

**1999 DRAFTING REQUEST**

**Bill**

Received: **01/13/99**

Received By: **champra**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Holden**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **State Finance - investment board**

Extra Copies:

**Topic:**

DOA:.....Holden - Bonus compensation plan for SWIB employes

**Instructions:**

See Attached.

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 01/17/99	ygeller 01/18/99	ismith 01/18/99	_____	lrb_docadmin 01/19/99		State
/2	champra 01/29/99	ygeller 01/29/99	hhagen 01/29/99	_____	lrb_docadmin 01/29/99		State
/3	champra 01/29/99	ygeller 01/29/99	hhagen 01/29/99	_____	gretskl 01/30/99		State

FE Sent For:

<END>

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/1	champra 01/17/99	ygeller 01/18/99	ismith 01/18/99	_____	lrb_docadmin 01/19/99		State

*1/2 1/29 jcg AL 1/29 ON JF 1/29*

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May Contact:

Alt. Drafters:

Subject: **State Finance - investment board**

Extra Copies: **JTK**

**Topic:**

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**Instructions:**

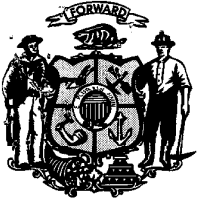
See Attached.

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1/?	champra	1 1/18 JTK	IS 1/18/99	IS/LP 1/18/99			

FE Sent For:

<END>



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR  
MARK D. BUGHER  
SECRETARY

Mailing Address:  
Post Office Box 7864  
Madison, WI 53707-7864



**Date:** January 11, 1999

**Priority:** High

**To:** Steve Miller  
Legislative Reference Bureau

**From:** Kerry Holden, SBO, 6-8593 *KH*

**Subject:** Draft for Governor's 1999-2001 Budget Bill – SWIB Bonus Compensation

Please draft the attached for inclusion in the Governor's 1999-2001 budget bill. This draft request entails creating a separate appropriation for investment staff at SWIB and modifying the bonus compensation program for the investment staff included in the separate appropriation. Please call me with any questions. Thank you.

### **Changes To SWIB Bonus Compensation Program**

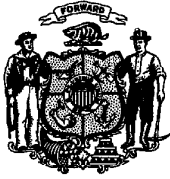
Create a new appropriation numbered s. 20.536 (1)(kb), titled "Investment operations". Copy the current description of s. 20.536(1)(k) so that it applies to the new appropriation.

Amend the first sentence of s. 20.536(1)(k) as follows: "The amounts in the schedule for ~~investing accounting for and managing the oversight of the funds which it controls.~~" Delete the following sentence from s. 20.536(1)(k): Any amounts equal received under s. 25.17(9) shall also be credited to this appropriation.

Amend ss. 25.156(6) and 25.156(7) so that they only apply to bonuses awarded out of the appropriation in s. 20.536(1)(k)

Create a new section pertaining to bonus compensation for investment operations. The only changes to the current s. 25.156(6) will be to:

- Increase the amount of the bonus pool from 10% to 25% of the salaries.
- Allow single payments of bonuses.
- Provide that bonuses in this section are paid for out of the appropriation in s. 20.536(1)(kb).



*ID-Note*  
State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-1731/1

RAC:.....

*SCM*

*JG*

DOA:.....Holden – Bonus compensation plan for SWIB employes

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

*do not gen*

1

AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

STATE GOVERNMENT ✓

STATE FINANCE ✓ (board)

Under current law, the investment board may establish a bonus compensation plan for the executive director and other employes of the board who are appointed in the unclassified service of the state. Under the plan, these employes may qualify for an annual bonus for meritorious performance, which is required to be distributed over a ~~one~~<sup>three</sup>-year period. Current law provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of all unclassified employes of the board. In addition, no bonus awarded to an individual employe for any fiscal year may exceed a total of 25% of the annual salary of the employe. In awarding bonus compensation for a given period, the board must consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

This bill authorizes the board to create two different bonus compensation plans for two different groups of employes. The first plan provides bonus compensation for the executive director and employes of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "accounting for and managing the oversight of the funds" controlled by the board. This plan is identical to the bonus compensation plan established under current law, except that the total amount of bonuses awarded for any fiscal year may not exceed

a total of 10% of the total annualized salaries of the executive director and employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for “accounting for and managing the oversight of the funds” managed by the board.

The second plan provides bonus compensation for employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for “investing the funds” controlled by the board. The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for “investing the funds” controlled by the board. In addition, the plan provides that no bonus awarded to an individual employee for any fiscal year may exceed a total of 50% of the annual salary of the employee. Under the plan, there is no requirement that the bonus compensation must be paid out over a ~~2~~ <sup>three</sup>-year period. The bill requires the board, in awarding bonuses to these employees, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           SECTION 1. 20.536 (1) (k) <sup>X</sup> of the statutes is amended to read:

2           20.536 (1) (k) *General program operations.* The amounts in the schedule for

3           investing accounting for and managing the oversight of the funds which it controls.

