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Presentation on *myRA* and  
the Treasury Retirement Savings Bond

For the Board of the Illinois Secure Choice  
Savings Program

December 14, 2016

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## Background on *myRA*

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- The U.S. Treasury Department developed the *myRA* program, which provides a U.S. Treasury security (the retirement savings bond) as an investment for a Roth IRA account, to help Americans who lack access to an employer-sponsored retirement savings plan start saving for the future.
- Treasury's process to develop *myRA* included consultation with numerous stakeholders and outside experts as well as other research.
- *myRA* is designed to help remove common barriers to saving, especially for those who are new to saving, including lower- and moderate- income workers and younger savers.
- *myRA* and the Illinois Secure Choice Savings Program were designed to meet similar objectives and serve substantially similar populations.
- *myRA* helps individuals start saving, continue to accumulate savings over time through regular contributions, and, as they develop a habit of saving, transition to other investments available in the private sector before or once they reach \$15,000.

## Simple, Safe, and Affordable

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- With *myRA*, Treasury has created a simple, safe, and affordable starter retirement savings experience.
  - No fees, minimum contribution amounts, or minimum account balance
  - Provides the simplicity and certainty of a single principal-protected investment (the retirement savings bond) issued by the U.S. Treasury
  - Savers can make recurring contributions from their paycheck or from a bank account, or contribute from a federal tax refund
  - Savers whose employment status changes can continue contributing
  - Roth IRA rules allow savers to access their contributions without penalty, providing liquidity for emergencies
- Various states have expressed interest to Treasury in exploring the possibility of incorporating *myRA* or the Treasury retirement savings bond into their retirement savings programs or have passed legislation to do so.
  - For example, the Washington and New Jersey marketplaces will offer *myRA*
  - At the request of each Board, Treasury has provided information about the retirement savings bond to the California Secure Choice Retirement Savings Investment Board and Oregon Retirement Savings Board

# Treasury's Retirement Savings Bond

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- Contributions made to *myRA* accounts are invested in a single security, Treasury's retirement savings bond.
- This security has several notable features:
  - Is a U.S. Treasury security backed by the full faith and credit of the U.S. government
  - Provides liquidity as the security can be redeemed at any time
  - Imposes no fees on issuance, holding, or redemption of the security
  - As an “add-on” security, allows for small incremental deposits (or redemptions) without requiring the saver to purchase multiple bonds
  - Has an interest rate linked to the federal “G” (Government Securities) Fund rate, which is reset monthly and has generally kept up with or outpaced inflation (although the bond is not actually invested in the G Fund)
  - The retirement savings bond matures when it attains a value of \$15,000 (or, if earlier, 30 years after it is first issued to the saver)
    - The \$15,000 cap is in place to encourage savers to transfer to diversified or other private-sector IRA investments, if they have not already done so before reaching this limit

# Treasury's Retirement Savings Bond Interest Rate

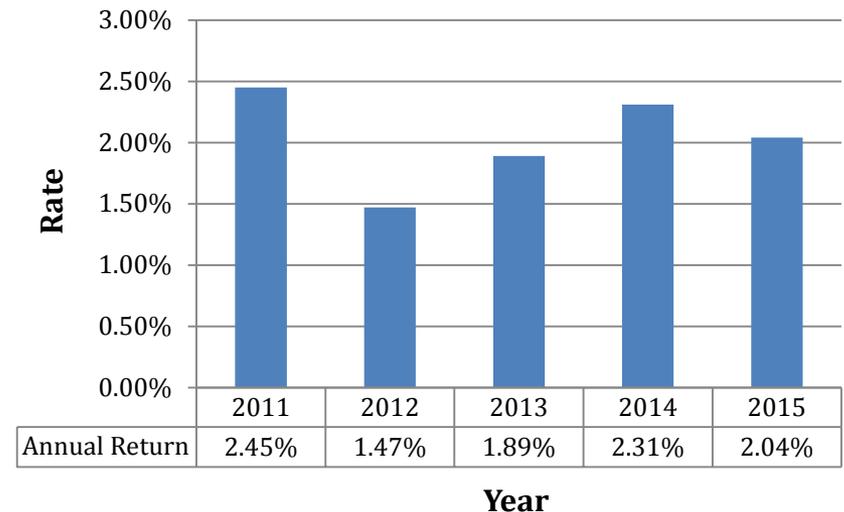
## Background

- The interest rate for Treasury's retirement savings bond is linked to the G Fund and resets monthly.
- Interest rate calculation is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- The G fund seeks to “produce a rate of return that is higher than inflation while avoiding exposure to credit (default) risk and market price fluctuations”, but is subject to inflation risk.

## Current and Historical Returns

- Current interest rate: 2.375% APR (December 2016)
- 10-year annual compound rate of return: 2.94%
- Note: Past performance may not be indicative of future results

### G Fund Annual Returns



## Potential Role for Treasury's retirement savings bond

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- We understand that Illinois plans to provide a “conservative principal protection fund” as an alternative to a diversified default investment, and that a key reason for providing a such an option would be to encourage risk-averse individuals to participate and start saving.
- Treasury is open to making Treasury's retirement savings bond available as an investment option to the Illinois Secure Choice Savings Program participants through a private-sector provider selected by the Board.
- Treasury would want to ensure that any arrangement in which the Illinois Secure Choice Savings Program uses the Treasury retirement savings bond provides appropriate consumer protections and reflects the principles of simplicity, safety, and affordability that guide the *myRA* program.
- Accordingly, potential consumer protections and other conditions for availability of the Treasury retirement savings bond as an investment option may include, among others:
  - State oversight of program operations, including of private sector provider(s)
  - Program participants have reasonable access to funds
  - Program fees are reasonable and transparent
  - Treasury's retirement savings bond is not to be used as a component of another investment option, such as a custom target date fund

## Operational Process

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- Treasury would need to work with the provider selected to administer/operate the Illinois Secure Choice Savings Program in order to implement processes relating to settlement, accounting, and reporting for Treasury's retirement savings bond.
- Treasury has existing accounting and reporting processes for the Treasury retirement savings bond with the *myRA* program's financial agent.
- Under an arrangement in which the Illinois Secure Choice Savings Program uses the Treasury retirement savings bond, it is expected that Illinois Secure Choice would work with Treasury to develop and implement processes similar to those currently performed by Treasury's *myRA* financial agent.
- If the Board wishes, Treasury stands ready to participate in future discussions about this process with the Board, Illinois staff, and the firm(s) selected by the Board to administer/operate the Illinois Secure Choice Savings Program.

## Conclusion and Potential Next Steps

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- Treasury is open to providing retirement savings bonds for use as a “conservative principal protection” option for Illinois Secure Choice participants.
- It is important to Treasury that programs utilizing the retirement savings bonds define and maintain robust consumer protections and strong program governance.
- Treasury looks forward to working actively with the Illinois Secure Choice Board (and others the Board might designate) on the operational, documentation, and other issues that would need to be addressed to determine whether availability of the Treasury retirement savings bond through the Illinois Secure Choice Savings Program would be mutually agreeable to all parties involved.
- If the Board is interested in moving forward to potentially establish such an arrangement, Treasury would appreciate appropriate confirmation from the Board of its interest before continuing to explore the details of a potential arrangement.