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The Effect of the Suspension of Issuance of Treasury Securities to the Government Securities Investment (G) Fund

Absent legislation by Congress to raise the Federal debt limit, the Secretary of the Treasury may determine that portions of the monies in the G Fund cannot be reinvested in Treasury securities because to do so would exceed the present Federal debt limit. However, all of the G Fund monies would still be on account with the Treasury, and the interest which would accrue if the G Fund were fully invested would still be credited to the G Fund.

Some published reports have mischaracterized the actions which may be taken by the Treasury, which are authorized under the law. G Fund investments are safe and will continue, by law, to accrue earnings. The integrity of the G Fund would not be compromised. TSP participants' accounts would not be affected as a result of any suspension of issuance of Treasury securities to the G Fund.

This is possible because of the "make-whole" provision contained in the relevant section of the Thrift Savings Fund Investment Act of 1987 (P.L. 100-43), 5 U.S.C. § 8438(g)(4), covering this very situation (i.e., a suspension of Treasury securities issuance because of the debt ceiling). The make-whole provision means that TSP participants who have invested in the G Fund will not lose anything. The G Fund account balances would be exactly the same from day to day as if they were invested in Treasury securities. Furthermore, disbursements of TSP loans and withdrawals would not be delayed, nor would the amounts of those payments be reduced.

A Congressional Research Service memorandum explaining the use of Federal retirement funds during debt issuance suspension periods was issued on March 20, 2002. This report accurately describes the actions which may be taken by the Secretary of the Treasury and the complete protection of TSP participants' G Fund accounts afforded by the make-whole provision. The General Accounting Office issued a report on August 30, 1996, (AIMD-96-130) confirming that the statutory make-whole protection (which remains in effect) was properly implemented when it was last used in 1995-96.