

Pensions and Insurance 1

Amendment No. 1 to HB0648

**Sargent
Signature of Sponsor**

AMEND Senate Bill No. 607*

House Bill No. 648

by deleting § 8-27-203(a)(1) in SECTION 2 and substituting the following:

From the appropriations made each year in the general appropriations act, the various departments, agencies, boards, and commissions of state government shall pay, on behalf of each participating covered individual within the respective departments, agencies, boards, and commissions, eighty percent (80%) of the cost of the coverage option for employees and employees' dependents, determined by the state insurance committee to be the basic health plan for funding purposes. In addition to this basic health plan for funding purposes, the state insurance committee may offer other plan options.

AND FURTHER AMEND by deleting § 8-27-203(a)(3) in SECTION 2.

AND FURTHER AMEND by deleting the language "This subsection" in the last sentence of § 8-27-204(a)(3) in SECTION 2 and substituting the language "This subdivision (a)(3)".

AND FURTHER AMEND by deleting the first sentence of § 8-27-205(b)(1) in SECTION 2 and substituting the following language:

The state insurance committee shall establish a schedule of premiums and is authorized to establish a schedule of defined contributions for retirees eligible for the health benefits established under this part.

AND FURTHER AMEND by redesignating § 8-27-205(d) in SECTION 2 as § 8-27-205(e) and adding the following language as new § 8-27-205(d):

(d) The state insurance committee shall extend eligibility to the dependents of retired state employees who are eligible for the retiree coverage authorized in this section. The state insurance committee may determine which dependents are eligible,

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and what documentation is required to establish eligibility, subject to the requirements of state and federal law. Eligibility standards for dependents will be approved at public meetings of the state insurance committee and published in the plan documents. The state may deny coverage to the spouses of retired state employees who are eligible for similar group health insurance through their employers.

AND FURTHER AMEND by deleting the language “thirty (30) years of service” in the third sentence of § 8-27-209(d)(1) in SECTION 2 and substituting the language “thirty (30) or more years of service”.

AND FURTHER AMEND by deleting the language “may establish” from the first sentence of § 8-27-305(a) in SECTION 3 and substituting the language “shall establish”.

AND FURTHER AMEND by adding the language “with the exception that the local education insurance committee shall not waive the verification requirement in subdivision (c)(1)(A)” at the end of the second sentence of § 8-27-304(e) in SECTION 3.

AND FURTHER AMEND by adding the following language as a new subsection to § 8-27-205 in Section 2:

(f)

(1) The commissioner of finance and administration, the chair of the finance ways and means committee of the senate, the chair of the finance, ways and means committee of the house of representatives, and the chair of the consolidated retirement board shall serve as trustees of any defined contribution plan or related investment vehicle established as a health benefit by the state insurance committee under this section. The trustees shall have the authority to implement any such defined contribution plan or related investment vehicle.

Notwithstanding § 8-27-103(a), such authority shall include, but not be limited to, administering any contract related to such defined contribution plan or related investment vehicle, procuring services necessary or desirable for efficient administration of the investment vehicles used for the health benefit and overseeing the investment policy for any investment vehicles used.

(2) The trustees shall delegate the duty to conduct the day-to-day responsibilities for managing the investment vehicles to the state treasurer.

(3) The costs associated with administering any such defined contribution plan or related investment vehicle shall be assessed to the funds generated by any such defined contribution plan or related investment vehicle and, if necessary, to the employee benefits trust.

(4) This subsection (f) shall be effective September 1, 2015.

AND FURTHER AMEND by adding the following language as a new subsection to § 8-27-305 in Section 3:

(f)

(1) The commissioner of finance and administration, the chair of the finance ways and means committee of the senate, the chair of the finance, ways and means committee of the house of representatives, and the chair of the consolidated retirement board shall serve as trustees of any defined contribution plan or related investment vehicle established as a health benefit by the local education insurance committee under this section. The trustees shall have the authority to implement any such defined contribution plan or related investment vehicle. Notwithstanding § 8-27-103(a), such authority shall include, but not be limited to, administering any contract related to such defined contribution plan or related investment vehicle, procuring services necessary or desirable for efficient administration of the investment vehicles used for the health benefit and overseeing the investment policy for any investment vehicles used.

(2) The trustees shall delegate the duty to conduct the day-to-day responsibilities for managing the investment vehicles to the state treasurer.

(3) The costs associated with administering any such defined contribution plan or related investment vehicle shall be assessed to the funds generated by any such defined contribution plan or related investment vehicle and, if necessary, to the employee benefits trust.

(4) This subsection (f) shall be effective September 1, 2015.

AND FURTHER AMEND by adding the following language as a new subsection to § 8-27-705 in Section 4:

(d)

(1) The commissioner of finance and administration, the chair of the finance ways and means committee of the senate, the chair of the finance, ways and means committee of the house of representatives, and the chair of the consolidated retirement board shall serve as trustees of any defined contribution plan or related investment vehicle established as a health benefit by the local government insurance committee under this section. The trustees shall have the authority to implement any such defined contribution plan or related investment vehicle. Notwithstanding § 8-27-103(a), such authority shall include, but not be limited to, administering any contract related to such defined contribution plan or related investment vehicle, procuring services necessary or desirable for efficient administration of the investment vehicles used for the health benefit and overseeing the investment policy for any investment vehicles used.

