
ATTACHMENT 1

RETIREMENT COVERAGE ERROR CORRECTION

Correcting Erroneous FERS Coverage

ATTACHMENT 1—CORRECTING ERRONEOUS FERS COVERAGE

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STEP	PROCEDURE
<p>1. Review coverage determination to decide if employee is in the correct retirement plan:</p>	<p>Refer to the <i>CSRS & FERS Handbook for Personnel and Payroll Offices</i> (www.opm.gov/asd/htm/HOD.htm) for information about making retirement coverage determinations.</p> <p>Chapter 10 contains the rules for determining whether an employee is covered by the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS). Chapter 10 also contains rules to determine whether an employee with CSRS coverage has regular CSRS coverage or CSRS Offset coverage. See also Chapter 12, Special Coverage Rules. Chapter 11 explains the circumstances under which employees may elect FERS coverage.</p> <p>If you need help determining whether an employee is in the correct retirement system, contact your headquarters level benefits officer. A listing of all benefits officers is available at www.opm.gov/asd/htm/rc.htm. If you are a benefits officer and need assistance with a coverage determination, contact the Benefits Officers Resource Center.</p>
<p>2. Determine how long the employee was erroneously covered by FERS:</p>	<p>If the employee has been continuously employed with erroneous FERS coverage, subtract the effective date of the Personnel Action that first erroneously put the employee in FERS from today's date. Note that the first action that erroneously put the employee in FERS may have been done at another agency.</p> <p>If there are breaks in service, you will need to compute the total time for each service period that was erroneously subject to FERS coverage.</p>
<p>3. If the erroneous FERS coverage lasted for 3 years of service or more:</p>	<p>The error correction is subject to the Federal Erroneous Retirement Coverage Corrections Act (FERCCA). Do not correct the error at this time. Notify the employee of the error (see Attachment 2 of this BAL for a sample notice) and enter the employee's name and other information in the FERCCA File Database at https://www.fed-estatement.com/fercca/fercca. Tell the employee that OPM will contact him or her and provide detailed information about the choices available.</p>
<p>4. Determine whether the employee should have had a FERS election opportunity:</p>	<p>Look at the service history while the employee was erroneously in FERS. You need to determine if the employee would have had a 6-month FERS election opportunity if the employee had been put in the correct retirement plan (CSRS, CSRS Offset, or Social Security (FICA)-Only).</p> <p>An election of FERS coverage may be made by employees (including reemployed annuitants) who are reemployed after a break in service of more than 3 days, and:</p> <ul style="list-style-type: none"> ▪ Who are covered (or should be covered) by CSRS, including

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STEP	PROCEDURE
<p>4. Determine whether the employee should have had a FERS election opportunity: (continued)</p>	<p style="padding-left: 40px;">CSRS Offset; or</p> <ul style="list-style-type: none"> ▪ Whose appointment is excluded from CSRS coverage but not from FERS coverage (for example, term appointments and certain indefinite appointments). <p>An election of FERS coverage may also be made by employees who:</p> <ul style="list-style-type: none"> ▪ Convert from appointments excluded from FERS coverage (such as temporary appointments not to exceed 1 year) to appointments that are not excluded and who do not automatically have FERS coverage upon conversion; or ▪ Become eligible for Social Security coverage; or ▪ Enter a senior official position with mandatory Social Security coverage (see <i>Handbook</i> Chapter 101 for additional information). <p><i>Caution:</i> An employee has only one opportunity to elect FERS during continuous service. For example, an employee returns to work under a Term appointment under Social Security (FICA)-only and has an opportunity to elect FERS. The employee receives an excepted appointment 3 years later, with no break in service, and the coverage is CSRS Offset. The employee does not have another opportunity to elect FERS with the excepted appointment.</p>
<p>5. Determine whether the employee can be deemed to have elected FERS with an opportunity to decline FERS coverage:</p>	<p>If the employee would <u>not</u> have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 3 years, go to Step 5.A.</p> <p>If the employee would have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 6 months, go to Step 5.B.</p> <p>If the employee would have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 3 years, go to Step 5.C.</p>
<p>5.A. If the employee would <u>not</u> have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 3 years of service:</p>	<p>Correct the erroneous FERS coverage to the appropriate retirement system (CSRS, CSRS Offset, or Social Security (FICA)-Only) retroactive to the effective date of the error. The employee does not have an opportunity to choose to remain in FERS. Notify the employee of the error and of the correct retirement coverage.</p> <ul style="list-style-type: none"> • <u>Correct the personnel records.</u> If the erroneous FERS coverage occurred with an appointment or conversion to appointment action, prepare an <i>002/Correction</i> action effective on the original appointment or conversion to appointment date. <ul style="list-style-type: none"> ▪ Show the correct retirement code in block 30 (1, 2, 6, C, or E). ▪ Include remark C11 as follows: “<i>Corrects item (number) from</i>

