Session of 2025

SENATE BILL No. 232

By Committee on Federal and State Affairs

2-6

AN ACT concerning retirement and pensions; relating to management and investment by the board of trustees of the Kansas public employees retirement system of moneys certified by the state treasurer as equivalent to the aggregate net amount received for unclaimed property; modifying investment standards; authorizing investments in certain foreign governments; amending K.S.A. 2024 Supp. 75-2263 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2024 Supp. 75-2263 is hereby amended to read as follows: 75-2263. (a) (1) The state treasurer shall certify to the board of trustees a portion of state moneys available for investment by the pooled money investment board that is equivalent to the aggregate net amount received for unclaimed property. The state treasurer may transfer the amount certified to the board of trustees. All such moneys shall be considered moneys in the state treasury for purposes of K.S.A. 75-6704, and amendments thereto.

(2) Subject to the provisions of subsection (h), the board of trustees is responsible for the management and investment of that portion of state moneys available for investment by the pooled money investment board that is certified by the state treasurer to the board of trustees as being equivalent to the aggregate net amount received for unclaimed property and shall discharge the board's duties with respect to such moneys solely in the interests of the state general fund and shall invest and reinvest such moneys and acquire, retain, manage, including the exercise of any voting rights and disposal of investments of such moneys within the limitations and according to the powers, duties and purposes as prescribed by this section.

(b) Moneys specified in subsection (a) shall be invested and reinvested to achieve the investment objective, which is preservation of such moneys and accordingly providing that the moneys are as productive as possible, subject to the standards set forth in this section. No such moneys shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

(c) In investing and reinvesting moneys specified in subsection (a) and in acquiring, retaining, managing and disposing of investments of the

moneys, the board of trustees shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing that persons of prudence, discretion and intelligence acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the moneys so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar moneys, considering the probable income as well as the probable safety of their capital.

(d) In the discharge of such management and investment responsibilities the board of trustees may:

(1) Contract for the services of one or more professional investment advisors or other consultants in the management and investment of such moneys and otherwise in the performance of the duties of the board of trustees under this section; ~~and~~

(2) arrange for the custody of such moneys as the board of trustees considers advisable with one or more member banks or trust companies of the federal reserve system or with one or more banks in the state of Kansas, or both, to be held in safekeeping by the banks or trust companies for the collection of the principal and interest or other income or of the proceeds of sale*; and*

(3) invest in bonds, notes, debentures or other similar obligations of a foreign government that the international monetary fund lists as an industrial country and for which the full faith and credit of such nation has been pledged for the payment of principal and interest so long as such security shall be rated at least A- or better by Standard and Poor's corporation or A3 or better by Moody's investors service or an equivalent investment grade by a securities rating organization accepted by the national association of insurance commissioners. The investment in such foreign securities at any one time shall not exceed 5% of the cash available for investment that may be invested pursuant to this section. Under no circumstances shall investments be made in bonds, notes, debentures or any similar obligations of a foreign government that is:

(A) Identified as a state sponsor of terrorism by the United States department of state; or

(B) an authoritarian or totalitarian government the sovereign powers of which are exercised through a single person or group of persons who are not elected by any form of legitimate popular voting.

(e) The board of trustees shall require that each person contracted with under subsection (d)*(1) or (2)* to provide services shall obtain commercial insurance that provides for errors and omissions coverage for such person in an amount to be specified by the board of trustees. The

amount of such coverage specified by the board of trustees shall be at least the greater of $500,000 or 1% of the funds entrusted to such person up to a maximum of $10,000,000. The board of trustees shall require a person contracted with under subsection (d) to provide services to give a fidelity bond in a penal sum as may be fixed by law or, if not so fixed, as may be fixed by the board of trustees, with corporate surety authorized to do business in this state. Such persons contracted with the board of trustees pursuant to subsection (d) and any persons contracted with such persons to perform the functions specified in subsection (b) shall be deemed to be fiduciary agents of the board of trustees in the performance of contractual obligations.

(f) (1) Subject to the objective set forth in subsection (b) and the standards set forth in subsection (c), the board of trustees shall formulate and adopt policies and objectives for the investment and reinvestment of such moneys and the acquisition, retention, management and disposition of investments of the moneys. Such policies and objectives shall be in writing and shall include:

(A) Specific asset allocation standards and objectives;

(B) establishment of criteria for evaluating the risk versus the potential return on a particular investment; and

(C) a requirement that all investment advisors, and any managers or others with similar duties and responsibilities as investment advisors, shall immediately report all instances of default on investments to the board of trustees and provide such board of trustees with recommendations and options, including, but not limited to, curing the default or withdrawal from the investment.

(2) The board of trustees shall review such policies and objectives, make changes considered necessary or desirable and readopt such policies and objectives on an annual basis.

(g) All interest or other income of the investments of the moneys invested under this section, after payment of any management fees, shall be deposited in the state treasury to the credit of the state general fund.

(h) The state treasurer shall maintain the discretionary authority to liquidate some or a portion of such moneys transferred to the board of trustees pursuant to subsection (a) for:

(1) Investment by the pooled money investment board; or

(2) necessary payments to owners as defined in K.S.A. 58-3934(m), and amendments thereto.

(i) As used in this section:

(1) "Board of trustees" means the board of trustees of the Kansas public employees retirement system established by K.S.A. 74-4905, and amendments thereto.

(2) "Fiduciary" means a person who, with respect to the moneys

invested under this section:

(A) Exercises any discretionary authority with respect to administration of the moneys;

(B) exercises any authority to invest or manage such moneys or has any authority or responsibility to do so;

(C) provides investment advice for a fee or other direct or indirect compensation with respect to such moneys or has any authority or responsibility to do so;

(D) provides actuarial, accounting, auditing, consulting, legal or other professional services for a fee or other direct or indirect compensation with respect to such moneys or has any authority or responsibility to do so; or

(E) is a member of the board of trustees or of the staff of the board of trustees.

(3) "Pooled money investment board" means the pooled money investment board established by K.S.A. 75-4221a, and amendments thereto.

Sec. 2. K.S.A. 2024 Supp. 75-2263 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.