

POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION

RESOLUTION

MOTION: _____

RESOLUTION NO. 10-06-_____
OFFICIAL COMMISSION MEETING
JUNE 3, 2010

SECOND: _____

RE: AUTHORIZATION TO PICK-UP THE EMPLOYEE'S CONTRIBUTION TO 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 5 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 Potomac and Rappahannock Transportation 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 5 percent member contribution is paid; and

WHEREAS, the 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 Potomac and Rappahannock Transportation Commission 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 5% of creditable compensation; and

ITEM 5-B.3

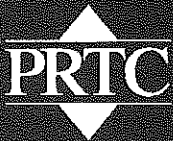
(4 PAGES)

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 Potomac and Rappahannock Transportation 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 5% of creditable compensation subject to the terms and conditions described above.

BE IT FURTHER RESOLVED that such contributions, although designated as member contributions, are to be made by the Potomac and Rappahannock Transportation Commission in lieu of member contributions.

BE IT FURTHER RESOLVED that 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 Potomac and Rappahannock Transportation Commission directly instead of having them paid to VRS.

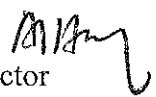


Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

June 3, 2010

TO: Chairman May and Commissioners

FROM: Alfred H. Harf 
Executive Director

RE: Authorization to Pick-Up the Employee's Contribution to VRS Under §414(h) of the Internal Revenue Code for Plan 2 Employees

Recommendation:

Authorize the Potomac and Rappahannock Transportation Commission (PRTC) to pick-up the employee contribution to VRS under §414(h) of the Internal Revenue Code for Plan 2 Employees.

Background:

The Virginia General Assembly, in its 2010 session, passed legislation implementing new plan provisions for employees hired or rehired on or after July 1, 2010, with no prior Virginia Retirement System (VRS) service. The new plan is called VRS Plan 2. The legislation stipulates that Plan 2 employees will pay the 5 percent member contribution through salary reduction on a pre-tax basis according to the Internal Revenue Code §414(h). However, local employers have the option to pick-up, in whole or in part, the 5 percent member contribution as an additional benefit not paid as salary.

This legislation also reduces the retirement benefits for Plan 2 Employees by increasing the number of months used to calculate the average final compensation from 36 to 60, increasing the cost and decreasing the time in which employees may purchase certain prior service credits, and reducing the portion of the increase in the Consumer Price Index used for determining annual retirement allowance supplements (COLA) from three percent plus one-half of the remaining increase up to a maximum of five percent to two percent plus one-half of the remaining increase up to a maximum of six percent.

Chairman May and Commissioners

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In addition to these modifications, the bill changes the requirements for unreduced early retirement benefits from 50 years of age and 30 years of creditable service to one where the sum of age plus years equals 90 and sets the employee's normal retirement date as his/her normal retirement date for social security. These changes only affect Plan 2 employees.

The decision made regarding member contributions remains in effect for the applicable fiscal year and continues in effect beyond the end of such fiscal year unless a subsequent resolution is passed changing the way the 5 percent member contribution is paid.

Fiscal Impact:

PRTC pays the entire amount of the member contributions for current (Plan 1) Employees (an irrevocable election made at the time we instituted the VRS retirement plan). There is no additional fiscal impact for implementing the 5 percent pick-up for the VRS Plan 2 Employees, as this has already been accounted for in the FY 2011 budget.