

# **FREQUENTLY ASKED QUESTIONS ON THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND AND GOVERNMENT SECURITIES INVESTMENT FUND RELATED TO THE DEBT LIMIT**

**May 16, 2011**

The following frequently asked questions provide further information on the actions Treasury is taking today to create additional headroom under the debt limit so that the U.S. government can continue funding obligations made by Congresses past and present.

## **Civil Service Retirement and Disability Fund (CSRDF)**

### **1. What is the Civil Service Retirement and Disability Fund?**

The CSRDF provides defined benefits to retired and disabled Federal employees covered by the Civil Service Retirement System.

### **2. How does the debt ceiling affect the CSRDF?**

The CSRDF is invested in special-issue Treasury securities, which count against the debt limit. In 1986, Congress provided Treasury statutory authority to take certain actions in the event that the outstanding debt reaches the debt limit. Specifically, the statute authorizes the Secretary of the Treasury to determine that a “debt issuance suspension period” exists and, once he has done so, Treasury can (1) redeem certain existing investments in the CSRDF, and (2) suspend new investments by the CSRDF.

### **3. What are the investments in the CSRDF that Treasury can redeem?**

The statute governing the CSRDF gives Treasury authority to redeem existing Treasury securities held by the CSRDF in an amount up to the amount of civil service benefit payments authorized to be made from the CSRDF during the debt issuance suspension period. Treasury makes approximately \$6 billion in civil service benefit payments from the CSRDF each month. Therefore, the total amount of investments that Treasury can redeem is equal to approximately \$6 billion multiplied by the number of months in the debt issuance suspension period.

### **4. What is the length of the “debt issuance suspension period”?**

Under the statute that governs the CSRDF, the term “debt issuance suspension period” means the period of time that the Treasury Secretary determines that Treasury securities cannot be issued without exceeding the debt limit. The determination of the length of the period is based on the facts as they exist at the time. The Secretary has determined that a debt issuance suspension period exists starting on May 16, 2011 and ending on August 2, 2011.

**5. How much headroom will this redemption action regarding the CSRDF free-up?**

This redemption action provides approximately \$17 billion in headroom under the debt limit.

**6. What are the new investments in the CSRDF that Treasury can suspend?**

The statute authorizes Treasury to suspend the investment of new amounts received by the CSRDF during a debt issuance suspension period. New receipts include contributions from Federal employees and agency employers, as well as the interest payments on securities held by the CSRDF and the proceeds of maturing securities

There is also a one-time suspension measure that becomes available on June 30. On that date, approximately \$67 billion in CSRDF investments mature. Ordinarily the proceeds of the maturing securities would be reinvested. But with the investment-suspension authority available, Treasury may suspend the reinvestment of the maturing securities.

Suspending the reinvestment on June 30 would provide approximately \$67 billion in headroom.

**7. What impact will these actions have on Federal employees and their retirement benefits?**

By law, the CSRDF will be made whole once the debt limit is increased. Benefits for retired and disabled Federal employees will not be affected by this action and will continue to be paid. Once the United States has exhausted the extraordinary measures it has available to preserve lawful borrowing authority without exceeding the debt limit, however, the U.S. Government will be limited in its ability to make payments across the government.

**8. Has Treasury ever redeemed existing investments and suspended new investments in the CSRDF before?**

Yes, in the past 20 years, Treasury used these extraordinary measures during previous debt limit impasses in 1996, 2002, 2003, 2004 and 2006.

**Government Securities Investment Fund (G Fund)**

**9. What is the Government Securities Investment Fund?**

The G Fund is a money market defined-contribution retirement fund for Federal employees.

**10. How does the debt ceiling affect the G Fund?**

The G Fund is invested in special-issue Treasury securities, which count against the debt limit. The entire balance matures daily and is ordinarily reinvested. In 1987, Congress granted Treasury the statutory authority to suspend reinvestment of all or part of the balance of the G Fund when the Secretary determines that the Fund cannot be fully invested without exceeding the debt limit.

**11. How much headroom will this Treasury action regarding the G Fund provide?**

Approximately \$130 billion.

**12. What impact will this action have on federal employees and their retirement benefits?**

By law, the G Fund will be made whole once the debt limit is increased. Federal retirees and employees will be unaffected by this action.

**13. Has Treasury ever suspended reinvestment of all or part of the G Fund before?**

Yes, in the past 20 years, Treasury used this extraordinary measure during previous debt limit impasses in 1996, 2002, 2003, 2004 and 2006.