

ITEM(S) TO BE CONSIDERED UNDER:

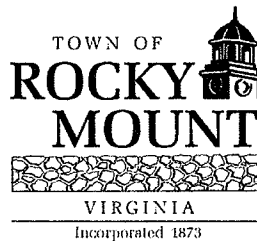
Consent Item Old Business New Business Other

FOR COUNCIL MEETING DATED:	June 14, 2010
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STAFF MAKING REQUEST:	C. James Ervin, Town Manager
BRIEF SUMMARY OF REQUEST:	<p>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 amended VA Code § 51.1-144 to provide that Plan 2 employees will pay their 5% 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). Internal Revenue Code § 414 (h) provides that a governmental employer may "pick-up" mandatory employee contributions and thereby cause the contributions to be made on a pre-tax basis. The formal written action required by Internal Revenue Code § 414 (h) to effect the pick-up has been taken by the General Assembly with the Governor's signature.</p> <p>The legislation also permits each county, city, town, local public school board, or other local employer, to pick-up, in whole or in part (in 1 percent increments), the 5% member contribution as an additional benefit not paid as salary. This is the Town of Rocky Mount's current policy. The Town must decide if all new hires after July 1, 2010 will be treated the same as current employees who have the Town of Rocky Mount pick-up the 5% employee share of VRS contributions. Formal written action is required by Internal Revenue Code § 414 (h) to effect the pick-up using the alternatives permitted by the legislation and must be taken by the governing body of the specific employing entity and must be effective only on a prospective basis.</p> <p>Attached is a draft resolution indicating that the Town will continue to treat new hires identical to existing employees and pay or "pick-up" the employee's share of VRS contributions. If Council wishes to pass on any or all of the 5% employee share to new hires, the resolution can be adjusted to reflect the figure chosen by council. If Council wishes to have new hires pay the 5%, no action is required.</p>
ACTION NEEDED:	Determine a "pick-up" amount for employees hired after July 1, 2010. I recommend for simplicity and parity among employees that the Town continue the current policy of paying the 5% contribution.

Attachment(s): Yes

FOLLOW-UP ACTION: (To be completed by Town Clerk)	GIVEN TO (DEPT. HEAD) (To be completed by Town Clerk)
COMPLETED ACTION: (To be filled in by Town Clerk) (To be completed by Department Head)	GIVEN TO TOWN CLERK: (To be completed by Department Head)
DATE COMPLETED AND ACTION TAKEN:	DATE GIVEN TO TOWN CLERK:



RESOLUTION
BY THE ROCKY MOUNT TOWN COUNCIL FOR
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 Town of Rocky Mount, 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, 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 Town of Rocky Mount 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

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, IT IS HEREBY RESOLVED that effective the first day of July 2010, the Town of Rocky Mount 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; and it is further

RESOLVED that such contributions, although designated as member contributions, are to be made by the Town of Rocky Mount in lieu of member contributions; and it is 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 Town of Rocky Mount directly instead of having them paid to VRS.

Adopted in the Town of Rocky Mount, Virginia this 14th day of June, 2010.

Given under my hand this 14th day of June 2010

Steven C. Angle, Mayor

ATTEST:

Patricia H. Keatts, Town Clerk