

# HOUSE BILL No. 5230

November 8, 2017, Introduced by Reps. Marino and Albert and referred to the Committee on Financial Liability Reform.

A bill to amend 1980 PA 300, entitled  
"The public school employees retirement act of 1979,"  
by amending section 127 (MCL 38.1427), as amended by 2017 PA 92.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 127. (1) Each qualified participant, former qualified  
2 participant, and refund beneficiary shall direct the investment of  
3 the individual's accumulated employer and employee contributions  
4 and earnings to 1 or more investment choices within available  
5 categories of investment provided by the department. The  
6 limitations on the percentage of total assets for investments  
7 provided in the public employee retirement system investment act,  
8 1965 PA 314, MCL 38.1132 to 38.1141, do not apply to Tier 2.

9       (2) In addition to the categories of investment provided by  
10 the department under subsection (1), the retirement system shall

offer access to 1 or more fixed annuity options and 1 or more variable annuity options. THE ANNUITY OPTIONS OFFERED UNDER THIS SUBSECTION MUST ALLOW A QUALIFIED PARTICIPANT THE ABILITY TO PURCHASE AN ANNUITY WHILE THE QUALIFIED PARTICIPANT IS EMPLOYED BY A REPORTING UNIT. THE RETIREMENT SYSTEM SHALL SELECT AN ANNUITY PROVIDER BASED ON A COMPETITIVE PROPOSAL PROCESS. THE RETIREMENT SYSTEM SHALL CONTRACT WITH AN ANNUITY PROVIDER TO PROVIDE THE ANNUITY OPTIONS UNDER THIS SUBSECTION. THE RETIREMENT SYSTEM SHALL CONSIDER ALL OF THE FOLLOWING IN SELECTING AN ANNUITY PROVIDER UNDER THIS SUBSECTION:

(A) THE FINANCIAL STRENGTH AND STABILITY OF THE ANNUITY PROVIDER AND ITS SUBSIDIARIES AND AFFILIATES. IN CONSIDERING THE FINANCIAL STRENGTH AND STABILITY UNDER THIS SUBDIVISION, THE RETIREMENT SYSTEM SHALL OBTAIN WRITTEN REPRESENTATION FROM THE ANNUITY PROVIDER OF ALL OF THE FOLLOWING:

(i) THAT THE ANNUITY PROVIDER IS AN AUTHORIZED INSURER AS THAT TERM IS DEFINED IN SECTION 108 OF THE INSURANCE CODE OF 1956, 1956 PA 218, MCL 500.108.

(ii) THAT ALL OF THE FOLLOWING APPLY TO THE ANNUITY PROVIDER, AT THE TIME OF SELECTION AND FOR EACH OF THE IMMEDIATELY PRECEDING 7 YEARS:

(A) THE ANNUITY PROVIDER OPERATES UNDER A CERTIFICATE OF AUTHORITY FROM THE INSURANCE COMMISSIONER OF ITS DOMICILIARY STATE THAT HAS NOT BEEN REVOKED OR SUSPENDED.

(B) THE ANNUITY PROVIDER HAS FILED AUDITED FINANCIAL STATEMENTS IN ACCORDANCE WITH THE LAWS OF ITS DOMICILIARY STATE UNDER APPLICABLE STATUTORY ACCOUNTING PRINCIPLES.

1 (C) THE ANNUITY PROVIDER MAINTAINS AND HAS MAINTAINED RESERVES  
2 THAT SATISFY THE STATUTORY REQUIREMENTS OF EACH STATE WHERE THE  
3 ANNUITY PROVIDER DOES BUSINESS.

4 (D) THE ANNUITY PROVIDER IS NOT OPERATING UNDER AN ORDER OF  
5 SUPERVISION, REHABILITATION, OR LIQUIDATION.

6 (iii) THAT THE ANNUITY PROVIDER UNDERGOES, AT LEAST EVERY 5  
7 YEARS, A FINANCIAL EXAMINATION, WITHIN THE MEANING OF THE LAW OF  
8 ITS DOMICILIARY STATE, BY THE INSURANCE COMMISSIONER OF THE  
9 DOMICILIARY STATE OR REPRESENTATIVE, DESIGNEE, OR OTHER PARTY  
10 APPROVED BY THE INSURANCE COMMISSIONER OF THE DOMICILIARY STATE.

11 (iv) THAT THE ANNUITY PROVIDER WILL NOTIFY THE RETIREMENT  
12 SYSTEM OF ANY CHANGE IN CIRCUMSTANCES OCCURRING AFTER THE  
13 REPRESENTATIONS MADE IN SUBPARAGRAPHS (i), (ii), AND (iii) THAT  
14 WOULD PRECLUDE THE ANNUITY PROVIDER FROM MAKING THE REPRESENTATIONS  
15 AT THE TIME THE ANNUITY PROVIDER ISSUES THE ANNUITY.

16 (B) THE ABILITY OF THE ANNUITY PROVIDER TO PROVIDE CONTRACTED  
17 RIGHTS AND BENEFITS TO A QUALIFIED PARTICIPANT.

18 (C) THE REASONABLENESS OF THE COSTS, INCLUDING FEES AND  
19 COMMISSIONS, OF THE ANNUITY OPTIONS IN RELATION TO THE BENEFITS AND  
20 PRODUCT FEATURES OF THE ANNUITY OPTION.

21 (D) THE ADMINISTRATIVE SERVICES TO BE PROVIDED UNDER THE  
22 ANNUITY OPTION. AT A MINIMUM, THE ADMINISTRATIVE SERVICES MUST  
23 INCLUDE PERIODIC REPORTS TO THE RETIREMENT SYSTEM ABOUT ALL OF THE  
24 FOLLOWING:

25 (i) THE NUMBER OF ANNUITANTS.

26 (ii) THE TYPES OF ANNUITIES PROVIDED.

27 (iii) ANY OTHER INFORMATION THAT THE RETIREMENT SYSTEM MAY

1 REQUIRE.

2 (E) THE EXPERIENCE OF THE ANNUITY PROVIDER IN PAYING LIFETIME  
3 RETIREMENT INCOME THROUGH ANNUITIES OFFERED TO PUBLIC EMPLOYEE  
4 DEFINED CONTRIBUTION RETIREMENT PLANS.

5 (F) WHETHER THE ANNUITY PROVIDER OFFERS ANNUITY OPTIONS THAT  
6 MEET ALL OF THE FOLLOWING CONDITIONS:

7 (i) THE ANNUITY OPTIONS ARE SUITABLE FOR QUALIFIED  
8 PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND REFUND  
9 BENEFICIARIES.

10 (ii) THE CONTRACT TERMS AND INCOME BENEFITS ARE CLEARLY  
11 STATED, BASED ON REASONABLE ASSUMPTIONS.

12 (iii) THE ANNUITY OPTIONS OFFER A RANGE OF LIFETIME INCOME  
13 OPTIONS.

14 (G) THE ABILITY OF THE ANNUITY PROVIDER TO OFFER OBJECTIVE AND  
15 PARTICIPANT-SPECIFIC EDUCATION, TOOLS, AND COUNSELING PROGRAMS THAT  
16 HELP PARTICIPANTS UNDERSTAND THE APPROPRIATE USE OF ANNUITIES AS A  
17 LONG-TERM RETIREMENT SAVINGS VEHICLE.