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STEP	PROCEDURE
<p>5.A. If the employee would <u>not</u> have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 3 years of service: (continued)</p>	<p style="text-align: center;"><i>(K, L, M, or N)."</i></p> <p>Prepare another 002/Correction action if there are any other actions during the appointment showing incorrect FERS coverage. Correct the most recent action during the appointment on which the erroneous FERS coverage appears, showing the correct retirement code in block 30. Include remarks C11: "<i>Corrects item (number) from (K, L, M, or N)</i>" and C12: "<i>Also corrects same item on all previous actions from (date) to (date).</i>" If there are multiple periods of service that were erroneously subject to FERS, you need to correct each period. Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions.</p> <ul style="list-style-type: none"> • <u>Service Credit.</u> If the employee later becomes subject to retirement coverage, any post-1956 military service or civilian service performed before the date of erroneous FERS coverage that becomes subject to CSRS deposit or redeposit rules may be considered paid by actuarial reduction. <p>If the employee has any such service performed before the erroneous FERS coverage, you need to document the employee's records to show that the employee was erroneously put in FERS and is eligible for the actuarial reduction. The documentation is necessary so that you can identify when the actuarial reduction applies and advise the employee during benefits counseling. Additionally, you need to be able to notify OPM that the employee was erroneously placed in FERS and is eligible for the actuarial reduction whenever the employee files an application for deposit and/or retirement.</p> <ul style="list-style-type: none"> • <u>Correct the Employee Retirement Withholdings.</u> If the correct coverage is CSRS, the employee owes additional retirement deductions for CSRS coverage and has overpaid Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) tax. The additional retirement deductions can be recovered (in whole or in part) from the overpaid OASDI taxes. If the correct coverage is CSRS Offset, the employee owes additional monies for retirement deductions only if the basic pay is more than the taxable maximum for the OASDI contribution and benefit base. (See www.ssa.gov/OACT/COLA/CBB.html for the OASDI contribution and benefit base amounts.) The agency is responsible for paying the correct amount of retirement withholdings to OPM. If the amount of retirement withholdings owed exceeds the amount of

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STEP	PROCEDURE
<p>5.A. If the employee would <u>not</u> have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 3 years of service: (continued)</p>	<p>OASDI taxes withheld, the difference is an overpayment of salary to the employee. Overpayments of salary are subject to your agency's regulations governing the collection of debts (see 5 CFR 550.1104).</p> <p>If the correct coverage is Social Security (FICA)-Only, the employee is entitled to receive the retirement deductions withheld from salary. The employing agency is responsible for returning the retirement deductions it withheld from the employee's pay.</p> <ul style="list-style-type: none"> • <u>Correct the Agency Retirement Contributions.</u> If the correct coverage is CSRS or CSRS Offset, the agency has overpaid agency retirement contributions. You must make adjustments to credit the appropriate amount of agency CSRS contributions. <p>If the correct coverage is Social Security (FICA)-Only, the agency has overpaid agency retirement contributions. You may recover the agency FERS contributions.</p> • <u>RITS reporting.</u> Agency payroll offices must compute the amount that should have been remitted to OPM for the correct retirement coverage. If the correct retirement coverage is CSRS or CSRS Offset, adjust the amounts that have been remitted to OPM by reducing FERS agency contributions and employee withholdings and increasing CSRS agency contributions and employee withholdings on a subsequent RITS submission. <p>If the correct retirement coverage is Social Security (FICA)-Only, adjust the amounts that have been remitted to OPM by reducing FERS contributions and employee withholdings on a subsequent RITS submission.</p> • <u>Correct the Individual Retirement Record (IRR).</u> When the employee separates (or the IRR is otherwise created), an SF 2806, not an SF 3100, must be created if the correct coverage is CSRS or CSRS Offset. If a hard-copy SF 3100 has already been created and submitted to OPM, it must be voided. <p>If the correct coverage is Social Security (FICA)-Only, you need to void the SF 3100, if created. Do not separate the IRR to OPM.</p> • <u>Correct the Social Security records.</u> No adjustments are necessary unless the coverage is corrected to CSRS.