(2) The trustees shall delegate the duty to conduct the day-to-day responsibilities for managing the investment vehicles to the state treasurer.

(3) The costs associated with administering any such defined contribution plan or related investment vehicle shall be assessed to the funds

generated by any such defined contribution plan or related investment vehicle and, if necessary, to the employee benefits trust.

(4) This subsection (d) shall be effective September 1, 2015.

AND FURTHER AMEND by adding the following as a new subdivision at the end of § 8-27-203(a) in Section 2:

(3) The provisions of the basic health plan and other plan options and the state premium support amounts thereto pursuant to this subsection (a) must comply with a written policy approved by the Council on Pensions and Insurance before becoming effective.

AND FURTHER AMEND by inserting the following new section immediately preceding the last section and renumbering the subsequent section accordingly:

SECTION _____. Tennessee Code Annotated, Title 8, Chapter 27, is amended by adding the following language as a new part:

8-27-801. As used in this part, unless the context otherwise requires:

(1) “Other post-employment benefits” or “post-employment benefits” means non pension benefits paid on behalf of former state employees or the former state employees’ beneficiaries after separation from service. The benefits may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare part B or part D premiums, life insurance, long-term care, and long-term disability.

(2) “Trustees” means the four trustees designated in § 8-27-205(e).

8-27-802.

(a) The trustees shall establish an investment trust or trusts for the purpose of pre-funding other post-employment benefits accrued by employees of the state, to be paid as they come due in accordance with the arrangements between the state, the plan members and their beneficiaries.

(b) The trustees must adopt, in writing, an investment policy or policies authorizing how assets in the trust(s) may be invested.

(c) The trust(s) may invest in any security or investment in which the Tennessee consolidated retirement system is permitted to invest; provided, that investments by the trust shall be governed by the investment policies and guidelines adopted by the trustees in accordance with this part. The trustees shall delegate to the state treasurer the responsibility for the investment and reinvestment of trust funds in accordance with the policies and guidelines established by the trustees.

(d) The trust must conform to all applicable laws, rules, and regulations of the internal revenue service, if any.

8-27-803.

(a) Any trust created under this part shall be an irrevocable trust and the assets thereof shall be preserved, invested and expended solely pursuant to and for the purposes of this part and shall not be loaned or otherwise transferred or used for any other purpose. The assets of the trust(s) shall be expended solely to:

(1) Make payments for other post-employment benefits pursuant to and in accordance with terms of the state's post-employment benefit plans.

(2) Pay the cost of administering the trust.

(b) The state treasurer shall administer any trust created under this part. The attorney general and reporter shall approve the terms of any trust created under this part.

(c) Any investment trust so created shall have the powers, privileges and immunities of a corporation; and all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held in trust for the purpose for which received.

(d) Notwithstanding any law to the contrary, all assets, income and distributions of the investment trust shall be protected against the claims of creditors of the state, plan administrators, and plan participants, and shall not be subject to execution, attachment,

garnishment, the operation of bankruptcy, the insolvency laws or other process whatsoever, nor shall any assignment thereof be enforceable in any court.

8-27-804.

(a) The initial funding of any trust created under this part shall be from appropriations made in the general appropriations act for such purpose.

(b) Unexpended funds remaining in any trust or trusts created under this part in any fiscal year shall not revert to the general fund;

(c) The funds transferred to any trust created under this part may be commingled with, co-invested with, and invested or reinvested with other assets transferred to the trust(s). All or a portion of the trust(s) may be invested, reinvested and co-invested with other funds, not a part of the trust(s), held by the state treasurer, including, but not limited to, assets of the Tennessee consolidated retirement system and the state pooled investment fund established pursuant to title 9, chapter 4, part 6. The state treasurer shall account for such trust funds in one (1) or more separate accounts in accordance with this section and other law.

8-27-805. In addition to the powers granted by any other provisions of this part, the trustees shall have the powers necessary or convenient to carry out the purposes and provisions of this part and the purposes and objectives of the investment trust or trusts, including, but not limited to, the following express powers:

(1) To invest any funds of the trust in any instrument, obligation, security, or property that constitutes legal investments, as provided in the investment policy adopted pursuant to §8-27-802(b);

(2) To contract for the provision of all or any part of the services necessary for the management and operation of the investment trust;

(3) To contract with financial consultants, auditors, and other consultants as necessary to carry out its responsibilities under this part;

(4) To contract with an actuary or actuaries in determining the level of funding necessary by the state to fund the other post-employment benefits offered by the subdivision;

(5) To prepare annual financial reports, including financial statements following the close of each fiscal year relative to the activities of the trust(s). The statements and reports shall be prepared in accordance with the governmental accounting standards board. The annual report, including financial statements, all books, accounts and financial records of any trust created under this part shall be subject to audit by the comptroller of the treasury.

8-27-806. Nothing in this part shall be construed to define or otherwise grant any rights or privileges to other post-employment benefits. The rights and privileges, if any, shall be governed by the terms of the state's post-employment benefit plans.