

Financial Policies and Procedures
Payroll: Thrift Savings Plan

CHAPTER 8

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0801 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to VA employees' participation in the Thrift Savings Plan (TSP). Rules for participation and agency contributions into TSP on behalf of its employees differ between the Civil Service Retirement System (CSRS), including CSRS Offset, and the Federal Employees Retirement System (FERS). VA will ensure that its payroll provider will update employees' TSP account information as relevant changes occur in payroll system master records. CSRS, CSRS Offset, and FERS employees may make TSP contributions up to the yearly maximum tax-deferred amount allowable by law. In accordance with 5 U.S.C. 8432, VA will only make agency contributions to an employee's TSP account if that employee is an eligible FERS employee. CSRS and CSRS Offset employees will not receive any employer contributions. Refer to Appendix A, TSP Contributions Matrix, for more details on contributions made by VA and by CSRS, CSRS Offset, and FERS employees.

TSP was established by Congress in the Federal Employees Retirement System Act of 1986 (FERSA) and offers the same types of savings and tax benefits that many private corporations offer their employees under 401(k) plans, including employee contributions and accrued earnings that may be tax-deferred. TSP is a defined contribution plan, meaning that the retirement income employees will receive from their TSP accounts will depend on how much they (and VA, if the employees are eligible to receive agency contributions) put into their individual TSP accounts during their working years and the earnings accumulated.

The Federal Retirement Thrift Investment Board was established as an independent agency by FERSA to administer TSP. Governance of the agency is carried out by a five-person, part-time Board of Presidential appointees and by a full-time Executive Director selected by those appointees. Board members are required by FERSA to have "substantial experience, training, and expertise in the management of financial investments and pension benefit plans." Board members collectively establish the policies under which TSP operates and furnish general oversight over TSP.

VA's local Human Resources (HR) staff will determine the eligibility requirements established by Federal regulation and will ensure that all employees who are eligible to participate in TSP are made aware of this retirement savings program. Refer to TSP Booklet, Summary of the Thrift Savings Plan, and the TSP Website for more information on TSP; more detailed links within the Website can be found in Appendix B.

0802 POLICIES

080201 THRIFT SAVINGS PLAN FISCAL ACTIVITIES.

A. VA's payroll provider will adhere to prescribed TSP procedures and will process employee TSP contributions, either a percentage or a whole dollar amount, for each pay

period. Once annual limits set by the Internal Revenue Service (IRS) have been met (refer to Appendix E-1), employee TSP contributions will cease.

B. VA's payroll provider will create employee data records to initially establish the participants' accounts in TSP at the time of creating the initial payment records and will forward any changes to the data records. VA's payroll provider will submit current payment records to report current contributions and make-up and/or late contributions to TSP.

C. VA's payroll provider will submit contributions, negative adjustments, TSP loan payments, and journal vouchers to TSP, and will certify the accuracy of the information.

080201.01 Employee and Employer Contributions.

A. VA's payroll provider will make the appropriate deductions from an eligible employee's pay on the employee's behalf for employee TSP regular contributions in accordance with the employee's election or default requirement.¹ Annual TSP regular contribution limits are found in Appendix E-1.

B. VA's payroll provider will make the appropriate deductions from an eligible employee's pay on the employee's behalf for employee TSP catch-up contributions in accordance with the employee's election. Annual TSP catch-up contribution limits are found in Appendix E-1.

C. VA's payroll provider will submit VA's agency-automatic 1 percent contribution to participating FERS employee accounts.

D. VA's payroll provider will submit VA's agency-matching contributions as required to participating FERS employee accounts.

080201.02 Adjustments.

A. VA will submit negative adjustments, as necessary, to VA's payroll provider for any erroneous contributions made to an employee TSP account along with necessary adjustments for the corresponding employer contributions where those transactions are not automatically linked to base pay adjustment.

B. VA's Financial Services Center (FSC) in Austin, TX, will process negative and positive TSP adjustments in connection with processing corrected W-2s for periods of time prior to conversion to VA's payroll provider. The FSC provides detailed information on the different types of corrected W-2s and the required documentation on its website at <http://vaww.fscdirect.fsc.va.gov/payroll.asp>

¹ For employees hired or rehired on or after August 1, 2010, an automatic enrollment amount of 3 percent will be deducted from basic pay and contributed to the employee's TSP account, unless an election to change or stop the amount of contribution election has been made.

080201.03 TSP Loan Payments.

VA's payroll provider will adhere to prescribed TSP procedures to process TSP loan payments. Refer to TSP Bulletin 05-16, *Processing Thrift Savings Plan Loan Payments in TSP Recordkeeping System*, for more detailed information on these procedures.

080201.04 Obtaining Fiscal Reports from TSP.

VA's payroll provider will obtain TSP-related reports on processed actions from TSP's electronic system, as necessary, to ensure that the actions are properly reflected in the reports.

080202 SPECIAL SITUATIONS.

080202.01 Makeup and/or Late Contributions Requiring Breakage.

VA will ensure that VA's payroll provider has the necessary information to make any elected and eligible makeup and/or late contributions. VA's payroll provider, in accordance with 5 C.F.R. 1605, will make any necessary breakage payments on behalf of VA.

080202.02 Employees Returning from Military Service.

VA's local HR staff will provide entitlement guidance to employees returning from military service according to Uniformed Services Employment and Reemployment Rights Act (USERRA) guidelines. Upon employee submission of a transaction request, local VA payroll offices will submit transaction detail to VA's payroll provider and will ensure appropriate TSP makeup contributions are processed, as required, for entitled employees returning from military service.

