



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

## BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986

House Bill 5230 (Substitute H-5 as passed by the House)  
House Bill 5231 (Substitute H-6 as passed by the House)  
Sponsors: Representative Steve Marino (H.B. 5230)  
Representative Thomas Albert (H.B. 5231)  
House Committee: Financial Liability Reform  
Senate Committee: Finance

Date Completed: 5-21-18

**CONTENT**

**House Bill 5230 (H-5) would amend the Public School Employees Retirement Act to do the following:**

- **Allow, rather than require, variable annuities to be offered to participants (and continue to require fixed annuity options to be offered to participants).**
- **Require the State Treasurer to select two or more annuity providers based on a competitive process proposal, unless the State Treasurer determined that it would be in the best interests of participants to select and contract with only one annuity provider.**
- **Require annuity options to allow participants the ability to purchase an annuity while employed by a reporting unit.**
- **Prescribe what the State Treasurer would have to consider when selecting an annuity provider.**
- **Require the Office of Retirement Services to verify the information submitted by an annuity provider and publish the provider's report on the Office's website.**

Under current law, as amended by Public Act 92 of 2017, the Michigan Public School Employees' Retirement System (MPSERS) is required to offer access to one or more fixed annuity options and one or more variable annuity options. The bill would strike the requirement to offer one or more variable annuity options and instead allow MPSERS to offer that option. In addition, the bill would require competitive bidding for providers of annuity options and require the State Treasurer to consider a number of factors in selecting an annuity provider.

The factors that the State Treasurer would be required to consider include the financial strength and stability of the provider; the ability of the provider to provide contracted rights and benefits to participants; the reasonableness of the costs; the administrative services (including, at least, periodic reporting) to be provided under the annuity option; the experience of the annuity provider in paying lifetime retirement income through annuities offered to public employee defined contribution plans; whether the annuity options would be suitable for participants, the contract terms would be clearly stated, and the annuity options would offer a range of lifetime income options; and, the ability of the provider to offer objective education and tools for understanding the use of annuities as a retirement-savings vehicle.

House Bill 5231 (H-6) would amend the State Employees' Retirement Act to provide the same annuity options and considerations for the State Employees' Retirement System (SERS) as for MPSERS. Under current law, there are no annuity options for SERS; thus, House Bill 5231 (H-6) would enact the same provisions for annuity options for SERS as are found in MPSERS, subject to the amendments proposed by House Bill 5230 (H-5).

MCL 38.1427 (H.B. 5230)

MCL 38.58 (H.B. 5231)

### **FISCAL IMPACT**

The bills would increase administrative costs to the Department of Technology, Management, and Budget and the Department of Treasury for running a competitive bid process related to selecting providers of fixed and variable annuities, scoring those bids, and monitoring providers. The Office of Retirement Services would see slightly increased administrative costs related to the requirement to verify the reports submitted by providers of annuities.

The bills would have no fiscal impact on local units of government.

Fiscal Analyst: Kathryn Summers

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.