

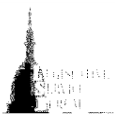
HOUSE BILL NO. 4275

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

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending section 58 (MCL 38.58), as added by 1996 PA 487.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 58. **(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 state treasurer. The
6 limitations on the percentage of total assets for investments



1 provided in ~~Act No. 314 of the Public Acts of 1965, being sections~~
2 ~~38.1132 to 38.1140i of the Michigan Compiled Laws, the public~~
3 **employee retirement system investment act, 1965 PA 314, MCL 38.1132**
4 **to 38.1141, do not apply to Tier 2.**

5 (2) In addition to the categories of investments provided by
6 the state treasurer under subsection (1), the retirement system
7 shall offer access to 1 or more fixed annuity options and 1 or more
8 variable annuity options. While a qualified participant is employed
9 by the employer, the annuity options offered under this subsection
10 must allow a qualified participant the ability to purchase a fixed
11 rate annuity and may allow the option to purchase a variable rate
12 annuity. Subject to subsection (4), the state treasurer shall
13 select 2 or more annuity providers based on a competitive proposal
14 process. Subject to subsection (4), the state treasurer shall
15 contract with 2 or more annuity providers to provide the annuity
16 options under this subsection. The state treasurer shall select and
17 contract with an annuity provider that meets all of the following
18 conditions, as determined by the state treasurer:

19 (a) The annuity provider and its subsidiaries and affiliates
20 have the appropriate financial strength and stability. In
21 determining the financial strength and stability under this
22 subdivision, the state treasurer shall obtain written
23 representation from the annuity provider of all of the following:

24 (i) That the annuity provider is an authorized insurer as that
25 term is defined in section 108 of the insurance code of 1956, 1956
26 PA 218, MCL 500.108.

27 (ii) That all of the following apply to the annuity provider,
28 at the time of selection and for each of the immediately preceding
29 5 years:



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

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

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

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

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

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

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

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

27 (d) The administrative services to be provided under the
28 annuity option are appropriate. At a minimum, the administrative
29 services must include periodic reports to the state treasurer about



1 all of the following:

2 (i) The number of annuitants.

3 (ii) The types of annuities provided.

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

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

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

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

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

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

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

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

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

28 (4) After the competitive proposal process under subsection
29 (2) is complete, the state treasurer may select and contract with



1 only 1 annuity provider to provide annuity options to qualified
2 participants under subsection (2) if either of the following
3 applies:

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

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

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

16 (6) There is appropriated for the fiscal year ending September
17 30, 2019, \$100,000.00 to the office of retirement services in the
18 department of technology, management, and budget for administration
19 of the changes under the amendatory act that added this subsection.

20 (7) The appropriation authorized in subsection (6) is a work
21 project appropriation and any unencumbered or unallotted funds are
22 carried forward into the following fiscal year. The following is in
23 compliance with section 451a(1) of the management and budget act,
24 1984 PA 431, MCL 18.1451a:

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

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

29 (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 01170'19 **) of the 100th Legislature is enacted into law.