080202.03 Employee Rollovers and Fund Transfers.

VA employees may access the TSP website (www.tsp.gov) for information on transfers and rollovers of eligible distributions.

080202.04 Financial Hardship In-Service Withdrawals.

VA's payroll provider will not make employee or employer-matching contributions during the required non-contribution period for employees who have received a financial hardship in-service withdrawal. Employer-automatic (1percent) contributions will continue if the employee is eligible during the required 6-month non-contribution period. VA employees may access the TSP website (www.tsp.gov) for information on financial hardship in-service withdrawals.

080202.05 Employee Transfers.

Local HR staff will ensure that there is no interruption to an eligible employee's enrollment in the TSP and that the employee's TSP account information is accurate when transferring into or out of VA.

0803 AUTHORITY AND REFERENCES

080301 5 U.S.C. Chapter 83, Retirement

080302 5 U.S.C. Chapter 84, Federal Employees' Retirement System

080303 26 U.S.C. Chapter 1, Section 402(g), Limitation on Exclusion for Elective Deferrals

080304 26 U.S.C. Chapter 1, Section 414(v), Catch-Up Contributions for Individuals Age 50 or Over

080305 38 U.S.C. Chapter 43, Employment and Reemployment Rights of Members of the Uniformed Services

080306 Public Law 111-31, Division B, the Thrift Savings Plan Enhancement Act of 2009, Provisions Relating to Federal Employees Retirement

080307 Public Law 106-265, The Federal Erroneous Retirement Coverage Corrections Act (FERCCA)

080308 5 C.F.R. Chapter VI, Parts 1600 –1690, Federal Retirement Thrift Investment Board

080309 Federal Retirement Thrift Investment Board, TSP Booklet - Summary of the Thrift Savings Plan, February 2011

080310 Federal Retirement Thrift Investment Board, TSP Booklet - Managing Your Account, December 2010

080311 Thrift Savings Plan Website

080312 VA Handbook 5009, Employee Benefits

0804 ROLES AND RESPONSIBILITIES

080401 The Secretary or Deputy Secretary will ensure that effective and efficient financial policies and systems for payroll administration are established.

080402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and

operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

080403 The Assistant Secretary for Human Resources and Administration will (through the Deputy Assistant Secretary for Human Resources Management) advise Under Secretaries, Assistant Secretaries, Other Key Officials, and field stations managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

080404 Under Secretaries, Assistant Secretaries, and Other Key Officials (through Chief Financial Officers) will provide and/or arrange for training for fiscal/finance office employees and timekeepers in policy and procedures relating to automated and manual systems for employee pay, leave, allowances, and deductions.

080405 Chief Financial Officers in VA will ensure that appropriate levels of training and advisory services are provided to ensure VA policy and procedures relating to payroll administration are carried out as effectively and efficiently as possible.

080406 The Employees Accounts Section is commonly referred to as Local Payroll. A brief summary of responsibilities for this section includes: ensuring facility training and support is provided to timekeepers and supervisors for time and attendance (TA) reporting, ensuring biweekly TA data and daily master record update transactions are transmitted timely, and ensuring employees receive appropriate pay and leave entitlements. Responsibilities for the Employee Accounts Section are extensive and are outlined in Volume XV, Chapter 1, *Payroll: Overview*.

080407 The Director, Austin Information Technology Center (AITC), or Designee specified in writing by name and position, will ensure submission of VA timecard data to VA's payroll provider, creation of payroll reports, and storage of payroll data/reports. Required accounting/payroll processing documents (e.g., for retirement corrections) will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

080408 The Director, Financial Services Center (FSC), or Designee specified in writing by name and position, will ensure that payroll activity is generated and processed as needed, to include Tier 1 payroll support services. Required accounting/payroll processing documents will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

080409 The Defense Finance and Accounting Service (DFAS), one of four e-Payroll service providers, is VA's designated payroll service provider. DFAS processes payroll and makes all employee deductions and disbursements, generates leave and earnings statement file and W-2s (Wage and Tax Statement), charges VA appropriations and

cost centers, and reports all payroll-related financial information to the Treasury on the behalf of VA.

080410 Facility Directors will ensure appropriate local controls, policies, and procedures are established and followed to ensure compliance with all laws, regulations, and policy covering payroll and related human resources issues.

080411 Chiefs, Human Resources Management Service will provide appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and Fiscal/Finance employees regarding laws, regulations, and policy covering human resources issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. Chiefs will also ensure HR data is accurately and timely entered into automated HR systems which integrate with payroll systems.

080412 Facility Agent Cashiers will follow established VA policy and procedures for payroll-related collections not made through payroll deduction. Facility Agent Cashiers will receive and distribute employee salary checks as directed by the payroll office, and will follow established VA policy and procedures for returning any unclaimed salary checks.

080413 Service/Division Chiefs will designate an adequate number of unit timekeepers and alternates by memorandum to the Fiscal/Finance Officer, indicating names (position is not sufficient for this purpose), status (timekeeper or alternate or removal from timekeeper function), and effective date.

080414 Supervisors and other leave-approving officials, as authorized in VA Directive 5011, section 3f, and VA Handbook 5011, Part III, Chapter 1, section 2b, are accountable for the work time and absence of employees for whom they are responsible, including leave approval and certification of attendance through appropriate time and attendance collection procedures or automated systems.

080415 Timekeepers will prepare and maintain time and attendance reports for each affected employee whose record has been assigned to their jurisdiction. Timekeepers remain under the administrative supervision of the supervisor of their own organizational element while performing the "additional duties" relating to preparation and maintenance of time and attendance reports. However, timekeepers are under the technical supervision of the Employee Accounts Section with regard to time and attendance reporting requirements affecting employee leave and pay entitlements. Additional responsibilities for timekeepers are outlined in the Payroll Policy Volume XV, Chapter 1, *Payroll: Overview*.

