

MEMORANDUM

DATE: August 12, 2008

TO: The Board of Supervisors

FROM: Carol M. Luckam, Human Resource Manager
John E. McDonald, Financial and Management Services Manager

SUBJECT: Affirmation of Authorization to Pick up the Employee's Contribution to VRS for James City County, 5514 under § 414(h) of the Internal Revenue Code

Since 1979, the County has picked up the employee's five percent share of their Virginia Retirement System (VRS) contribution. Staff has been notified by the VRS that due to a recently revised IRS ruling, each employer must adopt a formal resolution reaffirming its "pickup" plan in order to continue allowing the member contribution to be treated on a pre-tax basis. Failure to adopt the resolution, as drafted by the IRS, would not change the requirement that the County pays the employee share but could result in reversing the favorable tax treatment of the County's member contributions. This could impose significant additional multiyear reporting and recordkeeping burdens on the County and subject the employees and the County to additional tax liabilities.

Staff recommends adoption of the attached resolution.

Carol M. Luckam

CONCUR:

John E. McDonald

CML/gb
VRSJCC_mem

Attachment