for members of the Illinois Municipal Retirement Fund

Money Matters

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quick tips for your financial future

Get a handle on student debt

As the costs of higher education rise, an increasing number of student borrowers are having difficulty paying off their debt. In 2013, default rates for student loans rose for the sixth year in a row, according to *U.S. News & World Report*.

The risks of student debt

Student loan debt is very different from other types of consumer debt, according to Gerri Detweiler, director of consumer education for **www.credit.com**.

"If you have big medical bills and you can't pay them, you can either negotiate to pay less or you can file for bankruptcy. Same with credit cards, even a home," Detweiler said. "Student loans don't give you that choice."

But not all student debt is equally risky. "Federal student loans are really quite manageable for people who pay close attention to them," said Heather Jarvis, attorney and advocate for student debt relief. Federal loans are slower to go into default, and borrowers with low incomes compared to what they owe can qualify for various repayment programs limiting their monthly payments. By contrast, private student loans are not eligible for those programs. (For more details, see "Student loans: federal vs. private" on the back page.)

Know what you owe

"The first thing you have to do is get a handle on all your student loans and the current status," Detweiler said. "With the consumers I talk to, sometimes they don't even know how much they owe or who they owe, and a lot of people have multiple loans. It can be overwhelming."

To put together a comprehensive list of the loans you've taken out, their status, and your loan servicers, Detweiler recommends these two websites:

- **www.nslds.ed.gov** (National Student Loan Data System)—This site will identify all of your federal student loans. (Note: There is an exception for certain medical student loans.)
- **www.AnnualCreditReport.com**—This website offers free credit reports that should list all of your private student loans.

Strategies for repayment

To minimize the amount of interest you pay over time, Jarvis recommends paying off the loan with the highest interest rate first, then moving on to the next, and so on down the line. However, this does not happen automatically when you send your servicer a check for more than the amount that is due.

Student loan debt often lingers long after graduation.

"Unless you write a letter to your loan servicer, they will take whatever you pay in excess of what's due and distribute it evenly across your student loans," Jarvis explained. "What you want to do is include a letter that says you want those overpayments to be applied to the loan with the highest interest rate first."

But Jarvis also suggests taking your full financial circumstances into account. "People should make sure they have an emergency fund saved in the bank and important things like insurance before they necessarily take every last dime and send it to their debt," she said. "What you want to try to do is strike the right balance between repaying your debt and planning for the future and taking care of your present needs."

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Managing student debt

Continued from cover

Help for borrowers

For those who struggle to make payments on their federal student loans, there are several repayment programs that can lighten the load.

- **Income-Contingent Repayment (ICR)**, **Income-Based Repayment (IBR)**, and **Pay As You Earn (PAYE)** are programs to help student borrowers keep their payments affordable. Your debt must be large enough relative to your income to qualify for a reduced payment, which is determined based on income, family size, and debt load. After 25 years with ICR and IBR (for those who borrowed before July 1, 2014) or 20 years with PAYE and IBR (for new borrowers after July 1, 2014), the borrower's remaining debt is forgiven. Each program has different qualification requirements and payment caps.
- **Public Service Loan Forgiveness (PSLF)** can apply to everyone who works full time for the government—all levels of government—and for non-profit organizations that have 501(b)(3) status. It is most useful for workers with high student loan balances who plan to stay in public service work for a significant period of time. "The borrower has to make payments on their loan for 10 years at least while they're working in public service before any forgiveness occurs," Jarvis said.
- **Consolidation** may or may not make sense given a borrower's individual circumstances. "You should not just consolidate because you heard about consolidation," Jarvis said. The availability of Income-Based Repayment makes consolidation less useful for many borrowers, she said, but also noted that those with federal student loans issued before the summer of 2010 might be able to access more generous repayment provisions and forgiveness provisions by consolidating.

  Jarvis warns against refinancing federal student loans with any kind of private credit. "It's very risky, because you lose all of those borrower protections and flexible payment provisions you would've otherwise had."
- **Deferment or forbearance** allows borrowers to temporarily stop making payments on their loans. This can help those dealing with temporary financial hardship, but Detweiler cautions against relying on them when your loan is simply unaffordable. "That's not really a solution, because it's temporary. You can't defer them forever, and eventually you owe more than you started out with." Borrowers in trouble should look into whether the above programs will work for them.

For more information on repayment plans, visit:
https://studentaid.ed.gov/repay-loans/understand/plans/

To create an account and apply for a program, visit:
https://studentloans.gov/myDirectLoan/index.action

For more insights into student loan debt, visit:

Heather Jarvis	http://askheatherjarvis.com http://www.facebook.com/studentloanexpert
Gerri Detweiler	http://www.gerridetweiler.com/ http://blog.credit.com/author/gerri_detweiler/

IMRF is more than just retirement planning.

Want to learn more about your benefits?

Did you know in addition to retirement benefits, IMRF provides valuable benefits—like survivor benefits and short- and long-term disability benefits—that protect you while you're working? How can you learn more about the topics that matter to you while you're working for an IMRF employer and take advantage of all the benefits you're entitled to?

IMRF's Field Representatives are available to come to your employer for a free, 60- to 90-minute presentation to discuss the topics that matter to you as an active IMRF member. They can also set up 15-minute employer-sponsored Personal Benefit Reviews in your workplace.

Interested? Talk to your employer and ask them to contact your IMRF Field Representative to set up a session.

The following is an excerpt from our 2013 Popular Annual Financial Report for Members. To read the report, visit www.imrf.org

Stellar 2013 investment return leads to record-high IMRF portfolio

IMRF's vision statement compels us to provide the best—world-class—retirement services to our members, their beneficiaries, and our employers. Everyone at IMRF—the Board of Trustees, senior leaders, and other IMRF team members—are singularly focused on the continued achievement of this vision.