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STEP	PROCEDURE
<p>5.A. If the employee would <u>not</u> have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 3 years of service: <i>(continued)</i></p>	<p>If the correct coverage is CSRS, you need to determine whether you can recover some or all of the Old-Age, Survivors, and Disability Insurance (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 filing deadline for tax year 1999 was April 17, 2000. You can recover OASDI taxes that were erroneously paid in calendar year 1999 up to April 17, 2003.</p> <p>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.</p> <p>For each calendar year that you were permitted to recover erroneous OASDI tax, complete and submit a 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.</p> <ul style="list-style-type: none"> • <u>Correct the TSP records.</u> Correct TSP eligibility prospectively to show the correct status. Obtain a new TSP Election Form (TSP-1) or reduce employee contribution to the maximum CSRS limit if the correct coverage is CSRS or CSRS Offset. If the correct coverage is Social Security (FICA)-only, future TSP contributions stop. <p>You need to remove the Agency Automatic (1%) and any Agency Matching Contributions, plus associated earnings, from the employee's TSP account. Do not remove employee contributions unless the employee chooses to have the contributions refunded. Refer to Attachment 4 of this BAL for more specific instructions on TSP adjustments. See also www.tsp.gov/bulletins/index.html for additional information.</p>

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STEP	PROCEDURE
<p>5.B. If the employee would have had a FERS election opportunity and the erroneous FERS coverage lasted for less than 6 months:</p>	<p>In this scenario, the erroneous FERS coverage is discovered during the time that the employee would otherwise be eligible to elect FERS (i.e., during the first 6 months of employment following a break in service).</p> <p>Correct the erroneous FERS coverage to the proper retirement system (CSRS, CSRS Offset, or Social Security (FICA)-Only) retroactive to the effective date of the error. Follow the instructions in Step 5.A. to correct the retirement coverage error.</p> <p>In addition to correcting the error, notify the employee of the FERS election opportunity. Provide the employee with the Election of Coverage form (Standard Form 3109) and the appropriate FERS Transfer Handbook (RI 90-3 if the correct coverage is CSRS, or RI 90-3-Offset if the correct coverage is CSRS Offset).</p> <p>The employee's opportunity to elect FERS is based on the date of the event that permits an election (appointment, transfer, conversion, etc.) and not on the date you notify the employee of the election opportunity. Agencies have the authority to accept a belated FERS election during the 6-month period following the expiration of the employee's initial 6-month election opportunity. Agencies should exercise their authority to allow the employee 6 months to make his or her election. However, in no case may an agency extend the deadline beyond the 1-year from the date of the event permitting the election opportunity.</p> <p>If the employee elects FERS coverage, the effective date of the election is the first day of the pay period after the valid election is received by the agency. The election is not retroactive. The FERS election should be processed just as any other FERS election made by an employee with no retirement coverage error.</p>

