

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:07 a.m. on February 7, 1995 in Room 529-S of the Capitol.

All members were present.

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary
Bruce Kinzie, Revisor of Statutes
Richard Ryan, Legislative Research Department

Conferees appearing before the committee: James Maag, Kansas Bankers Association
Jim Reardon, Kansas Association of Counties
Norm Wilks, Kansas Association of School Boards
Chris McKenzie, League of Kansas Municipalities
Sally Thompson, State Treasurer

Others attending: See attached list

Senator Steffes made a motion to approve the minutes of the meeting of February 6 as submitted. Senator Petty seconded the motion; the motion carried.

Senator Hensley requested introduction of a bill to make it a class A nonperson misdemeanor to maliciously circulate false rumors concerning the financial status of the Municipal Investment Pool. (Attachment #1) Senator Hensley moved to introduce the bill. Senator Petty seconded the motion; the motion carried.

James Maag, Kansas Bankers Association, appeared before the committee to request introduction of legislation relating to purchase of life insurance policies on banks' executive officers and directors. (Attachment #2) Senator Praeger made a motion, seconded by Senator Steffes to introduce this bill. The motion carried.

The hearing continued on **SB 9**, with Jim Reardon, Kansas Association of Counties, testifying before the committee that his association is strongly supportive of the MIP and that he is in agreement with statutorily requiring monthly reports, with restructuring the PMIB and retaining a financial expert. (Attachment #3) Mr. Reardon, however, strongly urged the committee to carefully consider the restructuring efforts and internal policy changes that are currently underway before enacting "corrective" legislation.

Chairman Bond asked Mr. Reardon why he had included clarifying KSA 12-1677a to either authorize or prohibit the operation of multiple municipal investment portfolios within the MIP in his suggested changes, and Mr. Reardon responded that this was included in the Post Audit Report and he felt it should be addressed.

Senator Steffes questioned Mr. Reardon's statement that no one can anticipate the problems experienced by the MIP in 1994 since counties doing their own investing did not suffer losses because they matched maturities of deposits to maturity of investments. Senator Steffes also asked Mr. Reardon for his opinion regarding using idle funds to support the MIP and Mr. Reardon said that he thought it was appropriate for the State Treasurer to use idle funds to manage risk.

In response to Mr. Carman's question, Mr. Reardon explained that the language, "The PMIB should implement adjustments to 'make whole' the state idle funds pool," contained in #2, page 2 of his testimony was suggested to make restitution for any loss suffered by the idle funds pool.

Norm Wilks, Kansas Association of School Boards, appeared in support of the MIP and urged caution in proceeding with statutory changes. (Attachment #4) Senator Steffes observed that the law of risk and return cannot be repealed; however, if the MIP is to benefit from the returns, pool members must be prepared to accept the risk involved and that a wall should be established so that idle funds can never be available to protect the investments of the MIP.

There being no further questions and no other conferees, the hearing on **SB 9** was closed. The committee spent the remaining committee time considering the proposals suggested by Mr. McKenzie of the League of Kansas Municipalities. (Attachment #5) The Chairman then referred **SB 9** to a subcommittee.

The committee adjourned at 10:00 a.m. The next meeting is scheduled for February 8, 1995.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 2/7/95

NAME	REPRESENTING
John Hanna	Associated Press
Alan STEPPAT	PETE MCGILL + Assoc.
Kathy Taylor	Ks Bankers Assn
Jim May	KBA
Bill Cotton	PMIB
Chuck Stones	KBA
Sue Bond	
Keith Quinalty	Legislative Intern
Linda J. McCullery	Ks Insurance Dept.
Jim RARDON	Ks Assn of Counties.
Norm Wicks	KASB
Lanille Hae	KCUA
Roger Franke	FFC
Paul Davis	Senator Hensley
Wm. GRANT JR	OFFICE STATE BANK Comm
Roy Green	Legis Post Audit

SENATE BILL NO. _____

By Senator Hensley

AN ACT relating to crimes and punishment; concerning maliciously circulating false rumors concerning financial status of the municipal investment pool fund; amending K.S.A. 1994 Supp. 21-4005 and repealing the existing section.

