United States
Office of
Personnel Management
The Federal Government's Human Resources Agency

Benefits Administration Letter

Number: 05-103 Date: March 17, 2005

Subject: Retirement Coverage Error Correction: Correction of Errors that Provide an Election

Introduction

This Benefits Administration Letter (BAL) provides instructions for correcting retirement coverage errors when the individual has an election. It applies to correction of errors that have not been corrected and provides instructions to agencies for the actions they must take after an election is made under the Federal Erroneous Retirement Coverage Corrections Act (FERCCA).

Categories of errors that agencies should currently be correcting

Agency Personnel/Human Resource offices should correct the following types of retirement coverage errors:

- Administrative corrections. Administrative corrections are corrections of errors that lasted less than 6 months (e.g., tentative placement in FERS until a coverage determination can be made) and corrections of errors where there is no error in the coverage determination but the person must be moved from one type of coverage to another. An example of the latter type is to and from law enforcement officer/firefighter coverage within a retirement system (correcting retirement code 1 to 6, or 6 to 1).
- Erroneous FERS coverage that lasted for less than 3 years of service. BAL 02-103 provided detailed instructions for making these corrections.
- Errors that do not provide an election. BAL 03-104 provided detailed instructions for making these corrections.
- Required agency actions for retirement coverage error corrections. BAL 04-104 reviews the types of actions that agencies should now be taking on all retirement coverage errors and the time limits for processing error corrections.
- Corrections for individuals who are currently in the wrong retirement system and who have been provided with an election opportunity. This BAL provides the detailed instructions for making these corrections.

Using this BAL

The procedures in this BAL apply to corrections for individuals that have not previously been corrected and have made a coverage election or the six month time limit for making an election has passed and they are being placed in the default retirement coverage.

This BAL is organized by type of error and the coverage election. Each section contains all the steps needed for making a specific type of correction. For example, a person who was erroneously in FERS and should have been CSRS-Offset elected CSRS-Offset. That section of the BAL specifies the actions needed to correct the HR records, payroll records, retirement contributions, social security taxes, and the thrift savings plan contributions. Each section ends with a summary of the actions that need to be taken.

Definitions of Acronyms Used in this BAL

BAL means Benefits Administration Letter.
CSRS means the Civil Service Retirement System.
CSRS Offset means the Civil Service Retirement System Offset plan.
FERCCA means the Federal Erroneous Retirement Coverage Corrections Act.
FERS means the Federal Employees Retirement System.
Social Security Only means coverage under Social Security without concurrent coverage under CSRS, CSRS Offset, or FERS.
Retirement Fund means the Civil Service Retirement and Disability Fund.
TSP means the Federal Retirement Thrift Savings Plan.
EDR means Employee Data Record

Errors that provide an election

The Federal Erroneous Retirement Coverage Correction Act (FERCCA) legislation and OPM regulations give some individuals who had a retirement coverage error an election about which retirement system to be under. There are seven types of retirement coverage errors that have an election. The following chart summarizes the types of errors that trigger an election:

Employee is In:	But Belongs In:	May Elect Between:	Correction Instructions
CSRS	FERS	CSRS Offset or FERS	If elects CSRS Offset – See Section I If elects FERS – See Section II
CSRS Offset	FERS	CSRS Offset or FERS	If elects CSRS Offset – See Section III If elects FERS – See Section IV
CSRS	Social Security Only	CSRS Offset or Social Security Only	If elects CSRS Offset – See Section V If elects Social Security Only – See Section VI
CSRS Offset	Social Security Only	CSRS Offset or Social Security Only	If elects CSRS Offset – See Section VII If elects Social Security Only – See Section VIII
FERS	CSRS	FERS or CSRS	If elects FERS – See Section IX If elects CSRS – See Section X
FERS	CSRS Offset	FERS or CSRS Offset	If elects FERS – See Section XI If elects CSRS Offset – See Section XII
FERS	Social Security Only	FERS or Social Security Only	If elects FERS – See Section XIII If elects Social Security Only – See Section XIV

DEFAULT ELECTIONS

If the employee fails to make an election within 6 months from the date of the notice to the employee, the default retirement coverage is shown in the table below. Notify the employee that the time limit has expired and that the default retirement coverage is effective on (*give default retirement coverage and effective date*). The employee needs to be notified that he/she can be granted a waiver of the time limit to make an election. In order for the agency to grant a waiver of the time limit, the employee must submit, in writing, a request for waiver. It is up to you, as the employer, to determine that the employee exercised due diligence, but could not make an election within the time limit because of circumstances beyond his/her control. If you do not grant the employee's request for waiver, you must provide written notice of the decision to the employee and notify the employee of his/her rights to request that OPM reconsider the decision. A copy of the waiver decision needs to be documented in the employee's OPF. Attachment 6 is a sample letter for notifying the employee of the time limit waiver. Attachment 7 is a sample time limit waiver denial letter.

Make the adjustments in accordance with the sections shown in the table. The Human Resource and Payroll Offices must document the employee's records to show that the employee failed to make an election.

Employee is In:	But Belongs In:	Default Election:	Correction Instructions
CSRS	FERS	CSRS Offset	Section I
CSRS Offset	FERS	CSRS Offset	Section III
CSRS	Social Security Only	CSRS Offset	Section V
CSRS Offset	Social Security Only	CSRS Offset	Section VII
FERS	CSRS	FERS	Section IX
FERS	CSRS Offset	FERS	Section XI
FERS	Social Security Only	FERS	Section XIII

SOCIAL SECURITY TAXES AND EARNINGS

Employees who are subject to the Social Security Act must pay Old-Age, Survivors, and Disability Insurance (OASDI) taxes. OASDI taxes are sent to the Internal Revenue Service (IRS) while an employee's report of earnings is sent to the Social Security Administration. In order for an employee to receive service credit for Social Security purposes his/her earnings must be reported directly to the Social Security Administration by using forms W-2C and W-3C.

Below is an explanation of barred and non-barred years that affect OASDI taxes that are paid to the IRS. There are no barred years for Social Security service credit purposes. That means that there is no statute of limitations on reporting Social Security earnings to the Social Security Administration.

BARRED VS. NON-BARRED YEARS

The Internal Revenue Service retroactive tax adjustment statute of limitations limits corrections of Social Security tax payments (OASDI) to three years after the filing deadline in which the wages were paid. These years in which adjustments can be made are known as the non-barred years. Years beyond this limit are known as the barred years. One of the major issues that complicated corrections of retirement coverage errors was the absence of a way to correct the retirement contributions that involved Social Security and extended into the barred years. FERCCA provides a method for making corrections during the barred years. Agencies transfer excess CSRS deductions to OPM for transfer to the General Fund of the Treasury for use by the Social Security Trust Fund. Employees receive full credit for the service under Social Security during the barred years.

Below is a schedule for IRS Retroactive Tax Adjustments Statute of Limitations.

For Tax Year	With Tax Return Due Date of:	Adjustments Can Be Made Until:
2001	April 15, 2002	April 15, 2005
2002	April 15, 2003	April 15, 2006
2003	April 15, 2004	April 16, 2007
2004	April 15, 2005	April 15, 2008

For Errors Corrected Between:	Corrections Can Be Made for Tax Years:
April 16, 2004 – April 15, 2005	2001, 2002, 2003, 2004
April 15, 2005 – April 15, 2006	2002, 2003, 2004, 2005

When making corrections, the employee contributions (both Social Security and the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS)) during the barred years and the non-barred years must be treated separately. Calculate the amount of agency and employee contributions previously made for the barred and non-barred years. The two "pots of money" (one for barred years and the other for non-barred years) must be dealt with independently and not commingled. Previous contributions that are available for correcting Social Security taxes and retirement contributions must be kept within the same category, i.e. barred year contributions and non-barred year contributions.

I. ERRONEOUS CSRS COVERAGE, EMPLOYEE BELONGS IN FERS: ELECTION BETWEEN CSRS OFFSET AND FERS, EMPLOYEE ELECTS CSRS OFFSET

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from CSRS to CSRS Offset, retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous CSRS, should have been FERS – Employee elected CSRS Offset on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with your Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

B. Actions by Payroll Office

Servicing Payroll Office must correct the retirement deductions and Social Security.

Non-Barred Years - Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures.

3. Calculate the Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) taxes due for the non-barred years. You can determine the taxes due for a given year up to 3 years after that year's filing deadline. For example, if the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. You can determine the OASDI taxes due in calendar year 2001 up to April 15, 2005. This would constitute the Non-Barred Years. Use the balance of any remaining (excess) retirement deductions for the non-barred years to cover in whole or in part the employee's cost of the OASDI taxes. If the individual owes additional taxes due to awards and bonuses, etc, above his or her base pay, this is treated as a salary overpayment subject to due process. Bill the employee for the additional OASDI taxes but suspend collection for 45 days while the employee submits a claim for reimbursement of out-of-pocket expenses to OPM. If OPM approves the claim for out-of-pocket expense, a waiver of the overpayment would be inappropriate. OPM will provide a copy of our out-of-pocket decision letter to the billing office. After 45 days, continue with the due process procedures.

4. Submit both employer and employee social security taxes to the Internal Revenue Service (IRS), following current procedures.

Barred Years - Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures.

3. Calculate the employee OASDI taxes that would have been payable for the barred years.

4. Return any excess retirement deductions to OPM for posting to account 24X8135 via IPAC with these remarks: "Amount submitted for NAME, SSN, AGENCY, ALC, on DATE is being done in accordance with FERCCA", in the appropriate field to identify the payment as a FERCCA payment. Submissions should be on a periodic basis (monthly, quarterly, or other to be established by the agency). If the excess retirement deductions do not cover the full amount of the OASDI taxes that the employee would have owed for the barred years, no additional OASDI tax is owed. Return only the excess retirement deductions to OPM, who will in turn send that money to the General Fund for payment of Social Security taxes. Return only what is needed to pay the OASDI tax for the barred years. If there is any money remaining, refund it to the employee. The refund should be treated as an underpayment of salary. No interest is payable on this refund. Submit copies of worksheets in Attachment 3 to the U.S. Office of Personnel Management, Financial Reporting & Policy Group, Division for Management & Chief Financial Officer, 1900 E Street, NW, Room 3H28, Washington, DC 20415.

