SESSION OF 2026

CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 435

As Agreed to March 24, 2026

Brief*

SB 435 would make technical changes to the Kansas Public Employees Retirement System (KPERS) election process for the Board of Trustees (Board). The bill would update the actuarial required rate for affiliated employers of the Kansas Police and Firemen's Retirement System (KP&F).

The bill would authorize state moneys equivalent to the aggregate net amount received for unclaimed property to be invested in certain foreign governments.

The bill would appropriate $250,000 from the State General Fund (SGF) to the Public Moneys Fee Fund (Fund), amend law regarding the administration of the public moneys pooled method of investing by the Office of the State Treasurer (Office), including written agreements for depositories, the value of market assets required to secure public deposits, the assessment of an administrative fee, and the creation of a fee fund, among other changes.

The bill would also make technical and conforming amendments.

KPERS Board

The bill would require the Board to elect another Board member as vice-chairperson, following the election of the chairperson, replacing a requirement for the newly elected chairperson to appoint the vice-chairperson.

KP&F Contribution Rate

For rates paid by participating employers under KP&F, the bill would require all employers to pay the actuarially required rate, regardless of whether the employer is affiliating with past and future service or just future service.

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*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at https://klrd.gov/

Repealed Statutes

The bill would also repeal certain working-after-retirement statutes for certain members of the Legislature and for certain elected local officials that are inconsistent with current law.

KPERS Investment in Foreign Government Debt

The bill would specify that the Board could invest in U.S. dollar denominated 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 the nation has been pledged for the payment of principal and interest, so long as the country is:

- Rated at least an A- or better by Standard and Poor's Corporation;
- Rated A3 or better by Moody's Investors Service;
- Rated A- or better by Fitch Ratings; or
- Rated an equivalent investment grade by a securities rating organization accepted by the National Association of Insurance Commissioners.

The investment in foreign securities at any one time could not exceed 5.0 percent of the cash available for investment. The bill would only allow investments to be made in a country that has never defaulted on short-term or long-term debt obligations.

The bill would prohibit investment in a country of concern as defined in the Countries of Concern Divestment Act, which includes:

- People's Republic of China, including Hong Kong, but not including Taiwan;
- Republic of Cuba;
- Islamic Republic of Iran;
- Democratic People's Republic of Korea;
- Russian Federation; and
- Bolivarian Republic of Venezuela.

Public Moneys Pooled Method Administration

Written Agreement for Depositories

The bill would require a depository bank, savings and loan association, or savings bank and any trustee, wholly owned subsidiary, or affiliate having identical ownership granting a security interest to enter into a written agreement with the State Treasurer to be designated as a depository for a municipal corporation or quasi-municipal corporation's public moneys.

In cases where a depository fails to meet the requirements set by the State Treasurer, the bill would provide for the State Treasurer to instruct the governmental unit to either:

- Close the account for the full amount, including accrued interest, without penalty if the deposit exceeds seven days; or

- Convert the account to a repurchase agreement under terms acceptable to the State Treasurer.

Securities

The bill would require the State Treasurer to be a party to agreements in which the custodian of funds for each governmental unit and an officer of the depository bank, savings and loan association, or savings bank decide to reduce the amount of security for the deposits of the governmental entity. Continuing law requires such agreement to be in writing and kept on file with the office of the governing body of the governmental unit and the bank, savings and loan association, or savings bank; the bill would require this agreement to also be kept on file in the Office.

In statute regarding deposit of public moneys and state moneys, the bill would amend the market value of assets required to secure public deposits from 100 percent to 102 percent of the amount deposited.

Exemption

The bill would provide an exception from the public moneys pooled method for an account of a governmental unit if the account is subject to a conflicting federal law.

Fee and Public Moneys Fee Fund

The bill would appropriate $250,000 from the SGF to the Fund for FY 2027. On and after July 1, 2027, the bill would provide for the State Treasurer to assess a reasonable and customary fee, to be used solely to operate the public moneys pooled method. The bill would require the fee to be adopted through rules and regulations.