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

Section 1. K.S.A. 1994 Supp. 21-4005 is hereby amended to read as follows: 21-4005. (a) Maliciously circulating false rumors concerning financial status is maliciously and without probable cause circulating or causing to be circulated any false rumor with intent to injure the financial standing or reputation of the municipal investment pool fund, established pursuant to K.S.A. 1994 Supp. 12-1677a, and amendments thereto, or any bank, financial or business institution or the financial standing of any individual in this state, or making any statement or circulating or assisting in circulating any false rumor or report for the purpose of injuring the financial standing of the municipal investment pool fund, established pursuant to K.S.A. 1994 Supp. 12-1677a, and amendments thereto, or any bank, financial or business institution or of any individual in this state.

(b) Maliciously circulating false rumors concerning financial status is a class A nonperson misdemeanor.

Sec. 2. K.S.A. 1994 Supp. 21-4005 is hereby repealed.

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

Senate 7141
2/7/95
Attachment #1

(22) subject to the prior approval of the state bank commissioner and the state banking board and subject to such rules and regulations as are adopted by the state bank commissioner pursuant to K.S.A. 9-1713, and amendments thereto, to promote safe and sound banking practices, a bank may establish a subsidiary which engages in the following securities activities: (a) selling or distributing stocks, bonds, debentures, notes, mutual funds and other securities, (b) issuing and underwriting municipal bonds, (c) organizing, sponsoring and operating mutual funds, (d) acting as a securities broker-dealer;

(23) to subscribe to, acquire, hold and dispose of stock of any class of the federal agricultural mortgage corporation, a corporation having as its purpose the acquisition, holding and disposition of loans secured by agricultural real estate mortgages. No bank's investment in such corporation shall exceed 5% of its capital stock, surplus and undivided profits and such investment shall be carried on the books of the bank as directed by the commissioner;

(24) to subscribe to, buy and own stock in an insurance company incorporated prior to 1910, under the laws of Kansas, with corporate headquarters in this state, which only provides insurance to financial institutions. The investment in such stock shall not exceed 2% of the bank's capital stock, surplus and undivided profits;

(25) to purchase and hold an interest in life insurance policies on the life of its executive officers and directors, and to purchase life insurance policies for the sole purpose of providing employee deferred compensation and benefit plans subject to the limitations listed herein. Funding for the payment of employee compensation and benefit plans as well as the benefits derived may be made or split in a joint manner between the bank, employee or bank holding company as in "split dollar" or other insurance plans:

(a) Life insurance purchased and held on the life of executive officers and directors are subject to the following limitations:

(i) The cash surrender value of any life insurance policy on an executive officer or director underwritten by any one life insurance company cannot at any time exceed 15% of the bank's capital stock, surplus, undivided profits, loan loss reserve, capital notes and debentures and reserve for contingency, *unless the bank has obtained the prior approval of the state bank commissioner*;

(ii) the cash surrender value of life insurance policies on executive officers or directors, in the aggregate from all companies, cannot at any time exceed 25% of the bank's capital stock, surplus, undivided profits, loan loss reserve, capital notes and debentures and reserve for contingency, unless the bank has obtained the prior approval of the state bank commissioner;

If the bank has the authority to direct the investments of the cash surrender value of the policy, those investments shall be limited solely to assets which may be directly purchased by the bank for its own account.

The limitations set forth in subsections (a) and (b) below do not apply to any such life insurance policies in place before July 1, 1993.

