



# Retirement News Highlights

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## State treasurers warn of pension fund, 401(k) damage if debt ceiling breached

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A group of 11 state treasurers and the comptrollers of Maryland and New York City are calling on House Speaker Kevin McCarthy, R-Calif., "to cooperate in increasing the debt limit of our country in a timely manner," in order to prevent economic chaos.

"We are concerned that the United States government will be forced to default on its debt which would have severe consequences for the states and municipalities we serve, the U.S. economy and the day-to-day lives of the American people," the fiscal stewards of typically blue states and cities said in a letter sent Tuesday to Mr. McCarthy.

The debt limit or debt ceiling — the terms are used interchangeably — is a cap on the money the U.S. government can borrow to pay its bills. It does not authorize any new spending, but it allows the Treasury Department to finance the existing legal obligations already approved by Congress.

The federal government hit its statutory debt limit on Jan. 19 and Treasury may be out of options to pay U.S. bills come June, Treasury Secretary Janet L. Yellen said in a letter to congressional leaders this month.

House Republicans, led by Mr. McCarthy, are aiming to reduce federal spending in order to support raising the debt ceiling. Mr. McCarthy has said he'd like to negotiate with President Joe Biden on the matter, but the White House has said that raising the debt ceiling is something that should be done without conditions.

The treasurers and comptrollers said if the debt ceiling was breached, the value of portfolios invested across asset classes would decrease significantly. "This would include damage to Americans' pension funds, 401(k)s and other retirement and educational savings vehicles," they said in the letter. "In 2011, brinkmanship over the debt limit led to a 17% decline in the S&P 500 index. There is no reason to expect that your current brinkmanship would lead to a different result for businesses and thus for Americans' portfolios that are invested in those businesses."

Treasurers and comptrollers from **Maryland**, Oregon, Nevada, Massachusetts, Vermont, New York City, Illinois, Rhode Island, Delaware, Maine, Colorado, Washington and Connecticut signed the letter.

"We urge you to take immediate action to increase the debt limit and to prevent the catastrophic consequences that would result from a default on our national debt," the letter concludes. "We respect your desire for a debate about federal government expenditures, but we disagree that this is an appropriate time for such a debate."

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