



Student Loan Debt and Public Service Employees.

Navigating the path to Federal
student debt relief.

Introduction.

The Public Service Loan Forgiveness program can lead to meaningful savings and reduced stress for public service employees. But numerous factors, including the enrollment process, are barriers to its success.

Student debt is soaring, with worrisome implications for both borrowers and their employers. At a time of COVID-related economic turmoil and uncertainty, some 46 million Americans are paying off \$1.7 trillion in student loans, a number likely to grow by \$500 billion in the next five years.¹ It is not surprising that many borrowers consider student debt far and away their top source of financial stress, which also impacts employers by undermining productivity, cost efficiency and talent retention.

But the outlook is brighter for public service employees. Since 2007, the Public Service Loan Forgiveness (PSLF) program has offered individuals employed in the public and not-for-profit sectors a path to eliminating their remaining Federal student debt burden. These include teachers, healthcare workers, first responders, government workers and others. To qualify, an applicant must have logged 10 years of service and made 120 monthly payments under a qualifying payment plan.

The survey finds **66%** of respondents consider student debt their top source of financial stress.

¹ The Federal Reserve estimates that total student debt is \$1.7 trillion, and \$500 billion in new debt will be incurred over the next five years, according to a 2020 report from the Congressional Budget Office.

About the survey

AIG Retirement Services commissioned an awareness and understanding study of the Public Service Loan Forgiveness program among Federal student loan holders, to gauge attitudes and behaviors around financial stress and retirement planning. The study drew responses from 664 college-educated public service employees, ages 21-67, working a minimum of 30 hours a week in government, healthcare, education and the not-for-profit fields, all currently paying off Federal student loans.





There is demand for Public Service Loan Forgiveness, but obstacles exist.

Despite a broad awareness of PSLF, the AIG Retirement Services study of student loan debt and public service employees finds that the program is underused and few achieve loan forgiveness.

Making debt relief more accessible could free up funds for retirement savings and boost retirement plan participation rates—a top priority for employers. But getting there—and achieving greater adoption of the PSLF program—will require employers to help provide the education, transparency and framework public service employees need to successfully navigate the application and enrollment process.

A key challenge is the less-than-intuitive application process and confusion on how to proceed. Seventy percent of debt holders responding to the study acknowledge having, at best, a minimal understanding of its rules and protocols. And, more than one-third are unsure of how to maintain qualification for the program over time.

90%

of borrowers are aware of the PSLF program.

70%

have only a “minimal” understanding of the program’s rules and requirements.

Awareness does not mean understanding.

68%

of respondents are likely or very likely to work toward meeting PSLF qualifications.

Less than 3%

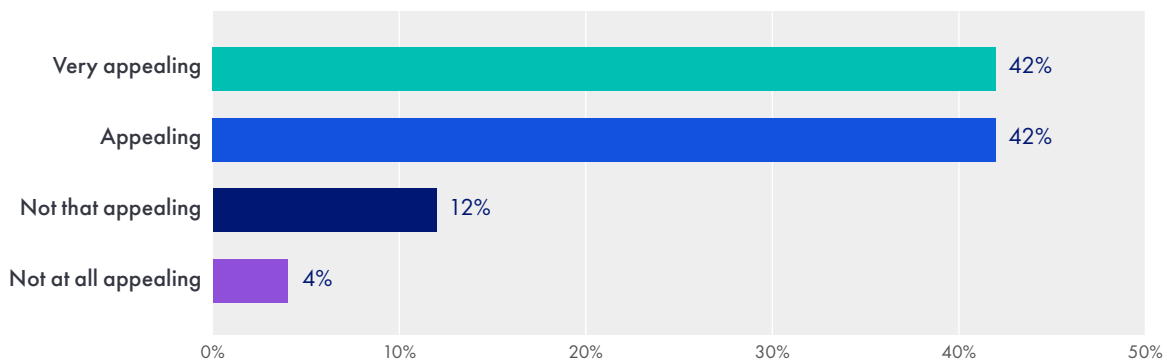
have been granted loan forgiveness.



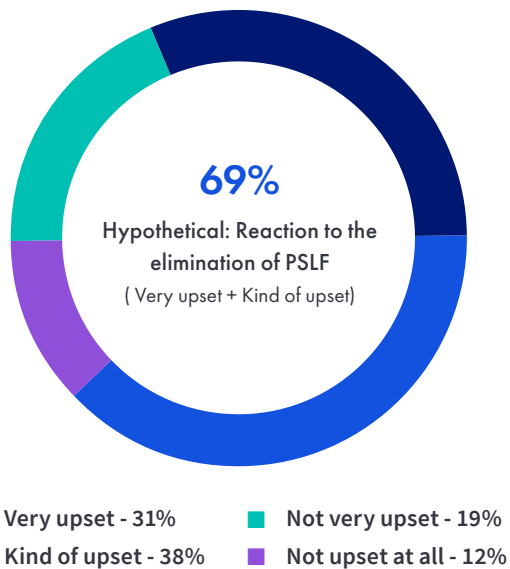
Public service professionals overwhelmingly value PSLF and would be unhappy if it were eliminated.