Senate 7141
2/7/95
Attachment #2

(iii) the authority to hold life insurance on any executive officer ceases if the executive officer is no longer employed by the bank or no longer meets the definition of an executive officer;

(iv) the authority to hold life insurance on a director ceases when that director is no longer a member of the board of directors;

(v) the bank's board of directors must approve and document the purchase of any life insurance, including the reasonableness of such purchase; and

(vi) except as part of a reasonable compensation or benefit plan, a bank is not authorized to purchase life insurance as an estate management device for the benefit of officers, directors or employees who are also controlling shareholders of the bank.

(b) Life insurance purchased for the sole purpose of providing deferred compensation and benefit plans are subject to the following limitations:

(i) The bank may purchase individual or group policies for the sole purpose of providing deferred compensation agreements entered into with its officers and employees;

(ii) the bank may purchase policies on directors to fund a deferred directors fees program;

(iii) the board of directors must approve and document such deferred plans including the reasonableness of the plans;

(iv) the bank is not authorized to hold the policies unless specifically approved by the state banking board if no liability exists under the deferred compensation plans;

(v) the cash surrender value of any life insurance policy purchased for the sole purpose of providing deferred compensation and benefit plans, underwritten by any one life insurance company, cannot exceed at any time, 15% of the bank's capital stock, surplus, undivided profits, loan loss reserve, capital notes and debentures and reserve for contingency, *unless the bank has obtained the prior approval of the state bank commissioner;*

(vi) the cash surrender value of life insurance policies purchased for the sole purpose of providing deferred compensation and benefit plans, in the aggregate from all companies, cannot at any time exceed 25% of the bank's capital stock, surplus, undivided profits, loan loss reserve, capital notes and debentures and reserve for contingency, unless the bank has obtained the prior approval of the state bank commissioner; and

~~(vii) the present value of the projected cash flow from the policy must not substantially exceed the present value of the projected cost of the deferred compensation or benefit program liabilities; and~~

(26) to make loans to the bank's stockholders or the stockholders of the bank's controlling bank holding company on the security of



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Executive Director
John T. Torbert, CAE

TO: Senator Dick Bond, Chairman
Financial Institutions & Insurance Committee
FROM: Jim Reardon J.D., CFP
Director, Legal Services
Date: February 6, 1995
RE: S.B. 9 Municipal Investment Pool (MIP)

Thank you for the opportunity to speak in regard to this proposed legislation and in response to proposed amendments offered by the League of Kansas Municipalities. We are in agreement with the reporting amendments of S.B. 9. These amendments would allow KAC to be in the information loop and could provide counties with timely information in regard to the pool's performance.

The MIP fulfills a vital role in offering competitive investment opportunities to county governments. We are deeply concerned about, and committed to, its success.

We share the League's interest in assuring the longevity and stability of the municipal investment pool fund. We appreciate the League's leadership in bringing additional proposals to the table. We urge you to carefully weigh these proposals.

We are in general agreement that restructuring the pool is in order. A pool the size of the MIP deserves to have management by, and input from, experts with the kind of experience and credentials called for by the League in their discussion of the role of the Pooled Money Investment Board (PMIB).

We agree with the investment instruments outlined by the League. However, we note that neither the Post Audit Committee nor the Mercer audit team found fault with the pool's investment selection.

Senate 7/41
2/7/95 #3
Attachment

Our advisors have expressed reservations about the League's recommendations as to the weighted average maturity (WAM) of investments in the portfolio. These requirements may be too restrictive. They should perhaps be adopted as written policy so they can be modified if considered appropriate by the PMIB. We urge you to study projections that would accurately reflect performances in both increasing and declining interest rate scenarios before making these decisions statutory.

We have read the Post Audit Committee's report. We are aware that certain "miscalculations" were made in regard to the pool. We agree with the Committee's recommendations to the legislature:

1. The State Treasurer's Office and the Pooled Money investment board should adopt specific, written investment objectives and policies (not statutory changes) for each segment of the Municipal Pool. Those policies should include guidelines on the maturity of investments so that they are reasonably related to the length of deposits.
2. The State's policy on any future exchanges between the MIP and the State's idle funds portfolio, needs to be clarified in law or in written policies of the PMIB. The PMIB should implement adjustments to "make whole" the state idle funds pool.
3. The Legislature should clarify K.S.A. 12-1677a to either authorize or prohibit the operation of multiple municipal investment portfolios within the Municipal Investment Pool.