4           All moneys received by the board in advance from assessments under s. 25.187 (3)

5           (a) <sup>✓</sup> shall be credited to this appropriation. ~~On July 1 and January 1 of each year, the~~

6           ~~board shall estimate the amounts required for the next 6-month period and bill the~~

7           ~~state agencies for whom investments are made. At the end of each semiannual period~~

8           ~~the board shall reconcile its expenditures and shall adjust its next billing to such~~

9           ~~agencies to reflect any deficits or excesses. At the end of each fiscal year the board~~

10          ~~shall reconcile its accounts and report to each state agency its share of total expenses~~

11          ~~for the year. Amounts billed to state agencies shall be charged to income or revenue~~

12          ~~received from the board's investments. Any amounts received under s. 25.17(9) shall~~

1 ~~also be credited to this appropriation. The amounts expended under this paragraph~~  
 2 ~~may not exceed the amounts shown in the schedule for each year of the biennium,~~  
 3 ~~unless supplemented from the board's receipts by the joint committee on finance~~  
 4 ~~account.~~ ✓ plain period

History: 1973 c. 90; 1977 c. 29, 418; 1981 c. 20; 1987 a. 399; 1989 a. 366; 1995 a. 216, 227; 1997 a. 27.

5 SECTION 2. 20.536 (1) (kb) of the statutes is created to read:

6 20.536 (1) (kb) *Investment operations.* The amounts in the schedule for  
 7 investing the funds which it controls. All moneys received from assessments under  
 8 s. 25.187 (3) (b) ✓ and all assessments under s. 25.17 (9) ✓ shall be credited to this  
 9 appropriation account.

✓\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

10 SECTION 3. 25.156 (6) (intro.) ✓ of the statutes is amended to read:

11 25.156 (6) (intro.) The investment board may provide a plan of bonus  
 12 compensation for the executive director and other employes of the board who are  
 13 appointed in the unclassified service and whose salary is paid from the appropriation  
 14 to the board under s. 25.536 (1) (k), ✓ whereby the employes may qualify for an annual  
 15 bonus for meritorious performance. No such bonuses awarded by the board for any  
 16 fiscal year may exceed a total of 10% of the total annualized salaries of all  
 17 unclassified employes ~~of the board~~ whose salary is paid from the appropriation to the  
 18 board under s. 25.536 (1) (k) at the beginning of the fiscal year. No bonus awarded  
 19 by the board to any individual employe for any fiscal year may exceed a total of 25%  
 20 of the annual salary of the employe at the beginning of the fiscal year. In awarding  
 21 bonus compensation for a given period, the board shall consider the performance of  
 22 funds similar to those for which it has managing authority and market indices for  
 23 the same period. The board shall provide for a portion of the bonus compensation



1 awarded under this subsection to be distributed to an employe over a 3-year period  
2 conditioned upon continuation of employment to the time of distribution, except as  
3 provided in sub. (7). Bonus compensation may only be awarded under this subsection  
4 pursuant to a plan adopted by the board that specifies all of the following:

5 History: 1979 c. 110; 1985 a. 332 s. 251 (1), (6); 1987 a. 399; 1991 a. 39; 1995 a. 274; 1997 a. 27, 35.

**SECTION 4. 25.156 (6m)** of the statutes is created to read:

6 **25.156 (6m)** The investment board may provide a plan of bonus compensation  
7 for employes of the board who are appointed in the unclassified service and whose  
8 salary is paid from the appropriation to the board under s. 25.536 (1) (kb), whereby  
9 the employes may qualify for an annual bonus for meritorious performance. No such  
10 bonuses awarded by the board for any fiscal year may exceed a total of 25% of the total  
11 annualized salaries of all unclassified employes whose salary is paid from the  
12 appropriation to the board under s. 25.536 (1) (kb) at the beginning of the fiscal year.  
13 No bonus awarded by the board to any individual employe for any fiscal year may  
14 exceed a total of 50% of the annual salary of the employe at the beginning of the fiscal  
15 year. In awarding bonus compensation for a given period, the board shall consider  
16 the performance of funds similar to those for which it has managing authority and  
17 market indices for the same period. Bonus compensation may only be awarded under  
18 this subsection pursuant to a plan adopted by the board that specifies all of the  
19 following:

20 (a) The conditions under which bonus compensation will be awarded.

21 (b) The percentage of the total available bonus compensation that will be  
22 awarded based upon beneficial investment performance and the percentage of such  
23 compensation that will be awarded based upon other meritorious performance.

1 (c) The specific criteria that will be employed in considering whether to award  
2 bonus compensation to a particular employe.