0805 PROCEDURES

080501 THRIFT SAVINGS PLAN FISCAL ACTIVITIES.

A. VA's payroll provider will follow the procedures and calculations described in TSP Bulletin 05-13 to determine an employee's TSP contribution amount, either a percentage or a whole dollar amount of basic pay, for each pay period.

B. VA's payroll provider will submit employee data records for the initial establishment of TSP accounts and/or forward any changes to a participating employee's TSP data record.

C. VA's payroll provider will submit employee TSP data, contributions, negative adjustments, TSP loan payments, and journal vouchers to TSP and certify to the accuracy of the submitted information.

080501.01 Employee and Employer Contributions.

A. Regular Employee Contributions. VA's payroll provider will deduct designated TSP contributions each pay period from an employee's basic pay² (refer to Appendix C for information on determining basic pay for TSP purposes) in the amount or percentage that is indicated by employee election or default requirement. For detailed guidance on processing employee TSP contributions, refer to Appendix D. Employee TSP contributions will stop if the employee's TSP account has reached the current tax year's regular elective deferral limit (refer to Appendix E-1); regular contributions will resume in the following tax year.

B. Catch Up Employee Contributions.³ In accordance with 5 C.F.R. 1600.22, TSP participants who are age 50 or older by the end of the calendar year, are allowed to make employee TSP catch-up contributions, beyond the current tax year's regular elective deferral limit, up to the current tax year's catch-up contribution limit. Catch up elections must be separately requested for each tax year. Refer to Appendix E-1 for annual catch up contribution limits applicable to employees' TSP contributions.

C. Agency-Automatic Contributions. VA's payroll provider will make payments each pay period, on the behalf of VA, for agency-automatic contributions to eligible FERS employees' TSP accounts. Refer to Appendix E-2 for requirements to determine the amount of employer contributions.

D. Agency-Matching Contributions. VA's payroll provider will make payments each pay period, on the behalf of VA, for agency-matching contributions, to eligible FERS employees' TSP accounts. Refer to Appendix E-2 for Agency-matching contribution rates.

080501.02 Adjustments.

² VA's eligible reemployed annuitant's TSP contributions are based upon their basic pay before it is offset (reduced) by the annuity.

³ Catch up contributions can be made simultaneously along with regular contributions.

A. VA's payroll provider will remove any erroneous contributions made to a TSP account by making a negative adjustment as soon as the error has been identified. The negative adjustment will be made on the same type of contribution (regular employee or catch-up) that was processed. Any corresponding actions to adjust employer contributions will be made as needed.

B. VA's FSC will process negative and positive TSP adjustments in connection with processing corrected W-2s for periods of time prior to conversion to VA's payroll provider. The FSC has detailed information on the different types of corrected W-2s and the required documentation on their website at <http://vaww.fscdirect.fsc.va.gov/payroll.asp>

080501.03 TSP Loan Payments.

A. VA's payroll provider will automatically deduct TSP loan payments⁴ from an employee's basic pay until the TSP loan is repaid in full. Changes will be communicated directly to VA's payroll provider by TSP. VA's local HR offices will use Form TSP-41, *Notification to TSP of Nonpay Status*, to either notify TSP when a participant who has a TSP loan is placed in an approved nonpay status, or notify TSP when a participant who entered nonpay status has returned to pay status.

B. Employee Transfers.

1. For an employee who transfers within the VA system, VA's payroll provider will maintain a record of the existing TSP loan and continue to make loan deductions.

2. For an employee who transfers from another Federal Agency, the TSP loan will not transfer automatically. Although the losing agency should forward the gaining agency a Form TSP-19, *Transfer of Information Between Agencies*, it is the employee's responsibility to ensure their new local HR and/or Payroll offices are notified of their TSP loan payment information.

3. VA's local HR and/or Payroll offices will forward TSP-19 or any the TSP loan information provided by the employee to VA's payroll provider by submitting a Remedy Ticket. If such loan information is not provided, the loan may go into default and the employee may incur a tax liability. Refer to the TSP website ([Thrift Savings Plan](#)) for additional information on the tax consequences associated with defaulted loans.

080501.04 Obtaining Fiscal Reports from TSP.

VA's payroll provider will request and receive standard reports and other ad hoc reports, as needed, from TSP (e.g., TSP 5001, *Participant Transaction History Report*, TSP

⁴ When an employee has taken a TSP loan, the amount of the loan is removed from his/her TSP account, and automatic loan payments will be deducted from basic pay, each pay period, until the loan is fully repaid.

31503, *Report of Detail Negative Adjustment Records Processed*), to review the content to ensure that TSP-related transactions are properly recorded.