C. Record Corrections by Payroll Office

1. Correct the employee's Social Security earnings record for all years (barred and non-barred), using current procedures (W-2C/W-3C).

2. Correct the employee's Individual Retirement Record (IRR) **for all years** to reflect the correct retirement deduction amount. Annotate the record to show that, *"Erroneous CSRS, should have been FERS – employee elected CSRS Offset on ________ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".*

D. The employee worked at more than one agency during the period of the coverage error.

The current agency (or last employer) must correct the personnel records for the entire period. The current payroll office will adjust the retirement deductions, OASDI taxes and Social Security earnings records for the period of time the employee was at the current agency. If the period of service in the other agencies was during the barred years, the current agency must notify and provide the following information: name, social security number and complete information about the person and their election to the former employing agencies (through the agencies' benefits counselors), and advise them that the FERCCA error has been corrected and that they must adjust the employee's Social Security earnings record. The list of agency benefits counselors can be found at http://www.opm.gov/retire/asd/htm/rc.asp. (See Attachment 5 for a sample letter to send to the former agency.) The current agency must notify OPM's Retirement Services & Management Group, Boyers, PA 16017 of the dates to be corrected. OPM will correct the 2806 on file and transfer the funds for the payment of OASDI taxes.

E. The employee worked at another agency during the non-barred years.

The current agency (or last employer) must notify the prior agency (through that agency's benefits counselor) so the prior agency can ensure that the corrections are made. The prior agency's payroll office must take the same steps outlined above in B and C.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS	FERS	CSRS-Offset

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. • Provide employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Calculate and submit appropriate retirement deductions separately for barred and non-barred years. • Correct Individual Retirement Record
• Social security taxes	• Non-barred years: Calculate OASDI taxes. Submit both employer and employee taxes to IRS. Bill employee for any additional employee taxes due. • Barred years: Calculate OASDI taxes. Return excess retirement contributions to OPM. You **may not** bill employee for any additional employee taxes due. **All years: Correct employee's Social Security earnings record**.
• Thrift Savings Plan	• No actions required.

II. ERRONEOUS CSRS COVERAGE, EMPLOYEE BELONGS IN FERS: ELECTION BETWEEN CSRS OFFSET AND FERS, EMPLOYEE ELECTS FERS

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from CSRS to FERS, retroactive to the effective date of the error. However, if the erroneous CSRS coverage occurred between 1984 and 1987, the FERS coverage can not be corrected retroactive to the date the error occurred. An additional correction is needed to show CSRS Interim coverage before the FERS coverage is effective. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous CSRS, should have been FERS – Employee elected FERS on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with the Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security taxes.

B. Actions by Payroll Office

Servicing Payroll Office must correct the retirement deductions and Social Security taxes.

Non-Barred Years - Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures. The agency must pay any additional agency contributions to the Retirement Fund that are due. You may not collect any additional retirement contributions (either agency or employee) from the employee.

3. Calculate the Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) taxes due for the non-barred years. You can determine the taxes due for a given year up to 3 years after that year's filing deadline. For example, the error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. You can determine the OASDI taxes due in calendar year 2001 up to April 15, 2005. This would constitute the Non-Barred Years. Use the balance of any remaining (excess) deductions for the non-barred years to cover in whole or in part the employee's cost of the OASDI taxes. If the individual owes additional taxes due to awards and bonuses, etc, above his or her base pay, this is treated as a salary overpayment subject to due process. Bill the employee for the additional OASDI taxes but suspend collection for 45 days while the employee submits a claim for reimbursement of out-of-pocket expenses to OPM. If OPM approves the claim for out-of-pocket expense, a waiver of the overpayment would be inappropriate. OPM will provide a copy of our out-of-pocket decision letter to the billing office. After 45 days, continue with the due process procedures.

4. The agency should submit both employer and employee social security taxes to the Internal Revenue Service (IRS), following current procedures.

Barred Years – Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures. The agency must pay any additional agency contributions to the Retirement Fund that are due. You may not collect any additional retirement contributions (either agency or employee) from the employee.

3. Calculate the employee OASDI taxes that would have been payable for the barred years.

4. Return any excess retirement deductions for the barred years to OPM for posting to account 24X8135 via IPAC with these remarks: "Amount submitted for NAME, SSN, AGENCY, ALC, on DATE is being done in accordance with FERCCA", in the appropriate field to identify the payment as a FERCCA payment. Submissions should be on a periodic basis (monthly, quarterly, or other to be established by the agency). If the excess retirement deductions do not cover the full amount of the OASDI taxes that the employee would have owed for the barred years, no additional OASDI tax is owed. Return only the excess retirement deductions to OPM, who will in turn send that money to the General Fund for payment of the Social Security taxes. Return only what is needed to pay the OASDI tax for the barred years. If there is any money remaining, refund it to the employee. The refund should be treated as an underpayment of salary. No interest is payable on this refund. Submit copies of worksheets in Attachment 3 to the U.S. Office of Personnel Management, Financial Reporting & Policy Group, Division for Management & Chief Financial Officer, 1900 E Street, NW, Room 3H28, Washington, DC 20415.

C. Record Corrections by Payroll Office

1. Correct the employee's Social Security earnings record for all years (barred and non-barred), using current procedures (W-2C/W-3C).

2. Correct the employee's Individual Retirement Record (IRR). When the employee separates (or the IRR is otherwise created), an SF 3100, not an SF 2806, must be created. If a hard copy SF 2806 has already been created and has not been submitted to OPM, it must be voided. Document the SF 3100 with the following statement: *"Erroneous CSRS should have been FERS – Employee elected FERS on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)"*.

D. The employee worked at more than one agency during the period of the coverage error.

The current agency (or last employer) must correct the personnel records for the entire period. The current payroll office will adjust the retirement deductions, OASDI taxes and Social Security earnings records for the period of time the employee was at the current agency. If the period of service in the other agencies was during the barred years, the current agency must notify and provide the following information: name, social security number and complete information about the person and their election to the former employing agencies (through the agencies' benefits counselors), and advise them that the FERCCA error has been corrected and that they must adjust the employee's Social Security earnings record. The list of agency benefits counselors can be found at http://www.opm.gov/retire/asd/htm/rc.asp. (See Attachment 5 for a sample letter to send to the former agency.) The current agency must notify OPM's Retirement Services & Management Group, Boyers, PA 16017 of the dates to be corrected. OPM will correct the 2806 on file and transfer the funds for the payment of OASDI taxes.

E. The employee worked at another agency during the non-barred years.

The current agency (or last employer) must notify the prior agency (through that agency's benefits counselor) so the prior agency can ensure that the corrections are made. The prior agency's payroll office must take the same steps outlined above in B and C.

F. TSP Contributions

Follow the rules in the Federal Retirement Thrift Investment Board (FRTIB) regulations at 5 CFR 1605. The agency must notify the employee that he/she is eligible for makeup contributions to replace the missed employee contributions due to the retirement coverage error. The agency must make the agency automatic (1%) contributions and agency matching contributions on the employee contributions that were made while the employee was misclassified. The agency is also responsible for lost earnings (breakage) on the agency automatic (1%) contributions and agency matching contributions, and on any employee make-up contributions. If the employee elects to make make-up contributions, the agency is also responsible for lost earnings (breakage) on the employee's make-up contributions, agency matching contributions, and lost earnings (breakage) on the agency matching contributions.

Ensure that the employee's make-up contributions, when combined with any previous employee contributions, do not exceed the statutory employee contribution limit or the elective deferral limit for the year that the contributions should have been made. The elective deferral limit for 2004 is $13,000 and will increase each year by $1,000, until it reaches $15,000 in 2006. See Attachment 8 for the annual elective deferral limits (1987 through 2005). Make-up employee contributions are subject to the IRS elective deferral limit for the year in which the contributions should have been made. Consequently, if the employee's make-up contributions should have been made in an earlier year, they do not count against the current year's elective deferral limit. For purposes of determining the amount of make-up contributions for an earlier year, that earlier year's elective deferral limit must be applied.

To report the make-up contributions, the agency must submit late payment records to the TSP record keeper. As explained in TSP Bulletin 02-19, Processing Agency Submissions in the New Record Keeping System, dated June 27, 2002, breakage (or lost earnings) will be calculated and posted to a participant's account for all three sources of makeup contributions reported on late payment records, and separate lost earnings records cannot be submitted. If, however, the makeup contributions had been reported to the TSP before June 1, 2003, the agency must submit separate lost earnings records to authorize the TSP to calculate and post lost earnings to a participant's account.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS	FERS	FERS

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. If erroneous coverage occurred between 1984 and 1987, correct coverage to CSRS Interim and then to FERS. • Provide employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Calculate and submit appropriate retirement deductions separately for barred and non-barred years. • Submit any additional agency contributions that are due. • Correct the Individual Retirement Record
• Social security taxes	• Non-barred years: Calculate OASDI taxes. Submit both employer and employee taxes to IRS. Bill employee for any additional employee taxes due. • Barred years: Calculate OASDI taxes. Return excess retirement contributions to OPM. You **may not** bill employee for any additional employee taxes due. **All years: Correct employee's Social Security earnings record**.
• Thrift Savings Plan	Agency owes: • Agency automatic (1%) contributions for period of erroneous CSRS coverage **plus** lost earnings (breakage) on those contributions. • Agency matching contributions on any employee contributions made while erroneously covered by CSRS **plus** lost earnings (breakage) on those contributions. And if employee elects to make make-up contributions, the agency also owes: • Lost earnings (breakage) on the employee's make-up contributions • Agency matching contributions **plus** lost earnings (breakage) on those contributions.