We also think that the PMIB needs to be restructured. The staff should have credentials and experience similar to those possessed by a comparable mutual fund manager.

Our message to the counties:

The Counties are currently the biggest shareholders in the MIP. Our message to the counties echoes the conclusion of the Legislative Post Audit Committee:

"No one could have anticipated that interest rates would rise as fast as they did during 1994. The Treasurer's Office, like virtually all other bond investors, suffered market losses on its investments as a result..."

Our message to the Legislature:

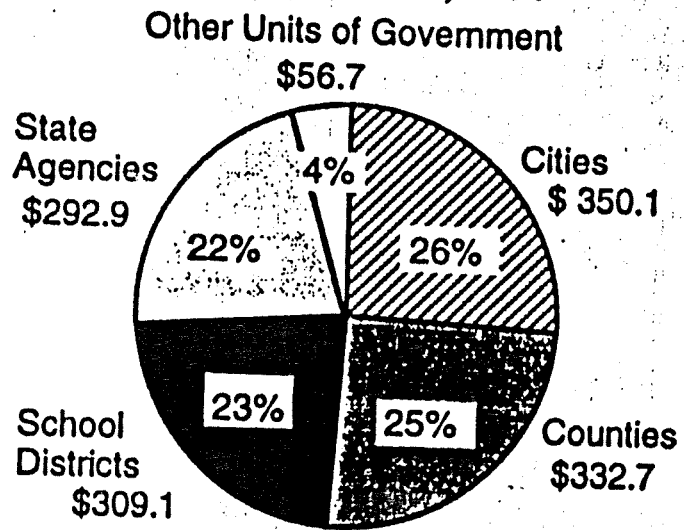
Financial institutions and others that invest in fixed-income securities suffered the same fate as the MIP. (See page 20 of the Post Audit Committee Report attached.) KAC's own investment advisor (from the banking industry) made similar incorrect assumptions in regard to some of our fixed rate investments.

We consider any efforts to dismantle the pool or undermine the stability of the MIP to be unwarranted and extremely detrimental to the financial stability of member local governments. We urge you to carefully consider the restructuring efforts and internal policy changes that are currently underway before enacting "corrective" legislation. Any corrective measures should be based on the recommendations of the PMIB, the post Audit Committee, and member local governments.

Municipal Investment Pool Participants

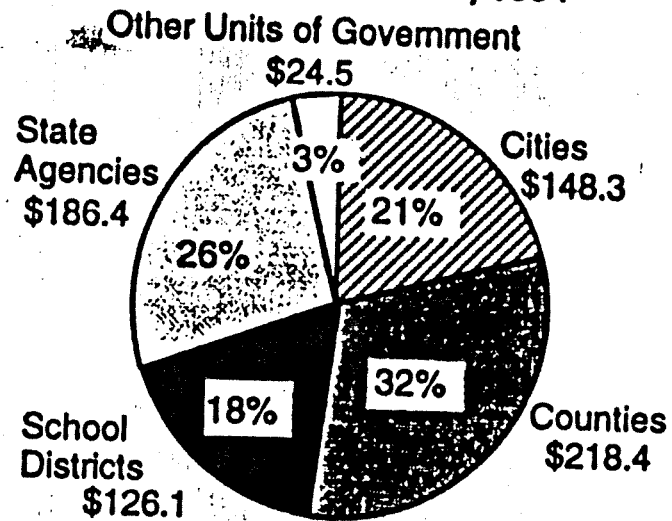
(dollar amounts shown are in millions)

Deposits as of June 30, 1994



Total Deposits \$1,341.5

Deposits as of December 31, 1994



Total Deposits \$703.7

**The Municipal Investment Pool
Was Not Alone in Seeing
The Market Value
Of Its Investments Decline**

During calendar year 1994, Kansas' Municipal Investment Pool suffered declines in the market value of its investments as a result of rapid rises in short-term interest rates. Financial institutions and others that invest in fixed-income securities suffered the same fate.

