

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by REPRESENTATIVE DAVID F. LOUIS, CHAIRMAN at
Chairperson

9:00 a.m. Tuesday, March 4, 1986 in room 527-S of the Capitol.
a.m./p.m. on _____

All members were present except: all present

Committee staff present:

Richard Ryan
Alan Conroy
Gordon Self
Rosalie Black

Conferees appearing before the committee:

Representative Michael Peterson; Marshall Crowther, Executive Director of KPERS; Richard Ryan, Kansas Legislative Research Department

The meeting was called to order by Representative David Louis, Chairman, to hear House Bill 2969 and House Bill 2970. Committee discussion and possible action on matters previously heard was also scheduled.

House Bill 2969 - Hearing

Representative Michael Peterson explained HB 2969 would allow a 10% retirement increase for the Kansas City police or fire plan. He added that changing the date in Line 29 from July 1, 1986, to July 1, 1982, would decrease the fiscal note for the bill.

Richard Ryan, Kansas Legislative Research Department, told the committee the way the bill is drafted in increasing benefits to 10% and increasing retirant's benefits to \$500 if the benefit is presently less than \$500 per month would cost the city \$288,000. The cost would escalate annually in direct proportion to the increase in covered payroll.

Marshall Crowther, Executive Director of KPERS, testified the amendment offered by Representative Peterson would reduce the fiscal note on HB 2969 and his office will present the change of cost to the committee at a later date.

House Bill 2970 - Hearing

Representative Peterson said enactment of HB 2970 would exempt retirement benefits paid to any employee of a municipally owned utility

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 527-S, Statehouse, at 9:00 a.m. on March 4, 1986
a.m./p.m. on _____, 19____

House Bill 2970 - Hearing - con't.

in cities having a population in excess of 120,000 from state and local taxes. In addition, the bill would provide that payments would not be subject to garnishment.

At the suggestion of Marshall Crowther, Mr. Crowther and Richard Ryan will supply the committee with a list of treatment of benefits of public employees under private plans in reference to taxation.

House Bill 2635 - Action

Richard Ryan discussed a list of securities of U.S. sponsored corporations which under federal law may be accepted as security for public funds. Attachment 1.

Representative R.H. Miller moved to adopt an amendment requested by Joan Finney to make the act effective upon publication in the Kansas Register and to adopt an amendment re-wording the bill with language from the municipal level; seconded by Representative Dyck. The motion carried. Attachment 2.

Representative Williams moved to report HB 2635 favorable for passage as amended; seconded by Representative Wisdom. The motion carried.

The meeting adjourned at 9:45 a.m.



Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

Tues., 3-4-76

NAME	ADDRESS	ORGANIZATION	BILL NO.
James J. Pauly	Wamego	KHP	2969
TERRY STEVENS	TOPEKA	TOPEKA P.D.	"
DANNIS STICKLEY	KCK	CITY OF KCK	2969
Mike Hammond	Topeka	KNEA	

MEMORANDUM

March 3, 1986

TO: House Committee on Pensions, Investments, and Benefits

FROM: Kansas Legislative Research Department

SECURITIES ELIGIBLE FOR PLEDGING UNDER
THE STATE MONEYS LAW

K.S.A. 75-4201 contains a listing of securities which may be pledged for state bank accounts under the state moneys law. Among other things, eligible securities include "Direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof." In Opinion No. 86-20 (February 13, 1986), the Kansas Attorney General said that the following obligations fall within that definition:

1. U.S. treasury bills, notes, and bonds.
2. Of the Government National Mortgage Association (GNMA).
3. Of the Farmers Home Administration.
4. Guarantee of trust certificates of the Small Business Administration.
5. Community Development Corporation -- bonds, notes, debentures, etc., issued by or on behalf of private noncommunity developers and state development agencies pursuant to programs approved by the Secretary of Housing and Urban Development.
6. Certain bonds of the TVA, i.e., those fully and unconditionally guaranteed by the United States.
7. Of the Federal Housing Administration, to the extent any obligations thereof are still outstanding. (The functions, powers, and duties of the FHA were transferred to the Secretary of Housing and Urban Development in 1965.)
8. Of the Federal Home Loan Mortgage Corporation (FHLMC) to the extent the obligations are backed by GNMA.

The same opinion of the Attorney General said that obligations of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Banks are not eligible for pledging under the state moneys law because they are not direct obligations of or insured by the United States Government or one of its agencies.

