-Records) as reflected in the agency's payroll system.
3. Contributions that are deleted because they exceed the annual elective deferral limit will be closely monitored by the TSP record keeper to ensure that contributions are being processed correctly.

V. Agency Instructions on Completing IRS Form W-2, Wage and Tax Statement, and Information Agencies Should Provide to Employees

- A. **IRS Form W-2.** The IRS has advised the Board that its instructions for reporting makeup USERRA contributions, which are contained in its issuance *1998 Instructions for Form W-2*, should also be used to report other TSP makeup contributions that are attributable to prior years. Consequently, makeup Employee Contributions that are attributable to a prior year should continue to be reported by the agency payroll office in Box 13 on the employee's IRS Form W-2, Wage and Tax Statement, as deferred income for the year in which the makeup Employee Contributions were deducted from the employee's paycheck (or back pay award). However, in those cases where makeup Employee Contributions, when added to the routine Employee Contributions for the current tax year, exceed the elective deferral limit for that year, the makeup amounts should be reported separately along with the year to which they are attributable.

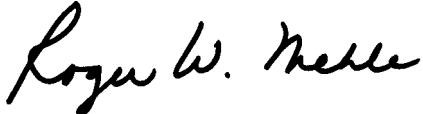
Example: Assume that for 1998, a participant contributes \$8,000 to the TSP. In addition, because of a previous error that was made by the participant's employing agency, the participant makes up \$2,000 which is attributable to 1993 and \$1,000 which is attributable to 1994. Box 13 should include:

D 8000.00
D-1993- 2000.00
D-1994- 1000.00

(Because \$8000 are contributions attributable to the current year, the year need not be reported.)

The IRS has also advised that if agencies use a substitute Form W-2, the instructions on the back of Copy C in the "Note" at the bottom of the first column under "Box 13" can be changed by adding reference to TSP makeup contributions.

- B. **Information for Participants.** Attachment 3 to this bulletin is a sample letter for agency representatives to provide to participants whose Employee Contributions exceed the allowable limit because of makeup contributions that are attributable to one or more prior years. The letter explains how the participant should complete IRS Form 1040, U.S. Individual Income Tax Return.



ROGER W. MEHLE
Executive Director

Attachments: Annual Elective Deferral Limits (1987 through 1998)
Form TSP-2-I, Certification That The IRS Annual Elective Deferral Limit Is Not Exceeded and Journal Voucher
Sample letter for agencies to send to employees who are affected by the new error correction procedures
5 CFR Part 1605, Correction of Administrative Errors; Final Rule

Annual Elective Deferral Limits (1987 through 1998)

Year	Limit
1987	\$ 7,000
1988	\$ 7,313
1989	\$ 7,627
1990	\$ 7,979
1991	\$ 8,475
1992	\$ 8,728
1993	\$ 8,994
1994	\$ 9,240
1995	\$ 9,240
1996	\$ 9,500
1997	\$ 9,500
1998	\$ 10,000



THRIFT SAVINGS PLAN

CERTIFICATION THAT THE IRS ANNUAL ELECTIVE DEFERRAL LIMIT IS NOT EXCEEDED AND JOURNAL VOUCHER

TSP-2-I

I. IDENTIFICATION

To: Thrift Savings Plan National Finance Center P.O. Box 61500 New Orleans, LA 70161-1500		1. From:		
2. Payroll Office Number	3. Report Number I	4. Date Payroll Paid Month/Day/Year	5. EFT Deposit <input type="checkbox"/> Yes <input type="checkbox"/> No	6. Agency TSP Account

Records Submitted

7. Number of Employee Data Records		
8. Number of Late Payment Records		
9. Total Number of Records		

II. INDIVIDUAL TRANSACTIONS

Late Payment Records	G Fund	F Fund	C Fund	TOTAL
10. Employee Contributions	\$	\$	\$	11. \$
12. Agency Automatic (1%) Contributions	\$	\$	\$	13. \$
14. Agency Matching Contributions	\$	\$	\$	15. \$
Totals	16. \$	17. \$	18. \$	19. \$
Control Total				20. \$