3 **SECTION 5.** 25.16 (7) <sup>x</sup> of the statutes is amended to read:

4 25.16 (7) The executive director shall fix the compensation of all employes  
5 appointed by the executive director, subject to restrictions set forth in the  
6 compensation plan under s. 230.12 or any applicable collective bargaining  
7 agreement in the case of employes in the classified service, but the investment board  
8 may provide for bonus compensation to employes in the unclassified service as  
9 authorized under s. 25.156 (6) and (6m).<sup>✓</sup>

10 History: 1979 c. 110, 221; 1985 a. 29; 1987 a. 27, 399; 1990<sup>x</sup> a. 39, 269, 316; 1995 a. 274; 1997 a. 27.

11 **SECTION 6.** 25.17 (9) of the statutes is amended to read:

12 25.17 (9) Give such advice and assistance as may be requested by the board of  
13 commissioners of public lands or the board of regents of the ~~university~~ University of  
14 Wisconsin ~~system~~ <sup>System</sup> in the investment of any moneys which under sub. (1) are excepted  
15 from the moneys to be loaned or invested by the investment board, and assign, sell,  
16 convey and deed to them such investments made by the said board as may be  
17 mutually agreeable. The cost of any services rendered to the board of commissioners  
18 of public lands or the board of regents of the ~~university~~ University of Wisconsin  
19 ~~system~~ <sup>System</sup> pursuant to this section shall be charged to the fund to which the moneys  
20 invested belong and shall be added to ~~appropriation to the investment board in~~  
credited to the appropriation account under s. 20.536 (1) (kb).<sup>✓</sup>

History: 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191.

21 **SECTION 7.** 25.187 of the statutes is created to read:

22 **25.187 Operating expenditures.** (1) On July 1 and January 1 of each fiscal  
23 year, the investment board shall estimate the amounts required for its operating

1 expenditures for the <sup>✓</sup>6-month period beginning on that date and shall assess each  
2 fund for which the board has management responsibility for its share of the  
3 estimated operating expenditures in the proportion that the market value of the  
4 fund's assets on that date bears to the total market value of all funds for which the  
5 board has management responsibility on that date. The board shall pay the  
6 assessment from the current income of each fund, unless an appropriation is made  
7 for payment of the assessment, in which case the assessment shall be paid from that  
8 appropriation account. Whenever the board assesses a fund for the board's  
9 estimated operating expenditures, the board shall, on the next assessment, adjust  
10 the previous assessment to reflect any difference between its estimated operating  
11 expenditures and its actual operating expenditures since the previous assessment.

12 (2) The investment board shall transmit a notice of each assessment to each  
13 fund at the time that the assessment is made, and shall transmit a statement of its  
14 actual expenditures for management of each fund at the close of each fiscal year to  
15 the state agency having primary responsibility for expenditure of principal or  
16 earnings of the fund, or if there is none to the <sup>✓</sup>department of administration.

17 (3) (a) Except as provided in par. (b), the board shall credit all assessments to  
18 the appropriation account in s. 20.536 (1) (k).<sup>✓</sup>

19 (b) The board shall credit that portion of each assessment relating to the  
20 investment operations of the board to the appropriation account in s. 20.536 (1) (kb).<sup>✓</sup>

21 (END) ✓

D-note



**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1731/1dn

RAC:.....

jlq

Kerry Holden:

This draft creates a new bonus compensation plan for SWIB employes in the unclassified service whose salaries are paid from the newly created appropriation account under s. 20.536 (1) (kb). In reviewing the draft, please note the following:

1. Per your request, I narrowed the scope of the purpose of the appropriation to SWIB under s. 20.536 (1) (k) from "investing the funds which it controls" to "accounting for and managing the oversight of the funds which it controls". You may wish, however, to review the kinds of expenditures that you intend SWIB to make from moneys credited to this appropriation account to determine if the purpose statement of the appropriation will permit the expenditures.

2. It is not possible to replicate exactly the language from s. 20.536 (1) (k) in the new appropriation to SWIB under s. 20.536 (1) (kb). The current law text in s. 20.536 (1) (k) requires that "All moneys received by the board in advance shall be credited to this appropriation." I cannot reproduce this identical language in s. 20.536 (1) (kb), because then both appropriations would require that *all* of these moneys must be credited to their accounts. Obviously, this would be impossible; if *all* of the moneys are credited to one account, then they cannot also *all* be credited to another account. For that reason, I have created a means whereby these moneys will be divided between the two appropriation accounts. Under this scheme, all assessments that SWIB makes against the funds for SWIB's operating expenses will be credited to s. 20.536 (1) (k) except for SWIB's expenses relating to its investment operations, which will be credited to the appropriation account under s. 20.536 (1) (kb).

3. Under current law, the text of s. 20.536 (1) (k) contains a substantial amount of non-appropriation material. Rather than simply recreate this non-appropriation material in s. 20.536 (1) (kb), I have placed the text in the newly created s. 25.187. Please review how I have structured the assessment process. I believe that this language simply describes SWIB's current process for assessing the funds for SWIB's operating expenses. Also, please note that the creation of s. 25.187 will permit the funnelling of the assessments to the different appropriation accounts in s. 20.536 (1) (k) and (kb).

4. Per your request, I have established two bonus compensation plans. The first plan provides bonus compensation for the executive director and employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536

(1) (k). (Please note that, under s. 25.165, the internal auditor and the unclassified employes appointed by the internal auditor would also be covered under this plan.) This plan is identical to the bonus compensation plan established under current law, except that the total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of the executive director and employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536 (1) (k).

The second plan provides bonus compensation for employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536 (1) (kb). The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536 (1) (kb). In addition, the plan provides that no bonus awarded to an individual employe for any fiscal year may exceed a total of 50% of the annual salary of the employe. Under the plan, there is no requirement that the bonus compensation must be paid out over a 3-year period. The bill requires the board, in awarding bonuses to these employes, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

Please note that I have required that the pool from which the bonuses are paid under each plan consists only of the annualized salaries of the different employes covered under the plan. Is this your intent?