080502 SPECIAL SITUATIONS.

A. Makeup and/or Late Contributions Requiring Breakage.

1. Employees affected by agency error, with lower TSP contributions deducted than elected, are allowed up to four times the number of pay periods affected by the error to make additional contributions for the error period.
2. For qualifying VA employees allowed to submit make-up or late contributions to their TSP accounts, VA may owe breakage (lost earnings) to the qualifying employee. If a VA administrative error occurred that caused a late or erroneous investment of money in TSP, and the investment was not corrected within 30 days of when the correct action should have been made, VA is responsible for paying breakage resulting from the error.
3. If the processing error is not corrected within 30 days to avoid owing breakage, TSP will calculate and charge breakage (lost earnings) caused by VA's administrative processing error in order for employee TSP accounts to reflect the correct amount. VA's payroll provider will submit the appropriate documents for breakage payments to TSP for recording into the affected employee's TSP account.
4. VA's payroll provider will submit late payment records to TSP to report make-up and/or late contributions attributable to:
 - A back pay award or other retroactive adjustment; and/or
 - A Federal Erroneous Retirement Coverage Corrections Act (FERCCA) correction requiring breakage on make-up employee contributions.
5. VA's local payroll offices will submit transaction details, as required, to VA's payroll provider and/or to the FSC to process all TSP adjustments for back pay awards, retroactive pay adjustments, including pre-conversion corrections (e.g., W-2 corrections, employer contribution corrections), and USERRA cases (see Appendix G), in accordance with 5 C.F.R. 1605 and FERCCA. VA's local payroll offices will use the following forms to submit retroactive corrections:
 - VA Form 5638a, *Supplemental Code Sheet for TSP Regular Contributions*, if necessary; and
 - VA Form 5638b, *Supplemental Code Sheet for TSP Catch Up Contributions*, if necessary.

As applicable, VA local payroll offices will provide other essential documents, such as an employee agreement to make-up TSP contributions.

B. Employees Returning from Military Service.

1. If qualified, employees returning to Federal civilian service from a period of military duty are entitled to certain TSP benefits they would have received had they continued in Federal civilian service. VA local HR offices will provide TSP benefits entitlement guidance to the employee.

2. With the assistance of the local HR office, local payroll offices will determine an employee's entitlement and take the appropriate action. Complete guidance is contained in [TSP Bulletin 02-7](#), *Thrift Savings Plan Participation of Individuals Who Return to Civilian Service or Pay Status Following Military Service*, Section II, E1.

3. Eligible FERS employees are entitled to the agency-automatic 1% contributions that would have been submitted to TSP had they continued in their Federal civilian position. For eligible employees, VA's local payroll office will compute the agency-automatic 1% contributions and will submit a list of all pay adjustment transactions, including specific "As of" dates⁵ for each pay period, to VA's payroll provider through Remedy Tickets. Local payroll offices must identify the request as a TSP action for agency-automatic contributions for a qualifying military reservist. Instructions for computing immediate agency matching contributions are contained in [TSP Bulletin 02-7](#), Section II, E2 and Attachment 2.

4. Additionally, employees may be entitled to make-up missed TSP contributions, including catch-up contributions if age 50 or older, for amounts they would have contributed had they continued in Federal civilian service. The amount of make-up contributions must be reduced by the employee contributions made to their uniformed services accounts. [TSP Bulletin 02-7](#), Section II, D2c, provides the following example:

- "If the agency determines an employee would have contributed \$5,000 to his or her civilian TSP account during the period of military service, but the employee contributed \$2,000 to his or her uniformed services account, the employee may make up only \$3,000 to the civilian account." Upon return to duty from military service, some employees may be allowed to make retroactive contribution rate changes which must be recognized before determining makeup contribution amounts.

5. Upon request of the employee, local payroll offices will process make-up contributions for eligible employees and will submit a listing of all pay adjustment transactions, including specific "As of" dates for each pay period, to VA's payroll provider using a Remedy Ticket. Local payroll offices must identify on the ticket that this is a TSP action for employee make-up contributions for a qualifying military reservist.

⁵ TSP "As of" dates can also be found at <http://vawww.fscdirect.fsc.va.gov/payroll.asp> under the "Cheat Sheets" tab.

C. Employee Rollovers and Fund Transfers.

VA employees should access www.tsp.gov or contact TSP directly for assistance and guidance on rollovers and transfers that must be initiated by the employee.

D. Financial Hardship In-Service Withdrawal.

1. TSP participants can access the TSP website at www.tsp.gov to request a financial hardship in-service withdrawal. An employee who receives a financial hardship withdrawal will not be eligible to make regular or catch-up contributions to his or her TSP account for 6 months. During this 6-month period, a FERS employee will not receive any Agency matching contributions. However, as long as the FERS TSP participant is in pay status during this period, he or she will continue to receive the Agency automatic (1%) contributions, if eligible.

2. Non-Contribution Period. The 6-month period is called the “non-contribution period” and begins on the day the financial hardship in-service withdrawal is disbursed and ends 6 months later.

3. Reactivate TSP Account. To reactivate TSP contributions after a non-contribution period has been completed, the employee must either complete a new Thrift Savings Plan Election Form (TSP-1) and submit the completed form to local HR staff or update their TSP elections through myPay. The transaction will be processed through VA’s automated HR system before the TSP data record is updated in VA’s payroll provider’s system.

E. Employee Transfer.

1. When TSP participating employees transfer between Federal agencies, their TSP participation must continue without interruption. When an employee (who is participating in TSP) transfers into VA to another TSP eligible position⁶, VA’s local HR office must establish the employee’s TSP record in VA’s automated HR system.

2. VA’s payroll provider will submit an Employee Data Record (EDR) to TSP, determine the employee’s contributions, including catch-up contributions, and report them to TSP.

3. VA must continue to deduct and report TSP loan payments. Refer to 080501.03 above for additional information relating to an employee’s TSP loan or loans.

4. VA’s local HR offices will verify the enrollment information obtained from the losing agency on the transferring employees to VA when their Official Personnel Files (OPF) are received. If erroneous information was transferred to VA, VA local HR offices must

⁶ The position must be covered under CSRS, CSRS Offset, or FERS.

take corrective action. For more information, refer to [TSP Bulletin 10-8](#), dated July 30, 2010.

