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Comptroller

**ANNUAL FINANCIAL INFORMATION
DUE JANUARY 31, 2025, FOR
THE TENNESSEE STATE SCHOOL BOND AUTHORITY
Office of the Comptroller of the Treasury
Division of State Government Finance
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January 31, 2025

Attached is a copy of the Tennessee State School Bond Authority's Annual Comprehensive Financial Report ("TSSBA ACFR") for the fiscal years ended June 30, 2024, and June 30, 2023. Also attached is a copy of the State of Tennessee's Annual Comprehensive Financial Report ("TN ACFR") for the fiscal year ended June 30, 2024, including component unit reporting of the University of Tennessee System and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing information of the type described in the Statement of Net Position and Statement of Revenues, Expenditures and Changes in Net Position ("Supplemental Financial Information"). The TSSBA ACFR and TN ACFR, as well as other supplemental data, are being submitted as Annual Financial Information in compliance with Continuing Disclosure Undertakings of the Tennessee State School Bond Authority (the "Authority").

For reporting purposes, the Authority is also a component unit of the State of Tennessee. As such, financial information pertaining to the Authority can be found in the TN ACFR. However, the TN ACFR should be reviewed and considered in its entirety for additional updated quantitative financial and operating data for the State of Tennessee and its component units.

FINANCIAL INFORMATION AND OPERATING DATA

Tennessee State School Bond Authority Second Program Bonds –Outstanding Principal by Series	Attached
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College and University Funds –Coverage of Annual Financing Charges for Long-Term Debt Secured by
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Student Fees and Charges for Institutions with Tennessee State School Bond Authority Debt for the Fiscal
Year Ended June 30, 2024 TN ACFR p. 269

Tennessee Higher Education Commission History of Fall Term Full-Time Equivalent Enrollment in Public
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AUDITED FINANCIAL STATEMENTS

Tennessee State School Bond Authority –Annual Comprehensive Financial Report..... Attached

State of Tennessee – Annual Comprehensive Financial Report Attached

Higher Educational Facilities Second Program Bonds
Outstanding Principal by Series

Higher Educational Facilities Second Program Bonds	Principal Outstanding
2012 Series B (Federally Taxable)	\$ 52,160,000
2014 Series A (Federally Taxable)	27,015,000
2014 Refunding Series B	29,460,000
2015 Series A (Federally Taxable)	27,525,000
2015 Series B	86,030,000
2017 Series A	213,585,000
2017 Refunding Series B	107,270,000
2017 Refunding Series C (Federally Taxable)	10,430,000
2019 Series A	126,875,000
2019 Series B (Federally Taxable)	50,725,000
2021 Series A (Federally Taxable)	670,340,000
2022 Series A	278,995,000
2022 Series B (Federally Taxable)	19,890,000
Total Outstanding Second Program Bonds	<u><u>\$ 1,700,300,000</u></u>

Source - TSSBA as of June 30, 2024

AUTHORIZED AND OUTSTANDING REVOLVING CREDIT LOANS TENNESSEE STATE SCHOOL BOND AUTHORITY PROJECTS

The Projects that have been financed through the sale of debt primarily consist of student residence facilities, student activities centers, garage or parking adjuncts, stadiums, equipment, and land. Such Projects are income-generating enterprises for which there is imposed an appropriate fee or charge to be paid by the student, faculty, staff or other users of the respective Projects and such fees and charges are included in and comprise a part of the Fees and Charges.

The Authority has financed all or portions of 159 Projects with bonds - 73 of which are located on the five campuses of the University of Tennessee, 8 at Austin Peay State University, 23 at East Tennessee State University, 16 at Middle Tennessee State University, 7 at Tennessee State University, 14 at Tennessee Technological University, 15 at the University of Memphis, 1 at Chattanooga State Community College, and 2 at Columbia State Community College.

Additionally, the Authority has approved 16 Projects for financing through a Revolving Credit Facility - 8 of which are located on the five campuses of The University of Tennessee, 1 at East Tennessee State University, 6 at Middle Tennessee State University and 1 at Walters State Community College. The table below shows the amounts authorized for Projects at each institution for Revolving Credit Facility funding and the Revolving Credit Facility loans outstanding as of June 30, 2024.

Authority-Approved Projects For Revolving Credit Facility As of June 30, 2024

<u>Projects at Institutions</u>	<u>Projects Authorized</u>	<u>Revolving Credit Facility Issued</u>
University of Tennessee	\$ 473,802,735	\$ 45,913,524
Tennessee Board of Regents	<u>36,348,000</u>	<u>8,996,839</u>
Institution Totals	<u>\$ 510,150,735</u>	<u>\$ 54,910,363</u>
Revolving Credit Facility not allocated to Institutions as of June 30, 2023		<u>7,963,744</u>
Total Revolving Credit Facility Outstanding		<u>\$ 62,874,107</u>

