05-13

# Thrift Savings Plan BULLETIN for Agency TSP Representatives

**Subject:** Processing Agency Submissions in the New Record Keeping System

**Date:** August 10, 2005

This bulletin outlines the procedures that agencies must use to report employee data and Thrift Savings Plan (TSP) contributions to the TSP record keeper. Although these procedures are the same as those described in TSP Bulletin 02-19, dated June 27, 2002, this bulletin updates that information to reflect the processing changes that were made after that date (see Sections III and VI.B.2). In addition, it eliminates the submission of lost earnings records (see Section VII). The journal vouchers and record layouts referred to in this bulletin may be obtained from the TSP Web site under "Info for TSP Representatives/Payroll Information."

## I. Introduction

The current TSP record keeping system, which was implemented in June 2003, is a daily valued system. Accounts are valued, and loans, withdrawals, contribution allocations, and interfund transfers are processed, each business day.

The system is also share-based. A participant's account balance in each of the TSP investment funds is stated in shares, and when contributions and loan payments are deposited in the account, the participant buys shares of an applicable investment fund at the daily share price for the fund. The dollar value of a participant's balance in an investment fund is determined by multiplying the number of shares held by the share price for the day. The dollar value of a participant's total account balance is the sum of the balances in the investment funds.

On May 31, 2003, participants' account balances were converted from dollars to shares. The number of shares held was determined by dividing the May 31, 2003, account balance by the opening share price of $10 for each investment fund.

*(continued on next page)*

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

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

**Supersedes:** This bulletin supersedes TSP Bulletins 02-19, Processing Agency Submissions in the New Record Keeping System, dated June 27, 2002; 91-3, Corrected Record Layouts for Lost Earnings, dated January 29, 1991; 90-42, New Record Layout for Lost Earnings, dated December 17, 1990; and 90-39, Implementation of Section 2 of P.L. 101-335, dated December 17, 1990.

## II. Definitions

A. **CSRS** refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Federal retirement systems.

B. **FERS** refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Federal retirement systems.

C. For definitions of the technical terms used in this bulletin (e.g. "as of" date, attributable pay date, breakage), see the Federal Retirement Thrift Investment Board's regulations at 5 C.F.R. part 1605.

## III. Contribution Activity Before January 1, 2000

The TSP converted contribution data from January 1, 2000, forward to the new record keeping system; it did not convert contributions and other transactions made before that date. Consequently, if an agency submits a late contribution or makeup agency contribution that should have been made before January 1, 2000, the resulting breakage (lost earnings) cannot be determined by using the participant's contribution allocation for the date the contribution should have been made because the data to determine the allocation are not available in the system. In addition, if a payroll office submits a negative adjustment to a contribution that had been made before January 1, 2000, the present value of the adjustment cannot be determined. Therefore:

A. If a payment record contains an "as of" date that is earlier than January 1, 2000, the breakage posted to the participant's account will be calculated using the greater of the Government Securities Investment (G) Fund monthly returns and share prices or the average monthly returns and share prices for all TSP investment funds from the "as of" date through the posting date.

B. If a negative adjustment record contains an attributable pay date that is earlier than January 1, 2000, the negative adjustment will not be processed.[1] Payroll offices may wish to suppress the transmission of such negative adjustment records, but there is no requirement to do so. If the negative adjustment is submitted to the TSP, it will be rejected.

## IV. Agency Responsibilities

A. Agencies must report personal information for their participants to the TSP record keeper, as explained in Section V.A.

[1] If the attributable pay date for the negative adjustment is before January 1, 2000, but the agency reported the contribution as a late contribution **after** May 31, 2003 (i.e., in the new record keeping system), the negative adjustment will be processed.

B. Agencies must process TSP contribution elections, including catch-up contribution elections, made by their participants.

C. Agencies must determine the amount of the TSP contributions of their participants, deduct the employee contributions from the pay of their participants, and report employee and agency contributions to the TSP record keeper each pay period.

