

**SUBSTITUTE FOR  
HOUSE BILL NO. 4275**

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.~~  
6 **investment board.** The limitations on the percentage of total assets  
7 for investments provided in ~~Act No. 314 of the Public Acts of 1965,~~  
8 ~~being sections 38.1132 to 38.1140i of the Michigan Compiled Laws,~~  
9 **the public employee retirement system investment act, 1965 PA 314,**



1 MCL 38.1132 to 38.1141, do not apply to Tier 2.

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

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

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

25 (ii) That all of the following apply to the annuity provider,  
26 at the time of selection and for each of the immediately preceding  
27 7 years:

28 (A) The annuity provider operates under a certificate of  
29 authority from the insurance commissioner of its domiciliary state



1 that has not been revoked or suspended.

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

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

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

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

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

20 (v) That the annuity provider has a rating of no less than B+  
21 from at least 1 national rating service. As used in this  
22 subparagraph, "national rating service" means national rating  
23 services as that term is defined in section 12d of the public  
24 employee retirement system investment act, 1965 PA 314, MCL  
25 38.1132d.

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

28 (c) The costs, including fees and commissions, of the annuity  
29 options in relation to the benefits and product features of the



1 annuity option are reasonable.

2 (d) The administrative services to be provided under the  
3 annuity option are appropriate. At a minimum, the administrative  
4 services must include periodic reports to the investment board  
5 about all of the following:

6 (i) The number of annuitants.

7 (ii) The types of annuities provided.

8 (iii) Any other information that the investment board may  
9 require.

10 (e) The annuity provider is experienced in paying lifetime  
11 retirement income through annuities offered to public employee  
12 defined contribution retirement plans.

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

15 (i) The annuity options are suitable for qualified  
16 participants, former qualified participants, and refund  
17 beneficiaries.

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

20 (iii) The annuity options offer a range of lifetime income  
21 options.

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

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

28 (3) The office of retirement services shall verify the  
29 information in a report submitted under subsection (2) (d). A report



1 submitted under subsection (2) (d) must be published on the office  
2 of retirement services's website.

3 (4) After the competitive proposal process under subsection  
4 (2) is complete, the investment board may select and contract with  
5 only 1 annuity provider to provide annuity options to qualified  
6 participants under subsection (2) if either of the following  
7 applies:

8 (a) The investment board determines that selecting more than 1  
9 annuity provider is not in the interests of qualified participants.

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

12 (5) If the investment board selects only 1 annuity provider to  
13 provide annuity options under subsection (2) as provided in  
14 subsection (4), the investment board shall notify the speaker of  
15 the house of representatives, the minority leader of the house of  
16 representatives, the senate majority leader, and the senate  
17 minority leader within 30 days after selecting and contracting with  
18 an annuity provider of the reasons for selecting only 1 annuity  
19 provider.

20 (6) There is appropriated for the fiscal year ending September  
21 30, 2019, \$100,000.00 to the office of retirement services in the  
22 department of technology, management, and budget for administration  
23 of the changes under the amendatory act that added this subsection.

24 (7) The appropriation authorized in subsection (6) is a work  
25 project appropriation and any unencumbered or unallotted funds are  
26 carried forward into the following fiscal year. The following is in  
27 compliance with section 451a(1) of the management and budget act,  
28 1984 PA 431, MCL 18.1451a:

29 (a) The purpose of the project is to administer changes under



1 the amendatory act that added this subsection.

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

4 (c) The total estimated completion cost of the work project is  
5 \$100,000.00.

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

8 (8) As used in this section, "investment board" means the  
9 state of Michigan investment board within the department of  
10 treasury created under Executive Reorganization Order No. 2018-5,  
11 MCL 38.1176.

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

14 Enacting section 2. This amendatory act does not take effect  
15 unless House Bill No. 4274 of the 100th Legislature is enacted into  
16 law.