III. ERRONEOUS CSRS OFFSET COVERAGE, EMPLOYEE BELONGS IN FERS: ELECTION BETWEEN CSRS OFFSET AND FERS, EMPLOYEE ELECTS CSRS OFFSET

A. Actions by Human Resource Office

Personnel/Human Resource Office must document in Remarks on a Standard Form 50 or equivalent that "*Erroneous CSRS Offset, should have been FERS – Employee elected to remain in CSRS Offset on _______, (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Provide the employee with a copy of the SF 50 or equivalent showing the action taken.

B. Actions by Payroll Office

Servicing Payroll Office must document the SF 2806 to reflect the employee's election to remain in CSRS Offset. Annotate the record to show that, "*Erroneous CSRS Offset, should have been FERS – Employee elected to remain in CSRS Offset on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*".

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS Offset	FERS	CSRS-Offset

Actions Required

HR Office	• Document Standard Form 50 showing employee chose to remain in CSRS Offset
Payroll Office • Retirement contributions	• Document SF 2806 to reflect employee's election to remain in CSRS Offset.
• Social Security taxes	• No action required.
• Thrift Savings Plan	• No action required.

IV. ERRONEOUS CSRS OFFSET COVERAGE, EMPLOYEE BELONGS IN FERS: ELECTION BETWEEN CSRS OFFSET AND FERS, EMPLOYEE ELECTS FERS

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from CSRS Offset to FERS, retroactive to the effective date of the error. However, the effective date can be no earlier than January 1987. Attachment I is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous CSRS Offset, should have been FERS – Employee elected FERS on ________ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".* Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken.

B. Actions by Payroll Office

Servicing Payroll Office must correct the Individual Retirement Record (IRR). When the employee separates (or the IRR is otherwise created), an SF 3100, not an SF 2806, must be created. If a hard copy SF 2806 has already been created and has not been submitted to OPM, it must be voided. Document the SF 3100 with the following statement: "*Erroneous CSRS Offset, should have been FERS – Employee elected FERS on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".* Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures. The agency must pay any additional agency contributions to the Retirement Fund that are due. You may not collect any additional retirement contributions (either agency or employee) from the employee.

For employees earning over the Social Security maximum wage base, there will be excess retirement deductions to refund to the employee as well as any amounts subject to premium conversion (see BAL 02-304, dated February 6, 2002).

No adjustments are necessary to the Social Security records.

C. TSP Contributions

Follow the rules in the Federal Retirement Thrift Investment Board (FRTIB) regulations at 5 CFR 1605. The agency must notify the employee that he/she is eligible for makeup contributions to replace the missed employee contributions due to the retirement coverage error. The agency must make the agency automatic (1%) contributions and agency matching contributions on the employee contributions that were made while the employee was misclassified. The agency is also responsible for lost earnings on the agency automatic (1%) contribution and agency matching contributions, and on any employee make-up contributions.

Ensure that the employee's make-up contributions, when combined with any previous employee contributions, do not exceed the statutory employee contribution limit or the elective deferral limit for the year the contributions should have been made. The elective deferral limit for 2004 is $13,000 and will increase each year by $1,000, until it reaches $15,000 in 2006. See Attachment 8 for the annual elective deferral limits (1987 through 2005). Make-up employee contributions are subject to the IRS elective deferral limit for the year in which the contributions should have been made. Consequently, if the employee's make-up contributions should have been made in an earlier year, they do not count against the current year's elective deferral limit. For purposes of determining the amount of make-up contributions for an earlier year, that earlier year's elective deferral limit must be applied.

To report the make-up contributions, the agency must submit late payment records to the TSP record keeper. As explained in TSP Bulletin 02-19, Processing Agency Submissions in the New Record Keeping System, dated June 27, 2002, breakage (or lost earnings) will be calculated and posted to a participant's account for all three sources of makeup contributions reported on late payment records, and separate lost earnings records cannot be submitted. If, however, the makeup contributions had been reported to the TSP before June 1, 2003, the agency must submit separate lost earnings records to authorize the TSP to calculate and post lost earnings to a participant's account. See Attachment 4 for examples of what agencies must pay for TSP.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS Offset	FERS	FERS

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. • Notify employee of correction taken.
Payroll Office • Retirement contributions	• Correct the Individual Retirement Record • Create a SF 3100 and void any SF 2806 showing incorrect retirement coverage. • Submit any additional agency contributions that are due. • Refund any excess retirement deductions due the employee.
• Social Security taxes	• No action required.
• Thrift Savings Plan	Agency owes: • Agency automatic (1%) contributions for period of erroneous CSRS coverage **plus** lost earnings (breakage) on those contributions. • Agency matching contributions on any employee contributions made while erroneously covered by CSRS **plus** lost earnings (breakage) on those contributions. And if employee elects to make make-up contributions, the agency also owes: • Lost earnings (breakage) on the employee's

	make-up contributions • Agency matching contributions **plus** lost earnings (breakage) on those contributions.

V. ERRONEOUS CSRS COVERAGE, EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY: ELECTION BETWEEN CSRS OFFSET AND SOCIAL SECURITY ONLY, EMPLOYEE ELECTS CSRS OFFSET

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from CSRS to CSRS Offset, retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous CSRS, should have been Social Security Only – Employee elected CSRS Offset on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with the Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security taxes.

B. Actions by Payroll Office

Servicing Payroll Office must correct the retirement deductions and Social Security taxes.

Non-Barred Years - Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures.

3. Calculate the Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) taxes due for the non-barred years. You can determine the taxes due for a given year up to 3 years after that year's filing deadline. For example, if the error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. You can determine the OASDI taxes due in calendar year 2001 up to April 15, 2005. This would constitute the Non-Barred Years. Use the balance of any remaining (excess) deductions for the non-barred years to cover in whole or in part the employee's cost of the OASDI taxes. If the individual owes additional taxes due to awards and bonuses, etc, above his or her base pay, this is treated as a salary overpayment subject to due process. Bill the employee for the additional OASDI taxes but suspend collection for 45 days while the employee submits a claim for reimbursement of out-of-pocket expenses to OPM. If OPM approves the claim for out-of-pocket expense, a waiver of the overpayment would be inappropriate. OPM will provide a copy of our out-of-pocket decision letter to the billing office. After 45 days, continue with the due process procedures.

4. Submit both employer and employee social security taxes to the Internal Revenue Service (IRS), following current procedures.

Barred Years – Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures.

3. Calculate the employee OASDI taxes that would have been payable for the barred years.

4. Return any excess retirement deductions for the barred years to OPM for posting to account 24X8135 via IPAC with these remarks: "Amount submitted for NAME, SSN, AGENCY, ALC, on DATE is being done in accordance with FERCCA", in the appropriate field to identify the payment as a FERCCA payment. Submissions would be on a periodic basis (monthly, quarterly, or other to be established by the agency). If the excess retirement deductions do not cover the full amount of the OASDI taxes that the employee would have owed for the barred years, no additional OASDI tax is owed. Return only the excess retirement deductions to OPM, who will in turn send that money to the General Fund for payment of Social Security taxes. Return only what is needed to pay the OASDI tax for the barred years. If there is any money remaining, refund it to the employee. The refund should be treated as an underpayment of salary. No interest is payable on this refund. Submit copies of worksheets in Attachment 3 to the U.S. Office of Personnel Management, Financial Reporting & Policy Group, Division for Management & Chief Financial Officer, 1900 E Street, NW, Room 3H28, Washington, DC 20415.

C. Record Corrections by Payroll Office

1. Correct the employee's Social Security earnings record for all years (barred and non-barred), using current procedures (W-2C/W-3C).

2. Correct the employee's Individual Retirement Record (IRR) **for all years** to reflect the correct retirement deduction amount. Annotate the record to show that, *"Erroneous CSRS, should have been Social Security Only – Employee elected CSRS Offset on ______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".*

D. The employee worked at more than one agency during the period of the coverage error.

The current agency (or last employer) must correct the personnel records for the entire period. The current payroll office will adjust the retirement deductions, OASDI taxes and Social Security earnings records for the period of time the employee was at the current agency. If the period of service in the other agencies was during the barred years, the current agency must notify and provide the following information: name, social security number and complete information about the person and their election to the former employing agencies (through the agencies' benefits counselors), and advise them that the FERCCA error has been corrected and that they must adjust the employee's Social Security earnings record. The list of agency benefits counselors can be found at http://www.opm.gov/retire/asd/htm/rc.asp. (See Attachment 5 for a sample letter to send to the former agency.) The current agency must notify OPM's Retirement Services & Management Group, Boyers, PA 16017 of the dates to be corrected. OPM will correct the 2806 on file and transfer the funds for the payment of OASDI taxes

E. The employee worked at another agency during the non-barred years.

The current agency (or last employer) must notify the prior agency (through that agency's benefits counselor) so the prior agency can ensure that the corrections are made. The prior agency's payroll office must take the same steps outlined above in B and C.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS	Social Security Only	CSRS-Offset

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. • Provide employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Calculate and submit appropriate retirement deductions separately for barred and non-barred years. • Correct the Individual Retirement Record
• Social security taxes	• Non-barred years: Calculate OASDI taxes. Submit both employer and employee taxes to IRS. Bill employee for any additional employee taxes due. • Barred years: Calculate OASDI taxes. Return excess retirement contributions to OPM. You **may not** bill employee for any additional employee taxes due. **All years: Correct employee's Social Security earnings record**.
• Thrift Savings Plan	• No actions required.

VI. ERRONEOUS CSRS COVERAGE, EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY: ELECTION BETWEEN CSRS OFFSET AND SOCIAL SECURITY ONLY, EMPLOYEE ELECTS SOCIAL SECURITY ONLY

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from CSRS to Social Security Only, retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous CSRS, should have been Social Security Only – Employee elected Social Security Only on ______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with the Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security taxes.