If you have any questions about the draft, please do not hesitate to call me.

Richard A. Champagne  
Legislative Attorney  
266-9930

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1731/1dn  
RAC:jlj:ijs

January 18, 1999

Kerry Holden:

This draft creates a new bonus compensation plan for SWIB employes in the unclassified service whose salaries are paid from the newly created appropriation account under s. 20.536 (1) (kb). In reviewing the draft, please note the following:

1. Per your request, I narrowed the scope of the purpose of the appropriation to SWIB under s. 20.536 (1) (k) from "investing the funds which it controls" to "accounting for and managing the oversight of the funds which it controls". You may wish, however, to review the kinds of expenditures that you intend SWIB to make from moneys credited to this appropriation account to determine if the purpose statement of the appropriation will permit the expenditures.

2. It is not possible to replicate exactly the language from s. 20.536 (1) (k) in the new appropriation to SWIB under s. 20.536 (1) (kb). The current law text in s. 20.536 (1) (k) requires that "All moneys received by the board in advance shall be credited to this appropriation.". I cannot reproduce this identical language in s. 20.536 (1) (kb), because then both appropriations would require that *all* of these moneys must be credited to their accounts. Obviously, this would be impossible; if *all* of the moneys are credited to one account, then they cannot also *all* be credited to another account. For that reason, I have created a means whereby these moneys will be divided between the two appropriation accounts. Under this scheme, all assessments that SWIB makes against the funds for SWIB's operating expenses will be credited to s. 20.536 (1) (k) except for SWIB's expenses relating to its investment operations, which will be credited to the appropriation account under s. 20.536 (1) (kb).

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4. Per your request, I have established two bonus compensation plans. The first plan provides bonus compensation for the executive director and employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536

(1) (k). (Please note that, under s. 25.165, the internal auditor and the unclassified employes appointed by the internal auditor would also be covered under this plan.) This plan is identical to the bonus compensation plan established under current law, except that the total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of the executive director and employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536 (1) (k).

The second plan provides bonus compensation for employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536 (1) (kb). The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of employes of the board who are in the unclassified service of the state and whose salaries are paid from s. 20.536 (1) (kb). In addition, the plan provides that no bonus awarded to an individual employe for any fiscal year may exceed a total of 50% of the annual salary of the employe. Under the plan, there is no requirement that the bonus compensation must be paid out over a 3-year period. The bill requires the board, in awarding bonuses to these employes, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

Please note that I have required that the pool from which the bonuses are paid under each plan consists only of the annualized salaries of the different employes covered under the plan. Is this your intent?

If you have any questions about the draft, please do not hesitate to call me.

Richard A. Champagne  
Legislative Attorney  
266-9930

1999 - 2000 LEGISLATURE

LRB-1731/1

RAC:jlg:ijs

DOA:.....Holden - Bonus compensation plan for SWIB employes

FOR 1999-01 BUDGET -- NOT READY FOR INTRODUCTION

Post-It* Fax Note	7671	Date	1-28-99	# of pages	6
To	Ric Champagne	From	Kerry Holden		
Co./Dept.	LRB-Draft	Co.	SBO		
Phone #	6-9930	Phone #	6-8593		
Fax #	4-8522	Fax #	7-0372		

1 AN ACT ...: relating to: the budget.

Analysis by the Legislative Reference Bureau  
STATE GOVERNMENT

STATE FINANCE

Under current law, the investment board (board) may establish a bonus compensation plan for the executive director and other employes of the board who are appointed in the unclassified service of the state. Under the plan, these employes may qualify for an annual bonus for meritorious performance, which is required to be distributed over a three-year period. Current law provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of all unclassified employes of the board. In addition, no bonus awarded to an individual employe for any fiscal year may exceed a total of 25% of the annual salary of the employe. In awarding bonus compensation for a given period, the board must consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

~~This bill authorizes the board to create two different bonus compensation plans for two different groups of employes. The first plan provides bonus compensation for the executive director and employes of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "accounting for and managing the oversight of the funds" controlled by the board. This plan is identical to the bonus compensation plan established under current law, except that the total amount of bonuses awarded for any fiscal year may not exceed~~

This bill creates a second bonus plan for investment professionals



a total of 10% of the total annualized salaries of the executive director and employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "accounting for and managing the oversight of the funds" managed by the board.

The second plan provides bonus compensation for employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "investing the funds" controlled by the board. The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "investing the funds" controlled by the board. In addition, the plan provides that no bonus awarded to an individual employe for any fiscal year may exceed a total of 50% of the annual salary of the employe. Under the plan, there is no requirement that the bonus compensation must be paid out over a three-year period. The bill requires the board, in awarding bonuses to these employes, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

who function  
as  
investmt  
professors

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           SECTION 1. 20.536 (1) (k) of the statutes is amended to read:

2           20.536 (1) (k) ~~General~~ program operations. The amounts in the schedule for

3 ~~investing accounting for and managing the oversight of the funds~~ which it controls.

