

Chapter IB 1

RESTRICTION OF INVESTMENT BOARD EMPLOYEES

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IB 1.01 Statutory authority and purpose. This chapter containing restrictions on investment board employees is promulgated under the directive of s. 25.156 (4), Stats., for the purpose of avoiding conflicts of interest between employees' personal interests, the interests of the investment board and the funds under the management and control of the board. Investment board employees are also subject to the Code of Ethics for classified employees set forth in ch. ER-MRS 24.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; correction made under s. 13.93 (2m) (b) 7, Stats., Register, March, 1995, No. 471.

IB 1.02 Definitions. The following are definitions for terms used in this chapter:

- (1) "Board" means the investment board.
- (2) "Chief investment officer" means the person appointed by the executive director as chief investment officer under s. 25.16 (2), Stats.
- (3) "Confidential information" means any information that is held by the board and is not available for public inspection.
- (4) "Employee" means the executive director, executive assistant and all full and part-time persons, including investment directors, hired to work for the board and paid by a state of Wisconsin payroll check. Members of the board are not employees for the purposes of these rules.
- (5) "Executive director" means the person appointed by the members of the board as executive director under s. 25.156 (2), Stats., or in his or her absence or disability, the person appointed as assistant executive director under s. 25.156 (3), Stats.
- (6) "Family" means an employee's spouse and any other person related by blood, adoption, or marriage to an employee of the board where such other person is living in the same personal residence as the employee and either receives, directly or indirectly, more than one-half of his or her support from the employee or from whom the employee receives, directly or indirectly, more than one-half of his or her support.
- (7) "Favor" means the performance of a task or giving information by a person which will personally benefit an employee of the board or a member of the employee's family.
- (8) "Financial interest" means any direct or indirect equity or debt interest and includes any form of stock, a security convertible into stock, a right, option or warrant to purchase stock, a derivative instrument, any form of debt instrument, a limited partnership interest, a partner's interest in a partnership, a membership in an association or joint venture, an interest in a limited liability company or partnership, or the interest of a sole proprietor, but excludes mortgages on an employee's home or other residence and other consumer loans and, for purposes of s. 25.16 (2), Stats., ownership of less than one-half of one percent of any class of publicly traded securities.
- (9) "Firm" means a corporation, partnership, association, joint venture, limited liability company or partnership, sole proprietor, or other business entity.
- (10) "Gift" means the giving of real or personal property or services, including a payment, advance, loan, forbearance, the promise of future employment, or any other item having value to

an employee of the board or a member of the family of an employee without the exchange of fair value or the expectation of a similar gift or favor in return, but does not include expressions of sympathy or similar items of minimal value not intended to influence the employee's judgment, nor does it include compensation, fees, expenses, or payments received for the benefit of the board under s. IB 1.03 (2).

(11) "Indirectly" or "indirect" means the purchase of or holding a financial interest in the name of another, including a member of the employee's family, or through the use of a nominee or brokers account, but does not include underlying holdings of a registered investment company in which an employee has an interest.

(12) "Investment" includes the purchase and holding of stocks, bonds, evidences of indebtedness whether or not collateralized, mortgages or real estate or any interest therein, including but not limited to options and futures, and derivative or convertible instruments, for the purpose of providing the purchaser with income, capital gain or any other form of a return on the invested money but does not include any savings account, certificate of deposit, domestic government or agency security, shares or units of a registered investment company, purchase of a personal residence or recreational residence or, personal possessions such as furniture, fixtures, jewelry, appliances or motor vehicles.

(13) "Owns" means the power to sell or direct the sale of an investment and includes the power to make sales under a power of attorney.

(14) "Personal" means anything that is used by an employee or a member of an employee's family which does not further the board's business.

(15) "Privileged information" means information which would be protected against disclosure under ch. 905, Stats., or any other law.

(16) "Services" includes the offering of professional services, advice, counsel, evaluation, or analysis relating to property, investments or companies to invest in or portfolios of investments or other board activities, for remuneration either through commissions, fees or concessions or the offering of a market for any type of security or interest in a security, including but not limited to futures or options and other derivative or convertible instruments, traded either on a formal exchange or otherwise.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; renum. (2) to (15) to (3) to (16) and am. (3) to (6), (8) to (13) and (16), cr. (2), Register, May, 1998, No. 509, eff. 6-1-98.

IB 1.03 Gifts or favors. (1) An employee or a member of an employee's family may not during the period the employee is employed by the board directly or indirectly knowingly accept or retain any personal gift or favor from any person representing a firm currently providing services to the board or in which the board is holding an investment or that has made a pending proposal for an investment or for provision of services to the board.

(2) This section does not prohibit acceptance of conference fee payments, meals, travel expenses, accommodations or social functions furnished to an employee attending any conference, meeting, due diligence investigation or similar event which provides the board with information required to investigate, analyze

or protect an investment or proposed investment or any other financial interest of the board, nor does it apply to minor items that are received at and accrue to the benefit of the board.

(3) Any payments or items which are accepted by an employee under sub. (2) shall be reported in accordance with procedures that may be established by the executive director to implement any applicable legal, regulatory, agency guideline or professional code standards or requirements.