5. When a VA employee transfers to another Federal agency, the local HR office will complete Form TSP-19, *Transfer of Information Between Agencies*, to provide the gaining agency with TSP information relating to the employee.

0806 DEFINITIONS

080601 Account. The account established for a participant in TSP. TSP assigns each TSP participant an account number to identify his/her TSP account.

080602 “As of” Date. The date on which a TSP contribution or other transaction entailing acquisition of investment fund shares should have taken place. Employing agencies use this date on payment records to report makeup or late contributions or late TSP loan payments. When entering an “as of” date for a pay period ended August 5, 2006 or later, VA payroll offices should use the first Friday following the end of the pay period as the settlement date (e.g., the “as of” date for the pay period ended January 15, 2011, PP01 of pay year 2011 is 01/21/2011).

080603 Back Pay. As defined in 5 U.S.C. 5596, back pay refers to an amount, once a personnel action is corrected, equal to all or any part of the pay, allowances, or differentials, as applicable, which the employee normally would have earned or received during the period if an unjustified or unwarranted personnel action had not occurred, less any amounts earned by the employee through other employment during that period. (Note: routine retroactive adjustments are not considered back pay).

080604 Basic Pay. Rate of basic pay means the rate of pay fixed by law or administrative action for the position held by an employee, including any applicable locality payment, special rate supplement, or similar payment or supplement under other legal authority (e.g., Title 38), before any deductions and exclusive of additional pay of any other kind. It does not include awards, bonuses, overtime pay, military pay, special allowances, holiday pay, or other compensation given in addition to the base pay of a particular position.

080605 Breakage. Formerly called “lost earnings”, breakage means the amount of gain that would have been realized, given that makeup or late contributions would have been made at their normally scheduled time. Breakage is the difference between the value of the shares had they been purchased and the contribution been made on the “as of” date, to an employee’s TSP account, and the value of the shares on the date the contribution is posted to the account.

080606 Catch-Up Contributions. TSP contributions from taxable basic pay that are made by participants age 50 and over, which exceed either the elective deferral limit of 26 U.S.C. 402(g), or the maximum contribution percentage limit of 5 U.S.C. 8351(b) for

CSRS participants; 5 U.S.C. 8432(a) for FERS participants; or 5 U.S.C. 8440f(a) for all other participants.

080607 Civil Service Retirement System (CSRS). The retirement system created for Federal employees in 1920. CSRS ultimately will be phased-out as new Government employees have FERS coverage, which went into effect January 1, 1987. Unless the individual is covered under CSRS Offset, they are not subject to OASDI taxes.

080608 Contribution Election. A request by an employee to start contributing to TSP, to change the rate of contributions, or to terminate contributions.

080609 CSRS Offset Plan. A retirement plan for employees who were covered under CSRS, separated for more than 1 year, then rehired or those employees first hired after December 31, 1983 and before December 31, 1986, who were placed in the Civil Service Interim Retirement System. The benefits under this plan are similar to CSRS benefits except the employees pay OASDI as well as a reduced CSRS contribution. Employees contribute to OASDI (up to maximum taxable wage base) and CSRS Offset retirement with retirement increasing to the full CSRS rate when wages exceed the annual maximum taxable OASDI wage base.

080610 Elective Deferral Limit. An annual dollar limit, established under the Internal Revenue Code (I.R.C.), for employee contributions to qualified retirement savings plans including TSP; also known as contribution limit. “Catch-up” contributions made by participants age 50 and older are not subject to this limit, but have a separate I.R.C. limit.

080611 Employee Contributions. TSP contributions from taxable basic pay that are subject to the I.R.C. limits on elective deferrals and contributions to qualified plans (26 U.S.C. 402(g) and 415(c), respectively), and to the maximum contribution percentage limits of 5 U.S.C. 8351(b), 5 U.S.C. 8432(a), or 5 U.S.C. 8440f(a).

080612 Employer Contributions. Contributions made on behalf of VA to the TSP account of an eligible employee participating in TSP. There are two types of employer contributions:

- Agency Automatic (1 percent) Contributions. Contributions equal to one percent of basic pay each pay period and which are contributed to a FERS participant’s TSP account by VA’s payroll provider, as authorized under 5 U.S.C. 8432(c)(1) or 8432(c)(3); and
- Agency Matching Contributions. Contributions made by VA’s payroll provider on VA’s behalf to TSP accounts of FERS employees who contribute their own money, as authorized under 5 U.S.C. 8432(c)(2) or 5 U.S.C. 8440e(e).

080613 Federal Employees Retirement System (FERS). FERS is a three-tiered system based on OASDI (Social Security) with a basic retirement benefit plan and a Thrift Savings Plan (TSP) tax-deferred savings program.

080614 Federal Erroneous Retirement Coverage Corrections Act (FERCCA). An Act of Congress that was designed to provide relief to Federal civilian employees who were placed in the wrong retirement system for at least 3 years of service after December 31, 1986. FERCCA provided many employees and annuitants, who were initially placed in the wrong retirement system, an opportunity to choose between FERS and the CSRS Offset Plan.

080615 Financial Hardship Withdrawal. Refers to a withdrawal from the participant's TSP account when the participant has an immediate and significant financial need that necessitates a distribution from his/her TSP account.

080616 Late Contributions. Late contributions are made when an administrative error in reporting or posting elected deductions into an employee's TSP account has occurred and the regularly elected contributions were not processed. If proper corrective actions are not made within 30 days of the error, breakage may be owed to the employee's TSP account.