4 All moneys received by the board in advance from assessments under s. 25.187 (3)

5 (a) shall be credited to this appropriation. On July 1 and January 1 of each year, the

6 board shall estimate the amounts required for the next 6 month period and bill the

7 state agencies for whom investments are made. At the end of each semiannual period

8 the board shall reconcile its expenditures and shall adjust its next billing to such

9 agencies to reflect any deficits or excesses. At the end of each fiscal year the board

10 shall reconcile its accounts and report to each state agency its share of total expenses

11 for the year. Amounts billed to state agencies shall be charged to income or revenue

12 received from the board's investments. Any amounts received under s. 25.17 (9) shall

1 ~~also be credited to this appropriation. The amounts expended under this paragraph~~  
 2 ~~may not exceed the amounts shown in the schedule for each year of the biennium;~~  
 3 ~~unless supplemented from the board's receipts by the joint committee on finance~~  
 4 ~~account.~~

5 SECTION 2. 20.536 (1) (kb) of the statutes is created to read:

6 20.536 (1) (kb) *Investment operations.* The amounts in the schedule for  
 7 investing the funds which it controls. All moneys received from assessments under  
 8 s. 25.187 (3) (b) and all assessments under s. 25.17 (9) shall be credited to this  
 9 appropriation account.

----NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

10 SECTION 3. 25.156 (6) (intro.) of the statutes is amended to read:

11 25.156 (6) (intro.) The investment board may provide a plan of bonus  
 12 compensation for the executive director and other employees of the board who are  
 13 appointed in the unclassified service and whose salary is paid from the appropriation  
 14 to the board under s. 25.536 (1) (k). whereby the employes may qualify for an annual  
 15 bonus for meritorious performance. No such bonuses awarded by the board for any  
 16 fiscal year may exceed a total of 10% of the total annualized salaries of all  
 17 unclassified employees of the board whose salary is paid from the appropriation to the  
 18 board under s. 25.536 (1) (k) at the beginning of the fiscal year. No bonus awarded  
 19 by the board to any individual employe for any fiscal year may exceed a total of 25%  
 20 of the annual salary of the employe at the beginning of the fiscal year. In awarding  
 21 bonus compensation for a given period, the board shall consider the performance of  
 22 funds similar to those for which it has managing authority and market indices for  
 23 the same period. The board shall provide for a portion of the bonus compensation

1 awarded under this subsection to be distributed to an employe over a 3-year period  
2 conditioned upon continuation of employment to the time of distribution, except as  
3 provided in sub. (7). Bonus compensation may only be awarded under this subsection  
4 pursuant to a plan adopted by the board that specifies all of the following:

5 SECTION 4. 25.156 (6m) of the statutes is created to read:

6 25.156 (6m) The investment board may provide a plan of bonus compensation  
7 for employes of the board who are appointed in the unclassified service and whose  
8 ~~salary is paid from the appropriation to the board under s. 25.536 (1) (kb), whereby~~  
*who function as investment professionals*

9 the employes may qualify for an annual bonus for meritorious performance. No such  
10 bonuses awarded by the board for any fiscal year may exceed a total of 25% of the total  
11 annualized salaries of all unclassified employes ~~whose salary is paid from the~~  
12 ~~appropriation to the board under s. 25.536 (1) (kb)~~ at the beginning of the fiscal year.

13 No bonus awarded by the board to any individual employe for any fiscal year may  
14 exceed a total of 50% of the annual salary of the employe at the beginning of the fiscal  
15 year. In awarding bonus compensation for a given period, the board shall consider  
16 the performance of funds similar to those for which it has managing authority and  
17 market indices for the same period. Bonus compensation may only be awarded under  
18 this subsection pursuant to a plan adopted by the board that specifies all of the  
19 following:

20 (a) The conditions under which bonus compensation will be awarded.

21 (b) The percentage of the total available bonus compensation that will be  
22 awarded based upon beneficial investment performance and the percentage of such  
23 compensation that will be awarded based upon other meritorious performance.

24 (c) The specific criteria that will be employed in considering whether to award  
25 bonus compensation to a particular employe.

*The secretary of DAF shall determine, prior to the start of each FY, which unclassified staff members are eligible for bonus.*

*per.*

1           **SECTION 5. 25.16 (7) of the statutes is amended to read:**

2           **25.16 (7) The executive director shall fix the compensation of all employees**  
3 **appointed by the executive director, subject to restrictions set forth in the**  
4 **compensation plan under s. 230.12 or any applicable collective bargaining**  
5 **agreement in the case of employees in the classified service, but the investment board**  
6 **may provide for bonus compensation to employees in the unclassified service as**  
7 **authorized under s. 25.156 (6) and (6m).**

8           **SECTION 6. 25.17 (9) of the statutes is amended to read:**

9           **25.17 (9) Give such advice and assistance as may be requested by the board of**  
10 **commissioners of public lands or the board of regents of the university ~~University of~~**  
11 **Wisconsin system ~~System~~ in the investment of any moneys which under sub. (1) are**  
12 **excepted from the moneys to be loaned or invested by the investment board, and**  
13 **assign, sell, convey and deed to them such investments made by the said board as**  
14 **may be mutually agreeable. The cost of any services rendered to the board of**  
15 **commissioners of public lands or the board of regents of the university ~~University of~~**  
16 **Wisconsin system ~~System~~ pursuant to this section shall be charged to the fund to**  
17 **which the moneys invested belong and shall be added to appropriation to the**  
18 **~~investment board in~~ credited to the appropriation account under s. 20.536 (1) (kb).**

