

## ACT 125 NOTICE TO REHIRED EMPLOYEE OF ALLEGHENY COUNTY WHO HAD EIGHT OR MORE YEARS OF PRIOR SERVICE BEFORE REEMPLOYMENT

This notice is provided to 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). The purpose of this notice is to provide important information to persons who prior to reemployment had eight or more years of service and were eligible to receive a (deferred vested) monthly pension benefit upon reaching age 60 based upon such service but had not yet received any benefit payments. This notice does not apply to any person who had already received retirement benefits from the Retirement System. Nor does it apply to any person who had less than eight (8) years of credited service from their prior County employment.

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 previously worked for the County and accrued eight (8) or more years of credited service, you obtained a vested pension interest based on pre-Act 125 standards (provided that you did not withdraw your contributions after separating from employment with the County). If you choose to become reemployed by the County, it is important to understand the potential impact on your pension. The retirement law provides that individuals in this category must re-enter the pension system within six (6) months of becoming re-employed by the County. Upon re-entry, you will have pension contributions withdrawn from your pay and deposited into the retirement fund.

Once you have re-entered the pension system, the retirement law provides that you meet the definition of "County employee." As a new employee, you will become subject to the requirements of Act 125. More specifically, a new employee must have 10 years (as compared to 8 years) of service to vest and 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's employment with the County is terminated in 2010 at age 45 with 8 years of service. The member does not withdraw contributions and will be entitled to receive a benefit at age 60 that will be based on having 8/20 of the service requirement. In 2015, at age 50, the member is rehired by the County and works for 1 year. In 2017, at 52, the member will leave with a vested pension interest that will still ripen at age 60. Under Act 125, however, that deferred vested benefit will be based

on 9/25 (40%) instead of 8/20 (40%). Therefore, the two additional years of credited service will not increase the benefit calculation. Additionally, the new calculation will be based on the highest 104 pays taken from the last 8 years of employment. This will cause a further reduction in the benefit calculation for some members.

Because re-entry into the pension system may have an adverse impact 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, but the purpose of this communication is to ensure that you are aware of the issues and potential 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, such as the years of prior credited service, the length of your re-employment (unknown), as well as your salary before, now and in the future.