B. Actions by Payroll Office

Servicing Payroll Office must correct the retirement deductions and Social Security taxes.

Non-Barred Years - Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate the Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) taxes due for the non-barred years. You can determine the taxes due for a given year up to 3 years after that year's filing deadline. For example, the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. You can determine the OASDI taxes due in calendar year 2001 up to April 15, 2005. This would constitute the Non-Barred Years. Use the retirement deductions for the non-barred years to cover in whole or in part the employee's cost of the OASDI taxes. If the individual owes additional taxes due to awards and bonuses, etc, above his or her base pay, this is treated as a salary overpayment subject to due process. Bill the employee for the additional OASDI taxes but suspend collection for 45 days while the employee submits a claim for reimbursement of out-of-pocket expenses to OPM. If OPM approves the claim for out-of-pocket expense, a waiver of the overpayment would be inappropriate. OPM will provide a copy of our out-of-pocket decision letter to the billing office. After 45 days, continue with the due process procedures.

3. Submit both employer and employee social security taxes to the Internal Revenue Service (IRS), following current procedures.

Barred Years – Adjustments to Retirement Deductions and Social Security taxes

1. Back out the full 7% employee contributions via the RITS/2812 system, following current procedures.

2. Calculate the employee OASDI taxes that would have been payable for the barred years.

3. Return the retirement deductions for the barred years to OPM for posting to account 24X8135 via IPAC with these remarks: "Amount submitted for NAME, SSN, AGENCY, ALC, on DATE is being done in accordance with FERCCA", in the appropriate field to identify the payment as a FERCCA payment. Submissions would be on a periodic basis (monthly, quarterly, or other to be established by the agency). If the retirement deductions do not cover the full amount of the OASDI taxes that the employee would have owed for the barred years, no additional OASDI tax is owed. Return the retirement deductions to OPM, who will in turn send that money to the General Fund for payment of Social Security taxes. Return only what is needed to pay the OASDI tax for the barred years. If there is any money remaining, refund it to the employee. The refund should be treated as a refund of retirement contributions. Submit copies of worksheets in Attachment 3 to the U.S. Office of Personnel Management, Financial Reporting & Policy Group, Division for Management & Chief Financial Officer, 1900 E Street, NW, Room 3H28, Washington, DC 20415.

C. Record Corrections by Payroll Office

1. Correct the employee's Social Security earnings record for all years (barred and non-barred), using current procedures (W-2C/W-3C).

2. Void the employee's Individual Retirement Record (IRR) **for all years** and annotate the record to show that, *"Erroneous CSRS, should have been Social Security Only – Employee elected Social Security Only on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)"*.

D. The employee worked at more than one agency during the period of the coverage error.

The current agency (or last employer) must correct the personnel records for the entire period. The current payroll office will adjust the retirement deductions, OASDI taxes and Social Security earnings records for the period of time the employee was at the current agency. If the period of service in the other agencies was during the barred years, the current agency must notify and provide the following information: name, social security number and complete information about the person and their election to the former employing agencies (through the agencies' benefits counselors), and advise them that the FERCCA error has been corrected and that they must adjust the employee's Social Security earnings record. The list of agency benefits counselors can be found at http://www.opm.gov/retire/asd/htm/rc.asp. (See Attachment 5 for a sample letter to send to the former agency.) The current agency must notify OPM's Retirement Services & Management Group, Boyers, PA 16017 of the dates to be corrected. OPM will correct the 2806 on file and transfer the funds for the payment of OASDI taxes.

E. The employee worked at another agency during the non-barred years.

The current agency (or last employer) must notify the prior agency (through that agency's benefits counselor) so they can ensure that the corrections are made. That agency's payroll office must take the same steps outlined above in B and C.

F. TSP Contributions

Personnel/Human Resource Office must correct TSP eligibility prospectively to reflect employee is ineligible to contribute.

Individual is treated as a separated employee. Payroll Office must submit an Employee Data Record (EDR) to reflect a separation from service and a correct retirement code.

Employee is deemed separated for all TSP purposes. Outstanding loans will be declared taxable distributions; employee is eligible for post-service withdrawal options and is eligible to leave employee contributions and earnings made while coded CSRS in the TSP account.

An employee may choose to have all employee contributions that he or she made to the TSP **after December 31, 1999,** removed from the account and refunded to him or her. If the employee elects this option, the payroll office must submit negative adjustment records to the TSP record keeper, as explained in TSP Bulletin 02-19, and refund the contributions to the employee. Refunded employee contributions must be reported as income for the year they are paid to the employee. Employee contributions made before January 1, 2000, and earnings on all employee contributions will remain in the TSP account (and will be paid to the employee when the account is ultimately withdrawn).

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS	Social Security	Social Security

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. • Provide employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Void the Individual Retirement Record
• Social security taxes	• Non-barred years: Calculate OASDI taxes. Submit both employer and employee taxes to IRS. Bill employee for any additional employee taxes due. • Barred years: Calculate OASDI taxes. Return excess retirement contributions to OPM. You **may not** bill employee for any additional employee taxes due. **All years: Correct employee's Social Security earnings record**.
• Thrift Savings Plan	• Employee contributions and earnings may remain in the TSP account. • Submit an EDR to reflect the employee's

	ineligible status, the employee’s separation, and the employee’s correct retirement code. • Submit negative adjustment records to TSP if employee elects to receive employee contributions.

VII. ERRONEOUS CSRS OFFSET COVERAGE, EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY, ELECTION BETWEEN CSRS OFFSET AND SOCIAL SECURITY, EMPLOYEE ELECTS CSRS OFFSET

A. Actions by Human Resource Office

Personnel/Human Resource Office must document in Remarks on a Standard Form 50 or equivalent that "*Erroneous CSRS Offset, should have been Social Security Only – Employee elected to remain in CSRS Offset on* **______** *(insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Provide the employee with a copy of the SF 50 or equivalent showing the action taken.

B. Actions by Payroll Office

Servicing Payroll Office must document the SF 2806 to reflect the employee's ELECTION to remain in CSRS Offset. Annotate the record to show that, "*Erroneous CSRS Offset, should have been Social Security Only – Employee elected to remain in CSRS Offset on* **_______** *(insert date of election), Correction due to Public Law 106-265 (FERCCA)*".

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS Offset	Social Security	CSRS-Offset

Actions Required

HR Office	• Document Standard Form 50 showing employee chose to remain in CSRS Offset
Payroll Office • Retirement contributions	• Document SF 2806 to reflect employee's election to remain in CSRS Offset.
• Social Security taxes	• No action required.
• Thrift Savings Plan	• No action required

VIII.ERRONEOUS CSRS OFFSET COVERAGE, EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY: ELECTION BETWEEN CSRS OFFSET AND SOCIAL SECURITY ONLY, EMPLOYEE ELECTS SOCIAL SECURITY ONLY

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from CSRS Offset to Social Security Only, retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous CSRS Offset, should have been Social Security Only – Employee elected Social Security Only on ______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with the Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security taxes.

B. Actions by Payroll Office

Servicing Payroll Office must void the employee's Individual Retirement Record (IRR) (for all years) and annotate the record to show that, "*Erroneous CSRS Offset, should have been Social Security Only – Employee elected Social Security Only on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Submit the voided IRR to OPM to document the record for possible future use, following current procedures. Refund to the employee the employee contributions in the retirement account.

No adjustments are necessary to the Social Security records.

C. TSP Contributions

Personnel/Human Resource Office must correct TSP eligibility prospectively to reflect employee is ineligible to contribute.

Individual is treated as a separated employee. Payroll Office must submit an Employee Data Record (EDR) to reflect a separation from service and a correct retirement code.

Employee is deemed separated for all TSP purposes. Outstanding loans will be declared taxable distributions; employee is eligible for post-service withdrawal options and is eligible to leave Employee Contributions and earnings made while coded CSRS Offset in the TSP account.

An employee may choose to have all employee contributions that he or she made to the TSP **after December 31, 1999,** removed from the account and refunded to him or her. If the employee elects this option, the payroll office must submit negative adjustment records to the TSP record keeper, as explained in TSP Bulletin 02-19, and refund the contributions to the employee. Refunded employee contributions must be reported as income for the year they are paid to the employee. Employee contributions made before January 1, 2000, and earnings on all employee contributions will remain in the TSP account (and will be paid to the employee when the account is ultimately withdrawn).

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
CSRS Offset	Social Security	Social Security

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. • Provide employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Calculate retirement deductions and refund to employee. • Void Individual Retirement Record
• Social security taxes	• No adjustments are necessary.
• Thrift Savings Plan	• Employee contributions and earnings may remain in the TSP account. • Submit an EDR to reflect the employee's ineligible status, the employee's separation, and the employee's correct retirement code. • Submit negative adjustment records to TSP if employee elects to receive employee contributions.

IX. ERRONEOUS FERS COVERAGE, EMPLOYEE BELONGS IN CSRS: ELECTION BETWEEN FERS AND CSRS, EMPLOYEE ELECTS FERS

A. Actions by Human Resource Office

Personnel/Human Resource Office must document in Remarks on a Standard Form 50 or equivalent that "*Erroneous FERS, should have been CSRS – Employee elected to remain in FERS on ______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Provide the employee with a copy of the SF 50 or equivalent showing the action taken.

B. Actions by Payroll Office

Servicing Payroll Office must document the SF 3100 to reflect the employee's election to remain in FERS. Annotate the record to show that, "*Erroneous FERS, should have been CSRS – Employee elected to remain in FERS on __________ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*".