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STEP	PROCEDURE
<p>5.C. If the employee would have had a FERS election opportunity and the error lasted for less than 3 years of service (not within the 6-month election opportunity):</p>	<p>Add 75 days to the total time the employee was erroneously covered by FERS. The 75 days gives you 15 days to get the notice to the employee and also allows for the 60-day time limit the employee has to make a decision. If you think it will take more than 15 days to notify the employee, adjust the time accordingly.</p> <p>If after adding 75 days the total time is 3 years or more, then do not correct the error at this time. The error correction is subject to the Federal Erroneous Retirement Coverage Corrections Act (FERCCA). Notify the employee of the error (see Attachment 2 of this BAL for a sample notice) and enter the employee's name and other information in the FERCCA File Database at https://www.fed-estatement.com/fercca/fercca. Tell the employee that OPM will contact him or her and provide detailed information about the choices available.</p> <p>If after adding 75 days the total time is less than 3 years, you need to notify the employee of the error and provide the employee with an opportunity to decline FERS coverage. See step 6 for additional instructions.</p>
<p>6. Provide the employee with written notice of the opportunity to decline FERS coverage:</p>	<p>Only proceed with steps 6-8 if the total time of erroneous FERS coverage is less than 3 years and the employee would have had a FERS election opportunity.</p> <p>Use the model notice in Attachment 3 of this BAL to notify the employee of the error and election opportunity. Also give the employee Standard Form 3109, Election of FERS, and a copy of the appropriate ***"Error Handbook"*** in Attachments 5 and 6 of this BAL.</p> <p>Document that the employee was given notice of the opportunity to decline FERS in the Official Personnel Folder. You should file copies of the notification letter and the SF 3109 in the employee's Official Personnel Folder.</p> <p>The employee has 60 days from the date of notice to decline FERS coverage. The employee can request additional time if he or she demonstrates that an election can't be made within the time limit due to causes beyond the employee's control. See 5 CFR 846.204(b)(2)(ii)(C).</p>
<p>7. Counsel employees:</p>	<p>Assist employees in estimating the amount of retirement, Social Security, and TSP benefits. Provide any other information the employee may need to make an election.</p>

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STEP	PROCEDURE
<p>8. Process the election:</p>	<ul style="list-style-type: none"> ▪ Go to step 8.A. if the employee decides to stay in FERS. ▪ Go to step 8.B. if the employee chooses CSRS Offset. ▪ Go to step 8.C. if the employee chooses CSRS. ▪ Go to step 8.D. if the employee chooses Social Security (FICA)-only. ▪ Go to step 8.E. if the employee fails to return the election form.
<p>8.A. If the employee elects to remain in FERS:</p>	<ul style="list-style-type: none"> • <u>Correct and document the personnel records.</u> If the erroneous FERS coverage occurred with an appointment or conversion to appointment action, prepare an 002/<i>Correction</i> action effective on the original appointment or conversion to appointment date. <ul style="list-style-type: none"> ▪ Include remark C18 as follows: “<i>Corrects item (number 45) to read: M94 - “Employee elected deemed FERS coverage under 5 CFR 846.204(b)(2)(i) on _____ (insert date employee made the election)”</i>; and M38 - “<i>Frozen service: (enter years and months)</i>”. <p>Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions.</p> • <u>Service Credit.</u> Any post-1956 military service or civilian service performed before the date of erroneous FERS coverage that becomes subject to CSRS deposit or redeposit rules may be considered paid by actuarial reduction. <p>If the employee has any such service performed before the erroneous FERS coverage, you need to document the employee’s records to show that the employee was erroneously put in FERS and is eligible for the actuarial reduction. The documentation is necessary so that you can identify when the actuarial reduction applies and advise the employee during benefits counseling. Additionally, you need to be able to notify OPM that the employee was erroneously placed in FERS and is eligible for the actuarial reduction whenever the employee files an application for deposit and/or retirement.</p> • No RITS reporting adjustments are necessary to employee withholdings or agency contributions. • <u>Document the Individual Retirement Record (IRR).</u> Document the SF 3100, when created, to show the employee made a deemed election of FERS coverage. Insert the following remark in column 4 of the SF 3100: “<i>Employee elected deemed FERS coverage under 5 CFR 846.204(b)(2)(i) on _____ (insert date employee made</i>

