

Approved: February 1, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE .

The meeting was called to order by Chairperson Senator Don Steffes at 9:00 a.m. on January 26, 1999, in Room 529 S of the Capitol.

All members were present except: Senator Stan Clark, Excused

Committee staff present: Dr. Bill Wolff, Research
Ken Wilke, Office of Revisor
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Derl Treff, Pooled Money Investment Board
Municipal Investment Pool

Others attending: See Attached

Chairman Steffes introduced Derl Treff who has served as the Director of Investments for the Pooled Money Investment Board and the Municipal Investment Pool since 1992 (Attachment 1). Mr. Treff was hired by the Pooled Money Investment Board which is appointed by the Governor. His background includes working for 27 years for Puritan Bennet and serving ten of those years as Corporate Treasurer. He supervises a staff of six. Mr. Treff introduced his Senior Investment Officer, Mr. Scott Miller, to the Committee. Twenty-two to 24 states have investment pools similar to the PMIB and MIP.

The Pooled Money Investment Board accepts money not in use by state agencies (idle funds) and invests it for them. This amount can run as high as \$1.8 billion but usually is about \$1.5 billion. The cities of Wichita and Manhattan and Johnson County may petition the PMIB for expanded powers. New participants can enter the pool by using the overnight pool, 90 day fixed rate, 180 day fixed rate, and the 365 day fixed rate. This money is available as needed by the various agencies. Money from this fund is also made available to banks at an attractive interest rate. Most of the banks that take advantage of this are small and medium sized banks. The large banks such as NationsBank do not use this option.

The Municipal Investment Pool is a vehicle for local governments to park money and have it invested for them at the best interest rate as determined by MIP investors. Some local governments opt to keep funds in their local state-chartered banks if they are available. Many of the medium sized banks have been purchased by out-of-state chartered banks which cannot receive public funds in Kansas. These out-of-state chartered banks are allowed to receive state funds and active local money. The MIP takes 25 base investment points off interest paid to investors in order to pay off the \$25 million loss which occurred during Sally Thompson's tenure as State Treasurer. They are allowed to take 10 base points off idle points which generate \$2.5 million per year to pay off this debt. There is a debt remaining of \$13.9 million. Forty-five to 48% of the MIP investments are in commercial paper. They have been publicizing the availability of the MIP through such organizations as the League of Municipalities.

The only state agency which is allowed to invest its own idle funds is KDOT. They hire their own investor at a salary of approximately \$50,000-\$60,000 per year but the investing is done through the PMIB. Recently the PMIB questioned their liability regarding their responsibility for physically making the investments but not being involved in the decision making. An AG's opinion was sought. The AG stated that KDOT can make the final decision on investments thus making them fiducially responsible, but they must go through the PMIB to make the investment. Dr. Wolff was asked to research the history of the statute granting this privilege to KDOT.

Senator Feleciano moved that the minutes of the January 25 meeting be approved. Motion was seconded by Senator Becker. Motion carried.

The meeting adjourned at 10:00 a.m. The next meeting is scheduled for January 27.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE GUEST LIST

DATE: January 26

NAME	REPRESENTING
Chuck Stokes	KBA
Kathy Olsen	ICBA
Robert Trautman	KGC
Matt Goddard	HCBA
Alan Steppat	CBA
DERL TRAPP	PMIB
Scott Miller	PMIB

Pooled Money Investment Board

**ANNUAL REPORT SUMMARY
FISCAL YEAR 1998**

Board Members:
John Cleland, Chairman
Norman Dawson
John Lehman
Tim Shallenburger
William L. Yager

