



## ***Benefits Administration Letter***

Number: 03-104

Date: April 15, 2003

**Subject: Retirement Coverage Error Correction: Correction of Errors that do not Provide an Election**

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### **Introduction**

This Benefits Administration Letter (BAL) provides information on retirement coverage errors that agencies should now be correcting and instructions for correcting errors involving erroneous retirement coverage where the individual has no choice in what retirement system to be in.

### **Categories of errors that should be corrected**

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

- Administrative corrections. Administrative corrections are corrections 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 this type is to and from law enforcement officer/firefighter coverage within a retirement system (correcting retirement code 1 to 6, or 6 to 1). [Attachment 1](#) is a chart of "Common Retirement Plans and Corresponding Codes."
- Erroneous FERS coverage that lasted for less than 3 years of service. [BAL 02-103](#) provides detailed instructions for making these corrections.
- Errors that do not provide an election.

### **Errors that do not provide an election**

The Federal Erroneous Retirement Coverage Corrections Act (FERCCA) legislation and OPM regulations do not give every individual who had a retirement coverage error a choice about which retirement system to be under. There are five types of retirement coverage errors that must be corrected. The following chart summarizes the types of errors that do not trigger an election:

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<i>Civil Service Retirement System</i>	<i>Federal Employees' Group Life Insurance Program</i>	<i>Federal Employees Health Benefits Program</i>	<i>Federal Employees Retirement System</i>	<i>Long Term Care Insurance Program</i>
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The employee is in:	And the employee belongs in:	Employee's coverage must be corrected to:
CSRS	CSRS Offset	CSRS Offset
CSRS Offset	CSRS	CSRS
Social Security Only	CSRS	CSRS
Social Security Only	CSRS Offset	CSRS Offset
Social Security Only	FERS	FERS

**Barred vs. non-barred years**

The Internal Revenue Service retroactive tax adjustment statute of limitations limits corrections of social security tax records (OASDI) to three years, three months, and 15 days after the year in which the wages were paid. Adjustments made during these years 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 by allowing agencies to pay social security taxes (FICA) to OPM who in turn will transfer them to the General Fund.

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:
1999	April 17, 2000	April 17, 2003
2000	April 16, 2001	April 16, 2004
2001	April 15, 2002	April 15, 2005
2002	April 15, 2003	April 15, 2006

For Errors Corrected Between:	Corrections Can Be Made for Tax Years:
April 17, 2002 – April 15, 2003	1999, 2000, 2001, 2002
April 16, 2003 – April 16, 2004	2000, 2001, 2002, 2003

When making corrections, the retirement 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” 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.

## **ERRONEOUS CSRS COVERAGE, EMPLOYEE BELONGS IN CSRS OFFSET**

### **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, “*Correction due to Public Law 106-265 (FERCCA)*.” Refer to the Guide to Processing Personnel Actions at [www.opm.gov/feddata/persdoc.htm](http://www.opm.gov/feddata/persdoc.htm) for additional assistance in preparing personnel actions. Notify the employee of the correction needed. Using the example in [Attachment 2](#) as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

### **Actions by Payroll Office**

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

### **Non-Barred Years for 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, the filing deadline for tax year 1999 was April 17, 2000. You can determine the OASDI taxes due in calendar year 1999 up to April 17, 2003. Use the balance of 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, collect the additional OASDI taxes from the individual. Once billed for the additional taxes, the employee can submit a claim for reimbursement of the out-of-pocket expense from OPM.
4. The agency should submit both employer and employee social security taxes to the Internal Revenue Service (IRS), following current procedures.

## **Barred Years for Social Security**

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 OASDI taxes that would have been payable for the barred years.
4. Return the excess retirement deductions for the barred years to OPM via OPAC/IPAC with these remarks: “Amount submitted for NAME, SSN, AGENCY, ALC, on DATE is being done in accordance with the 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). 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.
5. Correct the employee’s Social Security earnings record for all years (barred and non-barred), using current procedures (W-2C/W-3C).
6. Correct the employee’s Individual Retirement Record (IRR) (for all years) to reflect the correct retirement deduction amount. Annotate the record to show that, “Correction is in accordance with FERCCA”.

### **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, OPM will compute the excess retirement deductions and adjust the retirement records already on file at OPM. OPM will contact the former employing agencies (through the agencies’ benefits counselors), and advise them that they must adjust the employee’s Social Security earnings record.

### **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.

**The agency has already corrected the employee’s records and has escrowed social security deductions for barred years awaiting guidance from OPM.**

It should transfer those excess deductions to OPM using the OPAC/IPAC system described above. If the agency has not already done so, it should correct the employee’s Social Security earnings record.