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STEP	PROCEDURE
<p>8.A. If the employee elects to remain in FERS: (continued)</p>	<p><i>election).</i>” Also, insert the unused sick leave balance as of the effective date of the FERS election. Do not separate the IRR to OPM.</p> <ul style="list-style-type: none"> • No adjustments are necessary to the Social Security Records. • <u>Correct the TSP records.</u> The agency needs to make up Agency Automatic (1%) Contributions. Because the employee now <u>elected</u> FERS (rather than being automatically placed in FERS), the employee is immediately eligible for Agency Automatic (1%) contributions. Make up Agency Automatic (1%) contributions are due for the period beginning with the date of FERS coverage through the date that Agency Automatic (1%) Contributions actually began. The employee is also entitled to lost earnings on these agency contributions. <p>If the earliest date the employee could have begun contributing to TSP changes (because the employee changed from being automatically put in FERS to electing FERS), you must give the employee an opportunity to make up TSP contributions. The make-up period begins on the date the employee was put in FERS and ends on the date the employee was previously eligible to begin contributing to TSP. No lost earnings are payable on these employee make-up contributions. If the employee makes up contributions, the agency must also make matching contributions with lost earnings. NOTE: For employees hired on or after July 1, 2000, there is no waiting period for employee participation in TSP.</p> <p>See Attachment 4 for additional TSP instructions. See also www.tsp.gov/bulletins/index.html for additional information.</p>
<p>8.B. If the employee declines FERS in favor of CSRS Offset:</p>	<ul style="list-style-type: none"> • <u>Correct and document the personnel records.</u> If the erroneous FERS coverage occurred with an appointment or conversion to appointment action, prepare an 002/<i>Correction</i> action effective on the original appointment or conversion to appointment date. <ul style="list-style-type: none"> ▪ Show the correct retirement code in block 30 (C or E). ▪ Include remark C11 as follows: “<i>Corrects item (number) from (K, L, M, or N).</i>” ▪ Include remark M96 as follows: “<i>Employee declined deemed FERS coverage under 5 CFR 846.204(b)(2)(ii) on _____ (insert date employee made the election).</i>” <p>Prepare another 002/<i>Correction</i> action if there are any other actions during the appointment showing incorrect FERS coverage. Correct the most recent action during the appointment on which the</p>

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STEP	PROCEDURE
<p>8.B. If the employee declines FERS in favor of CSRS Offset: (continued)</p>	<p>erroneous FERS coverage appears, showing the correct retirement code in block 30 (C or E). Include remarks C11 (<i>Corrects item (number) from (K, L, M, or N)</i>) and if necessary, C12 (<i>Also corrects same item on all previous actions from (date) to (date)</i>). If there are multiple periods of service that were erroneously subject to FERS, you need to correct each period. Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions.</p> <ul style="list-style-type: none"> • <u>Service Credit.</u> Any post-1956 military service or civilian service performed before the date of erroneous FERS coverage that becomes subject to CSRS deposit or redeposit rules may be considered paid by actuarial reduction. <p>If the employee has any such service performed before the erroneous FERS coverage, you need to document the employee's records to show that the employee was erroneously put in FERS and is eligible for the actuarial reduction. The documentation is necessary so that you can identify when the actuarial reduction applies and advise the employee during benefits counseling. Additionally, you need to be able to notify OPM that the employee was erroneously placed in FERS and is eligible for the actuarial reduction whenever the employee files an application for deposit and/or retirement.</p> <ul style="list-style-type: none"> • <u>Correct the Employee Retirement Withholdings.</u> The employee owes additional monies for CSRS Offset withholdings only if the basic pay is more than the taxable maximum for the Old-Age, Survivors, and Disability Insurance (OASDI) tax. (See www.ssa.gov/OACT/COLA/CBB.html for the OASDI contribution and benefit base amounts.) The agency is responsible for paying the correct amount of retirement withholdings to OPM. If the amount of retirement withholdings owed exceeds the amount of OASDI taxes withheld, the difference is an overpayment of salary to the employee. Overpayments of salary are subject to your agency's regulations governing the collection of debts (see 5 CFR 550.1104). • <u>Correct the Agency CSRS Contributions.</u> The agency has overpaid agency retirement contributions. You must make adjustments to credit the appropriate amount of agency CSRS contributions.