In a previous opinion (No. 86-13; February 6, 1986), the Attorney General stated that federal land banks, land bank associations, production

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3/4/86*

Attachment I

Byron

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Not covered
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Attachment 1

credit associations, intermediate credit banks, and banks for cooperatives, all of which are part of the Farm Credit System, are "federally chartered instrumentalities," not federal agencies, and thus their obligations are not eligible for pledging under the state moneys law.

Obligations referred to in the preceding two paragraphs are, however, eligible securities for pledging at the local government level in Kansas because K.S.A. 9-1402(d)(1) was amended in 1983 to include "obligations and securities of United States sponsored corporations which under federal law may be accepted as security for public funds." It has been suggested that 1986 H.B. 2635 be amended to incorporate that same language in K.S.A. '75-4201(p)(1) so that the state moneys law and the law applicable to local units of government would be in harmony. If that were done, obligations of FNMA, Federal Home Loan Banks, and the various components of the Farm Credit System would be eligible for pledging under the state moneys law, based on the two recent opinions of the Attorney General.

A member of the Committee asked about other obligations that are or would be eligible for pledging under the state moneys law if it were amended as indicated above. The Research Department contacted a staff member of the 1st Boston Corporation in New York who provided the following list of entities not previously identified, based on currently marketable securities:

1. Export-Import Bank
2. Student Loan Marketing Association
3. U.S. Postal Service
4. Family Housing and Home Owners Assistance Agency of the U.S. Defense Department
5. General Services Administration
6. Maritime Administration
7. Washington Metro Area Transit Authority (no longer issues)
8. Federal Financing Bank (has made only one issue to the public and that was some years ago)

Obligations of none of the above have been accepted for pledging under the state moneys law and, with possibly one exception, none have been offered by Kansas banks, in the memory of the executive officer of the Pooled Money Investment Board.

It should be noted that the number of United States sponsored corporations changes from time to time. Both old and new ones must be reviewed with respect to the statutes that create them and to the nature of the obligations they issue in order to determine whether their securities are eligible for pledging.

Joan Finney

TREASURER



STATE OF KANSAS

700 HARRISON
P.O. Box 737
TOPEKA, KANSAS 66601-0737

TELEPHONE
(913) 296-3171

February 29, 1986

The Honorable David Louis
Chairman
House Pension and Investments Committee
Room 431 N
Capitol Building
Topeka, Kansas

Dear Representative Louis:

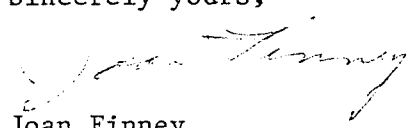
I understand your committee worked on HB 2635 on Thursday, February 27th.

I would like to express support of this bill if amended to include obligations and securities of United States sponsored corporations which under federal law may be accepted as security for public funds.

Also, an amendment to make the act effective upon publication in the Kansas Register is needed. This would enable banks to leave current pledges of Farm Credit System issues, Federal National Mortgage Association issues and Federal Home Loan Bank issues with the treasurer rather than withdraw them and repledge after July 1.

Thank you for your work on this bill and please call me if you have any questions regarding the enclosed ballon bill.

Sincerely yours,


Joan Finney

JF:SMS:gw

Enclosure

HOUSE BILL No. 2635

By Representative Fox

1-6

PROPOSED AMENDMENTS TO HOUSE BILL NO. 2635

0016 AN ACT relating to state moneys; concerning the investment
0017 thereof; amending K.S.A. 75-4201 and repealing the existing
0018 section.

0019 *Be it enacted by the Legislature of the State of Kansas:*

0020 Section 1. K.S.A. 75-4201 is hereby amended to read as fol-
0021 lows: 75-4201. As used in this act, unless the context otherwise
0022 requires:

0023 (a) "Treasurer" means state treasurer.

0024 (b) "Controller" means director of accounts and reports.

0025 (c) "Board" means the pooled money investment board.

0026 (d) "Bank" means a state or national bank or trust company
0027 doing business within the state of Kansas.

0028 (e) "State moneys" means all moneys in the treasury of the
0029 state or coming lawfully into the possession of the treasurer.

0030 (f) "Custodial moneys" means state moneys deposited with
0031 the treasurer which, in the written opinion of the attorney gen-
0032 eral, are required by contract, bequest or law to be segregated
0033 from other bank accounts.

0034 (g) "Special moneys" means moneys which are required to
0035 be or are deposited in a custodial bank account or a fee agency
0036 account by the state or any agency thereof.

0037 (h) "State bank account" means state or special moneys de-
0038 posited in a designated bank in accordance with the provisions of
0039 this act.