C. TSP Contributions

Follow the rules in the Federal Retirement Thrift Investment Board (FRTIB) regulations at 5 CFR 1605. The agency must notify the employee that he/she is eligible for make-up contributions to replace the missed employee contributions that he/she could have made during the ***waiting period*** required for new or rehired FERS employees. The agency must make the agency automatic (1%) contributions for the waiting period during erroneous automatic FERS coverage and is also responsible for lost earnings on these contributions. If the employee elects to make make-up contributions for the waiting period during erroneous automatic FERS coverage, the agency also owes agency matching contributions plus lost earnings on those contributions.

Note: Lost earnings on the employee's make-up contributions **ARE NOT PAYABLE** in this type of coverage error.

Ensure that the employee's make-up contributions, when combined with any previous employee contributions, do not exceed the statutory employee contribution limit or the elective deferral limit for the year that the contributions should have been made. The elective deferral limit for 2004 is $13,000 and will increase each year by $1,000, until it reaches $15,000 in 2006. See Attachment 8 for the annual elective deferral limits (1987 through 2005). Make-up employee contributions are subject to the IRS elective deferral limit for the year in which the contributions should have been made. Consequently, if the employee's make-up contributions should have been made in an earlier year, they do not count against the current year's elective deferral limit. For purposes of determining the amount of make-up contributions for an earlier year, that earlier year's elective deferral limit must be applied.

To report the make-up contributions, the agency must submit current payment records to the TSP record keeper. As explained in TSP Bulletin 02-19, breakage (or lost earnings) will be calculated and posted to a participant's account for only the agency sources of makeup contributions reported on current payment records, and separate lost earnings records cannot be submitted. If, however, the agency makeup contributions had been reported to the TSP before June 1, 2003, the agency must submit separate lost earnings records to authorize the TSP to calculate and post lost earnings to a participant's account.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
FERS	CSRS	FERS

Actions Required

HR Office	• Document Standard Form 50 showing employee chose to remain in FERS
Payroll Office • Retirement contributions	• Document SF 3100 to reflect employee's election to remain in FERS.
• Social Security taxes	• No action required.
• Thrift Savings Plan	Agency owes: • Agency automatic (1%) contributions for ***waiting period*** during erroneous automatic FERS coverage **plus** lost earnings on those contributions. And if employee elects to make make-up contributions for waiting period during erroneous automatic FERS coverage, the agency also owes: • **Lost earnings on the employee's make-up contributions ARE NOT PAYABLE in this type of coverage error** • Agency matching contributions plus lost earnings on those contributions.

X. ERRONEOUS FERS COVERAGE, EMPLOYEE BELONGS IN CSRS: ELECTION BETWEEN FERS AND CSRS, EMPLOYEE ELECTS CSRS

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from FERS to CSRS retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous FERS, should have been CSRS – Employee elected CSRS on ________ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with the Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security taxes.

B. Actions by Payroll Office

Servicing Payroll Office must correct the retirement deductions and Social Security taxes.

Non-Barred Years – Adjustments to Retirement Deductions and Social Security taxes

1. The employee owes additional retirement deductions for CSRS coverage and has overpaid Old-Age, Survivors, and Disability Insurance (OASDI) taxes. Determine whether you can recover some or all of the OASDI taxes withheld from the employee. You can recover OASDI taxes erroneously paid for a given year up to 3 years after that year's filing deadline. For example, the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. This would constitute the Non-Barred Years. You can recover OASDI taxes that were erroneously paid in calendar year 2001 up to April 15, 2005. The agency is responsible for any difference between the employee retirement contributions withheld and the full CSRS contribution. The employee does not get social security credit for these years.

2. Recover the OASDI taxes erroneously paid for each year that you are permitted to recover by completing IRS form **941c**. See www.irs.gov/pub/irs-pdf/f941c.pdf for instructions on completing form **941c**. Recover both the employee and employer OASDI taxes. You should refund to the employee any recovered OASDI taxes that are not needed to pay the employee's CSRS retirement withholdings.

3. For each calendar year that you are permitted to recover erroneous OASDI taxes, complete and submit form **W-2c**, Corrected Wage and Tax Statement, showing the employee's Social Security wages to be $0.00. Note that although the Medicare wages are not being changed, you must indicate what was previously reported for Medicare and indicate that same amount as being the correct information. See www.irs.gov/pub/irs-pdf/fw2c.pdf for instructions on completing form **W-2c**.

4. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures. The agency is

responsible for the full amount of the employee retirement contributions, even if the full amount is not recovered from OASDI taxes. Do not bill the employee for any retirement contributions. In addition the agency cannot collect any excess agency contributions paid to OPM while the employee was under FERS.

Barred Years – Adjustments to Retirement Deductions and Social Security taxes

1. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures. The **agency** is responsible for any difference between the employee retirement contributions withheld and the full CSRS contribution. Do not bill the employee for any retirement contributions.

2. Servicing Payroll Office must correct the Individual Retirement Record (IRR). When the employee separates (or the IRR is otherwise created), an SF 2806, not an SF 3100, must be created. If a hard copy SF 3100 has already been created and has not been submitted to OPM, it must be voided. Document the SF 2806 with the following statement: *"Erroneous FERS, should have been CSRS – Employee elected CSRS on ______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".*

3. The agency may **not** recover the Social Security taxes paid during the barred years. Notify the employee that the Social Security taxes for the barred years remain credited to Social Security. The employee receives credit for the service for Social Security benefits and Civil Service Retirement benefits.

C. The employee worked at more than one agency during the period of the coverage error.

The current agency (or last employer) must correct the personnel records for the entire period. The current payroll office will adjust the retirement deductions, OASDI taxes and Social Security earnings records for the period of time the employee was at the current agency. If the period of service in the other agencies was during the barred years, the current agency must notify and provide the following information: name, social security number and complete information about the person and their election to the former employing agencies (through the agencies' benefits counselor), and advise them that the FERCCA error has been corrected and that they must adjust the employee's Social Security earnings record. The list of agency benefits counselors can be found at http://www.opm.gov/retire/asd/htm/rc.asp. (See Attachment 5 for a sample letter to send to the former agency.)

D. The employee worked at another agency during the non-barred years.

The current agency (or last employer) must notify the prior agency (through that agency's benefits counselor) so they can ensure that the corrections are made. That agency's payroll office must take the same steps outlined above.

E. TSP Contributions

Pursuant to 5 CFR 1605, all employee contributions made to the TSP while the employee was erroneously covered by FERS may remain in the TSP account. However, the employee may choose to have those employee contributions that exceeded the CSRS limit (excess contributions) and that were made to the TSP **after December 31, 1999,** removed from the account and refunded to him or her. If the employee elects this option, the payroll office must submit negative adjustment records to the TSP record keeper, as explained in TSP Bulletin 02-19, and refund the contributions to the employee. Refunded employee contributions must be reported as income earned for the year they are paid to the employee. Excess employee contributions made before January 1, 2000, and earnings on all employee contributions will remain in the TSP account.

The employee is not entitled to any of the agency contributions and attributable earnings in his or her account and the TSP will ultimately remove these contributions from the account. If the agency wants to receive those erroneous agency contributions that it had reported within the last year, it must submit negative adjustment records to the TSP, as explained in TSP Bulletin 02-19 .

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
FERS	CSRS	CSRS

Actions Required

HR Office	• Correct retirement coverage retroactive to the effective date of the error. • Provide the employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Calculate and submit appropriate retirement deductions separately for barred and non-barred years. Agency contributions made while the employee was covered under FERS remains in the Retirement Fund. • Create an SF 2806 Individual Retirement Record, void any SF 3100
• Social security taxes	• Non-barred years: Recover both the employee and employer OASDI taxes by completing IRS form 941c. Refund any excess taxes not needed to pay the employee's CSRS retirement deductions. • Barred years: May not recover taxes. Notify employee that the taxes for barred years remain credited to Social Security and employee receives credit for the service for both Social Security benefits and CSRS. **All years: Correct employee's Social Security earnings record**.
• Thrift Savings Plan	• Notify the employee that employee contributions and earnings on those

	contributions may remain in TSP. • Notify the employee that agency contributions and earnings will be removed from the account. • Submit negative adjustment records to TSP if the employee elects to receive excess employee contributions over the applicable contribution percentage or if the agency wants to receive agency contributions made within last year.

XI. ERRONEOUS FERS COVERAGE, EMPLOYEE BELONGS IN CSRS OFFSET: ELECTION BETWEEN FERS AND CSRS OFFSET, EMPLOYEE ELECTS FERS

A. Actions by Human Resource Office

Personnel/Human Resource Office must document in Remarks on a Standard Form 50 or equivalent that "*Erroneous FERS, should have been CSRS Offset – Employee elected to remain in FERS on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Provide the employee with a copy of the SF 50 or equivalent showing the action taken.

B. Actions by Payroll Office

Servicing Payroll Office must document the SF 3100 to reflect the employee's election to remain in FERS. Annotate the record to show that, "*Erroneous FERS, should have been CSRS Offset – Employee elected to remain in FERS on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".* Also document the SF 3100 to show that, *"Employee will be eligible for an actuarial reduction for any money he owes for any prior service that is credited under CSRS rules."*

C. TSP Contributions

Follow the rules in the Federal Retirement Thrift Investment Board (FRTIB) regulation at 5 CFR 1605. The agency must notify the employee that he/she is eligible for make-up contributions to replace the missed employee contributions that he/she could have made during the ***waiting period*** required for new or rehired FERS employees. The agency must make the agency automatic (1%) contributions for the waiting period during erroneous automatic FERS coverage and is also responsible for lost earnings on these contributions. If the employee elects to make make-up contributions for the waiting period during erroneous automatic FERS coverage, the agency also owes agency matching contributions plus lost earnings on those contributions.

Note: Lost earnings on the employee's make-up contributions **ARE NOT PAYABLE** in this type of coverage error.

