



**STATE OF TENNESSEE  
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To: Tennessee Local Government Officials:

The General Assembly approved Chapter 771 of the Public Acts of 2006 in May 2006. This Act is known as the "Other Post Employment Benefit (OPEB) Investment Trust Act of 2006". This Act authorizes and sets conditions for political subdivisions of the State of Tennessee to establish an investment trust for the purpose of pre-funding OPEB obligations. One of the conditions of the Act is that the proposed trust agreement be submitted to and approved by the State Funding Board.

To assist local government units with the process of establishing an acceptable trust document the following model documents have been developed and are posted on the State Funding Board website, <http://comptroller.state.tn.us/bf/sfb.htm>  
At that site you will find a:

- Model OPEB Trust Agreement
- Model OPEB Trust Investment Policy
- Model Governing Body Resolution

The State Attorney General has advised us that there is a reasonable basis for using this model agreement and a reasonable argument can be made that the investment of a local government's OPEB trust assets in equity stocks does not violate Article II, Section 29 of the Tennessee Constitution. The Attorney General did emphasize that there are three essential conditions to this conclusion.

1. The trust is irrevocable.
2. The trust grants beneficiaries, vested, ascertainable rights in trust assets if the local government terminates or substantially modifies its post-employment benefits plan.