*Senate IAD
Attachment 1
1/26/99*

Senate Financial Institutions & Insurance

Date 1/26/99

Attachment # 1

POOLED MONEY INVESTMENT BOARD HIGHLIGHTS FOR FY 98

- EARNED \$85+ MILLION IN INTEREST INCOME ON IDLE FUNDS COMPARED TO \$68.5 MILLION IN FY 97.
- RATE OF RETURN INCREASED FROM 5.53% IN FY 97 TO 5.73% IN FY 98, WHILE THE WEIGHTED AVERAGE MATURITY IN DAYS DECREASED FROM 205 to 136.
- INVESTMENTS IN THE MUNICIPAL INVESTMENT POOL INCREASED FROM \$269.7 MILLION AT JUNE 30, 1997, TO \$403.6 MILLION AT JUNE 30, 1998. DURING FY 98, THE MIP CONTRIBUTED \$781,000 TO THE STATE OF KANSAS, WHICH GOES TO PAY DOWN THE FY 95 PORTFOLIO LOSS, AND GENERATED APPROXIMATELY \$773,000 OF INCREMENTAL INVESTMENT INCOME TO CITIES, COUNTIES, AND SCHOOL DISTRICTS.
- CONTINUES TO OFFER FUNDS TO KANSAS BANKS AT VARIOUS MATURITIES THEREBY KEEPING FUNDS INVESTED LOCALLY.
- AT THE END OF FY 98, IDLE FUNDS WERE EARNING AT A RATE OF INTEREST OF 52 BASIS POINTS (.52%) OVER THE COMPARABLE TREASURY SECURITY.
- REVENUES EXCEEDED OPERATING EXPENDITURES BY \$2,221,000.
- THE GOAL OF THIS BOARD IS TO PROVIDE A MARKET RATE OF RETURN ON INVESTMENTS WHILE KEEPING SAFETY AND LIQUIDITY AS FOREMOST OBJECTIVES.

**Pooled Money Investment Board
Statement of Net Investment Income
For Fiscal Year 1998**

	<u>PMIP</u>	<u>KDOT</u>	<u>Health Care Stab. Fd.</u>	<u>Special Funds</u>	<u>Elimination Entry</u>	<u>Consolidated TOTAL</u>	<u>FY 1997</u>	<u>Change</u>
Investment Income								
Interest Income	\$56,673,519	\$25,502,313	\$12,136,409	\$565,182	(\$113,895)	\$94,763,528	\$102,868,329	(\$8,104,801)
Amort. of (Premium)/Discount	48,452,567	8,233,752	(47,230)	157,895		56,796,984	30,500,323	26,296,661
Int. Exp. on Reverse Repos	0	0	0	0		0	0	0
Gain on Sale of Securities	0	130,799	13,084	0		143,883	1,640,889	(1,497,006)
(Loss) on Sale of Securities	0	0	0	(408)		(408)	0	(408)
Less Int. Income to MIP Participants	(15,789,312)					(15,789,312)	(8,278,169)	(7,511,143)
Less Int Earned Not Posted MIP (FX)	(1,973,758)					(1,973,758)	(1,019,908)	(953,850)
Less PMIP Fees Retained	(2,328,966)	0	(203,405)	0		(2,532,371)	(1,876,214)	(656,157)
Early Withdrawal Penalty	0	0	0	0		0	125	(125)
Net Investment Income	<u>\$85,034,050</u>	<u>\$33,866,864</u>	<u>\$11,898,858</u>	<u>\$722,669</u>	<u>(\$113,895)</u>	<u>\$131,408,546</u>	<u>\$123,835,375</u>	<u>\$7,573,171</u>
Totals - FY 97	\$68,562,158	\$44,113,508	\$11,099,286	\$1,006,436	(\$946,013)	\$123,835,375		
Change from Prior Year	<u>\$16,471,892</u>	<u>(\$10,246,644)</u>	<u>\$799,572</u>	<u>(\$283,767)</u>	<u>\$832,118</u>	<u>\$7,573,171</u>		