080617 Make-up Contributions. Make-up contributions are employee contributions that should have been deducted from a participant's basic pay or employer contributions that should have been charged on an earlier date, but were not deducted or charged and, consequently are being deducted or charged currently. Make-up contributions include contributions for Federal employees who had been called up for active duty and are now reemployed or restored to their civilian employment in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994 (38 U.S.C. Chapter 43). Make-up contributions allow employees to "make up" missed contributions to their TSP accounts for the period of time when they were called to active duty.

080618 myPay. A web-based system used by VA's payroll provider which allows VA employees to manage and/or change personal data, e.g., tax exemptions, address, allotments, TSP elections, and also permits the employee to view their leave and earnings and W-2 statements (website: <https://mypay.dfas.mil/mypay.aspx>).

080619 Negative Adjustments. As with regular contributions, agencies are required to remove erroneous contributions as soon as the error has been identified. These include situations in which, because of agency error, catch-up contributions in excess of the amount elected by the participant are contributed to the participant's account, or contributions are made on behalf of a participant in excess of the employee election or the required employee contribution. Negative adjustments of catch-up contributions will reduce the amount of money applied against the annual catch-up limit. Agencies must not adjust a catch-up contribution to resolve a problem with a regular employee contribution.

080620 Prevailing Rate Employees. Individuals employed as a recognized trade, craft, skill, or labor worker and/or employed by the Veterans' Canteen Service; also known as Federal wage employees. This category of employee is defined under 5 U.S.C. 5342(2) and also may be referred to as "ungraded."

080621 Remedy Ticket. Remedy is a system used by VA's payroll provider. Remedy tickets are utilized for communication, which is tracked, between VA and VA's payroll provider. Remedy tickets are used to request or correct items, i.e., entitlements or personnel records, to request assistance with problems that cannot be resolved through regular payroll processing, and to communicate information to the payroll provider, i.e. employee debt payments or military service deposits.

080622 Uniformed Services Employment and Reemployment Rights Act (USERRA). USERRA is a law (38 USC 4301-4335) created to encourage noncareer service in the uniformed services by eliminating or minimizing the disadvantages to civilian careers and employment which can result from such service; to minimize the disruption to the lives of persons performing service in the uniformed services as well as to their employers, their fellow employees, and their communities, by providing for the prompt reemployment of such persons upon their completion of such service; and to prohibit discrimination against persons because of their service in the uniformed services.

080623 Vested. An amount vested is the portion of an individual's account which is not subject to forfeiture. Participants of TSP become fully vested after completion of a set amount of Federal service.

0807 RESCISSIONS

080701 OF Bulletin 06GA2.15, Thrift Savings Plan Changes

080702 OF Bulletin 03GA2.11, Thrift Savings Plan Input Fields and Other Changes

080703 OF Bulletin 03GA2.14, Thrift Savings Plan Catch-up Contributions

080704 OF Bulletin 01GA2.06, Thrift Savings Plan Changes

080705 OFM Bulletin 99GA2.01, Thrift Savings Plan Adjustments for Prior Years

080706 OFM Bulletin 98GA2.02, Thrift Savings Plan Loan Payment Programs

080707 OFM Bulletin 97GA2.06, Corrective Actions for Thrift Savings Plan Errors Made in Pay Period 12, 1997

080708 OFM Bulletin 95G3.04, Deferment of Thrift Savings Plan from New York City Taxable Wages

080709 OFM Bulletin 95G3.10, Processing Thrift Savings Plan Contributions for Employees Returning from Military Duty

0808 QUESTIONS

Questions concerning these payroll policies and procedures should be directed as follows:

VHA
VBA
All Others

VHA CFO Payroll Helpline (10A3A) (Outlook)
VAVBAWAS/CO/OPERATIONS (Outlook)
Payroll Policy (Outlook)

APPENDIX A: TSP CONTRIBUTIONS MATRIX

Contributions	FERS		CSRS and CSRS Offset
	Hired Before August 1, 2010	Hired On or After August 1, 2010	All Employees Covered under CSRS
Employee Contributions	Employees can make a contribution election through their local Human Resources office or through self service option in myPay.	VA will enroll an employee in TSP automatically at 3 percent of his or her basic pay. This amount will be deducted from employees' paychecks each pay period and deposited into their TSP account, unless an employee has made an election to change or stop his or her contributions. Employees can change and/or stop their contribution election through their local Human Resources office or through the self service option in myPay. ⁷	Employees can make a contribution election through their local Human Resources office or through self service option in myPay.

⁷ For more information on how to change or stop the automatic 3% election, contact the local HR office. If an employee requests a refund of their automatic 3% TSP contribution, they must contact their local HR office within 90 days from their hire date.

Contributions	FERS		CSRS and CSRS Offset
	Hired Before August 1, 2010	Hired On or After August 1, 2010	All Employees Covered under CSRS
Agency Contributions	Employees will have Agency Automatic (1 percent) Contributions, as well as Agency Matching Contributions (up to 4 percent of basic pay on the first 5 percent of basic pay contributed to TSP in a pay period), deposited into their TSP accounts by VA. Employer contributions are subject to vesting rules wherein an employee is only fully vested after a certain period of Federal service.		CSRS employees will not receive any employer contributions for TSP.

