



RICHARD H. MOORE
TREASURER

State of North Carolina

Department of State Treasurer

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

T. VANCE HOLLOMAN
DEPUTY TREASURER

Memorandum # 1103

June 13, 2008

TO: All Local Government Finance Officers and Independent Auditors

FROM: Sharon Edmundson, Director, Fiscal Management

SUBJECT: North Carolina Department of State Treasurer's Local Government Other Post Employment Benefits (OPEB) Fund

As permitted by G.S.147-69.2 and G.S. 147-69.4, the Department of State Treasurer (DST) has created the Local Government OPEB Fund to be used by local governments, public authorities and certain other entities in North Carolina that choose to fund all or part of their annually required contribution for other post-employment benefits provided to former employees or beneficiaries of former employees of the contributing unit. Participation in this fund is completely voluntary but all units should be aware of several facts as follows:

- Unless a unit has expanded investment authority given to it by legislation, it must abide by G.S. 159-30 in investing all funds, including those set aside for OPEB funding. Participation in the Treasurer's OPEB Fund is the only exception to that requirement unless the unit has specific expanded investment authority.
- The Treasurer's OPEB Fund will be invested in investments as permitted by G.S. 147-69.2.
- Once a unit sets funds aside in an irrevocable trust, whether through the Treasurer's OPEB Fund or through some other investment permitted by G.S. 159-30.1, it must implement GASB Statement 43. We encourage units that choose to fund to do so in the year they implement GASB Statement 45. In this way Statements 43 and 45 are implemented simultaneously.
- Funding is voluntary, whether through the Treasurer's OPEB Fund or other irrevocable trust but once funds are deposited they may only be used to fund OPEB benefits.

GASB 45 is being implemented in phases over a three year period with Phase I governments implementing as of June 30, 2008. Phase II will implement as of June 30, 2009, and Phase III as of June 30, 2010. Units are divided into the same groups as for implementation of GASB 34. Early implementation is permitted. Please see Memorandum # 1064 for more information on implementation.

In order to participate in the Treasurer's OPEB Fund, units also must open an account in the Short Term Investment Fund (STIF) with DST. Funds will move in and out of the Treasurer's OPEB Fund through the unit's STIF account. Funds can go into the STIF account at any time; in each month except June all funds deposited at least 5 business days prior to month end (or give notice of intent to deposit including date and amount) will move to the Treasurer's OPEB Fund on the first day of the month following deposit, along with interest earned on the STIF funds from the date of investment to the first of the following month. At that point, funds are invested in the irrevocable trust as required by GASB Statement 45. Funds deposited in June, at least 5 business days prior to month end (or give notice of intent to deposit including date and amount) will move from the individual STIF funds to an OPEB STIF Fund on June 30 in order to allow units to deposit their funds in the irrevocable trust by fiscal year end. As a result, on June 30 those funds would be considered to be in the irrevocable trust as required by GASB Statement 45.

Included with the memorandum are the contribution agreement, the application for participation in the STIF, and a sample resolution for local governments to use with their local board. Units must have their own boards adopt a resolution authorizing the finance officer or other designated staff to open the STIF account and participate in the Treasurer's OPEB Fund. Assuming a unit has no other OPEB investments, these agreements will be sufficient to establish the irrevocable trust requirement set by GASB in Statement No. 45.

Some important points to note in the contribution agreement:

- The minimum initial deposit is \$100,000. The minimum balance in the account is \$100,000 unless overall market valuation has caused it to drop below \$100,000.
- Subsequent deposits must be made in \$25,000 increments.
- Deposits may be made at any time but will only move to the OPEB Fund on the first of the month or on June 30, if the deposit, or notice of intent to deposit, is received at least 5 business days prior to month end. All deposits made by June 30 will be contributed to the OPEB Fund by that date, as long as the notice of intent to deposit is given, including date and amount, by June 23, or the actual deposit is made by that date.
- Each unit is permitted two withdrawals per year from the OPEB Fund after the first year, with provisions made for emergencies. Withdrawals must be made on the first of the month with a minimum of 5 business days notice.
- Each unit must certify that any funds withdrawn from the OPEB Fund will be used to provide other post employment benefits for its retirees or their beneficiaries.
- The OPEB Fund is an investment vehicle, not an OPEB plan. DST will not administer any benefits.
- Units will receive a quarterly statement reflecting their activity in the Fund.
- Units must notify DST of the intent to deposit at least 5 business days prior to the first of the month in order to move funds to the OPEB Fund on the first of the month. This intent can be made known either by actually depositing funds to the unit's STIF account or by notifying DST in writing of the amount of deposit and the expected date .

Units should review the documents with their local counsel. Please return all signed documents to Brad Bullock (919 508-5964) in the Financial Operations Division of the DST. The STIF account

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must be open before the unit can begin making deposits. If there are any questions or concerns please contact Sharon Edmundson at (919) 807-2381 or sharon.edmundson@nctreasurer.com.