D. Agencies must deduct loan payments from the pay of their participants and report these payments to the TSP record keeper each pay period. See the bulletin, Processing TSP Loan Payments in the New Recordkeeping System, for information regarding the submission of loan payments.

E. Agencies are responsible for correcting their erroneous submissions, as explained in Section V.

F. Agencies compensate their participants for earnings lost as a result of certain agency errors, as required by 5 U.S.C. § 8432a. As discussed in Section VI, the TSP system determines and posts such earnings (i.e., breakage) to participants' accounts based upon the payment record submitted and the "as of" dates on the record.

## V. Agency Submissions

A. Employee data record

This is the record that agencies must use to report the personal information about their participants which the TSP needs to maintain accounts.

Agencies must submit an employee data record (06-Record) to establish the TSP account of a participant when they submit the first payment record for the participant. If a payroll submission includes an employee data record but does not include a payment record for an employee, the TSP will not process the employee data record if a TSP account has not already been established.

Agencies must also submit an employee data record to correct or change data they submitted previously for a participant.

B. Current payment record

1. Purpose

Agencies must use a current payment record (16-Record) to report current contributions and makeup contributions, except for makeup contributions attributable to (a) a back pay award or other retroactive pay adjustment or (b) a FERCCA correction requiring breakage (lost earnings) on makeup employee contributions.

2. Determining "as of" date

   a. If the record is reporting current contributions, the "as of" date should be blank.

   b. If the record is reporting makeup contributions, the "as of" date must be completed to show the pay date for which the contributions should have been made.

      It is critical that this "as of" date be correct because the TSP system will use this date to determine breakage on the agency makeup contributions contained on the record, and to determine the year against which the employee contributions will be applied for purposes of the IRS elective deferral limit.

3. "Agency use" field

   The last field on the record (128-150) is an "agency use" field. Payroll offices may enter any data that they choose in this field or they may leave this field blank.

   If the field contains data, the data will be shown on the breakage reports that the payroll office will receive, as explained in the bulletin, Payroll Office Reports Produced by New Record Keeping System. Thus, if the payroll office provides an accounting identifier in this field, it may help the agency to attribute the appropriate internal charges for breakage and assist with reconciliation.

C. Late payment record

1. Purpose

   Agencies must use late payment records to report late contributions, and to report makeup contributions that are attributable to (a) a back pay award or other retroactive pay adjustment or (b) a FERCCA correction requiring breakage (lost earnings) on makeup employee contributions.

2. Determining "as of" date

   a. All late payment records must contain an "as of" date.

   b. If the record is reporting late contributions, the "as of" date is the pay date for which the contributions were originally deducted from pay (but were not reported on time or not processed because of agency error, as the case may be).

c. If the record is reporting makeup contributions, the "as of" date is the pay date for which the contributions would have been made (in light of a back pay award or other retroactive pay adjustment) or should have been made (in light of a FERCCA correction).

d. It is critical that the "as of" date be correct because the TSP system will use this date to determine breakage on the employee and agency contributions in the record, and to determine the year against which the employee contributions will be applied for purposes of the IRS elective deferral limit.

3. "Agency use" field

The last field on the record (128-150) is an "agency use" field. As explained in B above, payroll offices may enter any data that they choose in this field or they may leave this field blank.

D. Negative adjustment record

1. Purpose

Agencies must use a negative adjustment record to remove erroneous contributions that they had previously reported. Agencies may remove all or any part of a contribution previously submitted.

2. Determining attributable pay date

a. All negative adjustment records must contain the attributable pay date.

b. If the contributions to be removed were originally 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 journal voucher that accompanied the submission).

c. If the contributions to be removed were originally reported as makeup or late contributions, the attributable pay date is the "as of" date that was reported on the payment record.

3. "Agency use" field

The field on the record (128-150) is an "agency use" field. Payroll offices may enter any data that they choose in this field or they may leave this field blank, as explained in B above. If the payroll office provides an accounting identifier in this field, it may help the agency to attribute the appropriate internal credits and assist in reconciliation.

