

HOUSE BILL 724

By Stewart

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 21, relative to the definition of “certain unfunded pension obligations” for which local governments may issue bonds.

WHEREAS, pension liabilities for local governments are increasing and becoming a growing financial burden for local governments in this state; and

WHEREAS, it would be in the public interest for local governments to have additional means by which to fund their increasing pension liabilities; and

WHEREAS, state law currently permits local governments to issue their general obligation bonds and revenue bonds for “certain unfunded pension obligations,” as such term is defined in the Tennessee Code Annotated; and

WHEREAS, the current historically low interest-rate environment presents local governments with a unique opportunity to borrow monies at a rate cheaper than the rate on which they would earn on the investment of such funds; and

WHEREAS, the issuance of bonds by local governments and the subsequent investment of such bond proceeds at a rate higher than the rate at which they were borrowed would provide local governments with profit earnings with which to fund their pension liabilities; and

WHEREAS, to permit the greatest number of local governments to take advantage of the opportunities presented by this interest-rate environment to fund their pension liabilities, it is necessary to expand the definition of “certain unfunded pension obligations” for which local governments may issue their bonds; and

WHEREAS, the State Funding Board and the Comptroller of the Treasury shall retain their ability under Tennessee Code Annotated, Section 9-21-127, to reject any proposed issuance of bonds by local governments to fund their pension obligations; and

WHEREAS, to provide local governments with additional means by which to fund their increasing pension liabilities, the Tennessee General Assembly desires to expand the definition of “certain unfunded pension obligations” in Tennessee Code Annotated, Section 9-21-105, for which local governments may issue their bonds; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-21-105(4)(A), is amended by inserting the following as a new subdivision:

(iv) Pension benefits for past service of employees of a local government;

SECTION 2. Tennessee Code Annotated, Section 9-21-105(4)(A)(ii), is amended by deleting the language “or” after the semi-colon (;) at the end of the subdivision.

SECTION 3. Tennessee Code Annotated, Section 9-21-105(4)(A)(iii), is amended by adding the language “or” after the semi-colon (;) at the end of the subdivision.

SECTION 4. Tennessee Code Annotated, Section 9-21-105(4), is amended by inserting the following as a new subdivision:

(D) Subdivision (4)(A)(iv) shall:

(i) Apply to counties having a population greater than three-hundred thirty-five thousand (335,000), according to the 2010 federal census or any subsequent federal census, and the municipality that is the county seat of the county; and

(ii) Cease to be effective on July 1, 2015; provided, that no bonds issued pursuant to this subdivision (4) prior to July 1, 2015, shall be rendered ineffectual;

SECTION 5. This act shall take effect upon becoming law, the public welfare requiring it.