



# Your choices when ending TERI participation

Ending your Teacher and Employee Retention Incentive (TERI) program participation involves a lot of choices. You need to be prepared to make decisions such as when you will end your TERI participation, how you will receive your TERI balance, and whether you will return to covered employment.

## When to end your TERI participation

You may end your TERI period on the original end date which you selected at retirement, or you may choose to end your TERI participation before or after the original end date you chose at retirement. Be sure to inform your employer and the South Carolina Public Employee Benefit Authority (PEBA) if you choose a different TERI end date from the date you chose at retirement. No matter what date you select, your TERI participation cannot continue for more than five years and may not continue after the closure of the TERI program on June 30, 2018.

## How to end your TERI participation

Notify your employer and PEBA that you intend to end your TERI participation. When you end your participation, you must terminate all employment covered by the South Carolina Retirement System (SCRS). You will not be eligible to receive the distribution of your TERI balance or your regular monthly SCRS retirement benefit until you end this employment.

## How to receive your accumulated TERI balance

State law requires you to receive the balance in your TERI account, with or without a direct rollover. You have several options, all of which will have some tax impact.



**Single-sum payment** You receive the entire balance of your TERI account through a direct deposit from SCRS.

Twenty percent federal tax is required to be withheld on the taxable portion. You can also choose to withhold an amount in addition to the automatic 20 percent federal tax withholding, such as a withholding to cover additional federal taxes or South Carolina income taxes. South Carolina does not have a mandatory withholding amount.



**Direct rollover** You transfer the full taxable portion of your TERI balance into a qualified retirement plan, such as another 401(a) plan, a pretax 401(k) plan or an Individual Retirement Account (IRA). If your employer participates in the South Carolina Deferred Compensation Program and you have established an account in the Program, you can take advantage

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of the Program's low participant fees and direct your rollover to the Program's pretax 401(k) plan. A separate payment for the after-tax portion of your TERI balance will be paid directly to you.



**Partial rollover** You transfer any portion of the tax-deferred amount of your TERI balance into a qualified retirement plan, including the South Carolina Deferred Compensation Program's pretax 401(k) plan. The remaining balance will be paid directly to you from SCRS. Twenty percent federal tax is required to be withheld on the taxable portion of the amount distributed directly to you. You can also choose to withhold an amount in addition to the automatic 20 percent federal tax withholding to be withheld, such as an amount to cover additional federal taxes or South Carolina income taxes.

PEBA cannot advise you about your tax liability. For financial advice or information on early withdrawal penalties, be sure to check with a tax advisor, accountant, the IRS or the South Carolina Department of Revenue.

### Additional considerations

- **Returning to work** If you return to work for a covered employer (one that participates in a PEBA-administered retirement plan) after your TERI participation, you will be subject to the rules which govern return-to-work employees. Depending on your age and when you began your TERI participation, this could include a \$10,000 per year earnings limitation. Also, you are not guaranteed employment; a covered employer decides whether or not to hire you after your TERI period has ended.
- **Retiree group insurance** While participating in the TERI program, you remain on active employee health insurance. If you are eligible for retiree group insurance, you will need to enroll in it within 30 days of ending TERI using the Retiree Notice of Election form. For more

information on retiree insurance eligibility rules, see the Insurance Benefits Guide.

### Next steps

Ninety days before your TERI participation is scheduled to end or when you request to end TERI, PEBA will send you a packet of information that shows both the gross amount of your monthly SCRS benefit before taxes as well as the estimated balance of your TERI account. Your monthly benefit amount could change after TERI once a recalculation of your average final compensation is completed to include payment of any unused annual leave at the termination of your TERI employment. Also included in the packet are the following forms for you to complete:

- **TERI Payout Election Form** Designate how you would like to receive your TERI balance, the amount you would like withheld for taxes if you choose a single sum payment or partial rollover, and to what retirement plan the funds should be sent, if you choose a direct or partial rollover.
- **Withholding Certificate for Monthly Benefit Payments** (optional) Update information related to how taxes from your future monthly benefits are to be withheld, if needed.
- **Direct Deposit Authorization** (optional) Update your direct deposit information for future monthly benefits, if needed.

### Learn more

- See Pages 16-17 of the *South Carolina Retirement System Member Handbook* on PEBA's website.
- Call PEBA's Customer Contact Center at 803.737.6800 or 888.260.9430.