Ensure that the employee's make-up contributions, when combined with any previous employee contributions, do not exceed the statutory employee contribution limit or the elective deferral limit for the year that the contributions should have been made. The elective deferral limit for 2004 is $13,000 and will increase each year by $1,000, until it reaches $15,000 in 2006. See Attachment 8 for the annual elective deferral limits (1987 through 2005). Make-up employee contributions are subject to the IRS elective deferral limit for the year in which the contributions should have been made. Consequently, if the employee's make-up contributions should have been made in an earlier year, they do not count against the current year's elective deferral limit. For purposes of determining the amount of make-up contributions for an earlier year, that earlier year's elective deferral limit must be applied.

To report the make-up contributions, the agency must submit current payment records to the TSP record keeper. As explained in TSP Bulletin 02-19, breakage (or lost earnings) will be calculated and posted to a participant's account for only the agency sources of makeup contributions reported on current payment records, and separate lost earnings records cannot be submitted. If, however, the agency makeup contributions had been reported to TSP before June 1, 2003, the agency must submit separate lost earnings records to authorize TSP to calculate and post lost earnings to a participant's account.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
FERS	CSRS Offset	FERS

Actions Required

HR Office	• Document Standard Form 50 showing employee chose to remain in FERS
Payroll Office • Retirement contributions	• Document SF 3100 to reflect employee's election to remain in FERS.
• Social Security taxes	• No action required.
• Thrift Savings Plan	Agency owes: • Agency automatic (1%) contributions for **waiting period** during erroneous automatic FERS coverage **plus** lost earnings on those contributions. And if the employee elects to make make-up contributions for waiting period during erroneous automatic FERS coverage, the agency also owes: • **Lost earnings on the employee's make-up contributions ARE NOT PAYABLE in this type of coverage error** • Agency matching contributions plus lost earning on those contributions.

XII. ERRONEOUS FERS COVERAGE, EMPLOYEE BELONGS IN CSRS OFFSET: ELECTION BETWEEN FERS AND CSRS OFFSET, EMPLOYEE ELECTS CSRS OFFSET

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from FERS to CSRS Offset, retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, *"Erroneous FERS, should have been CSRS Offset – Employee elected CSRS Offset on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".* Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Working with the Payroll Office and using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security taxes.

B. Actions by Payroll Office

Servicing Payroll Office must correct the Individual Retirement Record (IRR). When the employee separates (or the IRR is otherwise created), an SF 2806, not an SF 3100, must be created. If a hard copy SF 3100 has already been created and has not been submitted to OPM, it must be voided. Document the SF 2806 with the following statement: *"Erroneous FERS, should have been CSRS Offset – Employee elected CSRS Offset on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)".* Also document the SF 3100 to show that, *"Employee will be eligible for an actuarial reduction for any money he owes for any prior service that is credited under CSRS rules."*

If in any year of erroneous coverage, the employee's total basic pay reached the Social Security maximum taxable wage base, the retirement deduction rate must be corrected to reflect the "full" CSRS employee withholding rate for the position. The Payroll Office must take the full deductions on the first dollar of basic salary over the Social Security wage base and that the reversion to full withholdings is reflected during the pay period in which it occurs. See BAL 02-304 for detailed instructions for determining the correct retirement deduction rate. The IRR must reflect these retirement deductions. Calculate and submit the appropriate retirement deductions via the RITS/2812 system, following current procedures. The agency may not collect additional retirement contributions from the employee. In addition the agency cannot collect any excess agency contributions paid to OPM while the employee was under FERS.

No corrections to the Social Security records are required.

C. TSP Contributions

Pursuant to 5 CFR 1605, all employee contributions made to TSP while the employee was erroneously covered by FERS may remain in the SP account. However, the employee may choose to have those employee contributions that exceeded the CSRS limit (excess contributions) and that were made to the TSP **after December 31, 1999,** removed from the account and refunded to him or her. If the employee elects this option, the payroll office must submit negative adjustment records to the TSP record keeper, as explained in TSP Bulletin 02-19, and refund the contributions to the employee. Refunded employee contributions must be reported as income earned for the year they are paid to the employee. Excess employee contributions made before January 1, 2000, and earnings on all employee contributions will remain in the TSP account.

The employee is not entitled to any of the agency contributions and attributable earnings in his or her account and TSP will ultimately remove these contributions from the account. If the agency wants to receive those erroneous agency contributions that it had reported within the last year, it must submit negative adjustment records to the TSP, as explained in TSP Bulletin 02-19.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
FERS	CSRS Offset	CSRS Offset

Actions Required

HR Office	• Correct retirement coverage retroactive to effective date of error. • Notify employee of correction taken.
Payroll Office • Retirement contributions	• Correct the Individual Retirement Record • Create a SF 2806 • Void any SF 3100 showing incorrect retirement coverage. • Send OPM any additional retirement contributions. • Agency contributions made while the employee was covered under FERS remains in the Retirement Fund.
• Social Security taxes	• No adjustment necessary.
• Thrift Savings Plan	• Notify the employee that employee contributions and earnings on those contributions may remain in TSP. • Notify the employee that agency contributions and earnings will be removed from the account • Submit negative adjustment records to TSP if the employee elects to receive the excess employee contributions over the applicable contribution percentage or if agency wants to receive agency contributions made within the last year.

XIII. ERRONEOUS FERS COVERAGE, EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY: ELECTION BETWEEN FERS AND SOCIAL SECURITY ONLY, EMPLOYEE ELECTS FERS

A. Actions by Human Resource Office

Personnel/Human Resource Office must document in Remarks on a Standard Form 50 or equivalent that "*Erroneous FERS, should have been Social Security Only – Employee elected to remain in FERS on________ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Provide the employee with a copy of the SF 50 or equivalent showing the action taken.

B. Actions by Payroll Office

Servicing Payroll Office must document the SF 3100 to reflect the employee's election to remain in FERS. Annotate the record to show that, "*Erroneous FERS, should have been Social Security Only – Employee elected to remain in FERS on________ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Also document the SF 3100 to show that, *"Employee will be eligible for an actuarial reduction for any money he owes for any prior service that is credited under CSRS rules."*

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
FERS	Social Security	FERS

Actions Required

HR Office	• Document Standard Form 50 showing the employee chose to remain in FERS
Payroll Office • Retirement contributions	• Document SF 3100 to reflect the employee's election to remain in FERS.
• Thrift Savings Plan	• No action required

XIV. ERRONEOUS FERS COVERAGE, EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY: ELECTION BETWEEN FERS AND SOCIAL SECURITY ONLY, EMPLOYEE ELECTS SOCIAL SECURITY ONLY

A. Actions by Human Resource Office

Personnel/Human Resource Office must correct the retirement coverage from FERS to Social Security Only, retroactive to the effective date of the error. Attachment 1 is a chart of "Common Retirement Plans and Corresponding Codes" for your use in determining the correct codes to include on the personnel action. Include in remarks, "*Erroneous FERS, should have been Social Security Only – Employee elected Social Security Only on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions. Provide the employee with a copy of the SF 50 or equivalent showing the action taken. Using the example in Attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

B. Actions by Payroll Office

Servicing Payroll Office must correct the retirement deductions. Void the employee's Individual Retirement Record (IRR) **for all years** and annotate the record to show that, "*Erroneous FERS, should have been Social Security Only – Employee elected Social Security Only on _______ (insert date of election), Correction due to Public Law 106-265 (FERCCA)*". Recover employee retirement contributions via the RITS/2812 system. Refund to the employee the employee contributions in the retirement account.

If the employee worked at another agency during the period of the error, notify OPM of the employee's election. OPM will need to correct any Individual Retirement Records on file for that service and refund any retirement deductions to the employee. The agency cannot collect any excess agency contributions paid to OPM while the employee was under FERS.

No adjustments are necessary to the Social Security records.

C. TSP Contributions

Personnel/Human Resource Office must correct TSP eligibility prospectively to reflect employee is ineligible to contribute.

Individual is treated as a separated employee. Payroll Office must submit an Employee Data Record (EDR) to reflect a separation from service and a correct retirement code.

The employee is deemed separated for all TSP purposes. Outstanding loans will be declared taxable distributions; employee is eligible for post-service withdrawal options and is eligible to leave employee contributions and earnings made while coded FERS in the TSP account.

Pursuant to 5 CFR 1605, all employee contributions made to the TSP while the employee was erroneously covered by FERS may remain in the TSP account. However, the employee may choose to have those employee contributions that were made to the TSP **after December 31, 1999,** removed from the account and refunded to him or her. If the employee elects this option, the payroll office must submit negative adjustment records to the TSP record keeper, as explained in TSP Bulletin 02-19, and refund the contributions to the employee. Refunded employee contributions must be reported as income for the year they are paid to the employee. Employee contributions made before January 1, 2000, and earnings on all employee contributions will remain in the TSP account.

The employee is not entitled to any of the agency contributions and attributable earnings in his or her account and TSP will ultimately remove these contributions from the account. If the agency wants to receive those erroneous agency contributions that it had reported within the last year, it must submit negative adjustment records to TSP, as explained in TSP Bulletin 02-19.

Summary of Actions Required

Currently in:	Belongs in:	Correct to:
FERS	Social Security	Social Security

Actions Required

HR Office	• Correct retirement coverage retroactive to the effective date of the error. • Provide employee worksheet on distribution of contributions to the Retirement Fund and Social Security.
Payroll Office • Retirement contributions	• Calculate retirement deductions and refund to employee. • Void the Individual Retirement Record • Agency contributions made while the employee was covered under FERS remains in the Retirement Fund.
• Social security taxes	• No action required.
• Thrift Savings Plan	• Submit an EDR to reflect the employee's ineligible status, the employee's separation, and the employee's correct retirement code. • Submit negative adjustment records to TSP if the employee elects to receive employee contributions or if agency wants to receive agency contributions made within the last year.