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STEP	PROCEDURE
<p>8.B. If the employee declines FERS in favor of CSRS Offset: (continued)</p>	<ul style="list-style-type: none"> • <u>RITS reporting.</u> Agency payroll offices must compute the amount that should have been remitted to OPM for CSRS Offset coverage. Adjust the amounts that have been remitted to OPM by reducing FERS agency contributions and employee withholdings and increasing CSRS agency and employee withholdings on a subsequent RITS submission. • <u>Correct the Individual Retirement Record (IRR).</u> 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: <i>“Employee declined deemed FERS coverage under 5 CFR 846.204(b)(2)(ii) on _____ (insert date employee made the election)”</i>. • <u>No adjustments are necessary to the Social Security records.</u> • <u>Correct the TSP records.</u> Correct TSP eligibility prospectively to reflect the maximum contribution a CSRS employee is eligible to contribute. Obtain a new TSP Election Form (TSP-1) or reduce employee contribution to the maximum CSRS limit. <p>You need to remove the Agency Automatic (1%) and any Agency Matching Contributions, plus associated earnings, from the employee’s TSP account. Do not remove any employee contributions unless the employee chooses to have contributions refunded. Refer to Attachment 4 for more specific instructions on TSP adjustments. See also www.tsp.gov/bulletins/index.html for additional information.</p>
<p>8.C. If the employee declines FERS in favor of CSRS:</p>	<ul style="list-style-type: none"> • <u>Correct and document the personnel records.</u> If the erroneous FERS coverage occurred with an appointment or conversion to appointment action, prepare an 002/<i>Correction</i> action effective on the original appointment or conversion to appointment date. <ul style="list-style-type: none"> ▪ Show the correct retirement code in block 30 (1 or 6). ▪ Include remark C11 as follows: <i>“Corrects item (number) from (K, L, M, or N).”</i> ▪ Include remark M96 as follows: <i>“Employee declined deemed FERS coverage under 5 CFR 846.204(b)(2)(ii) on _____ (insert date employee made the election)”</i>. <p>Prepare another 002/<i>Correction</i> action if there are any other actions during the appointment showing incorrect FERS coverage. Correct the most recent action during the appointment on which the</p>

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STEP	PROCEDURE
<p>8.C. If the employee declines FERS in favor of CSRS: (continued)</p>	<p>erroneous FERS coverage appears, showing the correct retirement code in block 30. Include remarks C11 (<i>Corrects item (number) from (K, L, M, or N.)</i>) and if necessary, C12 (<i>Also corrects same item on all previous actions from (date) to (date)</i>). If there are multiple periods of service that were erroneously subject to FERS, you need to correct each period. Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions.</p> <ul style="list-style-type: none"> • <u>Service Credit.</u> Any post-1956 military service or civilian service performed before the date of erroneous FERS coverage that becomes subject to CSRS deposit or redeposit rules may be considered paid by actuarial reduction. <p>If the employee has any such service performed before the erroneous FERS coverage, you need to document the employee's records to show that the employee was erroneously put in FERS and is eligible for the actuarial reduction. The documentation is necessary so that you can identify when the actuarial reduction applies and advise the employee during benefits counseling. Additionally, you need to be able to notify OPM that the employee was erroneously placed in FERS and is eligible for the actuarial reduction whenever the employee files an application for deposit and/or retirement.</p> <ul style="list-style-type: none"> • <u>Correct the Employee CSRS Withholdings.</u> The employee owes additional retirement deductions for CSRS coverage and has overpaid Old-Age, Survivors, and Disability Insurance (OASDI) taxes. The additional retirement deductions can be recovered (in whole or in part) from the overpaid OASDI taxes. Generally, the employee has been overpaid salary if the basic pay is more than the taxable maximum for the OASDI contribution and benefit base. See www.ssa.gov/OACT/COLA/CBB.html for the OASDI contribution and benefit base amounts. The agency is responsible for paying the correct amount of CSRS withholdings to OPM. If the amount of CSRS withholdings owed exceeds the amount of OASDI taxes withheld, the difference is an overpayment of salary to the employee. Overpayments of salary are subject to your agency's regulations governing the collection of debts (see 5 CFR 550.1104). • <u>Correct the Agency CSRS Contributions.</u> The agency has overpaid agency retirement contributions. You must make adjustments to credit the appropriate amount of agency CSRS