III. CERTIFICATION

I certify that: (1) prudent measures have been taken to ensure that the TSP transactions associated with this voucher are correct according to applicable law and TSP procedures, (2) the total amount reflected in Block 11 does not cause the participant's account to exceed the IRS annual elective deferral limit for the year reflected on each Late Payment Record, and (3) amounts not to exceed the amount in Block 19 are available to be credited to the TSP receipt account. If this is a payroll submission that is received by the TSP record keeper more than 30 days after the Date Payroll Paid which is entered in Block 4 above, I understand that the TSP System will automatically calculate the appropriate amount of lost earnings that are due to the affected participants because of the late submission and charge this agency's Treasury account with the amount calculated.

21. _____
Typed Name of Authorized Administrative or Certifying Officer

23. (_____) _____ - _____
Telephone (Area Code and Number)

22. _____
Signature of Authorized Administrative or Certifying Officer

24. (_____) _____ - _____
Telefax (Area Code and Number)

25. _____
Date Certified

GENERAL INFORMATION

This journal voucher is **not** to be used to submit routine TSP contributions, including routine makeup contributions. Use this form only in those situations where previous makeup or retroactive Employee Contributions were reported for investment using a current pay date instead of the pay date to which the contributions were attributable. Also use this form to submit makeup Employee Contributions for employees covered by the Uniformed Services Employment and Reemployment Rights Act (USERRA) which are in excess of the annual deferral limit because, as stated above, the agency previously reported makeup or retroactive Employee Contributions using a current pay date rather than the pay date to which the contributions were attributable. In these cases, the amount of the Employee Contributions reported on the Late Payment Records (41-Records), when added to other Employee Contributions posted to the participant's TSP account for that year, will cause the participant's TSP account to exceed the IRS annual elective deferral limit for that year. Thus, these contributions must be submitted separately from routine TSP contributions and routine makeup contributions so that they can be processed correctly.

I. IDENTIFICATION

Block 1, From. Enter name, address, and Zip Code of the submitting payroll office.

Block 2, Payroll Office Number. Enter the 8-position assigned payroll office number in XX-XX-XXXX format.

Block 3, Report Number. Enter the 6-position report number in YYIXXX format. The first two positions represent the calendar year of the reporting pay period. The third position is an I which indicates the type of JV being submitted. The last three positions represent a sequential number beginning with 001 and increasing accordingly. This number will serve as a control over receipt of the reports.

Block 4, Date Payroll Paid. Enter the date this JV is certified in MM/DD/YY format. This JV should be submitted to the TSP record keeper within 30 days from the date this JV is certified.

Block 5, EFT Deposit. If an electronic funds transfer (EFT) deposit is made, place an "X" in the Yes box. If no EFT deposit was made, place an "X" in the No box.

Block 6, Agency TSP Account. Enter the Treasury account number for your agency payroll office.

Block 7, Number of Employee Data Records. Enter the total number of Employee Data Records (01-Records) submitted.

Block 8, Number of Late Payment Records. Enter the total number of Late Payment Records (41-Records) submitted.

Block 9, Total Number of Records. Enter the total number of records submitted. This is equal to the sum of Blocks 7 and 8 and excludes magnetic media header and trailer records.

II. INDIVIDUAL TRANSACTIONS

Block 10, Employee Contributions. Enter the amount of Employee Contributions in each of the G, F, and C Fund columns.

Block 11, Total Employee Contributions. Enter the total amount of Employee Contributions to all three funds.

Block 12, Agency Automatic (1%) Contributions. Enter the amount of Agency Automatic (1%) Contributions in each of the G, F, and C Fund columns.

Block 13, Total Agency Automatic (1%) Contributions. Enter the total amount of Agency Automatic (1%) Contributions to all three funds.

Block 14, Agency Matching Contributions. Enter the amount of Agency Matching Contributions in each of the G, F, and C Fund columns.

Block 15, Total Agency Matching Contributions. Enter the total amount of Agency Matching Contributions to all three funds.

Block 16, Total G Fund. Enter the total amount of employee and agency contributions to the G Fund.

Block 17, Total F Fund. Enter the total amount of employee and agency contributions to the F Fund.