0040 (i) "Active account" means a state bank account which (1) is
0041 payable or withdrawable, in whole or in part, on demand, and (2)
0042 is in a bank not having an inactive account.

0043 (j) "Inactive account" means a state bank account which is
0044 not payable on demand but shall not include custodial accounts.

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0045 (k) "Time deposit, open account" means a state bank account
 0046 which is a deposit, other than a time certificate of deposit, with
 0047 respect to which there is in force a written contract which
 0048 provides that neither the whole nor any part of such deposit may
 0049 be withdrawn, by check or otherwise, prior to the date of matur-
 0050 ity or the expiration of the period of notice which must be given
 0051 by the board in writing.

0052 (l) "Custodial account" means a state bank account of cus-
 0053 todial moneys.

0054 (m) "Fee agency account" means a state bank account of any
 0055 state agency consisting of fees, tuition or charges authorized by
 0056 law prior to remittance to the state treasurer.

0057 (n) "Disbursement" means a payment of any kind whatso-
 0058 ever made from the state treasury or from any active account,
 0059 except transfer of state or special moneys between or among
 0060 active accounts and inactive accounts or either or both of them.

0061 (o) "Interest period" means three months commencing on
 0062 the date an inactive account is initially deposited, and each three
 0063 months thereafter, and in the case of time deposit, open accounts
 0064 means the period of the deposit but not exceeding three months.

0065 (p) "Securities" means any one or more of the following:

0066 (1) Direct obligations of, or obligations that are insured as to
 0067 principal and interest by, the United States government or any
 0068 agency thereof.

0069 (2) Kansas municipal bonds which are general obligations of
 0070 the municipality issuing the same.

0071 (3) Revenue bonds of any agency or arm of the state of
 0072 Kansas.

0073 (4) Revenue bonds of any municipality, as defined by K.S.A.
 0074 10-101, and amendments thereto, within the state of Kansas or
 0075 bonds issued by a public building commission as authorized by
 0076 K.S.A. 12-1761, and amendments thereto, if approved by the
 0077 state bank commissioner, except (A) bonds issued under the
 0078 provisions of K.S.A. 12-1740 et seq., and amendments thereto,
 0079 unless such bonds are rated at least MIG-1 or Aa by Moody's
 0080 Investors Service or AA by Standard & Poor's Corp. and (B)
 0081 bonds secured by revenues of a utility which has been in opera-

and obligations and securities of United States sponsored corporations
 which under federal law may be accepted as security for public funds

0082 tion for less than three years. Any expense incurred in connec-
0083 tion with granting approval of revenue bonds shall be paid by the
0084 applicant for approval.

0085 (5) Temporary notes of any municipal corporation or quasi-
0086 municipal corporation within the state of Kansas which are
0087 general obligations of the municipal corporation or quasi-mu-
0088 nicipal corporation issuing the same.

0089 (6) Warrants of any municipal corporation or quasi-municipal
0090 corporation within the state of Kansas the issuance of which is
0091 authorized by the state board of tax appeals and which are
0092 payable from the proceeds of a mandatory tax levy.

0093 (7) Bonds of any municipal or quasi-municipal corporation of
0094 the state of Kansas which have been refunded in advance of their
0095 maturity and are fully secured as to payment of principal and
0096 interest thereon by deposit in trust, under escrow agreement
0097 with a bank, of direct obligations of, or obligations the principal
0098 of and the interest on which are unconditionally guaranteed by,
0099 the United States of America. A copy of such escrow agreement
0100 shall be furnished to the treasurer.

0101 ~~[(8) Federal farm credit banks consolidated system wide~~
0102 ~~bonds and notes of the federal farm credit banks funding cor-~~
0103 ~~poration.]~~

0104 ~~(8)~~ ~~[(9)]~~ All of such securities shall be current as to interest
0105 according to the terms thereof.

0106 ~~(9)~~ ~~[(10)]~~ Whenever a bond is authorized to be pledged as a
0107 security under this section, such bond shall be accepted as a
0108 security if: (i) In the case of a certificated bond, it is assigned,
0109 delivered or pledged to the holder of the deposit for security; (ii)
0110 in the case of an uncertificated bond, registration of a pledge of
0111 the bond is authorized by the system and the pledge of the
0112 uncertificated bond is registered; or (iii) in a form approved by
0113 the attorney general, which assures the availability of the bond
0114 proceeds pledged as a security for public deposits.

0115 Sec. 2. K.S.A. 75-4201 is hereby repealed.

0116 Sec. 3. This act shall take effect and be in force from and
0117 after its publication in the statute book.

(8)

(9)