



State of Tennessee

PUBLIC CHAPTER NO. 783

SENATE BILL NO. 1727

By Gardenhire, Stevens

Substituted for: House Bill No. 1806

By Hazlewood

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 3, Part 5, relative to the Public Employee Defined Benefit Financial Security Act of 2014.

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

SECTION 1. Tennessee Code Annotated, Section 9-3-504, is amended by adding the following language as a new subsection:

(j) The actuary's determinations, including the ADC, shall be contained in a report submitted to the political subdivision and shall include a certification indicating the actuary's report has been prepared in accordance with all of the Actuarial Standards of Practice established by the Actuarial Standards Board as well as an explanation for any deviations. The actuary shall also certify in the report the overall appropriateness of the analysis in addition to the assumptions and results. The assumptions analyzed by the actuary must include, but not be limited to, the following: asset experience, including, but not limited to, the investment rate of return, discount rate, salary experience, cost of living adjustments, rates of retirement, turnover, and disability; mortality, including future improvement; and forms of benefit payments, including, but not limited to, lump sum payments.

SECTION 2. Tennessee Code Annotated, Section 9-3-505, is amended by adding the following language as a new subsection:

(d) A political subdivision that does not pay one hundred percent (100%) of its ADC in any fiscal year beginning with July 1, 2020, shall pay the difference between funding equal to one hundred percent (100%) of its ADC and what was actually paid by the political subdivision in a particular fiscal year by adding the difference or differences to the one-hundred-percent payment of the political subdivision's ADC, which must be paid in the fiscal year subsequent to the underpaid ADC. The difference or differences may be added cumulatively to the political subdivision's one-hundred-percent payment of its ADC.

SECTION 3. Tennessee Code Annotated, Section 9-3-506(a), is amended by deleting subdivisions (2) and (3) and substituting instead the following:

(2) For any pension plan that is funded below sixty percent (60%), the political subdivision shall not establish a benefit enhancement until it has received written approval by the state treasurer. For the purposes of this subdivision (a)(2), "benefit enhancement" means any change in member benefits, benefit structure, or benefit formula provided by a political subdivision relative to its pension plan that, according to the political subdivision's actuary, will or is estimated to permanently, temporarily, or intermittently increase either the employer or employee contributions or the liabilities of the pension plan; and

(3) For political subdivisions with an existing pension plan as of May 22, 2014, the political subdivision shall not establish a new pension plan that changes the funding policy, increases the employer cost, or adds to the unfunded accrued liability of an existing pension plan until it has received written approval from the state treasurer. For the purposes of this subdivision (a)(3), a political subdivision establishes a new pension plan by taking any or a combination of the following actions:

(A) Establishing a tier that has not been previously provided as part of a pension plan;

(B) Reopening a previously closed pension plan or previously closed tier of a pension plan; or

(C) Establishing a plan that is different from the political subdivision's existing pension plan.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.

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PASSED: June 18, 2020



RANDY McNALLY
SPEAKER OF THE SENATE



CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 15th day of July 2020



BILL LEE, GOVERNOR