Public Service Loan Forgiveness is important to eligible employees. Eighty-four percent of study respondents find the program appealing or very appealing; 69% would be upset to see it removed.

PSLF Program Appeal



Many would be upset if the program were eliminated.



Take action: People are drawn to careers in public service out of a desire to serve. Employers can convey the value of PSLF as a benefit only available to public service employees.

More than two-thirds of borrowers said they're likely to work toward meeting loan forgiveness requirements. But the main concerns about the process are worth noting.

Many cited the complexity of qualifying as the reason they did not continue the process of applying.

"I got very overwhelmed and confused. I tried to submit some of the paperwork, but it wasn't accepted."

"Could not find any resources to help me with filling it out, or responding to my questions regarding my eligibility."

"Too time consuming."

"I was told that all applicants were being rejected and it wasn't worth my time."

"It was too complicated and I wasn't sure how it would impact my payment to be on income based payments."

"It seemed too complex and I didn't want to get my employer to sign."

"I got intimidated."

"It got very confusing and convoluted. This process needs some serious streamlining."

"Too many loans not paid, too cumbersome to track down paperwork."

"Because I found out that my loans were not the correct kind and I had to start over. I haven't completed 120 payments on the 'right' loans."



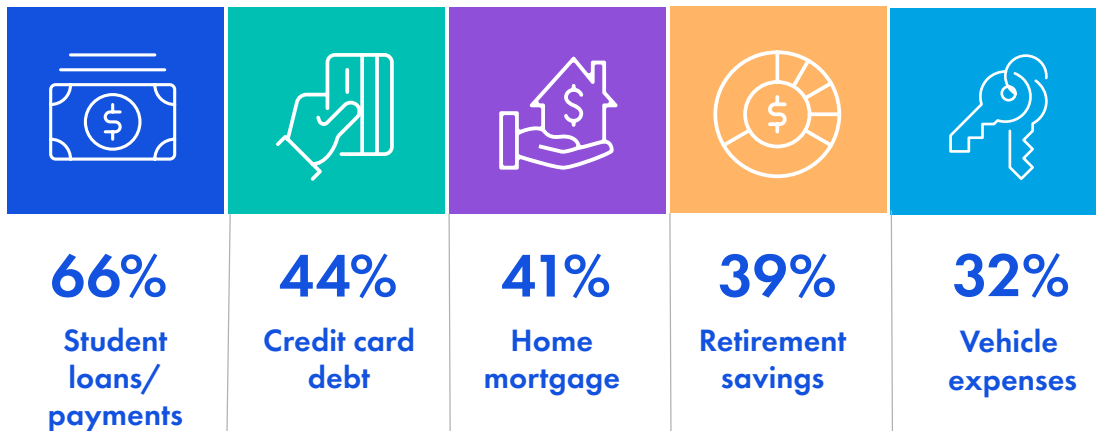


Public service professionals say student loan debt is their top financial stressor.

Two-thirds of the survey respondents list student debt as their single greatest source of financial stress, with only 40% feeling “excellent” or “good” about their personal financial health.

Forty-two percent describe their financial stress level as moderate or high.

Top 5 causes of financial stress:



Take action: Debt forgiveness can relieve stress, which can reduce absenteeism, improve productivity, strengthen talent retention, and yield meaningful savings for employers. Encouraging and facilitating participation is a win-win.



Despite wide awareness of Public Service Loan Forgiveness, relatively few public service professionals take advantage of it.

While 90% of respondents acknowledge knowing about the PSLF program, 69% say they've never applied, and an additional 14% have begun the application only to leave it unfinished.

Others, especially Gen Y and early-to-mid career Millennials, feel 10-year qualifying period reduces the value of the program. Earlier debt forgiveness could enable them to begin participating in retirement savings plans at a younger age.

Less than **3%** of applicants have been granted loan forgiveness.

(Source: Department of Education, as of November 2020.)