E. Header and trailer records

Header and trailer records must accompany automated submissions. Payroll offices must ensure that the trailer record is correctly completed. The "total number of payment records" that should be provided on the trailer record is the total of all current and late payment records and should equal the sum of the amounts entered in items 11 and 12 on Form TSP-2 (or TSP-2-G). The "total number of adjustment records" that should be provided on the trailer record is the total number of negative adjustment records and should equal the amount entered in item 13 of Form TSP-2 (or TSP-2-G).

F. Journal vouchers

Employee data and payment records must be accompanied by a journal voucher to certify the accuracy of the data on the records and to authorize the transfer of the funds from the agency to the TSP. Generally, this journal voucher is Form TSP-2, Certification of Transfer of Funds and Journal Voucher. However, the journal voucher may be Form TSP-2-G, Certification of Transfer of Funds and Journal Voucher for Contributions Requiring G Fund Breakage.

1. Form TSP-2

The certification has been modified to acknowledge that the TSP will calculate breakage for all records if the process date is more than 30 days after the "current pay date" (reported in Item 4). This change is a result of the *de minimis* discussed in Section VI.B.2.

2. Form TSP-2-G

Other than the title and the instructions for its use, Form TSP-2-G is identical to Form TSP-2, and the certification statement on the form has been modified as discussed above. **However, agencies must use this journal voucher to report makeup and late contributions for which breakage (lost earnings) must be determined using the Government Securities Investment (G) Fund share prices.** The G Fund share prices must be used to determine breakage for:

a. agency makeup contributions attributable to the performance of military service if the participant so elects (see TSP Bulletin 02-7);

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

c. agency makeup contributions attributable to the performance of service with an international organization if the participant so elects (see TSP Bulletin 00-13).

It is critical that agencies use Form TSP-2-G only as described above. The TSP system will calculate breakage for all makeup or late contributions accompanied by Form TSP-2-G using the G Fund share prices, regardless of a participant's contribution allocation in effect at the time the makeup contributions should have been made.

## VI. Processing Agency Submissions

A. Investing contributions

The TSP will invest all contributions (current, makeup, and late) according to the participant's contribution allocation on the posting date. Breakage attributable to makeup or late contributions or late payroll submissions will also be invested according to the participant's allocation on the posting date.

See the Attachment for an example of how contributions, including breakage, will be invested; see the Attachment and Section VI.C. for a discussion of how breakage will be computed by the TSP system.

B. Determining breakage

1. Subject to the limits discussed in 2 below, participants are entitled to breakage (which is the equivalent of lost earnings) on:

    a. makeup or late agency contributions;

    b. late employee contributions;

    c. makeup employee contributions attributable to certain FERCCA corrections; and

    d. makeup employee contributions resulting from a back pay or other retroactive pay adjustment.

2. The calculation and posting of breakage will be subject to the following limits:

    a. If a makeup or late contribution is processed within 30 days of the pay date that it should have been processed, breakage will not be calculated. Like current contributions, such contributions will simply be posted to a participant's account based upon the participant's contribution allocation and relevant share price(s) on the posting date.

    b. A late payroll submission will be one that is processed more than 30 days after the "current pay date" reported on the journal voucher accompanying the submission.

c. If the total amount on a late payment record is less than $1, breakage will not be calculated. If the total agency contributions on a current payment record containing an "as of" date to designate a makeup contribution are less than $1, breakage will not be calculated. Like current contributions, such contributions will simply be posted to a participant's account based upon the participant's contribution allocation and the relevant share price(s) on the posting date.

3. The TSP system will use the record type and the "as of" date on the record to determine entitlement to breakage, as described below.

   a. Current payment records

   If the record contains an "as of" date that is earlier than the current pay date reported on the header record, the TSP will calculate breakage on the agency contributions on the record.

   If the record is accompanied by Form TSP-2, the calculation will be based on the share prices for the fund(s) in which the participant would have invested on the "as of" date.[2] If the record is accompanied by Form TSP-2-G, the calculation will be based on the G Fund share prices.

   b. Late payment records

   The TSP will calculate breakage on all sources of contributions (employee, agency automatic (1%), and matching) reported on the record.