APPENDIX B: TSP WEBSITE REFERENCES

A. GENERAL REFERENCES (Information purposes only)

- Form TSP-19, *Transfer of Information Between Agencies*, can be found in TSP Bulletin 10-8 at <https://www.tsp.gov/PDF/bulletins/10-8.pdf>
- Form TSP-41, *Notification to TSP of Nonpay Status*, at <https://www.tsp.gov/PDF/formspubs/tsp-41.pdf>

B. SPECIFIC REFERENCES

- Thrift Savings Plan Bulletins and Announcements at <https://www.tsp.gov/representative/representative.shtml>
- TSP Payroll Office Tools at <https://www.tsp.gov/representative/payroll/payrollOfficeTools.shtml>
- Thrift Savings Plan, Financial Hardship In-Service Withdrawals at <https://www.tsp.gov/PDF/formspubs/tspbk12.pdf>
- Thrift Savings Plan Fact Sheet, TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service at <https://www.tsp.gov/PDF/formspubs/oc95-5.pdf>

APPENDIX C: BASIC PAY FOR TSP PURPOSES

DETERMINATION OF BASIC PAY FOR TSP PURPOSES

A. The following elements of pay **must** be included in the determination of basic pay for TSP purposes:

1. Locality-based comparability pay as authorized by 5 U.S.C. 5304;
2. Environmental differential for prevailing rate* employees as authorized by 5 U.S.C. 5343(c)(4);
3. Night differential for prevailing rate* employees as authorized by 5 U.S.C. 5343(f);
4. Premium pay for standby time as authorized by 5 U.S.C. 5545(c)(1);
5. Premium pay for law enforcement officers, as authorized by 5 U.S.C. 5545(c)(2), as administratively uncontrollable overtime;
6. Availability pay for criminal investigators as authorized by 5 U.S.C. 5545a;
7. Physicians' comparability allowance as authorized by 5 U.S.C. 5948;
8. Physician and Dentist market pay as authorized by 38 U.S.C. 7431; and
9. Nurse Executive special pay as authorized by 38 U.S.C. 7452;

B. The following elements of pay and types of payments are **not** basic pay for TSP purposes:

1. Overtime pay not listed under section A5 above;
2. Night differential premium pay not listed under section A3 above;
3. Hazard pay differential;
4. Bonuses;
5. Allowances (other than Physician's Comparability Allowance);
6. Foreign and domestic post differential for General Schedule, and foreign post differential for prevailing rate employees;
7. Severance pay;

8. Retroactive pay granted to a retired or deceased employee pursuant to a wage survey;
9. Lump-sum payment for leave;
10. Voluntary separation incentive payment (buyout);
11. Payments made by the Office of Workers' Compensation Programs (OWCP benefits); and
12. Physician and Dentist Performance Pay.

*Prevailing Rate Employees are individuals employed as a recognized trade, craft, skill, or labor worker and/or employed by the Veterans' Canteen Service; also known as Federal wage employees. This category of employee is defined under 5 U.S.C. 5342(2). DFAS may refer to these employees as "ungraded."

APPENDIX D: PROCESSING EMPLOYEE TSP CONTRIBUTIONS

A. The following procedures will be used to determine an employee's TSP contribution amount, either a percentage or a whole dollar amount, for each pay period:

1. Determine the amount of the employee contribution for the pay period by multiplying the elected percentage by the **basic pay** earned for the pay period.
2. Determine all mandatory deductions, including TSP loan payments if any, which must be made for the pay period. Refer to Volume XV, Chapter 4, *Deductions*, for information on where TSP deductions fall within the Order of Precedence. If other deductions have been set ahead of TSP contributions, include these deductions as mandatory.

B. For employees electing to contribute a percentage of their basic pay to TSP, the following examples illustrate two different percentage contribution levels:

Example 1. If the amount of an employee's TSP contribution is less than the resulting pay (not net pay) for the pay period, after mandatory deductions (as defined below) have been subtracted, the employee's TSP contribution will be the amount computed, subject to Internal Revenue Code (IRC) limits, as follows.

An employee who receives \$1,000.00 in basic pay per pay period, elects to contribute 20 percent (\$200.00) to TSP. Assuming the following mandatory deductions, he or she will be able to contribute the full amount desired from basic pay to TSP:

<u>DEDUCTION</u>	<u>AMOUNT</u>
Federal taxes	\$200.00
State taxes	73.50
OASDI	62.00
Medicare	14.50
Total	<u>\$350.00</u>

After deducting the \$350.00 from basic pay, the resulting pay balance is \$650.00. Since the resulting amount (\$650.00) is greater than the employee's TSP election (\$200.00), the employee will be able to contribute the full election amount to his or her TSP account.

Example 2. If the amount of the employee's TSP contribution is greater than the resulting pay (not net pay) for the pay period, after mandatory deductions (as defined below) have been subtracted, the employee's TSP contribution will be reduced to a lower level than desired, also subject to the IRC limits.

An employee who receives \$1,500.00 in basic pay per pay period elects to contribute 99 percent (\$1,485.00) to TSP. Assuming the following mandatory deductions, he or she will only be able to contribute a reduced percentage from the elected percentage.

<u>DEDUCTION</u>	<u>AMOUNT</u>
Federal taxes	\$251.00
State taxes	135.25
OASDI	93.00
Medicare	<u>21.75</u>
Total	<u>\$501.00</u>

After deducting \$501.00 from basic pay, the resulting amount is \$999.00. Since the resulting amount (\$999.00) is less than the employee's TSP election (\$1,485.00), the requested TSP percentage of 99 percent will be decreased in 1 percent increments (98%, 97%, etc.) until reaching the highest available percentage that can be withheld with no remainder. In this case, decreasing the percentage will stop at 66 percent, which will calculate to a \$990.00 TSP deduction. Payroll offices will receive a printout stating, in effect, that the elected TSP percentage would result in net pay being exceeded; thus the percentage had to be recomputed to the proper level of deduction (in example, above 66 percent). Payroll offices should retain these printouts for future use, if needed, for determining TSP entitlement for pay adjustments, such as for corrected timecards or retroactive adjustments for any within-grade increases.