Correcting Erroneous FERS Coverage

STEP	PROCEDURE
<p>8.C. If the employee declines FERS in favor of CSRS: (continued)</p>	<p>contributions.</p> <ul style="list-style-type: none"> • <u>RITS reporting.</u> Agency payroll offices must compute the amount that should have been remitted to OPM for CSRS coverage. Adjust the amounts that have been remitted to OPM by reducing FERS agency contributions and employee withholdings and increasing CSRS agency and employee withholdings on a subsequent RITS submission. • <u>Correct the Individual Retirement Record (IRR).</u> When the employee separates (or the IRR is otherwise created), a SF 2806, not a 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: “<i>Employee declined deemed FERS coverage under 5 CFR 846.204(b)(2)(ii) on _____ (insert date employee made the election)</i>”. • <u>Correct the Social Security records.</u> You need to determine whether you can recover some or all of the Old-Age, Survivors, and Disability Insurance (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 filing deadline for tax year 1999 was April 17, 2000. You can recover OASDI taxes that were erroneously paid in calendar year 1999 up to April 17, 2003. <p>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 withholdings.</p> <p>For each calendar year that you were permitted to recover erroneous OASDI tax, complete and submit a 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.</p>

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STEP	PROCEDURE
<p>8.C. If the employee declines FERS in favor of CSRS: (continued)</p>	<ul style="list-style-type: none"> • <u>Correct the TSP records.</u> Correct TSP eligibility prospectively to show the correct status. Obtain a new TSP Election Form (TSP-1) or reduce employee contribution to the maximum CSRS limit. <p>You need to remove the Agency Automatic (1%) and any Agency Matching Contributions, plus associated earnings, from the employee's TSP account. Do not remove employee contributions unless the employee chooses to have the contributions refunded. Refer to Attachment 4 for more specific instructions on TSP adjustments. See also www.tsp.gov/bulletins/index.html for additional information.</p>
<p>8.D. If the employee declines FERS in favor of Social Security (FICA)- Only:</p>	<ul style="list-style-type: none"> • <u>Correct and document the personnel records.</u> If the erroneous FERS coverage occurred with an appointment or conversion to appointment action, prepare an 002/<i>Correction</i> action effective on the original appointment or conversion to appointment date. <ul style="list-style-type: none"> ▪ Show the correct retirement code in block 30 (2). ▪ Include remark C11 as follows: "<i>Corrects item (number) from (K, L, M, or N)</i>". Include remark M96 as follows: "<i>Employee declined deemed FERS coverage under 5 CFR 846.204(b)(2)(ii) on _____ (insert date employee made the election).</i>" <p>Prepare another 002/<i>Correction</i> action if there are any other actions during the appointment showing incorrect FERS coverage. Correct the most recent action during the appointment on which the erroneous FERS coverage appears, showing the correct retirement code in block 30 (2). Include remarks C11 (<i>Corrects item (number) from (K, L, M, or N)</i>) and if necessary, C12 (<i>Also corrects same item on all previous actions from (date) to (date)</i>). If there are multiple periods of service that were erroneously subject to FERS, you need to correct each period. Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions.</p> • <u>Service Credit.</u> If the employee later becomes subject to retirement coverage, any post-1956 military service or civilian service performed before the date of erroneous FERS coverage that becomes subject to CSRS deposit or redeposit rules may be considered paid by actuarial reduction. <p>If the employee has any such service performed before the erroneous FERS coverage, you need to document the employee's records to show that the employee was erroneously put in FERS and is eligible for the actuarial reduction. The documentation is</p>

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STEP	PROCEDURE
<p>8.D. If the employee declines FERS in favor of Social Security (FICA)- Only: <i>(continued)</i></p>	<p>necessary so that you can identify when the actuarial reduction applies and advise the employee during benefits counseling. Additionally, you need to be able to notify OPM that the employee was erroneously placed in FERS and is eligible for the actuarial reduction whenever the employee files an application for deposit and/or retirement.</p> <ul style="list-style-type: none"> • <u>Correct the Employee Retirement Withholdings.</u> The employee is entitled to receive a refund of retirement deductions withheld from salary. The employing agency is responsible for returning the retirement deductions it withheld from the employee's pay. • <u>Correct the Agency Retirement Contributions.</u> The agency has overpaid agency retirement contributions. You may recover the agency retirement contributions you made. • <u>RITS reporting.</u> The agency payroll office must refund all retirement deductions withheld to the employee and may recover the amount of agency retirement contributions. Adjust the amounts that have been remitted to OPM by reducing FERS agency contributions and employee withholdings on a subsequent RITS submission. • <u>Correct the Individual Retirement Record (IRR).</u> You need to void the SF 3100, if created. Do not separate the IRR to OPM. • <u>Correct the TSP records.</u> Correct the TSP eligibility prospectively to show the correct status. Future TSP contributions stop. <p>You need to remove the Agency Automatic (1%) and any Agency Matching Contributions, plus associated earnings, from the employee's TSP account. Do not remove employee contributions unless the employee chooses to have the contributions refunded. Refer to Attachment 4 for more specific instructions on TSP adjustments. See also www.tsp.gov/bulletins/index.html for additional information.</p>
<p>8.E. If the employee does not return the election form by the due date or request an extension of the deadline:</p>	<p>Agencies are strongly encouraged to follow up on all cases involving FERS elections and to obtain and document written elections whenever possible. If, despite your efforts the employee fails to return the election form, the employee is deemed to have elected FERS. Document the employee's failure to return the election form on the SF 3109. Make sure you file the SF 3109 in the Official Personnel Folder.</p>

