



myRA presentation for the
California Secure Choice Retirement Savings
Investment Board

October 24, 2016

Background

- The U.S. Treasury Department has developed the *myRA* program, which provides a U.S. Treasury security invested in 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.
- There is substantial overlap between the population eligible for California Secure Choice and the population for which *myRA* is targeted, as both programs were designed with similar objectives.
- *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

- With *myRA*, Treasury has created a ***simple, safe, and affordable*** starter savings experience.
 - No fees
 - No minimum contribution amounts or minimum account balance
 - Provides the simplicity of a single principal-protected investment issued by the U.S. Treasury
 - The *myRA* investment will never lose money
 - Savers can make recurring contributions from their paycheck or from a bank account, or one-time contributions from a federal tax refund
 - 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* into their retirement savings programs or have passed legislation to do so.
 - For example, the Washington and New Jersey marketplaces will include the *myRA* program.

Overview of the *myRA* Security

- The *myRA* security contributes to safety, simplicity, and affordability in several ways.
- The *myRA* security:
 - Is a principal-protected 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 or redemption of the security
 - As an “add-on” security, *myRA* allows for small incremental deposits without requiring the saver to purchase multiple bonds
 - Interest rate linked to the “G-fund,” which generally keeps up with or outpaces inflation
- An arrangement with California Secure Choice could replicate other key attributes of *myRA* (for example, access to funds, ease of use, etc.).

Potential Role for the *myRA* Security in California Secure Choice

- Both California Secure Choice and *myRA* seek to promote greater retirement savings.
- California SB 1234, as approved by California's legislature and Governor, provides:
 - *“For up to three years following the initial implementation of the program, the board shall establish managed accounts invested in United States Treasuries, myRAs, or similar investments.”*
- Treasury is open to exploring potential arrangements in which Treasury might make the *myRA* security available to the California Secure Choice Program through, for example, a private-sector firm hired by California to provide accounts and perform recordkeeping and other functions for California Secure Choice.
- It is essential to Treasury that any such arrangements be consistent with core *myRA* program purposes and principles embodied in ***safety, simplicity, and affordability.***

Operational Processes for *myRA* Security

- Treasury would need to work with the California Secure Choice program to develop and implement processes related to settlement, accounting, and reporting for the *myRA* security.
- Treasury has existing accounting and reporting processes with the *myRA* program's financial agent.
- The California Secure Choice program would need to engage in processes that are similar to those currently performed by Treasury's *myRA* financial agent.
- Treasury stands ready to discuss this process further with the Board and its staff at a future date and, if the Board wishes, with private-sector firms that might be interested in administering/operating the California Secure Choice program.

Conclusion

- Treasury is open to exploring the issuance of the *myRA* security for participants in the California Secure Choice program.
- To be able to include *myRA* in California Secure Choice, it would be essential, from Treasury's standpoint, that any such arrangement would be consistent with and appropriately embody the principles of the *myRA* program.
- Treasury looks forward to working actively with the Board (and others the Board might designate) on the operational, procedural, and other issues that would need to be resolved to determine whether this will be feasible for all parties involved and a good fit from the standpoint of both the Board and the Treasury.
- Treasury would want appropriate confirmation from the Board of its interest in potentially using the *myRA* security early on in this process to continue exploring the details of any such potential arrangement.