

AGENDA NOTE - HRPDC EXECUTIVE COMMITTEE MEETING

ITEM #6: VIRGINIA RETIREMENT SYSTEM RESOLUTION

SUBJECT:

Resolution to pay the member contribution to the Virginia Retirement System (VRS) for employees hired on or after July 1, 2010.

BACKGROUND:

The Virginia General Assembly, during its 2010 session, passed legislation implementing new provisions for employees hired or rehired on or after July 1, 2010. The new plan is called the VRS Plan 2. The legislation stipulates that Plan 2 employees will pay the five percent member contribution through salary reduction on a pre-tax basis. However, local governments and political subdivisions have the option of either: 1) having employees hired on or after July 1, 2010 pay the required five percent member contribution to the Virginia Retirement System, or 2) electing for the employer to pay any whole portion of the required five percent member contribution for employees hired after July 1, 2010.

RECOMMENDED ACTION:

Authorize the Chairman to sign the attached resolution enabling the HRPDC to pay the required five percent member contribution for employees hired on or after July 1, 2010.

Attachment



**HAMPTON ROADS PLANNING DISTRICT COMMISSION
RESOLUTION 2010-01**

A RESOLUTION OF THE HAMPTON ROADS PLANNING DISTRICT COMMISSION FOR AUTHORIZATION TO PICK-UP THE EMPLOYEE'S CONTRIBUTION TO THE VIRGINIA RETIREMENT SYSTEM (VRS) UNDER § 414(H) OF THE INTERNAL REVENUE CODE FOR PLAN 2 EMPLOYEES

WHEREAS, the Virginia General Assembly, in its 2010 session, passed legislation creating a separate retirement plan for employees hired on or after July 1, 2010 (hereafter referred to as "Plan 2 Employees"). The legislation stipulates that Plan 2 Employees will pay their five percent member contribution and that, absent other action by the employer, such contribution will be paid through salary reduction according to Internal Revenue Code § 414 (h) on a pre-tax basis; and

WHEREAS, the legislation allows certain employers, including the Hampton Roads Planning District Commission, to pick-up and pay all or a portion of the member contributions on behalf of its Plan 2 Employees as an additional benefit not paid as salary; and

WHEREAS, the election to pick-up and pay all or a portion of the member contributions on behalf of its Plan 2 Employees as an additional benefit not paid as salary shall, once made, remain in effect for the applicable fiscal year (July 1 - June 30) and shall continue in effect beyond the end of such fiscal year absent a subsequent resolution changing the way the five percent member contribution is paid; and

WHEREAS, employee contributions that are picked-up as an additional benefit not paid as salary are not considered wages for purposes of VA Code § 51.1-700 et seq. nor shall they be considered salary for purposes of VA Code § 51.1-100 et seq.; and

WHEREAS, the Hampton Roads Planning District desires to pick-up and pay its Plan 2 Employees' member contributions to VRS as an additional benefit not paid as salary in an amount equal to five percent of creditable compensation; and

WHEREAS, VRS tracks such picked-up member contributions and is prepared to treat such contributions as employee contributions for all purposes of VRS.

NOW, THEREFORE, BE IT RESOLVED that effective the first day of July, 2010, the Hampton Roads Planning District Commission shall pick-up member contributions of its Plan 2 Employees to VRS as an additional benefit not paid as salary in an amount equal to five percent of creditable compensation subject to the terms and conditions described above; and

BE IT FURTHER RESOLVED that such contributions, although designated as member contributions, are to be made by the Hampton Roads Planning District Commission in lieu of member contributions and nothing herein shall be construed so as to permit or extend an option to VRS members to receive the picked-up contributions made by the Hampton Roads Planning District Commission directly instead of having them paid to VRS.

APPROVED and ADOPTED by the Hampton Roads Planning District Commission at its meeting on the sixteenth day of June 2010.

Bruce C. Goodson
Chairman
Hampton Roads
Planning District Commission

Dwight L. Farmer
Executive Director/Secretary
Hampton Roads
Planning District Commission