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STEP	PROCEDURE
<p>8.E. If the employee does not return the election form by the due date or request an extension of the deadline: (continued)</p>	<ul style="list-style-type: none"> • <u>Correct and document the personnel records.</u> Prepare an <i>002/Correction</i> action effective on the original appointment or conversion to appointment date. <ul style="list-style-type: none"> ▪ Include remark C18 as follows: <i>“Corrects item (number 45) to read: M95 - “Employee was given Deemed FERS election notice on _____ (insert date of notice) and did not respond. Employee is deemed to have elected FERS coverage under 5 CFR 846.204(b)(2)(i)”</i>; and M38 - <i>“Frozen service: (enter yrs. and mos.)”</i>. <p>Refer to the Guide to Processing Personnel Actions at www.opm.gov/feddata/persdoc.htm for additional assistance in preparing personnel actions.</p> • <u>Service Credit.</u> Any post-1956 military service or civilian service performed before the date of erroneous FERS coverage that becomes subject to CSRS deposit or redeposit rules may be considered paid by actuarial reduction. <p>If the employee has any such service performed before the erroneous FERS coverage, you need to document the employee’s records to show that the employee was erroneously put in FERS and is eligible for the actuarial reduction. The documentation is necessary so that you can identify when the actuarial reduction applies and advise the employee during benefits counseling. Additionally, you need to be able to notify OPM that the employee was erroneously placed in FERS and is eligible for the actuarial reduction whenever the employee files an application for deposit and/or retirement.</p> • No adjustments are necessary to the employee withholdings or agency contributions. • No adjustments are necessary to the Social Security Records. • <u>Document the Individual Retirement Record (IRR).</u> Document the SF 3100, when created, to show the employee made a deemed election of FERS coverage. Insert the following remark in column 4 of the SF 3100: <i>“Employee was given deemed FERS election notice on _____ (insert date of notice) and did not respond. Employee is deemed to have elected FERS coverage under 5 CFR 846.204(b)(2)(i).”</i> Also, insert the unused sick leave balance as of the effective date of the FERS election.

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STEP	PROCEDURE
8.E. If the employee does not return the election form by the due date or request an extension of the deadline: (continued)	<ul style="list-style-type: none">• Correct the TSP records. The agency needs to make up Agency Automatic (1%) Contributions. Because the employee now <u>elected</u> FERS (rather than being automatically placed in FERS), the employee is immediately eligible for Agency Automatic (1%) contributions. Make up Agency Automatic (1%) contributions are due for the period beginning with the date of FERS coverage through the date that Agency Automatic (1%) Contributions actually began. The employee is also entitled to lost earnings on these agency contributions. <p>If the earliest date the employee could have begun contributing to TSP changes (because the employee changed from being automatically put in FERS to electing FERS), you must give the employee an opportunity to makeup TSP contributions. The make-up period begins on the date the employee was put in FERS and ends on the date the employee was previously eligible to begin contributing to TSP. No lost earnings are payable on these employee make-up contributions. If the employee makes up contributions, the agency must also make matching contributions with lost earnings. NOTE: For employees hired on or after July 1, 2000, there is no waiting period for employee participation in TSP.</p> <p>See Attachment 4 for additional TSP instructions. See also www.tsp.gov/bulletins/index.html for additional information.</p>