

## ICI VIEWPOINTS

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## Yes, DC Follies Hurt Retirement Savers—But Let's Not Overstate

By Brian Reid

"Debt ceiling follies" certainly do put retirement savers and their assets at risk. On that, ICI agrees with a recent [Washington Post](#) blog.

But neither retirement assets nor mutual funds are uniquely at risk as policymakers flirt with the October 17 deadline for the expiring debt ceiling—a deadline that, if missed, could trigger a default on some U.S. Treasury securities. And the case against putting U.S. credit at jeopardy is clear enough that it's not necessary to exaggerate the impact on retirement assets.

Unfortunately, that's just what the study cited by the *Post* blog did in making an eye-popping claim about what happened to retirement assets during the 2011 debt ceiling crisis. The study, released by the American Society of Pension Professionals and Actuaries (ASPPA), states that pension assets declined 26 percent from a hypothetical growth path that ASPPA projected. It further goes on to predict that a default on October 17 could cause pension assets to experience losses in excess of 20 percent, exceeding \$2.4 trillion.

To correct the record: ICI data show that between June and September 2011, assets in defined contribution (DC) plans and individual retirement accounts (IRAs) declined by 8 percent. During that time frame, markets were also under pressure from the Eurozone debt crisis and concerns that the domestic economy was weakening, so it's impossible to separate these effects and figure out how much of the decline to attribute to the U.S. debt ceiling stalemate. Further, speculation as to the impact a default would have on retirement assets, presented as a precise dollar estimate, does not inform the debate.

By no means does ICI intend to minimize the impact on investor confidence, market performance, or the economy when the stability and predictability of the Treasury markets are disrupted. We couldn't agree more with ASPPA that retirement savers could be harmed by the debt ceiling battle—let alone by a default. We urge Congress and the Administration to resolve the impasse immediately.

*Brian Reid was Chief Economist of the Investment Company Institute.*