19           **SECTION 7. 25.187 of the statutes is created to read:**

20           **25.187 Operating expenditures. (1) On July 1 and January 1 of each fiscal**  
21 **year, the investment board shall estimate the amounts required for its operating**  
22 **expenditures for the 6-month period beginning on that date and shall assess each**  
23 **fund for which the board has management responsibility for its share of the**  
24 **estimated operating expenditures in the proportion that the market value of the**  
25 **fund's assets on that date bears to the total market value of all funds for which the**

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- 6 -

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RAC:jlg:ijs  
SECTION 7

1 board has management responsibility on that date. The board shall pay the  
2 assessment from the current income of each fund, unless an appropriation is made  
3 for payment of the assessment, in which case the assessment shall be paid from that  
4 appropriation account. Whenever the board assesses a fund for the board's  
5 estimated operating expenditures, the board shall, on the next assessment, adjust  
6 the previous assessment to reflect any difference between its estimated operating  
7 expenditures and its actual operating expenditures since the previous assessment.

8 (2) The investment board shall transmit a notice of each assessment to each  
9 fund at the time that the assessment is made, and shall transmit a statement of its  
10 actual expenditures for management of each fund at the close of each fiscal year to  
11 the state agency having primary responsibility for expenditure of principal or  
12 earnings of the fund, or if there is none to the department of administration.

13 (3) (a) Except as provided in par. (b), the board shall credit all assessments to  
14 the appropriation account in s. 20.536 (1) (k).

15 (b) The board shall credit that portion of each assessment relating to the  
16 investment operations of the board to the appropriation account in s. 20.536 (1) (kb).

17 (END)



State of Wisconsin  
1999 - 2000 LEGISLATURE

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RAC:jlg:ijs

*Redraft under  
has been run*

*SOV*

DOA:.....Holden - Bonus compensation plan for SWIB employes

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

*do not gen*

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

STATE GOVERNMENT

STATE FINANCE

Under current law, the investment board (board) may establish a bonus compensation plan for the executive director and other employes of the board who are appointed in the unclassified service of the state. Under the plan, these employes may qualify for an annual bonus for meritorious performance, which is required to be distributed over a three-year period. Current law provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of all unclassified employes of the board. In addition, no bonus awarded to an individual employe for any fiscal year may exceed a total of 25% of the annual salary of the employe. In awarding bonus compensation for a given period, the board must consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

This bill authorizes the board to create two different bonus compensation plans for two different groups of employes. The first plan provides bonus compensation for the executive director and employes of the board who are in the unclassified service of the state ~~and whose salaries are paid from an appropriation to the board for "accounting for and managing the oversight of the funds" controlled by the board.~~ This plan is identical to the bonus compensation plan established under current law, except that the total amount of bonuses awarded for any fiscal year may not exceed

*but who are not investment professionals, as determined by the secretary of administration*

✓  
these employees

a total of 10% of the total annualized salaries of the executive director and employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "accounting for and managing the oversight of the funds" managed by the board.

these employees

The second plan provides bonus compensation for employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "investing the funds" controlled by the board. The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of employees of the board who are in the unclassified service of the state and whose salaries are paid from an appropriation to the board for "investing the funds" controlled by the board. In addition, the plan provides that no bonus awarded to an individual employee for any fiscal year may exceed a total of 50% of the annual salary of the employee. Under the plan, there is no requirement that the bonus compensation must be paid out over a three-year period. The bill requires the board, in awarding bonuses to these employees, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

are investment professionals, are determined by the secretary of administration

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

**The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:**

1 SECTION 1. 20.536 (1) (k) of the statutes is amended to read:

2 20.536 (1) (k) *General program operations.* The amounts in the schedule for

3 ~~investing accounting for and managing the oversight of the funds which it controls.~~

4 ~~All moneys received by the board in advance from assessments under s. 25.187 (3)~~

5 ~~(a) shall be credited to this appropriation. On July 1 and January 1 of each year, the~~

6 ~~board shall estimate the amounts required for the next 6-month period and bill the~~

7 ~~state agencies for whom investments are made. At the end of each semiannual period~~

8 ~~the board shall reconcile its expenditures and shall adjust its next billing to such~~

9 ~~agencies to reflect any deficits or excesses. At the end of each fiscal year the board~~

10 ~~shall reconcile its accounts and report to each state agency its share of total expenses~~

11 ~~for the year. Amounts billed to state agencies shall be charged to income or revenue~~

12 ~~received from the board's investments. Any amounts received under s. 25.17 (9) shall~~

1 ~~also be credited to this appropriation. The amounts expended under this paragraph~~  
 2 ~~may not exceed the amounts shown in the schedule for each year of the biennium,~~  
 3 ~~unless supplemented from the board's receipts by the joint committee on finance~~  
 4 ~~account.~~