   If the record is accompanied by Form TSP-2, the calculation will be based on the share prices for the fund(s) in which the participant would have invested on the "as of" date. If the record is accompanied by Form TSP-2-G, the calculation will be based on the G Fund share prices.[3]

   c. Late payroll submissions

   If contributions on a payroll submission are posted more than 30 days after the "current pay date" reported on the header record, the sub-

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[2] If the "as of" date is after April 30, 2001, the TSP will use the contribution allocation on file for the "as of" date. If the "as of" date is before May 1, 2001, but after December 31, 1999, the TSP will derive the contribution allocation by the investment of a contribution made for that date. If no contribution was made for that date, the TSP will derive the contribution allocation by the investment of the last contribution made 45 days before that date. If no contribution was made within this time frame, the derived contribution allocation will be 100% G Fund. If the "as of" date is before January 1, 2000, no contribution allocation is derived and breakage is determined as discussed in Section III.A.

[3] If a late payment record does not contain an "as of" date that is earlier than the current pay date reported on the header record, it will not be processed.

mission is considered late. Generally, in cases of late submissions, the TSP will also calculate breakage on current contributions and makeup employee contributions submitted on current payment records. The calculation will be based on the share prices for the fund(s) in which the participant would have invested on the reported current pay date.

C. Calculating breakage

To calculate the breakage, the TSP system will, for each source of contributions:

1. Determine the number of shares of the applicable investment fund(s) that would have been purchased had the contributions been reported on time.

   a. If the "as of" date is after May 31, 2003, this is the number of shares that would have been purchased on the "as of" date. The number will be calculated by dividing the amount that would have been invested in each investment fund by the share price for the "as of" date for the applicable investment fund.

   b. If the "as of" date is before June 1, 2003, this is the number of shares of each investment fund that would have been purchased on May 31, 2003, when account balances were converted to shares at $10 per share in each investment fund.

      To make this determination, the contributions are valued by adding an amount (either positive or negative) that the participant would have earned in each investment fund from the "as of" date through May 31, 2003. The number of shares is then calculated by dividing the valued contributions for each investment fund by $10.

   c. If breakage is being calculated on current contributions and employee makeup contributions reported on current payment records because the payroll submission was late, this is the number of shares of each investment fund which would have been purchased on the current pay date.

2. Determine the value of the number of shares (i.e., the number determined in 1 above) of each investment fund on the posting date.

3. Subtract the amount of the contributions from the value of the shares of each investment fund on the posting date. The result is the breakage (or lost earnings) due.

4. If the breakage is positive, the agency will be charged the amount of the contributions plus the breakage. If the breakage is negative, the agency will be charged the amount of the contributions; the difference between the amount of the contributions and the amount posted to the account will be forfeited to the TSP.

The determination of whether breakage is positive or negative will be made separately for each investment fund within each source of contributions. There will be no netting of gains and losses in one investment fund or source of contributions against gains and losses in another investment fund or source of contributions.

D. Processing negative adjustment records

To process a negative adjustment record, the TSP system will do the following, by investment fund for each source of contributions:[4]

1. Determine the number of shares that were purchased with the amount that the agency is requesting be removed from the participant's account.

   a. If the attributable pay date is after May 31, 2003, this number is based upon the participant's contribution allocation and share prices for the attributable pay date. It is calculated by dividing the amount of the adjustment by the applicable share price.

   b. If the attributable pay date is before June 1, 2003, this number is based on the participant's contribution allocation for the attributable pay date and the dollar value of the adjustment on May 31, 2003. (The dollar value of the adjustment includes earnings (either positive or negative) from the attributable pay date through May 31, 2003.)

2. Determine the value of the number of shares calculated in 1, above, by multiplying by the share price on the posting date.

3. If the adjustment is to employee contributions:

   a. remove the amount of the requested adjustment from the participant's account and credit it to the payroll office if the value of the number of shares on the posting date is equal to or greater than the requested adjustment. (This means that the investment gains, or positive earnings, on the adjustment remain in the participant's account.)

   b. remove the value of the number of shares on the posting date from the participant's account and credit that amount to the payroll office if this value is less than the requested adjustment. (This means that the payroll office will not receive the full amount of the contributions that it had erroneously deducted from the participant's pay; however, the payroll office must refund the full amount of the deduction to the participant.)