TENNESSEE PUBLIC HIGHER EDUCATION

Tennessee Consolidated Retirement System - General

Employees of the University of Tennessee and the Board of Regents are authorized to participate in the Tennessee Consolidated Retirement System (“TCRS”), a defined benefit pension plan, pursuant to Tennessee Code Annotated Title 8, Chapter 35 except that employees exempt from the Federal Fair Labor Standards Act may waive membership in TCRS and elect to participate in the Optional Retirement Program (“ORP”), a defined contribution plan. The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers three large groups of public employees; state employees and higher education employees, K-12 teachers, and employees of certain local governments. As of June 30, 2024, there were 62,037 active members in TCRS in the state and higher education employee group. This total includes 20,481 employees of the University of Tennessee and the Board of Regents who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligations of the benefits provided by TCRS to state employees and higher education employees participating in the Legacy Pension Plan to the extent such obligations are not covered by employee contributions and investments earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. The Hybrid Retirement Plan provided to state employees and higher education employees hired after June 30, 2014, includes provisions to control employer contributions and unfunded liabilities. As such, plan provisions of the Hybrid Retirement Plan are automatically adjusted when employer contributions and/or unfunded liabilities exceed statutory limits. Employees hired on or before June 30, 2014, in the state and higher education group are noncontributory. New employees hired on or after July 1, 2014, contribute 5% of their salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan pursuant to Governmental Accounting Standards Board Statement No. 68 (“GASB 68”) and to determine the actuarially determined contributions (“ADC”). Effective June 30, 2015, the Board of Trustees adopted a funding policy whereby an actuarial valuation is conducted annually to determine the ADC rate for participating employers and to determine the information required by GASB 68 to be presented in financial statements. The actuarial valuation for June 30, 2015, and forward includes both the determination of employer contribution rates and accounting information.

The actuarially determined contribution rate includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

Tennessee Consolidated Retirement System - Actuarial Valuation GASB 68 Financial Status

An actuarial valuation was performed to determine the TCRS financial position in order to provide information related to Governmental Accounting Standards Board (GASB) pronouncements. At June 30, 2024, (measurement date of June 30, 2023), the net pension liability in the closed plan for the state and higher education employee group was \$1.1 billion, resulting in plan fiduciary net position as a percentage of total pension liability of 94.48%. For the same period, the net pension asset in the open plan for the state and higher education employee group was \$7.2 million, resulting in a funded ratio of 101.03%. A measurement date of the previous fiscal year end is used for GASB 68 purposes.

Pension Plan for Employees Hired on or before June 30, 2014 (Closed Plan)

Employees enrolled in the pension plan on or before June 30, 2014, do not make contributions to the plan. Eligibility to retire is age 60 or 30 years of service credit. Certain death and disability benefits are available. A member becomes vested after accruing 5 years of service credit. Retirees are eligible for automatic cost of living increases each July based on changes in the customer price index (“CPI”) but capped at 3%.

Higher education institutions are required to contribute at an actuarially determined contribution rate. The employer contribution rates are developed with each actuarial valuation and are delayed by one year for budget purposes. The June 30, 2022, actuarial valuation provided the employer contribution rates for the period July 1, 2023, through June 30, 2024. For the employees of Tennessee’s higher education institutions, the employer contribution rate for fiscal year 2024, stated as a percentage of salary, was 21.95%. For fiscal year 2025, the employer rate is 22.22%. Previously, actuarial valuations were performed every two years. Beginning June 30, 2015, the actuarial valuation is performed annually for both accounting purposes and funding purposes. The employer contribution requirements of the higher education institutions are established and may be amended by the TCRS Board of Trustees.

Employees enrolled in the ORP pension plan on or before June 30, 2014, do not make contributions to the plan. Employer contributions to the ORP are 10% of salary up to the social security wage base and 11% of salary above the social security wage base. Schedules of employer contribution rates and funding are shown below. Additionally, state and higher

education employees may participate on a voluntary basis in the state's 401K deferred compensation plan. For fiscal year 2023 and fiscal year 2024, employees are eligible to receive up to a \$100 monthly match from the employer.

New Retirement Plan for Employees Hired on or after July 1, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired on or after July 1, 2014, participate in a hybrid pension plan consisting of a defined benefit plan and a defined contribution plan. Employees contribute at 5% of salary to the defined benefit plan. Employees contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans is limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan. Employees are also eligible to participate in the state's 401K deferred compensation plan. For fiscal year 2023 and fiscal year 2024, employees are eligible to receive up to a \$100 monthly match from the employer.

The benefit accrual formula under the defined benefit plan is 1%. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90). Certain death and disability benefits are available. A member becomes vested after accruing 5 years of service credit. Retirees are eligible for automatic cost of living increases each July based on changes in the CPI but capped at 3%.

There is a stabilization reserve created for any employer contributions that exceed the ADC rate that will be utilized to control cost and unfunded liabilities. Federal government grant programs will only permit a reimbursement of the ADC.

The defined benefit component of the hybrid plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new hybrid plan and do not apply to the closed pension plan.

Employees enrolled in the ORP pension plan on or after July 1, 2014, contribute 5% of salary with employers contributing 9% of salary.