Note: Reporting forms may be obtained from the executive director of the investment Board.

(4) The board may contribute items received from third parties which cannot be used to its benefit to charities, or may contribute funds to charities raised through sale of such items which may not practicably be directly contributed.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; am. (1) and (2), cr. (3) and (4), Register, May, 1998, No. 509, eff. 6-1-98; am. (4), Register, September, 2000, No. 537, eff. 10-1-00.

IB 1.04 Investments in firms providing services to the board. (1) An employee of the board may not acquire any financial interest in a firm providing services to the board while the employee remains employed by the board.

(2) If an employee, at the time the employee is hired, owns directly or indirectly, a financial interest in a firm providing services to the board, the employee shall within 6 months:

(a) Sell such financial interest which sale may be on an installment basis, or

(b) Place such interest in a trust where the trustee is a disinterested person and has full power to sell or retain such interest and the employee has only the right to receive income or the proceeds of any sale, or

(c) Provided where under par. (a) or (b) a sale or trust would in the sole opinion of the board work a hardship on the employee or the employee's family, the board may yearly grant, upon written application, a waiver effective for the following year.

(3) This section does not prohibit holding or acquisition of a financial interest in a firm providing services to the board if the net income to the firm from providing services to the board is less than 10% of the annual net income of the firm.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; am. (3), Register, May, 1998, No. 509, eff. 6-1-98.

IB 1.05 Personal investments by employees of the board. (1) Employees may not directly or indirectly purchase or hold any stock or convertible bond being sold as a new issue at the time it is offered to the public for the first time. An employee may purchase and own a stock or convertible bond which was offered to the public for the first time if the employee purchases it after it is publicly traded.

(2) An employee may purchase or sell any other investment when in compliance with requirements of this chapter if the employee obtains advance written approval from the executive director. The executive director may delegate authority to approve employee personal investment transactions to the chief investment officer, assistant executive director, legal counsel, or an investment director. The employee must confirm that the purchase or sale is not based upon confidential information of the board. Permission for the purchase or sale shall be granted if the purchase or sale is not found to be in conflict with the board's interests or applicable legal and professional codes, guidelines, and regulations.

(3) Procedures for preclearance and monitoring of employee personal investments may be established by the executive director to implement any applicable legal, regulatory, agency guideline or professional code standards or requirements.

Note: Personal investment approval request forms may be obtained from the executive director of the investment board.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; am. (1) and (2), cr. (3), Register, May, 1998, No. 509, eff. 6-1-98.

IB 1.07 Other than state employment. (1) Pursuant to s. 25.16 (2), Stats., no employee of the board may offer to or render investment advice to any other person for remuneration. Teaching a course for remuneration in a school, college or university is not a violation of this provision.

(2) Employees of the board may need to engage in other than state employment. Each employee wishing to engage in other employment shall request permission in writing from the executive director, disclosing the nature of the proposed employment or business, the hours per week to be worked and the duration of the employment. The decision of the executive director to allow such outside employment or to refuse such outside employment shall be final provided that, where the decision to refuse such outside employment is made, it shall be accompanied by an explanation of the reasons for the refusal.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83.

IB 1.08 Service on boards of directors. (1) An employee of the board may serve in any position, including a directorship, of a non-profit firm, fraternal organization or religious organization, provided:

(a) If serving will require occasional absence during core working hours, then arrangements shall be made in advance covering the time off.

(b) If serving will require more than occasional absence during core working hours, then such service shall be subject to advance approval by the executive director.

(2) An employee of the board may serve as a director of any for-profit firm and retain any remuneration provided:

(a) Prior to acceptance of the position, the offer of the position is disclosed in writing to the executive director and,

(b) The executive director determines that the firm's bonds, stock or debt are not likely to become the subject of investments which the board would purchase and,

(c) The executive director determines that service as a director will not interfere or adversely affect the employee's performance of his or her investment board duties, and

(d) If serving as a director will involve being absent during regular working hours, then acceptable arrangements covering the time off shall be made between the employee and the executive director.

(3) An employee of the board may serve as a director of a firm in which the board has an investment only when the board approves such service in advance and any remuneration received by the employee is paid to the board.

(4) If an employee is serving as a director at the time an investment in that firm is submitted as a proposed investment to the board, such service shall immediately be brought to the attention of the board and the employee shall immediately disassociate himself or herself from the investment analysis and the decision-making process. If the board subsequently invests in the company and the employee elects to continue as a director, then during the time the board holds any investment in that company, the employee shall pay any remuneration received during that period to the board. At such time as the board no longer holds any investment in the company, the employee may again receive and retain any remuneration.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; am. (1) (intro.), (2) (intro.) and (b), (3) and (4), Register, May, 1998, No. 509, eff. 6-1-98.

IB 1.09 Confidential and privileged information. (1) No employee of the board may release confidential or privileged information without approval of the executive director or the board's legal counsel.

(2) No employee of the board may use confidential or privileged information for his or her personal benefit or to benefit his or her family.

History: Cr. Register, August, 1983, No. 332, eff. 9-1-83; am. (1), Register, May, 1998, No. 509, eff. 6-1-98.