

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 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.

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.

**ACT 125 NOTICE TO REHIRED EMPLOYEE OF ALLEGHENY COUNTY WHO HAD
LESS THAN EIGHT 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 less than eight years of service. 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 more 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 but accrued less than eight (8) of credited service you did not obtain a vested pension interest based on pre-Act 125 standards. Your prior service may be applicable to a future benefit calculation if you did not withdraw your prior contributions and/or purchase your prior service credit. In any event, it is important to understand that your pension will be subject to the requirements of Act 125. 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 employe." As a new employee, you are subject to the requirements of Act 125. More specifically, you must have 10 years (as compared to 8 years) of service to vest and the service credit required for a full pension benefit is 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.

ACT 125 NOTICE TO (NEW) NON-UNIFORMED
EMPLOYEES OF ALLEGHENY COUNTY

This notice is provided to members of the Allegheny County Employees Retirement System (Retirement System) who were hired by Allegheny County (or other County institution included in the Retirement System) on or after February 21, 2014. The purpose of this notice is to provide summary information regarding changes in the law effective on February 21, 2014. This notice does not apply to any member who was not hired on or after February 21, 2014.

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. County employees hired after the effective date of Act 125 must have 10 years of service to vest and are entitled to a full retirement benefit at age 60 with 25 years of service. A full retirement benefit is 50% of final average salary based on the highest 104 pays from the final 8 years of service.

For additional information, please visit our website at <http://www.county.allegheny.pa.us/retirement>.