[4] The TSP will not process a negative adjustment record if (1) the attributable pay date does not match a pay date for which a contribution for the specific source was posted; (2) for the attributable pay date, the amount of the adjustment to a source is more than the amount of contributions minus negative adjustments previously posted for that source; or (3) the amount of the requested adjustment for a source is more than the account balance for the source.

4. If the adjustment is to agency contributions, remove, by source, the value of the shares on the posting date from the participant's account. (The participant is not entitled to investment gains on agency contributions that were erroneously deposited in his or her account.)

   a. If the erroneous agency contributions had been in the participant's account for less than one year:

      (1) credit the amount of the adjustment to the payroll office if the value of the number of shares on the posting date is equal to or greater than the adjustment. (Investment gains on erroneous agency contributions are forfeited to the TSP.)

      (2) credit the amount removed from the account to the payroll office if the value of the number of shares on the posting date is less than the adjustment.

   b. If the erroneous agency contributions had been in the account for one year or more, the entire amount removed from the account is forfeited to the TSP.

5. The determination of the value of the number of shares will be made separately for each investment fund within each source of contributions. There will be no netting of gains and losses in one investment fund or source of contributions against gains and losses in another investment fund or source of contributions.

6. The amount will be removed from the participant's account *pro rata* based upon the allocation of the participant's account balance on the posting date.

E. Applying the elective deferral limit

For purposes of applying the IRS annual elective deferral limit, the TSP will use the year of the "as of" date or the attributable pay date. If the "as of" date is blank, the TSP will use the year of the current pay date. Thus, employee makeup or late contributions will count against the limit for the year in which they should have been made.

F. Reports

See the bulletin, Payroll Office Reports Produced by New Record Keeping System, for a description of the reports payroll offices will receive after their submissions are processed. The bulletin also contains a list of the edits and the reasons records will be rejected in the new record keeping system.

## VII. Deadline for the Acceptance of Lost Earnings Records (51-Records)

Although payroll offices cannot submit lost records for contributions that were reported after May 31, 2003 (the date of conversion to the new record keeping system), we have allowed agencies to submit lost earnings records for those contributions that they reported before June 1, 2003.

However, beginning July 1, 2005, the TSP will not accept lost earnings records. By then, agencies will have had over two years to adjudicate claims for lost earnings on makeup or late contributions that they had reported to the TSP before June 1, 2003.

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Attachment: Example of Makeup Contributions and Breakage Calculation

EXAMPLE OF MAKEUP CONTRIBUTIONS AND BREAKAGE CALCULATION

Fred, a FERS participant with a contribution election of 5%, transferred from Agency A to Agency B. Agency B did not obtain his TSP information timely and missed deducting and reporting Fred's TSP contributions for two pay periods. Fred has elected to make up the missed contributions by a deduction from his next salary payment, which will be made on June 8, 2005. Fred's basic pay is $2,000 per pay period. Consequently, $300 will be deducted from Fred's June 8, 2005, payment (for the current and makeup contributions). Agency B's payroll submission for the current pay date of 6/8/2005 will contain three current payment records for Fred (one for the current pay date and one each for the two missed pay dates):

| | | |
|---|---|---|
| (1) | "As of" date: | [blank] |
| | Employee contributions: | $100 |
| | Automatic (1%) contributions: | $20 |
| | Matching contributions: | $80 |
| (2) | "As of" date: | 5/11/2005 |
| | Employee contributions: | $100 |
| | Automatic (1%) contributions: | $20 |
| | Matching contributions: | $80 |
| (3) | "As of" date: | 5/25/2005 |
| | Employee contributions: | $100 |
| | Automatic (1%) contributions: | $20 |
| | Matching contributions: | $80 |

The payroll submission is processed and contributions are posted to Fred's account on 6/8/2005.
Fred's contribution allocation for 6/8/2005: 100% S Fund.
Fred's contribution allocation for 5/11 and 5/25/2005: 50% F Fund; 50% C Fund.