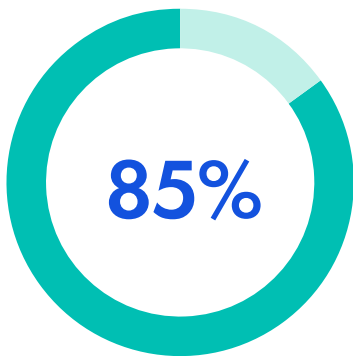
Take action: AIG Retirement Services offers an online tool in collaboration with Savi, a social impact technology firm, to help employees determine their student loan repayment options and potential savings, including whether they qualify for loan forgiveness. Employers can integrate Savi as part of their AIG Retirement Services' Student Debt Solutions program today.

Top Program Barriers

- Confusion about the program – 34%
- Maintaining qualification over time – 34%
- Number of required payments – 31%
- Sustainability of program — program ending, going away – 26%
- Employer not qualifying – 24%
- Keeping my job with my current employer – 17%
- Program changing – 14%
- Finding the form(s) – 11%
- Keep current on program news, information – 11%
- Form information challenging – 10%
- Takes too much time to apply – 9%

Debt relief could free up funds for retirement savings and other long-term goals.

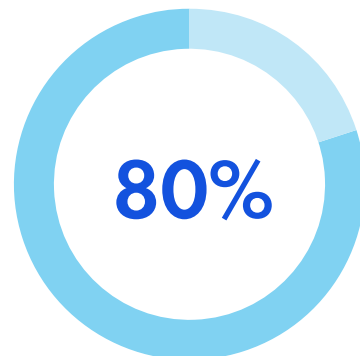
While 85% of survey respondents have retirement savings, only about one-fourth save the maximum permitted and 49% have saved less than \$25,000.



Have retirement savings

Yet nearly half have less than \$25,000 saved for retirement:

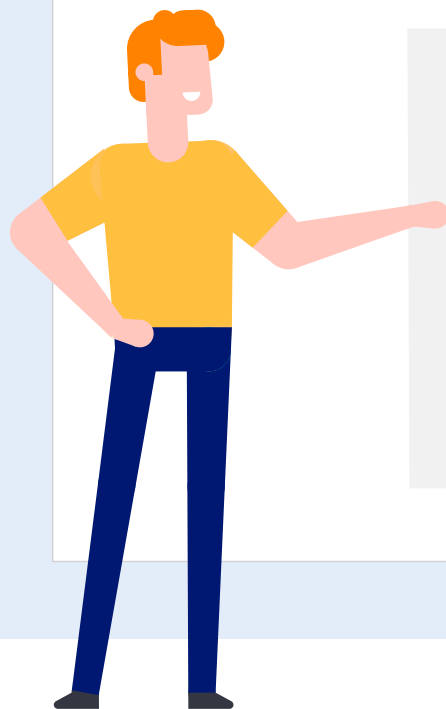
- No savings: 15%
- Less than \$25,000: 34%
- \$25,000 - \$49,999: 13%



Have non-retirement savings

Nearly three-quarters have less than \$25,000 in non-retirement savings:

- No savings: 20%
- Less than \$25,000: 50%



49% of
respondents
with retirement
savings have
saved less than
\$25,000

Nearly half of survey respondents say they would invest any savings from loan forgiveness or put the money in a retirement account. A significant number would use the money to pay off debt or set up an emergency fund.

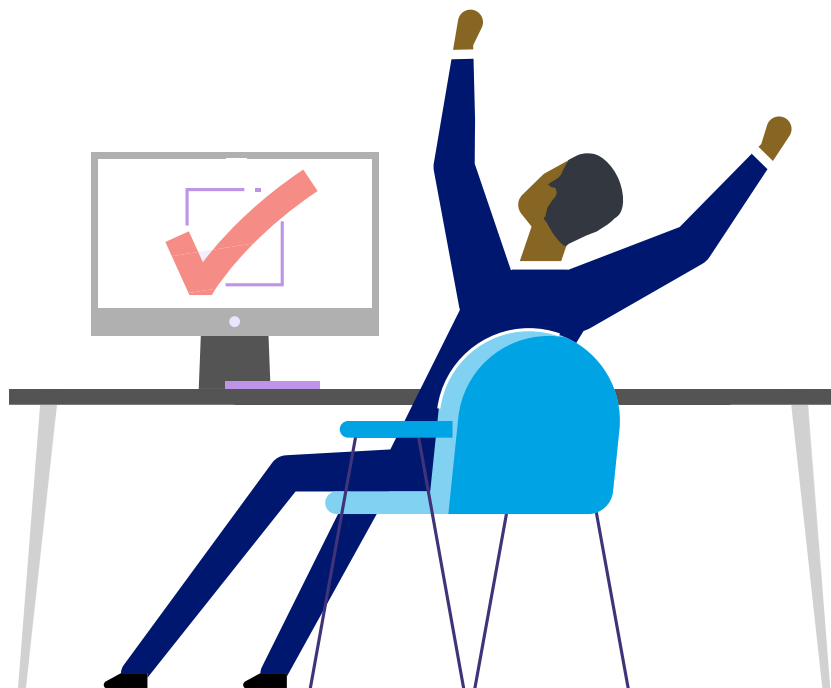
Take action: Employees enrolled in PSLF may be more receptive to addressing other facets of their overall financial health. Both employers and financial advisors can support these goals.