5 SECTION 2. 20.536 (1) (kb) of the statutes is created to read:

6 20.536 (1) (kb) *Investment operations.* The amounts in the schedule for  
 7 investing the funds which it controls. All moneys received from assessments under  
 8 s. 25.187 (3) (b) and all assessments under s. 25.17 (9) shall be credited to this  
 9 appropriation account.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

10 SECTION 3. 25.156 (6) (intro.) of the statutes is amended to read:

11 25.156 (6) (intro.) The investment board may provide a plan of bonus  
 12 compensation for the executive director and other employees of the board who are  
 13 appointed in the unclassified service ~~and whose salary is paid from the appropriation~~

Insert  
3-14 ✓

14 ~~to the board under s. 25.536 (1) (k),~~ whereby the employes may qualify for an annual  
 15 bonus for meritorious performance. No such bonuses awarded by the board for any

Insert  
3-18 ✓

16 fiscal year may exceed a total of 10% of the total annualized salaries of all  
 17 unclassified employes of the board ~~whose salary is paid from the appropriation to the~~

18 ~~board under s. 25.536 (1) (k)~~ at the beginning of the fiscal year. No bonus awarded  
 19 by the board to any individual employe for any fiscal year may exceed a total of 25%

20 of the annual salary of the employe at the beginning of the fiscal year. In awarding  
 21 bonus compensation for a given period, the board shall consider the performance of  
 22 funds similar to those for which it has managing authority and market indices for  
 23 the same period. The board shall provide for a portion of the bonus compensation



1 awarded under this subsection to be distributed to an employe over a 3-year period  
2 conditioned upon continuation of employment to the time of distribution, except as  
3 provided in sub. (7). Bonus compensation may only be awarded under this subsection  
4 pursuant to a plan adopted by the board that specifies all of the following:

5 SECTION 4. 25.156 (6m) of the statutes is created to read:  
(a)

Insert  
4-8

6 25.156 (6m) The investment board may provide a plan of bonus compensation  
7 for employes of the board who are appointed in the unclassified service and whose  
8 salary is paid from the appropriation to the board under s. 25.536 (1)(b), whereby  
9 the employes may qualify for an annual bonus for meritorious performance. No such  
10 bonuses awarded by the board for any fiscal year may exceed a total of 25% of the total

Insert  
4-12

11 annualized salaries of all unclassified employes whose salary is paid from the  
12 appropriation to the board under s. 25.536 (1)(b) at the beginning of the fiscal year.  
13 No bonus awarded by the board to any individual employe for any fiscal year may  
14 exceed a total of 50% of the annual salary of the employe at the beginning of the fiscal  
15 year. In awarding bonus compensation for a given period, the board shall consider  
16 the performance of funds similar to those for which it has managing authority and  
17 market indices for the same period. Bonus compensation may only be awarded under  
18 this subsection pursuant to a plan adopted by the board that specifies all of the  
19 following:

20 1. The conditions under which bonus compensation will be awarded.  
21 2. The percentage of the total available bonus compensation that will be  
22 awarded based upon beneficial investment performance and the percentage of such  
23 compensation that will be awarded based upon other meritorious performance.

Insert  
4-25

24 3. The specific criteria that will be employed in considering whether to award  
25 bonus compensation to a particular employe.

1           **SECTION 5.** 25.16 (7) of the statutes is amended to read:

2           25.16 (7) The executive director shall fix the compensation of all employees  
3 appointed by the executive director, subject to restrictions set forth in the  
4 compensation plan under s. 230.12 or any applicable collective bargaining  
5 agreement in the case of employees in the classified service, but the investment board  
6 may provide for bonus compensation to employees in the unclassified service as  
7 authorized under s. 25.156 (6) and (6m).

8           **SECTION 6.** 25.17 (9) of the statutes is amended to read:

9           25.17 (9) Give such advice and assistance as may be requested by the board of  
10 commissioners of public lands or the board of regents of the ~~university~~ University of  
11 Wisconsin ~~system~~ System in the investment of any moneys which under sub. (1) are  
12 excepted from the moneys to be loaned or invested by the investment board, and  
13 assign, sell, convey and deed to them such investments made by the said board as  
14 may be mutually agreeable. The cost of any services rendered to the board of  
15 commissioners of public lands or the board of regents of the ~~university~~ University of  
16 Wisconsin ~~system~~ System pursuant to this section shall be charged to the fund to  
17 which the moneys invested belong and shall be ~~added to appropriation to the~~  
18 ~~investment board in~~ credited to the appropriation account under s. 20.536 (1) (kb).

19           **SECTION 7.** 25.187 of the statutes is created to read:

20           **25.187 Operating expenditures.** (1) On July 1 and January 1 of each fiscal  
21 year, the investment board shall estimate the amounts required for its operating  
22 expenditures for the 6-month period beginning on that date and shall assess each  
23 fund for which the board has management responsibility for its share of the  
24 estimated operating expenditures in the proportion that the market value of the  
25 fund's assets on that date bears to the total market value of all funds for which the

1 board has management responsibility on that date. The board shall pay the  
2 assessment from the current income of each fund, unless an appropriation is made  
3 for payment of the assessment, in which case the assessment shall be paid from that  
4 appropriation account. Whenever the board assesses a fund for the board's  
5 estimated operating expenditures, the board shall, on the next assessment, adjust  
6 the previous assessment to reflect any difference between its estimated operating  
7 expenditures and its actual operating expenditures since the previous assessment.

