

**SUBSTITUTE FOR  
HOUSE BILL NO. 4274**

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



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

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

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

26 (ii) That all of the following apply to the annuity provider,  
27 at the time of selection and for each of the immediately preceding  
28 7 years:

29 (A) The annuity provider operates under a certificate of



1 authority from the insurance commissioner of its domiciliary state  
2 that has not been revoked or suspended.

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

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

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

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

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

21 (v) That the annuity provider has a rating of no less than B+  
22 from at least 1 national rating service. As used in this  
23 subparagraph, "national rating service" means national rating  
24 services as that term is defined in section 12d of the public  
25 employee retirement system investment act, 1965 PA 314, MCL  
26 38.1132d.

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

29 (c) The costs, including fees and commissions, of the annuity



1 options in relation to the benefits and product features of the  
2 annuity option are reasonable.

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

7 (i) The number of annuitants.

8 (ii) The types of annuities provided.

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

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

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

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

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

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

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

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

29 (3) The office of retirement services shall verify the



1 information in a report submitted under subsection (2)(d). A report  
2 submitted under subsection (2)(d) must be published on the office  
3 of retirement services's website.

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

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

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

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

20 (6) As used in this section, "investment board" means the  
21 state of Michigan investment board within the department of  
22 treasury created under Executive Reorganization Order No. 2018-5,  
23 MCL 38.1176.

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

26 Enacting section 2. This amendatory act does not take effect  
27 unless House Bill No. 4275 of the 100th Legislature is enacted into  
28 law.