Student loan forgiveness can provide a crucial helping hand for public service employees.

Those in the public sector—healthcare workers, first responders, teachers—have dedicated their work to making a difference for others. With the right resources and support, they may be able to relieve some or all of the student debt burden that adds stress to their lives.

With a renewed and sustained effort, the gap between awareness and understanding of the PSLF program can be bridged and, with it, an enormous amount of stress can be lifted from those who need relief most. Talented, committed individuals who choose careers in public service forego the opportunity to earn more in the private sector. Student debt forgiveness is an important way to recognize them for that choice.





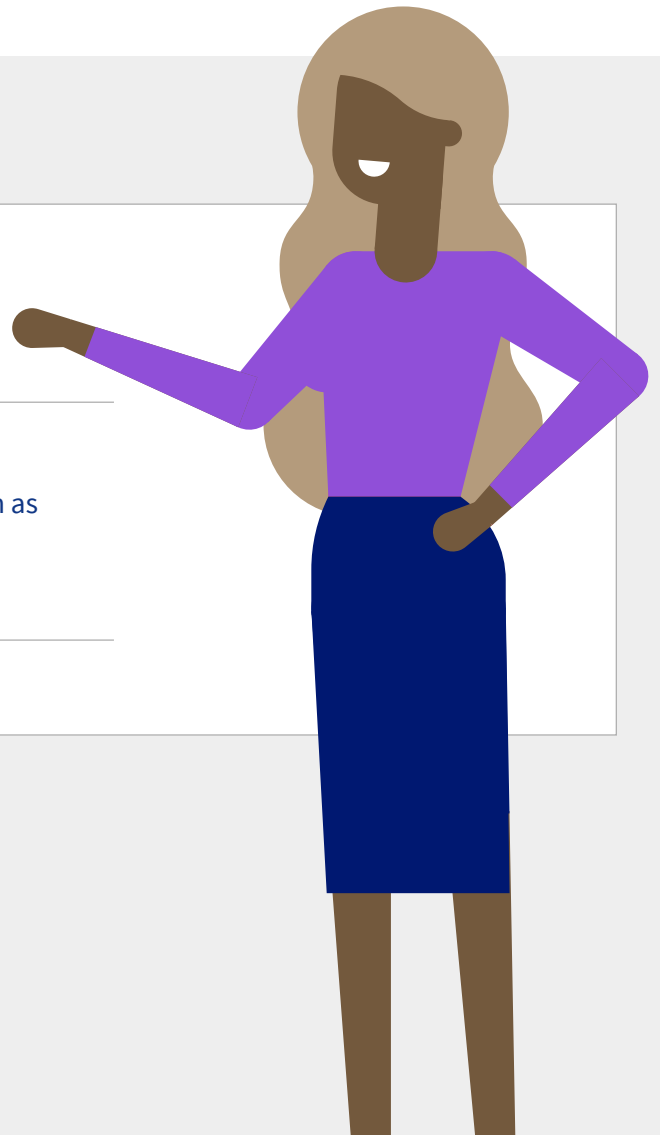
A comprehensive approach can help public sector employees tackle student loan debt and look to the future with confidence.

AIG Retirement Services is committed to supporting plan sponsors and helping boost PSLF participation and retirement savings rates in three ways:

- 1. Financial guidance** — Nearly half of borrowers surveyed would invest the savings from loan forgiveness or put the money in a retirement account, but 65% of respondents do not currently work with a financial professional. The potential availability of discretionary funds suggests a role for financial professionals, who can help employees shift debt service to savings accumulation and retirement income planning.
- 2. Technology** — In collaboration with Savi, a social impact technology firm, AIG Retirement Services has launched an online tool that simplifies the application and enrollment process and provides employees with a smoother path to debt forgiveness.
- 3. Education** — Only 8% of survey respondents felt their employer proactively helps them understand and qualify for programs like PSLF, suggesting a major opportunity for plan sponsors. An expanded communications and education effort can help employees successfully navigate the PSLF application and enrollment process and boost retirement plan participation.

Contact Us: 1-888-478-7020

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*Source: LIMRA SRI Not-for-Profit Retirement Market Survey 03/31/2020. Based on total assets in a survey of 25 major companies.

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