Figures published in Sheshunoff's *Banks of Kansas* (an industry publication) show that the average ratio of market value to book value for portfolios held by Kansas banks declined during the period from December 31, 1993, to June 30, 1994, (the most recent figures available).

**Market Value
As a Percent of Book Value**

<u>Date</u>	<u>Average Bank Ratio</u>	<u>SMIP Ratio</u>	<u>IMIP Ratio</u>
12-31-93	101.51	99.93	100.00
06-30-94	<u>98.96</u>	<u>98.22</u>	<u>98.08</u>
Change	(2.55)	(1.71)	(1.92)

As the table shows, the average bank portfolio was worth about 99 cents on the dollar at June 30 and the Pool's investments were not far behind at 98 cents on the dollar. In the first six months of 1994, the market value of the portfolios of Kansas banks declined more than the market value of the Pool's investments.

On November 9, 1994, the federal Office of the Comptroller of the Currency said it would not force U.S. banks to take bond losses into account when calculating their capital for regulatory purposes. Under the new ruling, banks still must report the market value of their bonds under Financial Accounting Standard 115.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



1420 S.W. Arrowhead Rd. Topeka, Kansas 66604
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**Testimony on S.B. 9
before the
Senate Financial Institution and Insurance Committee**

by

**Norm Wilks, Director of Labor Relations
Kansas Association of School Boards**

February 6, 1995

Mister Chairman and members of the Committee, on behalf of the unified school boards of education that are members of the Kansas Association of School Boards, thank you for the opportunity to discuss the proposed legislation and proposed changes to the Municipal Investment Pool Act.

We share with this committee the commitment that the Municipal Investment Pool is a necessary investment alternative for local governments.

We also appreciate the efforts of our state treasurer, Sally Thompson in working with local units of government. We applaud the internal procedural changes she has made to improve the security of the pool. The investment market has made the job very difficult.

Senate 7141
2/7/95
Attachment # 4

As stated by the Kansas Association of Counties, we believe some changes in the pool statute are appropriate, but we should proceed with caution and understanding. We agree the changes that prohibit derivatives and leveraging are appropriate. To require AAA ratings for investments is prudent. Providing monthly reports allows full disclosure to participants, the legislature and interested parties.

We are concerned that setting investment policy by statute may be too restrictive. While we have experienced a stable interest rate market and an increasing market, the pool has not responded to a declining market.

We should carefully study the best investment policy to protect the security of the pool while retaining a viable investment option for local units of government.

The more reasoned approach may be to establish procedures for the pool and develop investment policies that may be reasonably changed at various times to address market changes.

We are most interested in keeping the Municipal Investment Pool as a sound investment opportunity. However, we urge caution if investment choices are severely limited by statute. The pool will not be a viable investment option if micro-managed by statute.

Together we can maintain a safe investment pool that responds to a variety of market conditions. We urge further discussion of this important matter.

Thank you for your consideration.

SENATE BILL No. 9

By Senator Moran

1-3

Senate 7/27
2/7/95 #5
Attachment

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AN ACT concerning the municipal investment pool fund; relating to certain requirements; amending K.S.A. 1994 Supp. 12-1677a and repealing the existing section.

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

Section 1. K.S.A. 1994 Supp. 12-1677a is hereby amended to read as follows: 12-1677a. (a) Moneys deposited by any municipality with the state treasurer for investment authorized in paragraph (6) of subsection (b) of K.S.A. 12-1675, and amendments thereto, shall be deposited in the municipal investment pool fund which is hereby created in the state treasury.