Summary of Employer Contributions for All Plans

Fiscal Year					
Ended	TCRS Employer	ORP Employer	DC Employer	Total Employer	
30-Jun	Contributions	Contributions	Contributions	Contributions	
2024	\$ 228,787,577	\$ 106,450,000	\$ 324,810,000	\$ 660,047,577	
2023	238,464,796	100,900,000	278,700,000	618,064,796	
2022	201,013,436	98,700,000	205,300,000	505,013,436	
2021	130,794,950	98,500,000	180,500,000	409,794,950	
2020	132,928,784	99,500,000	88,500,000	320,928,784	
2019	132,135,011	98,300,000	77,000,000	307,435,011	
2018	137,819,765	96,800,000	67,300,000	301,919,765	
2017	112,420,206	95,100,000	56,100,000	263,620,206	
2016	114,238,631	93,800,000	44,260,831	252,299,462	
2015	116,270,682	100,000,000	34,046,882	250,317,564	

For each year above, contributions made by the University of Tennessee and the Tennessee Board of Regents institutions equal the ADC.

TENNESSEE PUBLIC HIGHER EDUCATION

Other Post-Employment Benefits

GASB Statements (nos. 74 and 75) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits (“OPEB”). The latest actuarial valuation of the employee group OPEB plan (EGOP) is as of July 1, 2023, and includes OPEB costs attributable to the State and, separately, for certain of its component units (including the Boards) that are required to participate in the State retirement and benefit plans. The study, which used the entry age normal actuarial cost method, indicates for the fiscal year ended June 30, 2024, the net OPEB liability of the University of Tennessee would be approximately \$64,689,382, while the net OPEB liability of the State University and Community College System would be approximately \$67,306,334. The report may be viewed at [Other Postemployment Benefits \(tn.gov\)](https://tn.gov). Each participating employer in the plan, including the Boards, will be charged for their share of current and future OPEB costs through an actuarially determined contribution rate.

Prior to January 1, 2019, the State had not pre-funded any actuarially determined OPEB liability and instead used a pay-as-you-go funding arrangement for actual costs of OPEB liabilities incurred. However, pursuant to Sections 9-27-801, *et seq.* Tennessee Code Annotated, a trust (the “OPEB Trust”) was established and began operating effective January 1, 2019, whereby the State Employee Group Plan was converted to a prefunding arrangement where assets are accumulated in the OPEB Trust and benefit payments are made directly from the OPEB Trust. The State has the flexibility to adjust the benefits and premium sharing provisions provided by insurance plans and to adjust the various OPEB plan options and operations on an annual basis.

The trustees (the “Trustees”) of the OPEB Trust are the Commissioner of Finance and Administration, the chair of the Finance, Ways and Means Committee for the Senate, the chair of the Finance, Ways and Means Committee for the House of Representatives, and the State Treasurer, in his capacity as chair of the board of TCRS.

Tennessee State School Bond Authority
Second Program Bond Debt Service and Other
Requirements Secured by Financing Agreements
(Excluding Revolving Credit Facility)
(Expressed in Thousands)

Years Ending June 30	Bond Debt Service	Admin. Expense	Annual Debt Service and Admin. Expense ¹
2025	158,308	4,778	163,086
2026	156,342	4,461	160,803
2027	150,085	4,149	154,234
2028	140,656	3,849	144,505
2029	132,809	3,567	136,376
2030	129,796	3,302	133,098
2031	114,707	3,042	117,749
2032	113,387	2,813	116,200
2033	107,288	2,586	109,874
2034	104,404	2,371	106,775
2035	99,709	2,163	101,872
2036	99,708	1,963	101,671
2037	93,739	1,764	95,503
2038	91,593	1,576	93,169
2039	85,556	1,393	86,949
2040	83,736	1,222	84,958
2041	78,526	1,055	79,581
2042	76,304	897	77,201
2043	63,091	745	63,836
2044	58,159	619	58,778
2045	52,052	502	52,554
2046	44,360	398	44,758
2047	32,154	310	32,464
2048	32,151	245	32,396
2049	21,030	181	21,211
2050	21,031	139	21,170
2051	16,132	97	16,229
2052	16,131	65	16,196
2053	16,133	32	16,165
	<u>\$ 2,389,077</u>	<u>\$ 50,284</u>	<u>\$ 2,439,361</u>

Source - TSSBA as of June 30, 2024

¹ Also referred to as Annual Financing Charges

Tennessee State School Bond Authority
Principal Amount of Debt Outstanding by Institution
As of June 30, 2024

Institutions	Authority Debt		Total Debt
	Second Program Bonds	Revolving Credit Facility¹	
University of Tennessee	\$ 1,016,380,765	\$ 45,913,524	\$ 1,062,294,289
Tennessee Board of Regents	683,919,235	8,996,839	692,916,074
TOTAL	\$ 1,700,300,000	\$ 54,910,363	\$ 1,755,210,363

Source - TSSBA as of June 30, 2024

¹ Excludes \$7,963,744 outstanding in the Revolving Credit Facility which was not yet allocated to Institutions as of June 30, 2024