**ERRONEOUS COVERAGE WAS CSRS OFFSET, CORRECT COVERAGE IS CSRS**

**Actions by Human Resource Office**

Personnel/Human Resource Office must correct the retirement coverage from CSRS Offset 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, “*Correction due to Public Law 106-265 (FERCCA).*” Refer to the Guide to Processing Personnel Actions at [www.opm.gov/feddata/persdoc.htm](http://www.opm.gov/feddata/persdoc.htm) for additional assistance in preparing personnel actions. Notify the employee of the correction needed. Using the example in [Attachment 2](#) as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

**Actions by Payroll Office**

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

**Non-Barred Years for 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 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. 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](http://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 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](http://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.

### **Barred Years for Social Security**

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. Correct the employee's Individual Retirement Record (IRR) (for all years) to reflect the correct retirement deduction amount. Annotate the record to show that, "*Correction is in accordance with 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.

### **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, OPM will compute the retirement deductions owed and notify the agency of the amount owed to the Retirement Fund.

### **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.

## **ERRONEOUS SOCIAL SECURITY-ONLY COVERAGE, EMPLOYEE BELONGS IN CSRS**

### **Actions by Human Resource Office**

Personnel/Human Resource Office must correct the retirement coverage from Social Security-Only 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, “*Correction due to Public Law 106-265 (FERCCA).*” Refer to the Guide to Processing Personnel Actions at [www.opm.gov/feddata/persdoc.htm](http://www.opm.gov/feddata/persdoc.htm) for additional assistance in preparing personnel actions. Notify the employee of the correction needed. Using the example in [Attachment 2](#) as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

### **Actions by Payroll Office**

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

### **Non-Barred Years for Social Security**

1. The employee owes 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 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. The agency is responsible for both the employee and the employer CSRS retirement contributions. 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](http://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 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](http://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.

## **Barred Years for Social Security**

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 both the employee and employer CSRS retirement contributions. Do not bill the employee for any retirement contributions.
2. Create Individual Retirement Record (IRR) to reflect the retirement deductions. Annotate the record to show that the IRR is, "*Created in accordance with FERCCA.*"
3. 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.

### **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 covered by the error was in an other agency, 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.



## **ERRONEOUS SOCIAL SECURITY-ONLY COVERAGE, EMPLOYEE BELONGS IN CSRS OFFSET**

### **Actions by Human Resource Office**

Personnel/Human Resource Office must correct the retirement coverage from Social Security-Only 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, “*Correction due to Public Law 106-265 (FERCCA).*” Refer to the Guide to Processing Personnel Actions at [www.opm.gov/feddata/persdoc.htm](http://www.opm.gov/feddata/persdoc.htm) for additional assistance in preparing personnel actions. Notify the employee of the correction needed. Using the example in attachment 2 as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

### **Actions by Payroll Office**

Servicing Payroll Office must correct the retirement deductions.

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 both the employee and employer CSRS-Offset retirement contributions. Do not bill the employee for any retirement deductions.
2. Create Individual Retirement Record (IRR) to reflect the retirement deductions. Annotate the record to show that the IRR is, “*Created in accordance with FERCCA.*”
3. Notify the employee that the Social Security taxes remain credited to Social Security. The employee receives credit for the service for Social Security benefits and Civil Service Retirement benefits.

**If 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 for the period of time the employee was at the current agency. If the period of service covered by the error was in an other agency, 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.

## **ERRONEOUS SOCIAL SECURITY-ONLY COVERAGE, EMPLOYEE BELONGS IN FERS**

### **Actions by Human Resource Office**

Personnel/Human Resource Office must correct the retirement coverage from Social Security-Only to FERS 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, “*Correction due to Public Law 106-265 (FERCCA).*” Refer to the Guide to Processing Personnel Actions at [www.opm.gov/feddata/persdoc.htm](http://www.opm.gov/feddata/persdoc.htm) for additional assistance in preparing personnel actions. Notify the employee of the correction needed. Using the example in [Attachment 2](#) as a guide, explain to the employee the distribution of money from the Retirement Fund and Social Security.

### **Actions by Payroll Office**

Servicing Payroll Office must correct the retirement deductions.

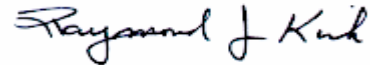
1. Calculate and submit the appropriate retirement deductions based on the new retirement coverage via the RITS/2812 system, following current procedures. The agency is responsible for both the employee and employer FERS retirement contributions. Do not bill the employee for any retirement deductions.
2. Create Individual Retirement Record (IRR) to reflect the retirement deductions. Annotate the record to show that the IRR is, “*Created in accordance with FERCCA.*”
3. Notify the employee that all Social Security taxes remain credited to Social Security. The employee receives credit for the service for Social Security benefits and Federal Employees Retirement benefits.

### **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 for the period of time the employee was at the current agency. If the period of service covered by the error was in an other agency, 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.

## **TSP Contributions**

Notify the employee that he/she is eligible for make-up contributions to replace the missed employee contributions due to the retirement coverage error in addition to the agency automatic 1%. Follow the procedures outlined in 5 CFR 11605.14.



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

Attachments:

[1 Common Retirement Plans and Corresponding Codes](#)

[2 Examples of Distribution of Monies between Retirement  
And Social Security](#)