This dedication is reflected in IMRF's impressive 2013 investment return of 20%, yielding $5.6 billion in investment gains.

IMRF assets at historic high

With this outstanding investment return, IMRF's total portfolio grew to a record high of more than $33 billion at the close of our fiscal year on December 31, 2013.

IMRF's U.S. stock portfolio alone returned 37.3% during 2013, as compared to the 33.5% for the Dow Jones Total Stock Market Index.

IMRF has recorded double-digit returns four out of the last five years.

IMRF funding status rebounds

2013's historic returns boosted IMRF's funding status significantly. IMRF ended its fiscal year 96.7% funded on a market basis. A very healthy figure by industry standards, our funding status shows that IMRF has largely recovered from the losses of the recession.

In the long term, IMRF is committed to regaining the 100% funding status it held prior to the economic downturn.

Committed to your retirement

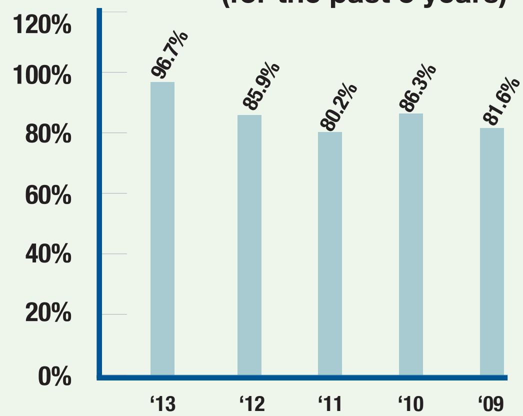
You can look with a sense of security to IMRF's net asset base of $33.3 billion. These assets are irrevocably committed to the payment of our current retirees' pensions and future pensions of IMRF members. It doesn't matter whether you are a current IMRF retiree or working for an IMRF employer: IMRF will be there for you as long as you need us.

Expert management for the long haul

Currently, 88 professional investment management firms, handling 119 separate accounts, manage the investment portfolio. These firms make investment decisions under the Illinois Pension Code's prudent man rule and by investment policy guidelines adopted by the Board of Trustees. The Board also employs an investment consultant who monitors the firms' performance.

IMRF takes a conservative, long-term approach to investing on your behalf. IMRF designs our investment portfolio to achieve the greatest return with an acceptable amount of risk. Our diversified investment strategy results in steady and responsible returns.

Market Funding Status
(for the past 5 years)



Read more about IMRF's 2013 investment return and financial health in our 2013 Popular Annual Financial Report available at www.imrf.org

You can still attend a regular workshop

Of course, IMRF still offers our free "Planning for Your Future" workshops. While these workshops are focused on the retirement aspect of IMRF, they also contain important general information about your IMRF benefits. **Our members close to retirement say they wish they had gone to one sooner—don't wait! A workshop can help you make sure you're making all the right decisions about your benefits.**

You can find out more about these workshops on our website at **www.imrf.org** by clicking on "Member Workshops." You will need a Member Access account to register.

3 student debt mistakes

Student debt expert Heather Jarvis details three of the mistakes borrowers make regarding their student loans.

1. **Not understanding the differences between loans.** "It makes sense that they wouldn't, because there are absolutely too many different kinds of loans with too many different provisions. People begin by making the mistake of not necessarily exhausting their use of federal student loans before applying for private loans."

2. **Not staying in touch with their loan servicers.** "Sometimes people just forget to update their student loan servicers about their new contact information after leaving school, for example, and that can result in all sorts of downstream problems. It's harder than it should be, because sometimes people have more than one student loan servicer, or it's not entirely obvious who they are." Visit **www.nslds.ed.gov** to identify your federal student loans and **www.AnnualCreditReport.com** for a credit report listing your private student loans.

3. **Not paying enough now and driving up their interest.** "Because you have this flexibility and the ability to postpone payments, you sometimes pay very little on your federal loans, and people inadvertently drive up the costs of their debt over time without quite realizing it. It's really valuable for people to go ahead and calculate how much is accruing on your student loans every month."

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Student loans: federal vs. private

It is critical to understand the differences between federal and private student loans, says student debt expert Heather Jarvis.

Federal

- **Repayment is more flexible.** Federal student loans have repayment programs that allow people who are facing financial difficulties to make reduced payments based on their income. Your first steps should be doing your research, crafting a smart strategy for dealing with your federal loans, and then doing your best to stick to it, but you can always do something to reduce or postpone your payments.
- **Federal student loans are slower to go into default.** It takes nine months of late payments to default on a federal student loan.
- **The government has extraordinary powers of collection.** If your federal student loan does go into default, the government can garnish your wages or tax refund without taking you to court first.
- **Even if you go into default, you have options.** Borrowers can “cure” default through consolidation or rehabilitation. Which one is right for a particular borrower depends on individual circumstances.

Private

- **Borrowers cannot reduce private loan payments with programs like IBR or PAYE.** Private loans aren’t as heavily regulated as federal student loans, so you have access only to the bargain that you struck with the bank. Lenders sometimes offer their own deferment or forbearance programs, but even then they don’t always advertise them, so you may have to ask.
- **Private student loans can go into default very easily.** Often as little as one late payment can cause the entire balance of the loan to become due, which will trigger a variety of penalties and collection fees.
- **Most private loans have variable interest rates.** Borrowers should understand whether or not there is any cap on how high their loan’s interest rate can go and how often the interest rate is reset.
- **Private lenders have few powers of forced collection.** They can sue a borrower in court, but they can’t garnish wages or seize property without a court order.