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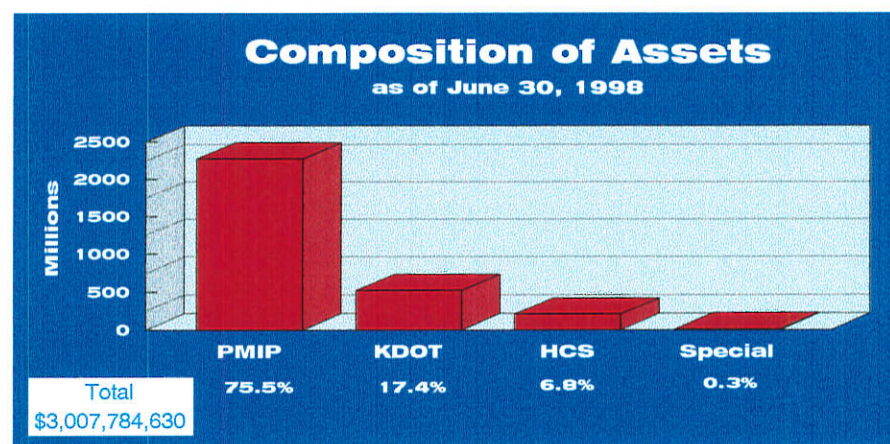
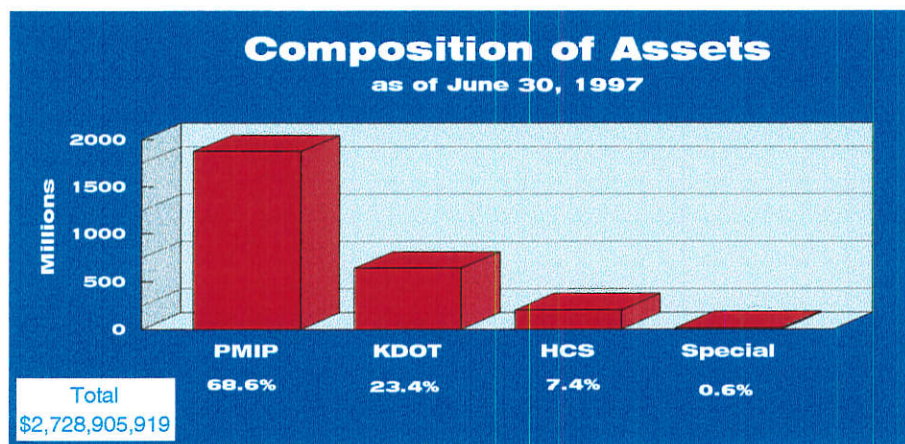
**Pooled Money Investment Board
Average Invested Amount &
Rate of Return
Fiscal Year - 1998**

	<u>PMIP</u>	<u>KDOT</u>	<u>Health Care Stab. Fd.</u>	<u>Special Funds</u>	<u>Consolidated TOTAL</u>
Average Invested Amount					
FY 98	\$1,852,808,948	\$591,101,972	\$200,636,760	\$12,219,863	\$2,656,767,543
FY 97	<u>1,446,255,412</u>	<u>748,234,174</u>	<u>196,115,588</u>	<u>17,191,003</u>	<u>2,407,796,177</u>
Change	<u>\$406,553,536</u>	<u>(\$157,132,202)</u>	<u>\$4,521,172</u>	<u>(\$4,971,140)</u>	<u>\$248,971,366</u>
Rate of Return					
FY 98	5.73%	5.74%	6.03%	5.92%	
FY 97	<u>5.53%</u>	<u>5.91%</u>	<u>5.73%</u>	<u>5.88%</u>	
Change	<u>0.20%</u>	<u>(-0.17%)</u>	<u>0.30%</u>	<u>0.04%</u>	

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Pooled Money Investment Board Balance Sheet June 30, 1998