(b) The pooled money investment board may invest and reinvest moneys in the municipal investment pool fund in the following investments:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of United States sponsored enterprises which under federal law may be accepted as security for public funds, except that not more than 10% of the moneys available for investment under this subsection may be invested in mortgage-backed securities of such enterprises and of the government national mortgage association;

(2) interest-bearing time deposits in any of the following, which is doing business within the state of Kansas, any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank; or

(3) repurchase agreements with a Kansas bank, Kansas savings and loan association, a federally chartered savings bank having an office or offices in the state of Kansas or with a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof and obligations and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds.

(c) All interest earnings received from investments of money in the

public funds; relating to the municipal investment pool fund; pooled money investment board

75-4221a and

sections

: (A)

and (B) investments in other than direct obligations under this paragraph shall be rated at the time of investment, in the highest rating category by Moody's investors service or Standard and Poor's corporation;

5-2

1 municipal investment pool fund shall be credited to the municipal in-
 2 vestment pool fund. Interest earnings experienced by the fund on in-
 3 vestments attributable to each participating municipality shall be prorated
 4 and applied to the individual accounts of the municipalities, maintained
 5 by the state treasurer. Deferred earnings transferred from the municipal
 6 investment pool reserve fund to the municipal investment pool fund shall
 7 be prorated and applied to the individual accounts of the municipalities,
 8 maintained by the state treasurer. A statement for each municipality par-
 9 ticipating unit account showing deposits, withdrawals, earnings and losses
 10 distributions shall be provided ~~periodically~~ to the municipality. The state
 11 treasurer shall make comprehensive reports to those municipalities par-
 12 ticipating in the municipal investment pool fund; including and to other
 13 interested parties requesting such reports. Such reports shall include a
 14 summary of transactions for the ~~period~~ as well as the current market value
 15 of the pool investments.

monthly

month

16 (d) The state treasurer may assess reasonable charges not to exceed
 17 1% of the interest earned against the fund for reimbursement of expenses
 18 incurred in administering the fund. The state treasurer shall certify, pe-
 19 riodically ~~periodically~~ monthly, the amount of the assessment and the director of ac-
 20 counts and reports shall transfer the amount certified from the municipal
 21 investment pool fund to the municipal investment pool fund fee fund,
 22 which is hereby created. All expenditures from the municipal investment
 23 pool fund fee fund shall be made in accordance with appropriation acts
 24 upon warrants of the director of accounts and reports issued pursuant to
 25 vouchers approved by the state treasurer or a person or persons desig-
 26 nated by the state treasurer. Amounts of gains realized on disposition of
 27 investments of the municipal investment pool fund shall be periodically
 28 certified monthly by the state treasurer, and the director of accounts and
 29 reports shall transfer the amount certified from the municipal investment
 30 pool fund to the municipal investment pool reserve fund which is hereby
 31 created in the state treasury. The state treasurer shall make a determi-
 32 nation of the amount needed for a reserve for possible losses to the mu-
 33 nicipal investment pool fund and shall certify periodically monthly such
 34 amount, and the director of accounts and reports shall transfer the
 35 amount so certified from the municipal investment pool fund fee fund to
 36 the municipal investment pool reserve fund. If the state treasurer makes
 37 a determination that significant losses or gains have occurred to the mu-
 38 nicipal investment pool fund, the state treasurer shall certify the amount
 39 thereof to the director of accounts and reports, and the director of ac-
 40 counts and reports shall transfer the amount so certified from the mu-
 41 nicipal investment pool reserve fund to the municipal investment pool
 42 fund.

Subject to approval of the pooled money investment board,

43 (e) The state treasurer may adopt rules and regulations necessary to

The state treasurer

1 c out the provisions of this section [and] may enter into agreements
2 with any municipality as to methods of deposits, withdrawals and invest-
3 ments.

4 (f) Investments under subsection (b) shall be for a period of not to
5 exceed four years, except for mortgage backed securities.