The bill would create the Fund, and all fees received would be deposited into the State Treasury to the credit of the Fund. All expenditures from the Fund would be made in accordance with appropriation acts and issued pursuant to vouchers approved by the State Treasurer or the State Treasurer's designee.

Definitions

In statute regarding the public moneys pooled method of investment, the bill would:

- Clarify a standard definition for "governmental unit" and remove a duplicative definition; and
- Amend the definition of "public moneys pooled method" or "pool of securities" to mean a pool of eligible securities used by a bank, savings and loan association, or savings bank to secure the deposit of public moneys in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation pursuant to state law.

The bill would amend the definition of “securities” found in KSA 75-4201, regarding state moneys, to align with the definition in KSA 9-1402(c), regarding securing the deposits of state funds.

Conference Committee Action

The Conference Committee agreed to the provisions of SB 435, as passed by the Senate, and agreed to add the contents of:

- SB 232, as passed by the House, regarding KPERS investment in foreign government debt; and
- SB 524, as passed by the Senate, with additional language to appropriate $250,000 from the SGF to the Fund for FY 2027 and authorize the State Treasurer to assess a fee beginning on July 1, 2027.

Background

The Conference Committee added the contents of SB 232, as passed by the House, and the contents of SB 524, as amended by the Conference Committee, to SB 435, as introduced.

SB 435 (KPERS Board Election and Required Rate for KP&F)

SB 435 was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Executive Director of KPERS.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of KPERS. The conferee stated the bill would update statutes to align with current administrative practices, eliminate conflicting provisions, and improve clarity. The representative indicated the bill would have no impact on any actuarial funding, benefits, or contributions that the agency handles outside of these provisions.

No other testimony was provided.

House Committee on Financial Institutions and Pensions

In the House Committee hearing, a representative of KPERS provided **proponent** testimony that was substantially similar to the testimony provided in the Senate Committee hearing.

No other testimony was provided.

The House Committee amended the bill to change the enactment date to be upon publication in the *Kansas Register*. [*Note*: The Conference Committee did not retain this amendment.]

SB 232 (KPERS Investment in Foreign Government Debt)

SB 232 was introduced by the Senate Committee on Federal and State Affairs at the request of Senator Warren.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by the State Treasurer, who stated the bill modernizes investment options available to the Board by allowing limited investment in high-quality obligations of certain foreign governments with specific safeguards to help guide responsible management of investments.

The Executive Director of KPERS provided **neutral** testimony, stating the State Treasurer's Unclaimed Property program is separate from the KPERS retirement trust and has no impact on retirement benefits, employer contribution rates, or the funded status of the pension system. The conferee stated that KPERS anticipates the bill would not require new staff, contracts, or operating expenditures and would have no actuarial impact on KPERS retirement benefits or the long-term funding of the retirement system.

No other testimony was provided.

The Senate Committee amended the bill to:

- Specify that investment in bonds of a foreign government must be U.S. dollar denominated;
- Provide for the State Treasurer to invest in countries with an A- or better rating by Fitch Ratings; and
- Clarify that investments could only be allowed in a country that has never defaulted on short-term or long-term debt obligations.

[*Note*: The Conference Committee retained these amendments.]

House Committee on Financial Institutions and Pensions

In the House Committee hearing, the State Treasurer provided **proponent** testimony generally similar to the testimony provided in the Senate Committee hearing.

Neutral testimony was provided by the Executive Director of KPERS that was generally similar to the testimony provided in the Senate Committee hearing.

No other testimony was provided.

The House Committee amended the bill to clarify that the countries in which investments would be prohibited would be the countries defined in the Counties of Concern Divestment Act.

[*Note*: The Conference Committee retained this amendment.]

