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.