Raymond J. Kirk, Manager
Benefits Officers Training & Development Group
Human Capital Leadership & Merit Systems Accountability

ATTACHMENT 1

COMMON RETIREMENT PLANS AND CORRESPONDING CODES

Code	NAME/EXPLANATION	COMMENTS
1	Civil Service Retirement System (CSRS)	
2	Social Security System (FICA)	
4	None	
6	Civil Service Retirement System—Special (CSRS—Special)	For law enforcement officers and firefighters.
C	FICA and CSRS (Partial)	CSRS Offset. Full deductions are withheld for FICA, and partial deductions are withheld for CSRS. When the employee's basic pay exceeds the maximum FICA wage base and is no longer subject to FICA withholding, full deductions are withheld for CSRS.
E	FICA and CSRS—Special (Partial)	CSRS Offset for law enforcement officers and firefighters. Full deductions are withheld for FICA, and partial deductions are withheld for CSRS—Special. When the employee's basic pay exceeds the maximum FICA wage base and is no longer subject to FICA withholding, full deductions are withheld for CSRS—Special.
K	Federal Employees' Retirement System (FERS) and FICA	
L	FERS and FICA—Air Traffic Controllers	
M	FERS and FICA—Special	For law enforcement officers and firefighters.
N	FERS and FICA—Reserve Technicians	
R	FICA and CSRS (Full)	Full deductions are withheld for FICA, and full deductions are withheld for CSRS.

Reference: The Guide to Personnel Data Standards, Update 11, 3/00

INSTRUCTIONS FOR ATTACHMENT 2-A THROUGH 2-D

Attachment 2-A through 2-D are examples of the distribution of money from the Retirement Fund and Social Security. You are responsible for accurately computing the amounts of retirement contributions and Social Security taxes. You can use these as a guide for completing one for each employee. Each employee should be given a breakdown of his/her employee contributions (both Social Security and the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) during the barred years and the non-barred years. Give the employee an explanation of any differences in money (refund of retirement contributions, employee owes additional Social Security taxes, etc.).

ATTACHMENT 2-A

EXAMPLES OF DISTRIBUTION OF EMPLOYEE CONTRIBUTIONS BETWEEN RETIREMENT AND SOCIAL SECURITY

(This worksheet is for the employee to understand what has happened with his/her money.)

CSRS should be CSRS Offset/FERS

Social Security taxes and retirement contributions actually withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Paid	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	0	0	3850	7.00%
	1997	58000	0	0	4060	7.00%
	1998	60000	0	0	4200	7.00%
	1999	63000	0	0	4568	7.25%
	2000	65000	0	0	4810	7.40%
	Subtotal			0	21488	
Non-Barred yrs	2001	68000	0	0	4760	7.00%
	2002	70000	0	0	4900	7.00%
	2003	72000	0	0	5040	7.00%
	2004	75000	0	0	5250	7.00%
	Subtotal			0	19950	

Social Security taxes and retirement contributions that should be withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Due	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	3410	440	0.80%
	1997	58000	58000	3596	464	0.80%
	1998	60000	60000	3720	480	0.80%
	1999	63000	63000	3906	662	1.05%
	2000	65000	65000	4030	780	1.20%
	Subtotal			18662	2826	
Non-Barred yrs	2001	68000	68000	4216	544	0.80%
	2002	70000	70000	4340	560	0.80%
	2003	72000	72000	4464	576	0.80%
	2004	75000	75000	4650	600	0.80%
	Subtotal			17670	2280	

Calculations

Barred years

Retirement contributions during barred years	21488
Social Security taxes due	18662
Retirement contributions due	2826

Non-Barred years

Retirement contributions during non-barred years	19950
Social Security taxes due	17670
Retirement contributions due	2280

CSRS should be CSRS Offset/FERS

Barred years vs. Non-barred years. The Internal Revenue Service has a retroactive tax adjustment statute of limitations for correcting Social Security tax payments (OASDI). This limitation is 3 years after that year's filing date. For example, if the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. Three years from April 15, 2002 is April 15, 2005. Tax adjustments can be made to these years. Years beyond this limit are known as barred years. Because of this limitation, employees who have government service during this time will receive full credit for that service.

Attachment 2-B

FERS should be CSRS

Social Security taxes and retirement contributions actually withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Paid	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	3410	440	0.80%
	1997	58000	58000	3596	464	0.80%
	1998	60000	60000	3720	480	0.80%
	1999	63000	63000	3906	662	1.05%
	2000	65000	65000	4030	780	1.20%
	Subtotal			18662	2826	
Non-Barred yrs	2001	68000	68000	4216	544	0.80%
	2002	70000	70000	4340	560	0.80%
	2003	72000	72000	4464	576	0.80%
	2004	75000	75000	4650	600	0.80%
	Subtotal			17670	2280	

Social Security taxes and retirement contributions that should be withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Due	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	0	3850	7.00%
	1997	58000	58000	0	4060	7.00%
	1998	60000	60000	0	4200	7.00%
	1999	63000	63000	0	4568	7.25%
	2000	65000	0	0	4810	7.40%
	Subtotal				21488	
Non-Barred yrs	2001	68000	0	0	4760	7.00%
	2002	70000	0	0	4900	7.00%
	2003	72000	0	0	5040	7.00%
	2004	75000	0	0	5250	7.00%
	Subtotal			0	19950	

Calculations

Barred years

Retirement contributions during barred years	2826
Social Security taxes during barred years	18662
Social Security taxes due	0
Retirement contributions due	21488

Non-Barred years

Retirement contributions during non-barred years	2280
Social Security taxes recovered	17670
Retirement contributions due	19950

FERS should be CSRS

Barred years vs. Non-barred years. The Internal Revenue Service has a retroactive tax adjustment statute of limitations for correcting Social Security tax payments (OASDI). This limitation is 3 years after that year's filing date. For example, if the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. Three years from April 15, 2002 is April 15, 2005. Tax adjustments can be made to these years. Years beyond this limit are known as barred years. Because of this limitation, employees who have government service during this time will receive full credit for that service.

Attachment 2-C

CSRS should be FICA Only
Social Security taxes and retirement contributions actually withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Paid	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	0	3850	7.00%
	1997	58000	58000	0	4060	7.00%
	1998	60000	60000	0	4200	7.00%
	1999	63000	63000	0	4568	7.25%
	2000	65000	65000	0	4810	7.40%
	Subtotal			0	21488	
Non-Barred yrs	2001	68000	68000	0	4760	7.00%
	2002	70000	70000	0	4900	7.00%
	2003	72000	72000	0	5040	7.00%
	2004	75000	75000	0	5250	7.00%
	Subtotal			0	19950	

Social Security taxes and retirement contributions that should be withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Due	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	3410	0	0.00%
	1997	58000	58000	3596	0	0.00%
	1998	60000	60000	3720	0	0.00%
	1999	63000	63000	3906	0	0.00%
	2000	65000	65000	4030	0	0.00%
	Subtotal			18662	0	
Non-Barred yrs	2001	68000	68000	4216	0	0.00%
	2002	70000	70000	4340	0	0.00%
	2003	72000	72000	4464	0	0.00%
	2004	75000	75000	4650	0	0.00%
	Subtotal			17670	0	

Calculations

Barred years

Retirement contributions during barred years	21448
Social Security taxes during barred years	0
Social Security taxes due	18662
Retirement Contributions to refund	2826

Non-Barred years	
Retirement contributions during non-barred years	19950
Social Security taxes due	17670
Retirement contributions to refund	2280

CSRS should be FICA Only

Barred years vs. Non-barred years. The Internal Revenue Service has a retroactive tax adjustment statute of limitations for correcting Social Security tax payments (OASDI). This limitation is 3 years after that year's filing date. For example, if the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. Three years from April 15, 2002 is April 15, 2005. Tax adjustments can be made to these years. Years beyond this limit are known as barred years. Because of this limitation, employees who have government service during this time will receive full credit for that service.

Attachment 2-D

CSRS Offset/FERS should be FICA Only
Social Security taxes and retirement contributions actually withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Paid	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	3410	440	0.80%
	1997	58000	58000	3596	464	0.80%
	1998	60000	60000	3720	480	0.80%
	1999	63000	63000	3906	662	1.05%
	2000	65000	65000	4030	780	1.20%
	Subtotal			18662	2826	
Non-Barred yrs	2001	68000	68000	4216	544	0.80%
	2002	70000	70000	4340	560	0.80%
	2003	72000	72000	4464	576	0.80%
	2004	75000	75000	4650	600	0.80%
	Subtotal			17670	2280	

Social Security taxes and retirement contributions that should be withheld

		Base Pay	OASDI wages Reported	Social Security Taxes Due	Retirement Contributions	Contribution Rate
Barred yrs	1996	55000	55000	3410	0	0.00%
	1997	58000	58000	3596	0	0.00%
	1998	60000	60000	3720	0	0.00%
	1999	63000	63000	3906	0	0.00%
	2000	65000	65000	4030	0	0.00%
	Subtotal			18662	0	
Non-Barred yrs	2001	68000	68000	4216	0	0.00%
	2002	70000	70000	4340	0	0.00%
	2003	72000	72000	4464	0	0.00%
	2004	75000	75000	4650	0	0.00%
	Subtotal			17670	0	

Calculations

Barred years

Retirement contributions during barred years	2826
Social Security taxes during barred years	18662
Social Security taxes due	0
Retirement contributions to refund	2826

Non-Barred years

Retirement contributions during non-barred years	2280
Social Security taxes during non-barred years	17670
Social Security taxes due	0
Retirement contributions to refund	2280

CSRS Offset/FERS should be FICA Only

Barred years vs. Non-barred years. The Internal Revenue Service has a retroactive tax adjustment statute of limitations for correcting Social Security tax payments (OASDI). This limitation is 3 years after that year’s filing date. For example, if the coverage error occurred in year 2001, the filing deadline for tax year 2001 was April 15, 2002. Three years from April 15, 2002 is April 15, 2005. Tax adjustments can be made to these years. Years beyond this limit are known as barred years. Because of this limitation, employees who have government service during this time will receive full credit for that service.

