

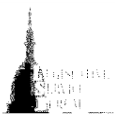
HOUSE BILL NO. 4274

February 28, 2019, Introduced by Reps. Marino and Albert and referred to the Committee on Financial Services.

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



provided in the public employee retirement system investment act, 1965 PA 314, MCL 38.1132 to 38.1141, do not apply to Tier 2.

(2) In addition to the categories of investment provided by 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. While a qualified participant is employed by a reporting unit, the annuity options offered under this subsection must allow a qualified participant the ability to purchase a fixed rate annuity and may allow the option to purchase a variable rate annuity. 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. Subject to subsection (4), the state treasurer shall select 2 or more annuity providers based on a competitive proposal process. Subject to subsection (4), the state treasurer shall contract with 2 or more annuity providers to provide the annuity options under this subsection. The state treasurer shall select and contract with an annuity provider that meets all of the following conditions, as determined by the state treasurer:

(a) The annuity provider and its subsidiaries and affiliates have the appropriate financial strength and stability. In determining the financial strength and stability under this subdivision, the state treasurer 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



1 5 years:

2 (A) The annuity provider operates under a certificate of
3 authority from the insurance commissioner of its domiciliary state
4 that has not been revoked or suspended.

5 (B) The annuity provider has filed audited financial
6 statements in accordance with the laws of its domiciliary state
7 under applicable statutory accounting principles.

8 (C) The annuity provider maintains and has maintained reserves
9 that satisfy the statutory requirements of each state where the
10 annuity provider does business.

11 (D) The annuity provider is not operating under an order of
12 rehabilitation or liquidation.

13 (iii) That the annuity provider undergoes, at least every 5
14 years, a financial examination, within the meaning of the law of
15 its domiciliary state, by the insurance commissioner of the
16 domiciliary state or representative, designee, or other party
17 approved by the insurance commissioner of the domiciliary state.

18 (iv) That the annuity provider will notify the retirement
19 system of any change in circumstances occurring after the
20 representations made in subparagraphs (i), (ii), and (iii) that would
21 preclude the annuity provider from making the representations at
22 the time the annuity provider issues the annuity.

23 (b) The annuity provider is able to provide contracted rights
24 and benefits to a qualified participant.

25 (c) The costs, including fees and commissions, of the annuity
26 options in relation to the benefits and product features of the
27 annuity option are reasonable.

28 (d) The administrative services to be provided under the
29 annuity option are appropriate. At a minimum, the administrative



1 services must include periodic reports to the state treasurer about
2 all of the following:

3 (i) The number of annuitants.

4 (ii) The types of annuities provided.

5 (iii) Any other information that the state treasurer may
6 require.

7 (e) The annuity provider is experienced in paying lifetime
8 retirement income through annuities offered to public employee
9 defined contribution retirement plans.

10 (f) The annuity provider offers annuity options that meet all
11 of the following conditions:

12 (i) The annuity options are suitable for qualified
13 participants, former qualified participants, and refund
14 beneficiaries.

15 (ii) The contract terms and income benefits are clearly stated,
16 based on reasonable assumptions.

17 (iii) The annuity options offer a range of lifetime income
18 options.

19 (iv) If the annuity is a variable annuity, the annuity offers a
20 fixed account option along with its variable account options.

21 (g) The annuity provider is able to offer objective and
22 participant-specific education and tools that help participants
23 understand the appropriate use of annuities as a long-term
24 retirement savings vehicle.

25 (3) The office of retirement services shall verify the
26 information in a report submitted under subsection (2) (d). A report
27 submitted under subsection (2) (d) must be published on the office
28 of retirement services's website.

29 (4) After the competitive proposal process under subsection



(2) is complete, the state treasurer may select and contract with only 1 annuity provider to provide annuity options to qualified participants under subsection (2) if either of the following applies:

(a) The state treasurer determines that selecting more than 1 annuity provider is not in the interests of qualified participants.

(b) Only 1 annuity provider meets the conditions under subsection (2).

(5) If the state treasurer selects only 1 annuity provider to provide annuity options under subsection (2) as provided in subsection (4), the state treasurer shall notify the speaker of the house of representatives, the minority leader of the house of representatives, the senate majority leader, and the senate minority leader within 30 days after selecting and contracting with an annuity of the reasons for selecting only 1 annuity provider.

(6) There is appropriated for the fiscal year ending September 30, 2019, \$100,000.00 to the office of retirement services in the department of technology, management, and budget for administration of the changes under the amendatory act that added this subsection.

(7) The appropriation authorized in subsection (6) is a work project appropriation and any unencumbered or unallotted funds are carried forward into the following fiscal year. The following is in compliance with section 451a(1) of the management and budget act, 1984 PA 431, MCL 18.1451a:

(a) The purpose of the project is to administer changes under the amendatory act that added this subsection.

(b) The work project will be accomplished through a plan utilizing interagency agreements, employees, and contracts.

(c) The total estimated completion cost of the work project is



1 \$100,000.00.

2 (d) The estimated completion date for the work project is
3 September 30, 2020.

4 Enacting section 1. This amendatory act takes effect 120 days
5 after the date it is enacted into law.

6 Enacting section 2. This amendatory act does not take effect
7 unless Senate Bill No.____ or House Bill No.____ (request no.
8 01169'19 **) of the 100th Legislature is enacted into law.

