



November 23, 2024

Unfunded Pension or Other Post Employment Benefits (OPEB)

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Anne Dallas Dudley Boulevard, Suite 400
Nashville, Tennessee 37219
615.532.3555 phone
615.532.3699 fax
www.ctas.tennessee.edu

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Reference Number: CTAS-1760

Unfunded pensions and Other Post Employment Benefits (OPEB) are considered an obligation of a county, and generally are long term in nature. These obligations were established when a government made promises to employees to be paid out at a future time with future revenues. These promises, in one sense, are no different than the current promise to pay obligations of notes, bonds and leases. However, the treatment of unfunded pensions and OPEB are entirely different. Further, most Tennessee county governments are members of the Tennessee Consolidated Retirement System that holds the retirement assets, and thus these liabilities. If any unfunded pensions exist, they are held by the retirement system. County obligations, if any, are OPEB. An example is when a county has promised retired employees that the local government will pay a portion of the health insurance premium until the retired employees are Medicare eligible. Thus the employee is no longer working, but is receiving benefits where the cost of the benefits has not been set aside into a trust. Tennessee law allows a local government to issue debt for certain unfunded pension obligation (reference T.C.A. § 9-21-127).

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