



Virginia  
Retirement  
System

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July 11, 2008

ALBEMARLE COUNTY  
ROBERT TUCKER, COUNTY EXECUTIVE  
401 MCINTIRE RD  
CHARLOTTESVILLE, VA 22902

Dear ROBERT TUCKER:

Recently, the Internal Revenue Service (IRS) 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.

Regrettably, the ruling requires VRS to conduct a full audit of pick-up plan resolutions and obtain a formal resolution from each VRS employer receiving this letter. While you may have enacted such a resolution in the past, you still must formally reaffirm your pick-up plan to meet the requirements of the new ruling. Such a reaffirmation will bring VRS records up to date and ensure that all employers have on file with VRS an executed resolution in proper form.

Among other things, this Revenue Ruling requires:

- The pick-up plan to be established pursuant to a formal action by a person authorized to act on behalf of the employer. Generally, any decision by the employer's governing body will satisfy this requirement.
- That such action be evidenced in the form of a written resolution containing all the elements required by the IRS. VRS has furnished such a resolution for use by your governing body (see enclosure).

#### **What does the employer need to do?**

Your governing body must pass the resolution in the form provided with this letter and return the signed original to VRS at your earliest convenience, but by no means any later than September 30, 2008.

#### **Why this is important?**

VRS is required to ensure all employer pick-up plans are compliant with this ruling. With your help, we can account for all employers' pick-up plans by the Internal Revenue Service's due date of January 1, 2009.

#### **What if we don't do this? Can we discontinue our pick-up plan?**

No. As a VRS employer, you are already required by state law to "pick up" your employees' retirement contributions, whether or not you submit a proper resolution. However, failure to submit a resolution could reverse the favorable tax treatment of your employees' member contributions, which could impose significant additional multi-year reporting and recordkeeping burdens on you as the employer and subject your employees to additional tax liabilities.

**Who can the employer contact for more information?**

If, after you review this letter, you have additional questions, you may refer them to Ben Howard at VRS, by telephone at (888) 827-3847, extension 6686, or by email at [bhoward@varetire.org](mailto:bhoward@varetire.org).

I sincerely apologize for this inconvenience. However, VRS and its participating employers must strive to maintain continuous compliance with IRS regulations and rulings. Thank you for your assistance.

Sincerely,



Robert P. Schultze  
Director, Virginia Retirement System

Enclosure (Resolution)