

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

**RESOLUTION NO. 08-09-_____
OFFICIAL COMMISSION MEETING
SEPTEMBER 4, 2008**

SECOND: _____

**RE: AFFIRMATION OF AUTHORIZATION TO PICK-UP THE
EMPLOYEE'S CONTRIBUTION TO VRS FOR THE POTOMAC AND
RAPPAHANNOCK TRANSPORTATION COMMISSION, 55954, UNDER
SECTION 414(h) OF THE INTERNAL REVENUE CODE**

WHEREAS, the Potomac and Rappahannock Transportation Commission provides its employees with tax deferral pursuant to Section 414(h) of the Internal Revenue Code with respect to their member contributions to the Virginia Retirement System (VRS) by picking up member contributions to VRS, and

WHEREAS, VRS keeps track of such picked up member contributions, and treats such contributions as employee contributions for all purposes of VRS, and

WHEREAS, the Internal Revenue Service in Notice 2006-43 has provided transition relief for existing pick-up arrangements provided that an authorized person takes formal action to evidence the establishment of the pick-up arrangement no later than January 1, 2009.

WHEREAS, in order to avail itself of the protection given under Notice 2006-43, the Potomac and Rappahannock Transportation Commission desires to affirm its intention to establish and maintain a pick-up arrangement through formal action by its governing body.

NOW, THEREFORE, BE IT RESOLVED that the existing member contribution pick-up arrangement is hereby affirmed as it relates to salary reduction elections in effect prior to the date of this Resolution.

BE IT FURTHER RESOLVED that effective the first pay day on or after September 4, 2008, the Potomac and Rappahannock Transportation Commission shall pick up member contributions of its employees to VRS, and such contributions shall be treated as employer contributions in determining tax treatment under the Internal Revenue Code of the United States.

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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 pick-up member contributions shall be paid from the same source of funds as used in paying the wages to affected employees.

BE IT FURTHER RESOLVED that member contributions made by the Potomac and Rappahannock Transportation Commission under the pick-up arrangement shall be treated for all purposes other than income taxation, including but not limited to VRS benefits, in the same manner and to the same extent as member contributions made prior to the pick-up arrangement.

BE IT FURTHER RESOLVED that nothing herein shall be construed so as to permit or extend an option to VRS members to receive the pick-up contributions made by the Potomac and Rappahannock Transportation Commission directly instead of having them paid to VRS.

BE IT FURTHER RESOLVED that notwithstanding any contractual or other provisions, the contributions of each member of VRS who is an employee of the Potomac and Rappahannock Transportation Commission shall be picked up either through a reduction in the current salary of such employee or as an offset against future salary increases of such employee or as a combination of both at the option of the Potomac and Rappahannock Transportation Commission on behalf of such employee pursuant to the foregoing resolution.

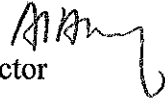


Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

September 4, 2008

TO: Chairman Jones and Commissioners

FROM: Alfred H. Harf 
Executive Director

RE: Affirmation of Authorization to Pick-Up Employees' Contribution to VRS
for the Potomac and Rappahannock Transportation Commission Under
Section 414(h) of the Internal Revenue Code

Recommendation:

That the Potomac and Rappahannock Transportation Commission (PRTC) formally adopts this resolution which reaffirms the pick-up of its employees' contributions to the Virginia Retirement System in order to be in compliance with the Internal Revenue Service Ruling 2006-43.

Background:

Recently the Internal Revenue Service issued Revenue Ruling 2006-43 giving governmental employers until January 1, 2009, to demonstrate "formal authorization" of their pick-up plans. A pick-up plan allows the Virginia Retirement System (VRS) member contribution (5%) to be treated on a pre-tax basis.

This ruling also requires VRS to conduct a full audit of pick-up plan resolutions and obtain a formal resolution from each VRS employer. Regardless of whether or not we enacted such a resolution in the past, we are required to formally reaffirm our pick-up plan to meet the requirements of this new ruling. Such a reaffirmation will bring our VRS records up to date and ensure that the Potomac and Rappahannock Transportation Commission has an executed resolution in proper form.