NOTE. Although employees can now contribute up to 100 percent of their basic pay to TSP, PAID will not accept percentages greater than 99 percent. Therefore, employees who wish to elect 100 percent contribution of their basic pay to TSP should only elect 99 percent as their TSP contribution percentage due to system constraints.

4. For employees electing to contribute a whole dollar amount to TSP, the following examples illustrate two different whole dollar contribution levels:

Example 1. If the whole dollar amount of the employee's TSP contribution is less than the resulting pay for the pay period, after the mandatory deductions (as defined below) have been subtracted, the employee's TSP contribution is the whole dollar amount elected, subject to the IRC limits.

An employee who receives \$1,000.00 in basic pay per pay period elects to contribute \$400.00 to TSP. Assuming the following mandatory deductions, he/she will be able to contribute the full amount desired from basic pay to TSP:

<u>DEDUCTION</u>	<u>AMOUNT</u>
Federal taxes	\$150.00
State taxes	73.50
OASDI	62.00
Medicare	14.50
Total	<u>\$300.00</u>

After deducting the \$300.00 from basic pay, the resulting pay balance is \$700.00. Because the resulting amount (\$700.00) is greater than the employee's TSP election (\$400.00), the requested deduction of \$400.00 will be withheld for TSP.

Example 2. If the whole dollar amount of the employee's TSP contribution is greater than the resulting pay amount for the pay period, after the mandatory deductions (as defined below) have been subtracted, he/she will not be able to make any employee TSP contribution for the pay period. If the employee is under FERS, he/she will not receive any agency matching contribution for the pay period since there were no employee contributions made.

An employee who receives \$1,500.00 in basic pay per pay period elects to contribute a whole dollar amount of \$1,125.00 to TSP. Assuming the mandatory deductions below, he/she will not be able to make any employee TSP contribution for the pay period.

<u>DEDUCTION</u>	<u>AMOUNT</u>
Federal taxes	\$275.00
State taxes	160.25
OASDI	93.00
Medicare	21.75
Total	<u>\$550.00</u>

After deducting the \$550.00 in mandatory deductions, the resulting pay balance is \$950.00. Because the resulting pay balance (\$950.00) is less than the employee's TSP election (\$1,125.00), no employee TSP deduction will be made.

Additional TSP guidance can be found in [TSP Bulletin 05-17](#).

APPENDIX E-1: HISTORICAL EMPLOYEE TSP ELECTIVE DEFERRAL LIMITS

Tax Year	Regular Elective Deferral Limit	Catch-Up Contribution Limit (additional to the Elective Deferral 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	
1999	\$10,000	
2000	\$10,500	
2001	\$10,500	
2002	\$11,000	
2003	\$12,000	\$2,000
2004	\$13,000	\$3,000
2005	\$14,000	\$4,000
2006	\$15,000	\$5,000
2007	\$15,500	\$5,000
2008	\$15,500	\$5,000
2009	\$16,500	\$5,500
2010	\$16,500	\$5,500
2011	\$16,500	\$5,500
2012	\$17,000	\$5,500

APPENDIX E-2: VA CONTRIBUTIONS TO TSP

Agency Contributions to Your Account (FERS Employees Only)			
You put in:	VA puts in:		And the total contribution is:
	Automatic (1%) Contribution	Agency Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your Contribution + 5%

Note: For employees hired or rehired on or after August 1, 2010, an automatic enrollment amount of 3 percent will be deducted from basic pay and contributed to the employee's TSP account, unless an election to change or stop the amount of contribution has been made.

APPENDIX F: REQUIRED INFORMATION NEEDED TO PROCESS USERRA CASES

Uniformed Services Employment and Reemployment Act (USERRA)

A. VA will process eligible USERRA cases by processing and submitting the required information to TSP. Required information includes:

- Memo request form--Leave Without Pay (LWOP) dates, updated address, contact information, Payroll office, etc.
- Contact information of HR representative and/or payroll Customer Service Representative (CSR).
- On January 7, 2011, VA HR issued HRIS Bulletin 11-03: Military Furlough Start Date. This bulletin requires local HR offices to enter the military furlough start date, projected end date, actual end date, and return to duty.
- The military furlough start date will be used to calculate the 24 months of FEHB converge that is authorized by the Nation Defense Authorization Act for 2005 (Public Law 108-375).

B. Most common HR Nature of Action (NOA) Codes used include:

- Code 473 for LWOP-Military (for persons that have just left for active military duty).
- Codes 702, 892, 893, 894 (Change in pay amount must be in the calculations).
- Code 292 for Return to Duty (RTD) (for persons who have returned from their military tour).

C. Other Common Forms include:

- TSP-1 used before departing on LWOP, if possible.
- Military Leave and Earning Statement (LES) – used only if they contributed to TSP while on LWOP.

D. The following documents are not required and cannot be used to process USERRA cases for TSP:

- LES's, military or civilian, which do not reflect a dollar amount contributed to TSP during LWOP status.

- Military Orders.
- DD214's.
- W-2's.
- TSP-1C.

NOTE. If the FERS employee does not choose to make up contributions which were not made during their deployment period or does not provide documentation of TSP contributions from military pay (within 60 days of return to duty), VA will only process a request for the automatic 1% agency contribution.

E. PROCESSING.

For pay periods after conversion to VA's payroll provider, local payroll staff will process this entitlement by submitting a remedy request. For pay periods prior to conversion, local payroll staff will submit their calculations to FSC, which will process a memo for the record to submit directly to TSP.

The below attachment provides information on calculation procedures for Agency matching for fixed employee dollar amounts that are more than 3% but less than 5%.



TSPDollarAmountFor
mulaGM.doc