Block 18, Total C Fund. Enter the total amount of employee and agency contributions to the C Fund.

Block 19, Total Late Payment Records Amount. Enter the total amount of Employee Contributions, Agency Automatic (1%) Contributions, and Agency Matching Contributions for all three funds. This is equal to the sum of Blocks 11, 13, and 15. It should also equal the sum of Blocks 16, 17, and 18.

Block 20, Control Total. Enter the total amount of Employee Contributions, Agency Automatic (1%), Contributions, and Agency Matching Contributions for all three funds. This is equal to the amount entered in Block 19. (This figure is used only for verification of data entry.)

III. CERTIFICATION

Block 21, Typed Name of Authorized Administrative or Certifying Officer. Type or print the name of the official who is responsible for the accuracy of this voucher and the data it transmits.

Block 22, Signature of Authorized Administrative or Certifying Officer. Signature of the person named in Block 21.

Block 23, Telephone (Area Code and Number). Enter the telephone number of the certifying officer, including the area code.

Block 24, Telefax Number. Enter the telefax number of the certifying officer, including the area code.

Block 25, Date Certified. Enter the date the document is signed by the administrative or certifying officer.

SAMPLE LETTER

Below is a sample letter that agencies should complete, as applicable, and provide to participants whose Employee Contributions for the year exceed the IRS elective deferral limit because of makeup contributions that are attributable to prior years.

To complete the letter, agency representatives must select the appropriate word or phrase from the phrases in brackets [] and insert the appropriate information at the lines _____, as explained by the information in brackets. The agency may include the bracketed sentences in the last paragraph if the letter is being provided to a participant who will continue making up contributions in subsequent years. Alternatively, the agency may choose to provide such a participant a separate letter each year that the participant meets the criteria above.

Dear _____:

As a result of [agency administrative error/military service], you were prevented from making Employee Contributions to your Thrift Savings Plan (TSP) account. Consequently, you elected to make up missed Employee Contributions. [These makeup contributions were/A portion of these makeup contributions was] [made as payroll deductions/deducted from your back pay award] in ____ [indicate year contributions were deducted] and must be reported to the Internal Revenue Service (IRS) as deferred income for that year.

Accordingly, the IRS Form W-2, Wage and Tax Statement, that you will receive for _____ [indicate same year as in first paragraph] will reflect your makeup contributions. The amounts in Box 13 of the form will include both your current and makeup contributions, and the sum of these amounts will be the total amount of Employee Contributions that you made to the TSP during the year. The amount indicated in Box 1 of the form will be your gross taxable wages for the year for Federal income tax purposes. This amount excludes the amounts in Box 13.

The Internal Revenue Code limits the amount that employees may contribute annually to tax-deferred plans such as the TSP. This limit, called the “elective deferral limit,” may change from year to year and is announced by the IRS annually. For ____ [indicate same year as in first paragraph], the elective deferral limit [is/was] ____ [indicate applicable limit]. However, the makeup contributions that you made in ____ [indicate same year as in first paragraph] are attributable to a prior year and are not subject to this limit; these contributions are subject to the elective deferral limit for the year in which they should have been made. Consequently, the year to which these makeup contributions are attributable is also indicated in Box 13 of your IRS Form W-2. The amount by which these makeup contributions exceed the [indicate same year as in first paragraph] limit is **not** considered a so-called “excess deferral.”

To complete IRS Form 1040, U.S. Individual Income Tax Return, you should use the amount indicated in Box 1 of your IRS Form W-2. Do **not** adjust this amount by adding to it the amount of your makeup contributions that exceeds the [indicate same year as in first paragraph] elective deferral limit. This amount should not be treated as income for Federal income tax purposes because, as explained above, it is not an excess deferral.

We recommend that you retain this letter with your income tax records. [According to our records, you will continue to make up missed contributions in subsequent years. If, as a result of makeup contributions attributable to a prior year, your contributions exceed the IRS elective deferral limit for the year in which the contributions are made, the IRS Form W-2 that you will receive for that year will be completed as explained above, and you should complete IRS Form 1040 as explained above.] If you have any questions, please contact [insert name] at [insert address or telephone number of contact].