6 (g) A comparative investment performance review shall be contracted
7 for annually by the state treasurer's office

8 (h) Deposits in the municipal investment pool fund may only be made
9 for the same maturity as the maturity which is offered under paragraphs
10 (2) and (3) of subsection (b) of K.S.A. 12-1675 and amendments thereto.

11 (i) Moneys and investments in the municipal investment pool fund
12 shall be managed by the pooled money investment board in accordance
13 with investment policies provided by law and by rules and regulations of
14 such board. The pooled money investment board shall not contract for
15 management of investments by a money manager.

16 (j) Investments in securities under paragraph (1) of subsection (b)
17 shall be limited to securities which do not have any more interest rate
18 risk than do direct United States government obligations of similar ma-
19 turities, except for the 10% limitation on mortgage-backed securities. For
20 purposes of this subsection, "interest rate risk" means market value
21 changes due to changes in current interest rates.

22 [k] For the purpose of this section, "municipality" means those en-
23 tities specified in subsection (a) of K.S.A. 12-1675, and amendments
24 thereto.

25 Sec. 2³ K.S.A. 1994 Supp. 12-1677a is hereby repealed.

26 Sec. 3⁴ This act shall take effect and be in force from and after its
27 publication in the Kansas register.

pooled money investment board

and any separate account within such fund

developed, approved, published and updated on
an annual basis by such board. Such investment
policies shall include at a minimum guidelines
which identify credit standards, eligible
instruments, allowable maturity ranges, methods
for valuing the portfolio, calculating earnings
and yields and limits on portfolio
concentration for each type of investment. Any
changes in such investment policies shall be
approved by the pooled money investment board.
A copy of such published policies shall be
distributed to all municipalities participating
in the municipal investment pool fund and to
other interested persons requesting a copy of
such policies

5-3

The pooled money investment board shall retain
the services of an external investment advisor
to provide advisory services concerning the
investment policies and practices for the
municipal investment pool fund. Such
investment advisor shall be different from the
person or firm contracted with under subsection
(g).

See new subsections (k), (l), (m) and (n)
attached.

(o)
: (1)

(2) "derivatives" means a financial
contract whose value depends on the value of an
underlying asset or index of asset values; or
(3) "weighted average maturity" means the
sum of the total number of days to maturity for
each individual security multiplied by the par
value of each individual security divided by
the par value of all securities.

See Sec. 2. K.S.A. 75-4221a attached.

and 75-4221a are

(k) On and after July 1, 1996, the weighted average maturity of all investments in the municipal investment pool fund and in accounts within such fund shall not exceed the weighted average maturity of all deposits in the municipal investment pool fund and in accounts within such fund, by more than 200%.

(l) The pooled money investment board shall not: (A) Invest moneys in the municipal investment pool fund in derivatives; (B) enter into reverse repurchase agreements, except for the purposes authorized under subsection (b) of K.S.A. 1994 Supp. 12-1677c, and amendments thereto.

(m) On and after January 1, 1996, investments made under paragraph (2) of subsection (a) of K.S.A. 75-4209, and amendments thereto, shall not be exchanged with investments of the municipal investment pool fund without prior approval of the pooled money investment board and the prior approval of the state finance council acting on this matter which hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c, and amendments thereto.

(n) The pooled money investment board may adopt such rules and regulations for the management of such moneys and investments in the municipal investment pool fund as the board deems necessary.

Sec. 2. K.S.A. 1994 Supp. 75-4221a is hereby amended to read as follows: 75-4221a. (a) There is hereby established the pooled money investment board which shall consist of five members, four of whom shall be appointed by the governor, subject to confirmation by the senate as provided in K.S.A. 75-4315b and amendments thereto. The fifth member shall be the state treasurer. Not more than three members of the board shall be of the same political party. At least three members appointed to the board shall be persons with not less than five years of work experience as an investment or trust officer for a financial institution, association or corporation ~~or~~ and is currently a certified public accountant ~~or--certified--financial--planner,~~ certified financial analyst or certified cash manager.