INSTRUCTIONS FOR ATTACHMENT 3-A AND 3-B

Depending on the type of retirement coverage error, agencies will either, (1) back-out money from the Retirement Fund and resubmit the correct amount of retirement contributions to OPM; (2) submit additional money to the Retirement Fund; or (3) submit money to OPM for transfer to Treasury's General Fund to cover OASDI taxes. It is important to note that if an employee is electing FERS or CSRS-Offset coverage from CSRS, you must also submit money to OPM for transfer to the General Fund in addition to making the adjustments to their account in the Retirement Fund. In addition, if the employee is electing either CSRS or CSRS Offset coverage from FERS, the agency is prohibited from withdrawing any excess employer contributions from the Trust Fund using the RITS or any other system.

Please note that the amounts shown in the samples on the following pages are just for discussion purposes. You will be responsible for accurately computing the amount of money that should be credited to each affected employee to either the Retirement Fund or for transfer to the General Fund.

ATTACHMENT 3-A (SAMPLE)

MONIES PAID TO THE CIVIL SERVICE RETIREMENT & DISABILITY FUND

PURSUANT TO THE FEDERAL ERRONEOUS RETIREMENT COVERAGE CORRECTIONS ACT

Agency: ______________OPM______________	**Payroll office number: 24000002**
Month of ___February_____, 2004	**Report Number: _______1______**

Employee Name (Last, First, M.I.)	SSN	FERCCA Error Type	***Amount Remitted***
Smith, Michael K.	111-11-1111	CSRS->FERS	$100.05
Jackson, Samuel L.	222-22-2222	FERS->CSRS	$8,000.00
	Date: 2/17/04	*Transaction #: 1*	*Total Amount Remitted: $8,100.05*

ATTACHMENT 3-B (SAMPLE)

REPORT ON MONIES TO BE TRANSFERRED TO THE GENERAL FUND

PURSUANT TO THE FEDERAL ERRONEOUS RETIREMENT COVERAGE CORRECTIONS ACT

Agency: _____________OPM___________	**Payroll office number: 24000002**
Month of _February, 2004	**Report Number: ______1________**

Employee Name (Last, First, M.I.)	SSN	FERCCA Error Type	Amount to be Transferred
Smith, Michael K.	111-11-1111	CSRS->FERS	$17,000.00
	Total Amount to be Transferred:		*$17,000.00*

ATTACHMENT 3-A

MONIES PAID TO THE CIVIL SERVICE RETIREMENT & DISABILITY FUND

PURSUANT TO THE FEDERAL ERRONEOUS RETIREMENT COVERAGE CORRECTIONS ACT

Agency: ______________________________ | **Payroll office number: __ __ __ __ __ __ __ __**

Month of ________________, 200__ | **Report Number: ______________**

Employee Name (Last, First, M.I.)	SSN	FERCCA Error Type	***Amount Remitted***
	Date:	*Transaction #:*	*Total Amount Remitted:*

ATTACHMENT 3-B

REPORT ON MONIES TO BE TRANSFERRED TO THE GENERAL FUND

PURSUANT TO THE FEDERAL ERRONEOUS RETIREMENT COVERAGE CORRECTIONS ACT

Agency: ______________________________	**Payroll office number: __ __ __ __ __ __ __ __**
Month of _______________, 200__	**Report Number: ______________**

Employee Name (Last, First, M.I.)	SSN	FERCCA Error Type	Amount to be Transferred
	Total Amount to be Transferred:		

ATTACHMENT 4

Examples of the amounts agencies must pay for TSP for employees who are erroneously in CSRS or CSRS Offset but belong in FERS and who elect FERS coverage.

For the time that an employee did not make TSP contributions, the employee may contribute up to the maximum percentage or the maximum tax deferral amount, whichever is less, for the period of erroneous coverage.

The **agency** must:

- Make agency automatic (1%) contributions and pay lost earnings on these contributions for the period of erroneous coverage.

If the employee ELECTS to make make-up contributions, then the agency must also:

- Make agency matching contributions on the employee's make-up contributions plus lost earnings on these contributions
- Pay lost earnings on all employee make-up contributions for the period of erroneous coverage.

For those makeup contributions that would have been made on or after January 1, 2000, lost earnings (breakage) will be based upon a derived contribution allocation (which should be 100% G Fund) as explained in TSP Bulletin 02-19. For those makeup contributions that would have been made before January 1, 2000, a contribution allocation cannot be derived and lost earnings (breakage) will be determined using the **greater of** the G Fund monthly returns and share prices or the average monthly returns and share prices for all TSP investment funds.

For the time that an employee made TSP contributions, the employee may make make-up contributions equal to the difference between the maximum percentage or the maximum tax deferral amount, whichever is less, and the amount he or she actually made for the period of erroneous coverage.

The **agency** must:

- Make agency automatic (1%) and pay lost earnings on these contributions for the period of erroneous coverage
- Make agency matching contributions on employee contributions made during the period of erroneous coverage plus lost earnings on these contributions

If the employee ELECTS to make make-up contributions, then the agency must also:

- Make agency matching contributions on the employee's make-up contributions plus lost earnings on these contributions
- Pay lost earnings on all employee make-up contributions for the period of erroneous coverage.

For those makeup contributions that would have been made on or after January 1, 2000, lost earnings (breakage) will be based upon the contribution allocation on file or derived for the date that contributions would have been made. For those makeup contributions that would have been made before January 1, 2000, a contribution allocation cannot be derived and lost earnings (breakage) will be determined using the **greater of** the G Fund monthly returns and share prices or the average monthly returns and share prices for all TSP investment funds.

Example: Tim Lopez did not contribute to his TSP account during the first year he was erroneously in CSRS-Offset. After being corrected to FERS, he made a make-up contribution of

10% for that one year period.

For this one year period, Tim's agency must pay:

- 1% automatic contribution
- 4% agency matching contributions
- Lost earnings on: the automatic 1%; the 4% agency matching contributions; and, on Tim's 10% employee make-up contributions.

Tim contributed 4% to his TSP account during the rest of the time he was erroneously in CSRS-Offset. After being corrected to FERS, he decided to make make-up contributions of 1% for the remainder of the time he was erroneously covered.

For the remainder of the time Tim was erroneously covered, his agency must pay:

- 1% automatic contribution
- 4% agency matching contributions. 3.5% to match his original 4% TSP contributions and 0.5% to match his make-up contribution that raised his contribution rate from 4% to 5%.
- Lost earnings on: the automatic 1%; the 4% agency matching contributions, and on Tim's 1% make-up contributions.

ATTACHMENT 5
SAMPLE LETTER NOTIFYING FORMER AGENCY OF SOCIAL SECURITY EARNINGS CORRECTION NEEDED

NAME
ADDRESS

Dear

A review of the retirement records for your former employee *[Insert name of employee and social security number]* revealed a retirement coverage error under the provisions of the Federal Erroneous Retirement Coverage Corrections Act (FERCCA). Since this error covers a period of time with your agency *[include dates of service and error]*, we are notifying you that this office corrected the error and you need to take the appropriate action to adjust the employee's Social Security earnings record for the period of service the employee was with your agency. Enclosed is a copy of the FERCCA Service History Worksheet (see BAL 04-105 for a blank worksheet to use) which outlines the employee's service with the Federal government.

[Insert name and contact person in your agency] will be able to answer any questions you may have regarding this error correction. *[He/She]* can be reached on *[insert telephone number, email, etc…]*

Sincerely,

Enclosure:
FERCCA Service History Worksheet

ATTACHMENT 6
SAMPLE LETTER NOTIFYING EMPLOYEE OF TIME LIMIT WAIVER

NAME
ADDRESS

Dear:

On (*date*) we notified you that you were eligible to make an election under the Federal Erroneous Retirement Coverage Corrections Act (FERCCA). Enclosed is a copy of that letter. That letter provided you with the retirement coverage options you could elect and given 6 months to elect your coverage option. This time limit has expired and you have failed to make an election. Therefore the default retirement coverage is (*state the default coverage*). If you believe the reason you did not make your election within the time limit was for cause beyond your control, you can request a waiver of the time limit. You must request such a waiver in writing and submit documentation to show that you exercised due diligence but could not make an election within the time limit because of circumstances beyond your control. We will review the documentation submitted and provide you with a written notice of our decision. Send your request to:

(*Insert name and address for sending the waiver request*).

Sincerely,

Enclosure
Election notification letter

ATTACHMENT 7
SAMPLE LETTER DENYING WAIVER OF TIME LIMIT

NAME
ADDRESS

Dear:

This is in response to your request to waive the time limit for making a coverage election under the Federal Erroneous Retirement Coverage Corrections Act (FERCCA). We must deny your request.

[*Briefly describe the situation – for example: In our letter dated (insert date) we stated that you must submit documentation to show that you exercised due diligence to make your election within the time limit and that circumstances beyond your control prevented you from doing so. (Describe the documentation submitted and state why it does not meet circumstances beyond control).]* Therefore, we deny your request.

You may request reconsideration of this decision to the Office of Personnel Management. Your request must be filed within 30 calendar days from the date of this letter. Your request should be sent to:

U.S. Office of Personnel Management
FERCCA Reconsideration Request
Room 4351
1900 E Street, NW
Washington, DC 20415-3300

If you have any questions, contact (*insert name and phone number of contact*).

Sincerely,

ATTACHMENT 8
ANNUAL ELECTIVE DEFERRAL LIMITS (1987 THROUGH 2005)

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
1999	$ 10,000
2000	$ 10,500
2001	$ 10,500
2002	$ 11,000
2003	$ 12,000
2004	$ 13,000
2005	$ 14,000
2006	$ 15,000