	PMIP	KDOT	Health Care Stab. Fd.	Special Funds	Elimination Entry	Consolidated TOTAL	June 30, 1997	Change
ASSETS								
Cash	\$42,983,329	\$0	\$0	\$0		\$42,983,329	\$2,045,612	\$40,937,717
Deposits in Transit	29,750,059	0	0	0		29,750,059	41,583,597	(11,833,538)
Investments (Amortized Cost)	2,167,417,196	517,314,308	201,762,798	9,217,873	(\$892,217)	2,894,819,958	2,637,190,485	257,629,473
Kansas Venture Capital, Inc.	5,000,000	0	0	0		5,000,000	5,000,000	0
PMIB Loans	17,738,816	0	0	0		17,738,816	19,767,029	(2,028,213)
Interest Receivable	9,278,560	5,383,832	2,732,060	98,016		17,492,468	23,319,195	(5,826,727)
Accounts Receivable	0	0	0	0		0	0	0
Due From Other Fund	0	0	0	0		0	0	0
Total Assets	\$2,272,167,960	\$522,698,140	\$204,494,858	\$9,315,889	(\$892,217)	\$3,007,784,630	\$2,728,905,919	\$278,878,711
LIABILITIES								
Accounts Payable	\$0	\$0	\$0	\$0		\$0	\$0	\$0
Due to Agencies and Others	1,881,618,234	522,698,140	204,478,026	9,315,889	(\$892,217)	2,617,218,071	2,475,274,575	141,943,496
Reverse Repo Agreements	0	0	0	0		0	0	0
Due to PMIP Fee Fund	210,156	0	16,832	0		226,988	179,733	47,255
Payable to MIP Participants	403,558,392	0	0	0		403,558,392	269,767,087	133,791,305
Int Earned Not Posted MIP (FX)	1,973,758					1,973,758	1,019,908	953,850
Due from Future Earnings	(15,192,580)					(15,192,580)	(17,335,384)	2,142,804
Total Liabilities	\$2,272,167,960	\$522,698,140	\$204,494,858	\$9,315,889	(\$892,217)	\$3,007,784,630	\$2,728,905,919	\$278,878,711



Pooled Money Investment Portfolio Investments as of June 30, 1998

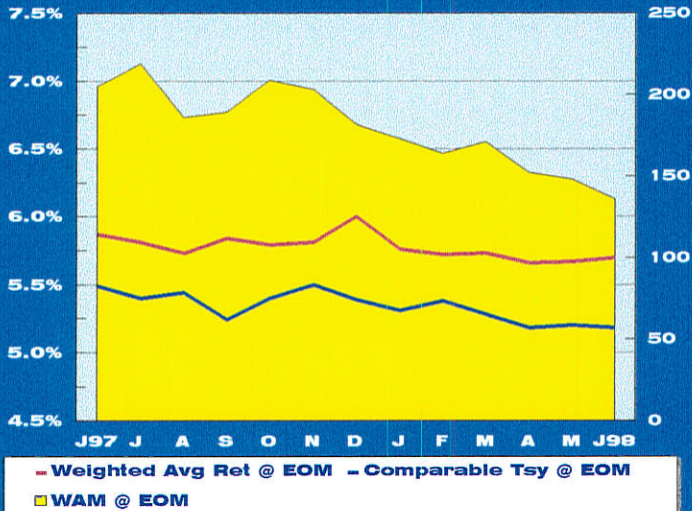
	Par Value	Wtd. Average Maturity Days	Yield
Investments			
U.S. Treasury Securities	\$10,000,000	107	6.32%
U. S. Government Agency Secs.	677,526,000	156	5.64%
U. S. Mortgage-Backed Sec.	2,156,003	447	6.43%
Kansas Bank CDs	168,936,000	103	5.77%
Commercial Paper	891,100,000	70	5.66%
Repurchase Agreements	396,900,000	1	5.77%
Loan Refunding Securities	34,100,000	3,171	6.72%
TOTAL	\$2,180,718,003	136	5.70%

Total - June 30, 1997	\$1,796,967,236	205	5.87%
Change from Prior Year	\$383,750,767	(-69)	(-0.17%)

