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Memorandum

TO: Administrative Heads and Fiscal Officers

FROM: Robert P. Schultze, Director, Virginia Retirement System

DATE: May 24, 2010

SUBJ: **Member Contribution Pick-Up Guide Resolution**

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 the 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 Internal Revenue Code §414(h). However, you may elect to pay some or all of the 5 percent member contribution on behalf of your Plan 2 employees. To do so, you must submit a resolution to VRS.

Attached is a guide resolution. Here are your options regarding payment of the member contribution:

- Your employees pay the 5 percent member contribution. This option does not require action by your governing body. Check the first box in the attachment, fill in the blank with the name of your political subdivision and sign by **June 30, 2010**. The resolution is due to VRS **by no later than August 1, 2010**.
- You elect to pick up between 1 percent and 5 percent of the member contribution with the balance paid by your employee. Check the second box in the attachment and have your governing body complete and duly authorize the rest of the resolution by **June 30, 2010**. The resolution is due to VRS **by no later than August 1, 2010**.
- You elect to pick up the full 5 percent member contribution on a six-year, phase-in schedule. To implement this option, contact one of the individuals listed below for a separate guide resolution (not attached). Your governing body must complete and duly authorize this resolution by **June 30, 2010**. The resolution is due to VRS **by no later than August 1, 2010**.

Once you elect a payment option for member contributions, send the resolution to the attention of the VRS Employer Representatives listed below **by no later than August 1, 2010**. If we do not receive your resolution by August 1, VRS will hold your payroll and contact you to see if you have elected an option. If your governing body does not approve a pick up of member contributions before June 30, your employees will pay the 5 percent member contribution on a pre-tax salary reduction basis. Your payroll system will need to accommodate this. Once your governing body sends a resolution to VRS electing one of the above options, VRS will process the payroll to reflect your governing body's decision regarding member contributions.

The decision you make regarding member contributions remains in effect for fiscal year 2011 (July 1, 2010 – June 30, 2011). Your election remains in effect until you submit another resolution. Any change becomes effective the beginning of the next fiscal year. Payment decisions affect all Plan 2 members hired on or after July 1, 2010.

Resources:

Contact VRS Employer Representatives:

- Rohn Brown at rbrown@varetire.org or (804) 775-3228
- Marie Daniels at mdaniels@varetire.org or (804) 344-3197

View more information about the new plan design provisions in the June issue of *Employer Update*, available on the VRS Web site at www.varetire.org. Select the Employer tab.

Enclosure

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