The share prices are:[1]

| | |
|---|---|
| 5/11/2005: | $11 F Fund; $15 C Fund |
| 5/25/2005: | $10 F Fund; $12 C Fund |
| 6/8/2005: | $12 F Fund; $10 C Fund; $16 S Fund |

The following is posted to Fred's account on 6/8/2005:

| | |
|---|---|
| Employee contributions: | $300/18.75 shares/S Fund |
| Automatic (1%) contributions: | $57.91/3.6194 shares/S Fund |
| Matching contributions: | $231.64/14.4775 shares/S Fund |

[1] Share prices are illustrative only; they do not correspond to the actual share prices.

Breakage charged Agency B:

| | |
|---|---|
| Automatic (1%) contributions: | $2.91 |
| Matching contributions: | $11.64 |

The amount of agency contributions posted includes breakage and was calculated as follows:

For "as of" date **5/11/2005:**

- Number of shares that would have been purchased:

| | | |
|---|---|---|
| Automatic: | $10/F Fund = .9091 shares | (10/11) |
| | $10/C Fund = .6667 shares | (10/15) |
| Matching: | $40/F Fund = 3.6364 shares | (40/11) |
| | $40/C Fund = 2.6667 shares | (40/15) |

- Value of this number of shares on the posting date.

| | | |
|---|---|---|
| Automatic: | .9091 shares of F Fund = $10.91 | (.9091 x $12) |
| | .6667 shares of C Fund = $6.67 | (.6667 x $10) |
| Matching: | 3.6364 shares of F Fund = $43.64 | (3.6364 x $12) |
| | 2.6667 shares of C Fund = $26.67 | (2.6667 x $10) |

- Breakage (subtract contribution from value of shares on posting date):

| | |
|---|---|
| Automatic: | $10.91 – $10 = $.91 F Fund |
| | $6.67 – $10 = ($3.33) C Fund |
| | Amount charged to agency: $.91 |
| | Amount forfeited to TSP: $3.33 |
| Matching: | $43.64 – $40 = $3.64 F Fund breakage |
| | $26.67 – $40 = ($13.33) C Fund breakage |
| | Amount charged to agency: $3.64 |
| | Amount forfeited to TSP: $13.33 |

- Amount due participant for "as of" date (add contribution and breakage):

| | | |
|---|---|---|
| Automatic (1%) contributions: | $17.58 | ($10 + $.91 + $10 + ($3.33)) |
| Matching contributions: | $70.31 | ($40 + $3.64 + $40 + ($13.33)) |

For "as of" date **5/25/2005:**

- Number of shares that would have been purchased:

| | | |
|---|---|---|
| Automatic: | $10/F Fund = 1 share | (10/10) |
| | $10/C Fund = .8333 shares | (10/12) |
| Matching: | $40/F Fund = 4 shares | (40/10) |
| | $40/C Fund = 3.3333 shares | (40/12) |

[2] Breakage is calculated within the contribution source separately by investment fund and charged to agencies or forfeited accordingly. Thus, the charge to an agency resulting from a gain in one investment fund is not reduced by a loss in another investment fund.

- Value of this number of shares on the posting date.

| | | |
|---|---|---|
| Automatic: | 1 share/ F Fund = $12 | (1 x $12) |
| | .8333 shares/C Fund = $8.33 | (.8333 x $10) |
| Matching: | 4 shares/ F Fund = $48 | (4 x $12) |
| | 3.3333 shares/ C Fund = $33.33 | (3.3333 x $10) |

- Breakage:

| | |
|---|---|
| Automatic: | $12 – $10 = $2 F Fund |
| | $8.33 – $10 = ($1.67) C Fund |
| | Amount charged to agency: $2 |
| | Amount forfeited to TSP: $1.67 |
| Matching: | $48 – $40 = $8 F Fund |
| | $33.33 – $40 = ($6.67) C Fund |