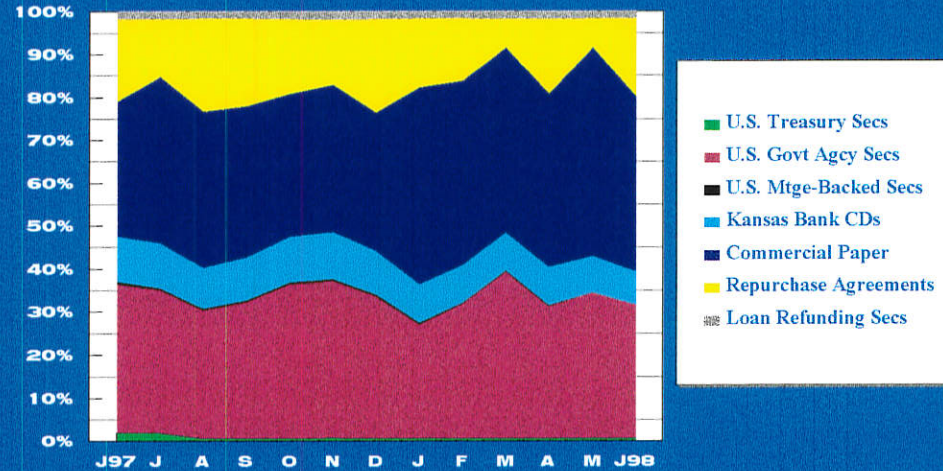
Investments as of June 30, 1997

	Par Value	Wtd. Average Maturity Days	Yield	Change in Par Value
	\$32,500,000	177	5.14%	(\$22,500,000)
	623,350,000	368	5.81%	54,176,000
	6,591,236	1,753	6.42%	(4,435,233)
	187,743,000	124	5.89%	(18,807,000)
	567,728,000	46	5.79%	323,372,000
	347,700,000	1	6.07%	49,200,000
	31,355,000	2,310	6.66%	2,745,000
	\$1,796,967,236	205	5.87%	\$383,750,767

Return Performance Comparison for the last 13 months - June 97 - June 98



PMIP Portfolio Composition for the last 13 months



Municipal Investment Pool Deposits as of June 30, 1998

Deposits	OMIP	FX 90	FX 180	FX 365	TOTAL
State Funds					
State Agcys	\$790,900	\$101,317	\$0	\$0	\$892,217
Cities	82,225,914	42,927,104	68,084,806	3,840,108	197,077,932
Counties	72,523,967	5,348,618	14,897,512	600,000	93,370,097
Schools	70,134,391	2,317,149	6,268,272	0	78,719,812
Other	20,558,859	4,027,988	7,011,487	1,900,000	33,498,334
Total	\$246,234,030	\$54,722,176	\$96,262,078	\$6,340,108	\$403,558,392
Totals - June 30, 1997	\$156,068,452	\$71,923,617	\$39,875,018	\$1,900,000	\$269,767,087
Change from Prior Year	\$90,165,578	(\$17,201,441)	\$56,387,060	\$4,440,108	\$133,791,305

Deposits as of June 30, 1997

Deposits	Change
\$3,903,920	(\$3,011,703)
110,714,639	86,363,293
103,399,243	(10,029,146)
36,303,368	42,416,444
15,445,917	18,052,417
\$269,767,087	\$133,791,305

	Vtd Avg Days to Maturity	Mo. End Rate	Annual Percentage Yield	Monthly Avg. Rate	Annual Percentage Yield
OMIP	1	5.465%	5.604%	5.237%	5.365%
FX 90	46	5.394%	5.504%	5.395%	5.505%
FX 180	81	5.396%	5.469%	5.406%	5.479%
FX 365	168	5.440%	5.440%	5.443%	5.443%
MIP	30	5.438%	5.556%	5.318%	5.424%
June 30, 1997	29	5.646%	5.777%	5.316%	5.429%
Change	1	(-0.208%)	(-0.221%)	0.002%	(-0.005%)

MIP Participant Activity FY 98								June 30, 1998 Total Balance Due Participants
	June 30, 1997 Ending Balance	Principal Deposits	Principal Withdrawals	Interest Posted	Interest Withdrawn	Statement Balance	Int. Earned Not Posted	
Variable Rate Pool	\$156,068,452	1,721,403,293	(1,636,046,542)	7,785,113	(2,976,286)	246,234,030	0	\$246,234,031
Fixed Rate Pools	113,698,636	398,495,226	(354,869,500)	8,004,200	(8,004,200)	157,324,362	1,973,758	159,298,120
Total	\$269,767,087	2,119,898,520	(1,990,916,042)	15,789,312	(10,980,485)	403,558,392	1,973,758	\$405,532,151