



900 SW JACKSON ST., STE 201
TOPEKA KS 66612-1235

Steven Johnson
KANSAS STATE TREASURER

PHONE: 785-296-3171
FAX: 785-296-7950

PROPONENT TESTIMONY ON SENATE BILL 232

**Presented to the Senate Committee on Financial Institutions & Insurance
By Kansas State Treasurer Steven Johnson**

February 3, 2026

Chairperson and Members of the Committee:

Thank you for the opportunity to appear before you today on behalf of the Kansas State Treasurer's Office in support of Senate Bill 232. My name is Steven Johnson, and I am honored to serve as Kansas State Treasurer.

The Treasurer's Office is responsible for administering Kansas' Unclaimed Property Program and for certifying the amount of unclaimed property funds that may be invested on behalf of the State General Fund. Senate Bill 232 makes a targeted and responsible update to the statutory investment authority governing those funds, while preserving strong fiduciary standards and appropriate oversight.

Under current law, the Kansas Public Employees Retirement System Board of Trustees manages and invests certain unclaimed property funds that are certified by the State Treasurer as not immediately needed to satisfy claims. These funds remain state moneys, must be readily available to pay rightful owners upon demand, and all investment earnings—after expenses—are deposited directly into the State General Fund.

Senate Bill 232 does not change that framework. Instead, the bill modernizes the investment options available to the KPERS Board of Trustees by allowing limited investment in high-quality, dollar-denominated obligations of certain foreign governments, subject to strict safeguards.

Specifically, the bill:

- Maintains the existing investment objective of preservation of principal and productivity of funds;
- Continues to prohibit investments made for social, political, or economic development purposes;
- Requires adherence to the prudent investor standard;
- Limits foreign government investments to no more than five percent of available funds;
- Restricts eligibility to industrialized countries as defined by the International Monetary Fund;
- Requires minimum investment-grade credit ratings; and
- Explicitly prohibits investments in countries identified as state sponsors of terrorism or authoritarian or totalitarian regimes.

These guardrails ensure that any foreign government investments remain conservative, diversified, and focused solely on risk-adjusted returns. In practice, this authority would allow access to high-quality sovereign bonds issued by stable, democratic allies—similar to investments already permitted in many other public fund portfolios across the country.

From the Treasurer's perspective, this bill provides an additional tool to responsibly manage unclaimed property funds in a manner that protects liquidity while improving diversification and potential returns for the State General Fund. Importantly, the Treasurer retains full authority to liquidate these investments at any time to meet unclaimed property claims or other statutory obligations.

At a time when interest rates, market conditions, and fiscal pressures continue to evolve, Senate Bill 232 represents a prudent and measured update to Kansas law—one that balances safety, flexibility, and fiduciary responsibility without expanding risk or compromising oversight.

We are also recommending four clarifying balloon amendments that will further strengthen the bill and reinforce its conservative investment posture.

First, the amendment clarifying that eligible issuers must be sovereign countries ensures that investments are limited to national governments that pledge their full faith and credit. This clarification confirms legislative intent and avoids any ambiguity regarding sub-national, quasi-governmental, or indirect issuers.

Second, the balloon language clarifies that only foreign debt that is denominated in United States dollars is eligible for investment. This amendment ensures that the investment is not affected by the devaluation of foreign currency.

Third, the amendment adding Fitch Ratings as an approved credit rating organization aligns the statute with standard market practice. Fitch, along with Standard & Poor's and Moody's, is widely recognized as a nationally accepted rating agency. Importantly, this change does not lower credit standards—investments must still meet strict investment-grade requirements.

And fourth, investment would be allowed only in countries that have never defaulted on short-term or long-term debt obligations. This amendment will provide further assurance that any investment in foreign debt is made only in countries with a perfect repayment history.

For these reasons, the Kansas State Treasurer's Office respectfully supports Senate Bill 232 with the balloon amendments and asks for the Committee's favorable consideration. I would be happy to answer any questions.

Proposed Amendment to SB 232
By the Office of the Kansas State Treasurer
For Financial Institutions and Insurance
January 26, 2026

Session of 2025

SENATE BILL No. 232

By Committee on Federal and State Affairs

2-6

1 AN ACT concerning retirement and pensions; relating to management and
2 investment by the board of trustees of the Kansas public employees
3 retirement system of moneys certified by the state treasurer as
4 equivalent to the aggregate net amount received for unclaimed
5 property; modifying investment standards; authorizing investments in
6 certain foreign governments; amending K.S.A. 2024 Supp. 75-2263
7 and repealing the existing section.
8

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

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

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

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

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

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

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

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

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

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

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

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

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

United States dollar denominated

country

or

or A- or better by Fitch ratings

Investments shall only be allowed in a country that has never defaulted on short-term or long-term debt obligations.

1 invested under this section:

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

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

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

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

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

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

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

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

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

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

18 (A) Specific asset allocation standards and objectives;

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

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

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

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

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

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

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

39 (i) As used in this section:

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

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