(b) On July 1, 1992, the two appointive board members serving on the board immediately prior to such date shall cease to be members of the board and on such date, or as soon thereafter as possible, the governor shall appoint four members to the board to serve for terms as specified by this subsection. The two appointive members serving on the board immediately prior to July 1, 1992, may be reappointed to the board on or after such date under this subsection. Of the members first appointed on or after July 1, 1992, two members shall be appointed for a term commencing on July 1, 1992, and ending on June 30, 1994, and two members shall be appointed for a term commencing on July 1, 1992, and ending on June 30, 1996. The governor shall designate the term for each member so appointed. Thereafter, members appointed to the board shall serve for four-year terms and until their successors are appointed and qualified. Whenever a vacancy

occurs in the membership of the board prior to the expiration of a term of office, the governor shall appoint a qualified successor to fill the unexpired term.

(c) Members of the pooled money investment board attending meetings of such board, or attending a subcommittee meeting thereof authorized by such board, shall be paid compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto.

New Sec. 3. (a) There is hereby established the municipal investment pool advisory committee which shall have nine voting members. Initially, the league of Kansas municipalities shall nominate six persons of whom the governor shall appoint three to be members of the advisory committee. Initially, the association of counties shall nominate six persons of whom the governor shall appoint three to be members of the advisory committee. Initially, the Kansas association of school boards shall nominate six persons of whom the governor shall appoint three to be members of the advisory committee. Of the persons initially appointed to the advisory committee, one from each of the three members nominated by each nominating body and appointed by the governor to be members shall have a term of four years. Of the persons initially appointed to the advisory committee, one from each of the three members nominated by each nominating body and appointed by the governor to be members of the advisory committee shall have terms of two years. Of the persons initially appointed to the advisory committee, one from each of the three members nominated by each nominating body and appointed by the governor to be members of the advisory committee shall have terms of one year. Of the persons so appointed the governor shall designate the term of each in accordance with the above. The governor shall also appoint two non-voting ex officio members of the advisory committee to serve for terms of three years. One of such ex officio members shall be selected by the governor from three persons nominated by the Kansas bankers association.

(b) Upon the expiration of the terms of each member initially appointed to the advisory committee, the nominating body specified in subsection (a) which nominated the member whose term has expired shall nominate three persons to fill such vacancy, and the governor shall appoint one of such persons to fill such vacancy for a term of four years. In like manner persons shall be nominated and appointed to fill all vacancies which occur upon the expiration of a member's term and each person so appointed shall serve for a term of four years. When a vacancy occurs before the term of the member expires, the vacancy shall be filled for the balance of the unexpired term in the same manner as for vacancies occurring when terms expire.

(c) The municipal investment pool advisory committee shall organize annually by electing from its members a chairperson and vicechairperson. The advisory committee shall meet on call of the chairperson or any four voting members, or upon call of the state treasurer. Members of the advisory committee shall receive such compensation and expense reimbursement as is provided by the governing body of the city, county or board of education which nominated such member.

(d) Persons nominated under subsection (a), and members appointed to the advisory board, except ex officio members, shall be from a city, county or school district that is an active participant in the municipal investment pool fund. Nominees and members appointed to the advisory committee shall be from geographically diverse areas and communities of the state.

Nominees and members appointed to the advisory committee shall be educated in, and have substantial work experience in, matters of money management and investments. Such education and work experience may be as an investment manager, municipal investment officer or trust officer for a financial institution, association or corporation or be a currently certified public accountant, certified financial analyst or certified cash manager. In lieu of such education and work experience, nominees and members appointed to the advisory board may have substantial experience as a local government money manager.

(e) The municipal government investment pool advisory committee shall advise the state treasurer on matters of investment strategies, policies and operational procedures for the municipal investment pool fund.