

By: Wentworth

S.B. No. 1575

A BILL TO BE ENTITLED

AN ACT

relating to the issuance of obligations by political subdivisions to pay unfunded liabilities for certain retirement benefits of officers and employees of the political subdivisions.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle H, Title 9, Government Code, is amended by adding Chapter 1436 to read as follows:

CHAPTER 1436. OBLIGATIONS OF POLITICAL SUBDIVISIONS FOR CERTAIN RETIREMENT BENEFITS

Sec. 1436.001. DEFINITIONS. In this chapter:

(1) "Obligation" includes a bond, certificate, note, or book entry obligation.

(2) "Unfunded liability" means an unfunded actuarial accrued liability of a political subdivision for a nonpension retirement benefit.

Sec. 1436.002. DEFINITION OF NONPENSION RETIREMENT BENEFIT. In this chapter, "nonpension retirement benefit" means a retirement benefit, including a health care benefit plan, for retired employees or officers of a political subdivision, other than:

(1) a continuing, organized program or plan of service retirement, disability retirement, or death benefits for officers or employees of a political subdivision; and

(2) a plan qualified under Section 401(a), Internal

1 Revenue Code of 1986.

2 Sec. 1436.003. NONPENSION RETIREMENT BENEFIT OBLIGATIONS
3 AUTHORIZED. (a) A political subdivision may issue obligations to
4 fund all or any part of an unfunded liability.

5 (b) Before authorizing issuance and delivery of an
6 obligation under this section, the political subdivision's
7 governing body must enter into a written agreement with an entity
8 that must have:

9 (1) fiduciary responsibility for:

10 (A) assets that fund the political subdivision's
11 nonpension retirement benefits; and

12 (B) a fund created to receive the net proceeds of
13 the obligations to be issued under this section; and

14 (2) the duty to oversee the investment and expenditure
15 of the assets of the fund created to receive the net proceeds of the
16 obligations to be issued under this section.

17 (c) The written agreement must state the amount of the
18 unfunded liability and the date or dates on which the fund created
19 to receive the net proceeds of the obligations to be issued under
20 this section will accept the net proceeds of the obligations in
21 payment of all or a portion of the unfunded liability.

22 Sec. 1436.004. PROCEEDS OF OBLIGATIONS ISSUED. The
23 political subdivision shall deposit the net proceeds of obligations
24 issued under Section 1436.003 to the credit of the fund created to
25 receive the net proceeds of the obligations.

26 Sec. 1436.005. PAYMENT OF OBLIGATIONS. An obligation
27 issued under Section 1436.003 may be made payable by the political

1 subdivision from:

2 (1) the fund from which compensation is paid to its
3 officers and employees;

4 (2) its general fund; or

5 (3) taxes, revenues, both taxes and revenues, or any
6 other source or combination of sources of money that the political
7 subdivision may use under state law to secure or pay any kind of
8 bond or obligation.

9 Sec. 1436.006. OBLIGATION AS REFINANCING. An obligation
10 issued under Section 1436.003 is a complete or partial refinancing
11 of a commitment of the political subdivision to fund its unfunded
12 liability.

13 Sec. 1436.007. SALE OF OBLIGATIONS; MATURITY. Obligations
14 issued under Section 1436.003 may be sold at private or public sale
15 and must mature not later than the 30th anniversary of the date of
16 issuance.

17 Sec. 1436.008. ADDITIONAL AUTHORITY; CREDIT AGREEMENTS.

18 (a) In this section, "credit agreement" and "obligation" have the
19 meanings assigned by Section 1371.001.

20 (b) The governing body of a political subdivision that
21 issues obligations under Section 1436.003 may exercise any of the
22 rights or powers of the governing body of an issuer under Chapter
23 1371 and may enter into a credit agreement under that chapter. An
24 obligation issued under Section 1436.003 is an obligation under
25 Chapter 1371 but is not required to be rated as required by that
26 chapter.

27 Sec. 1436.009. CHAPTER CONTROLLING. This chapter prevails

1 over any conflict between this chapter and:

2 (1) another law respecting the issuance of obligations
3 of a political subdivision; or

4 (2) a municipal home-rule charter.

5 SECTION 2. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2007.