SB 524 (Public Moneys Pooled Method Administration)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of a representative of the Office.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by the State Treasurer and representatives of the Kansas Bankers Association and the Office, who generally stated the bill would make necessary updates to the statute enacted in 2025 Senate Sub. for HB 2152. The State Treasurer stated the proposed changes in the bill are the result of a collaborative effort with the Kansas Bankers Association, the Federal Home Loan Bank, local officials, and other stakeholders to implement the Kansas Collateral Pool (KCP) and unify the statutes governing its administration.

No other testimony was provided.

The Senate Committee amended the bill to specify that the fee assessed by the State Treasurer would be used solely to operate the public moneys pooled method, and the fee amount would be adopted through rules and regulations.

[*Note*: The Conference Committee retained these amendments.]

Fiscal Information

SB 435 (KPERS Board Election and Required Rate for KP&F)

According to the fiscal note prepared by the Division of the Budget on SB 435, as introduced, KPERS states the bill would be considered technical in nature and would have no fiscal effect on actuarial costs, member benefits, or agency administrative costs.

SB 232 (KPERS Investment in Foreign Government Debt)

According to the fiscal note prepared by the Division of the Budget on SB 232, as introduced, KPERS states enactment of the bill would not require any additional expenditures beyond staff time for research and analysis. The State Treasurer's Unclaimed Property Fund is separate from the KPERS Trust Fund and would not have an actuarial cost to the state's retirement plans. The Office indicates enactment of the bill would have no fiscal effect.

SB 524 (Public Moneys Pooled Method Administration)

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Office indicates the bill would require $254,200 in FY 2027 from Public Moneys Fee Fund to implement the bill. The bill would require the hiring of a 1.0 new FTE program manager position with an estimated annual salaries and wages cost of $120,000. Computer work station setup, software licensing, phone and jack fees, postage and printing, office furniture, and the rental of additional office space would likely be needed for the new employee with ongoing costs totaling $19,000. Program costs would also include $115,200 to verify market values of each pledged security.

The Office indicates the bill authorizes it to assess a reasonable fee to financial institutions to operate the KCP. The Office indicates the State's primary contract for banking services currently charges a $0.60 fee (per security, per month) to verify market values of each pledged security. The current fee structure is estimated to cost the Office $115,200 per fiscal year based on $0.60 fee per security in the pool verified each month with an estimated 16,000 securities. The Office does not have statutory authority to recoup these verification fees, and the State's primary contract for banking services has not initially charged this fee as the program ramps up. Operating the KCP is not sustainable until fees are authorized to be charged to recoup program costs. During the implementation phase, these fees are not being passed on to program participants given the lack of statutory authority to do so. While the securities pool currently consists of fewer securities, additional financial institutions are expected to complete the process to join the program which will substantially increase the number of pooled securities during the remainder of calendar year 2026 but could vary widely depending on participation levels. The Office would monitor the numbers of participating financial institutions, pledged securities, and fee levels to ensure the program will be self-sustaining with the fee authorized by the bill. It is assumed that a total of $254,200 would be generated to the Fund to offset any expenses necessary to operate this program.

The bill would have no fiscal effect on the operations of the Pooled Money Investment pool or the Office of the State Bank Commissioner (OSBC). The OSBC indicates the bill has the potential to adjust certain assessment rates. The agency's budget is funded from assessments paid through its licensees and chartered institutions. Its assessments are based on the budgetary needs of each applicable division. For state banks and trust companies, the agency assesses a percentage of each entity's total assets that is necessary in order to regulate these institutions. The percentage of total assets assessed changes each fiscal year in order to ensure the agency's budgetary needs are met. If the collective total assets decrease for all state-chartered banks due to the assessments charged by the State Treasurer, the OSBC would assess a higher percentage to each state-chartered bank. However, any change in assessments and assessment rate is estimated to be negligible and would be revenue neutral across all state banks and trust companies. Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

Retirement and pensions; Kansas Public Employees Retirement System; KPERS; Board of Directors; Kansas Police and Firemen's Retirement System; State Treasurer; unclaimed property; investment; foreign governments; country of concern

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