

ACT 125 NOTICE TO RETIRED MEMBER OF THE ALLEGHENY COUNTY RETIREMENT SYSTEM WHO BECOMES REEMPLOYED

This notice is provided to retired members of the Allegheny County Employees Retirement System (Retirement System) who become reemployed by Allegheny County (or other County institution included in the Retirement System). This notice is intended to provide important information to members who retired and received retirement benefits from the Retirement System but have become reemployed by the County (or are considering reemployment with the County). This notice does not apply to any person who did not qualify for and receive retirement benefits from the Retirement System.

The Retirement System is governed by the Second Class County Code at 16 P.S. 4701-4716 (retirement law). Effective February 21, 2014, parts of the retirement law were amended through Act 125. The effect of these amendments was to change certain requirements and standards for persons hired on or after February 21, 2014. For example, County employees hired after the effective date of Act 125 must have 10 years (as compared to 8 years) of service to vest and are entitled to a full retirement benefit at age 60 with 25 years (as compared to 20 years) of service. Although a full retirement benefit remains 50% of final average salary for all retirees, the calculation for an employee under Act 125 is based on highest 104 pays from the final years of service. By comparison, an employee hired before Act 125 will receive a benefit based on highest 52 pays from the final 4 years of service.

If you retired then you received benefits based on pre-Act 125 standards. If you choose to become reemployed by the County, it is important to understand the potential impact of your decisions on pension benefits. The retirement law provides two options to a retiree who chooses to come reemployed by the County. A rehired employee may: (1) freeze the pension benefit already in place by not making contributions during the period of reemployment; or (2) re-enter the Retirement System by making contributions during your period of reemployment.

Option 1 (frozen pension): If you do not make contributions while reemployed by the County, the pension benefit calculation already in place will be unchanged and unaffected by the Act 125 amendments. In this scenario, you do not re-enter the system even though eligible to do so. This is the much safer option and should be followed by members who had previously retired and received retirement benefits unless you have studied the risks associated with re-entering the pension system. These risks are outlined above and are also discussed under Option 2 below. Please note that you should review your pay statements to ensure that the County is not withdrawing pension contributions from your pay. If contributions are being taken from your pay and you have not decided to re-enter the pension system, you should report this error to the County's Human Resources department and the retirement office.

Option 2 (make contributions and re-enter the system): If you choose to make contributions, you have re-entered the pension system. By doing so, however, a member meets the definition of "County employe" and treated as if newly hired for purposes of Act 125. A rehired employee who receives a retirement benefit before accepting reemployment has the right to maintain the pension interest already in place. However, if the member re-enters the pension

system by making contributions, the pension benefit calculation will change and may be reduced because the individual will be considered a new employee under the pension law. Specifically, the service credit required for a full pension benefit will be 25 years instead of 20. Additionally, the benefit calculation will be based on the highest 104 pays from the last 8 years of credited service instead of the highest 52 pays taken from the last 4 years.

Example (service requirement): Member retires in 2010 at age 60 with 20 years of service and receives a full retirement benefit. In 2015, at age 65, the member is rehired by the County and works for 3 years before. In 2018, at 68, the member will retire with less than a full benefit because the member has a total of 23 years of service but Act 125 requires 25 years for a full benefit. Under Act 125, the benefit calculation would be based on credited service of 23/25 (92%) instead of 20/20 (100%).

Because it is more likely than not that a decision to re-enter the pension system will have adverse consequences on your retirement benefit calculation, you should not re-enter the pension system without obtaining financial and legal advice from professionals that includes a review of the issues identified in this notice. The retirement system does not provide legal advice to members, however, this notice is intended to ensure that you are aware of the adverse consequences that may result if you re-enter the pension system. These risks will vary depending upon the facts that are specific to your pension benefit, years of prior service, the length of your re-employment (unknown), as well as your salary before, now and in the future.

If you do not to re-enter the system, your existing pension rights will be protected and there will be no risk that the benefit will be reduced because of changes in the law and your reemployment.