



# State of North Carolina

## Department of State Treasurer

RICHARD H. MOORE  
TREASURER

*State and Local Government Finance Division  
and the Local Government Commission*

T. VANCE HOLLOMAN  
DEPUTY TREASURER

**Memorandum # 1102**

May 19, 2008

**TO:** Local Government Officials and Their Independent Auditors

**FROM:** Sharon Edmundson, Director, Fiscal Management

**SUBJECT:** Sample Resolution, Investment in State Treasurer's OPEB Trust Fund

Passed by the legislature in 2007, G.S. 147-69.4 established the Local Government Other Post Employment Benefits (OPEB) Fund to allow local governments in North Carolina to more broadly invest funds set aside to fund their liabilities resulting from the payment of OPEB. The Fund will be administered by the Department of State Treasurer (DST) and is permitted to invest in both equities and fixed income securities. The investment focus of the Fund is intended to be long-term. This investment fund is established as an irrevocable trust fund to satisfy the requirements of GASB Statement No. 45, and is open to all local governments in North Carolina that wish to fund either in whole or in part their OPEB liability.

In order to consider moneys set aside for OPEB funding in the calculation of the net OPEB liability, units must set those funds aside in an irrevocable trust. (Funds paid out during the year for benefits also are considered in the calculation.) Units are permitted to establish their own irrevocable trusts other than the OPEB Trust Fund established by DST. However, those units are limited in their investments of these funds to the investments permitted by G.S. 159-30. Funds not held in an irrevocable trust are not included in the net OPEB liability calculation.

Attachment A to this memorandum is a sample local governing board resolution to invest in the Fund. Local government boards should adopt a similar resolution to authorize their units to invest in the Fund. We strongly recommend that each unit have its appointed attorney review their document prior to adoption by their board. The resolution must be adopted prior to the unit making its first investment in the Fund.

More documents are forthcoming regarding the Fund, including the investment agreement and certification that moneys are to be withdrawn only for payment of OPEB benefits. Units that invest in the Fund also will open a Short Term Investment Fund (STIF) account to facilitate moving money into the OPEB Fund. Units may make deposits to the STIF account at any time, but, funds will be moved to and from the STIF and the OPEB Fund only on the first business day of the month. The investment agreement is written such that an investment in the STIF for transfer to the OPEB Fund will be considered part of the irrevocable trust.

Investments in the OPEB Fund should be money the unit is planning to invest for long periods of time, as the investment focus of this Fund will be long-term. Units should keep funds that will be used to pay benefits or premiums in the short-term or through pay-as-you-go in more short term investments. By keeping moneys in the Fund for longer periods, units should be able to experience

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longer term investment returns, which will lower their OPEB liability. Units will have the opportunity to withdraw from the OPEB Trust twice a year after the first year a unit is invested in the fund. The minimum initial investment is \$100,000. Units will be required to give at least 5 days notice of either an investment in or withdrawal from the Fund. A management fee of 10 basis points annually will be charged against the Fund.

Each unit will designate a staff member that is responsible for the administration of its account with the OPEB Fund. The Department of State Treasurer will be responsible for determining the allocation of investments in the OPEB Fund between equity and debt.

Again, more documents are forthcoming on this Fund. If you have any questions or comments regarding the OPEB Fund, please contact Sharon Edmundson at (919)807-2380 or [sharon.edmundson@nctreasurer.com](mailto:sharon.edmundson@nctreasurer.com).

**Sample Form of Resolutions for Local Governments, Public Authorities and Other Entities (“Participants”) Eligible to Participate in the Local Government Other Post-Employment Benefits Fund (“OPEB Fund”)**

**[This is only a sample, which may not be suitable for the use of particular Participants in the OPEB Fund. Please modify as applicable.]**

WHEREAS, the Local Government Other Post-Employment Benefits Fund (the “OPEB Fund”) established pursuant to North Carolina General Statutes (“NCGS”) Section 147-69.4 consists of contributions made by local governments, public authorities and other entities authorized to make contributions to the OPEB Fund (“Participants”), which contributions are irrevocable;

WHEREAS, the assets of the OPEB Fund are not subject to the claims of creditors of any Participants and may only be withdrawn by a Participant to provide other post-employment benefits to individuals, who are former employees, or beneficiaries of former employees of the Participant, and who are entitled to other post-employment benefits payable by the Participant within the meaning of NCGS Section 147-69.4; and

WHEREAS, the **[Governing Body]** of **[Participant]** has determined that it is advisable and in the best interests of **[Participant]** to make contributions to the OPEB Fund, as provided in that certain Contribution Agreement between **[Participant]** and the Treasurer, the form of which has previously been made available to the **[Governing Body]** of **[Participant]** (the “Contribution Agreement”).

NOW, THEREFORE, BE IT RESOLVED, that the **[Governing Body]** hereby acknowledges and approves an initial contribution of \$\_\_\_\_\_ to the OPEB Fund (the “Contribution”) pursuant to the terms and conditions of the Contribution Agreement between **[Participant]** and the Treasurer in the form presented to the **[Governing Body]**;

FURTHER RESOLVED, that the appropriate officers, managers, and representatives of **[Participant]** (the “Authorized Representatives”) are hereby authorized and directed to execute and deliver the Contribution Agreement, to take any other actions deemed necessary or appropriate to consummate the transactions provided for therein, and to cause the Contribution to be made;

FURTHER RESOLVED, that all actions heretofore taken by any of the Authorized Representatives of **[Participant]** acting on behalf of **[Participant]** in furtherance of the foregoing resolutions are hereby ratified, adopted, approved and confirmed in all respects; and

FURTHER RESOLVED, that the Authorized Representatives of **[Participant]** acting on behalf of **[Participant]** are hereby authorized to take all such other actions as they may deem necessary or appropriate to give effect to the foregoing resolutions.