6. VIRGINIA RETIREMENT SYSTEM RESOLUTION

The Virginia General Assembly, during its 2010 session, passed legislation implementing new provisions for employees hired or rehired on or after July 1, 2010 with no prior VRS service. The new plan, referred to as Plan 2, provides that Plan 2 employees must pay the 5% member contribution through salary reduction on a pre-tax basis; however the county has an option to elect to pay some or all of the 5% member contribution on behalf of its Plan 2 employees. These new provisions do not impact current employees – Southampton County will continue to pay the 5% member contribution on behalf of these employees (legislation was introduced, but defeated, that would have allowed localities the option of shifting all or some of this cost to existing employees).

The Board must determine whether it wishes to pay some, all, or none of the 5% member contribution for Plan 2 employees prior to June 30 and must notify VRS no later than August 1. The Board's decision may be revisited on an annual basis.

There has been no clear consensus on this issue by local governments. As a general rule of thumb, many larger local governments, that have a significant number of new hires annually, have opted not to make the contribution on behalf of new employees, while the fiscal impact on smaller local governments, which make relatively few new hires on an annual basis, is relatively insignificant in short term.

The Commonwealth of Virginia will not pick up the 5% member contribution for Plan 2 state employees. Neither will the cities of Virginia Beach, Chesapeake or Portsmouth (Norfolk has its own pension program and does not participate in VRS). It is my understanding that the Cities of Franklin and Suffolk have resolved to pay the full 5% for Plan 2 employees, as has Isle of Wight County.

In the long term, this can have substantial fiscal implications. For instance, the aggregate sum of salaries for your full personnel complement of 158 employees in FY 2010 was $5.7 million – 5% of that equates to more than $285,000 annually. So, over a 30-year period, as Plan 1 employees begin to retire and are replaced with Plan 2 employees, there's a potential for substantial savings.

The downside is that a choice not to fund the member contribution for new employees creates a dual class system that can cause friction in the workforce (i.e., the benefits aren't the same for all employees). It could also become an issue of competitiveness in attracting quality employees, with Franklin, Suffolk and Isle of Wight having already voted to fund the 5% member contribution for Plan 2 employees.

I am open to your direction.

MOTION REQUIRED:	**A motion is required to specify whether Southampton County will pay all, some or none of the 5% member contribution for Plan 2 employees. If the Board opts to pay any portion of the member contribution, adoption of the attached resolution is also required.**