8 (2) The investment board shall transmit a notice of each assessment to each  
9 fund at the time that the assessment is made, and shall transmit a statement of its  
10 actual expenditures for management of each fund at the close of each fiscal year to  
11 the state agency having primary responsibility for expenditure of principal or  
12 earnings of the fund, or if there is none to the department of administration.

13 (3) (a) Except as provided in par. (b), the board shall credit all assessments to  
14 the appropriation account in s. 20.536 (1) (k).

15 (b) The board shall credit that portion of each assessment relating to the  
16 investment operations of the board to the appropriation account in s. 20.536 (1) (kb).

17

(END)

Insert ✓  
6-17

1999-2000 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

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**Insert 3-14:**

~~NO~~  
~~FP~~ , other than employes eligible for the plan of bonus compensation provided  
under sub. (6m) ~~NO~~  
~~FP~~

**Insert 3-18:**

~~NO~~  
~~FP~~ , other than employes eligible for the plan of bonus compensation provided  
under sub. (6m), ~~NO~~  
~~FP~~

**Insert 4-8:**

~~NO~~  
~~FP~~ who are investment professionals, as determined by the secretary of  
administration under par. (b) ~~NO~~  
~~FP~~

**Insert 4-12:**

~~NO~~  
~~FP~~ employes who are investment professionals, as determined by the secretary of  
administration under par. (b), ~~NO~~  
~~FP~~

**Insert 4-25:**

~~FP~~ (b) Annually, no later than June 30<sup>✓</sup>, the secretary of administration shall  
determine which employes of the board are investment professionals and eligible for  
the plan of bonus compensation provided under par. (a)<sup>✓</sup> for the succeeding fiscal year  
and shall report this determination to the board.

**Insert 6-17:**

~~X~~  
SECTION 1. 25.165 (1) of the statutes is amended to read:

25.165 (1) There is created in the investment board an internal audit subunit,  
under the supervision of the internal auditor. The internal auditor shall report  
directly to the board and, subject to authorization under s. 16.505, shall appoint all  
employes necessary to carry out the duties of the internal auditor. The internal

auditor shall appoint all employes outside the classified service, except blue collar and clerical employes. The internal auditor shall fix the compensation of all employes appointed by the internal auditor, subject to restrictions set forth in the compensation plan under s. 230.12 or any applicable collective bargaining agreement in the case of employes in the classified service, but the investment board may provide for bonus compensation to employes in the unclassified service as authorized under s. 25.156 (6) and (6m).<sup>✓</sup>

History: 1995 a. 274.

**SECTION 9127. Nonstatutory provisions; investment board.**<sup>✓</sup>

(1) BONUS COMPENSATION PLAN FOR CERTAIN EMPLOYES OF THE INVESTMENT BOARD. Notwithstanding section 25.156 (6m) (b)<sup>✓</sup> of the statutes, as created by this act, the secretary shall, no later than October 1, 1999, determine which employes of the investment board are investment professionals and eligible for the plan of bonus compensation provided under section 25.156 (6m) (a)<sup>✓</sup> of the statutes, as created by this act, for the 1999-2000<sup>✓</sup> fiscal year, and shall report this determination to the investment board.



State of Wisconsin  
1999 - 2000 LEGISLATURE

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*SCOV*

*Radnoff rider  
has been run*

DOA:.....Holden – Bonus compensation plan for SWIB employes

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

*do not gen*

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

STATE GOVERNMENT

STATE FINANCE

Under current law, the investment board (board) may establish a bonus compensation plan for the executive director and other employes of the board who are appointed in the unclassified service of the state. Under the plan, these employes may qualify for an annual bonus for meritorious performance, which is required to be distributed over a three-year period. Current law provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of all unclassified employes of the board. In addition, no bonus awarded to an individual employe for any fiscal year may exceed a total of 25% of the annual salary of the employe. In awarding bonus compensation for a given period, the board must consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

This bill authorizes the board to create two different bonus compensation plans for two different groups of employes. The first plan provides bonus compensation for the executive director and <sup>other</sup> employes of the board who are in the unclassified service ~~of the state~~ but who are not investment professionals, as determined by the secretary of administration. This plan is identical to the bonus compensation plan established under current law, except that the total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of these employes.

*, internal auditor, employes appointed by the internal auditor  
who are appointed in the unclassified service of the state*

The second plan provides bonus compensation for employes of the board who are in the unclassified service of the state and are investment professionals, as determined by the secretary of administration. The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of these employes. In addition, the plan provides that no bonus awarded to an individual employe for any fiscal year may exceed a total of 50% of the annual salary of the employe. Under the plan, there is no requirement that the bonus compensation must be paid out over a three-year period. The bill requires the board, in awarding bonuses to these employes, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. 25.156 (6) (intro.) of the statutes is amended to read:

25.156 (6) (intro.) The investment board may provide a plan of bonus compensation for the executive director and other employes of the board who are appointed in the unclassified service, other than employes eligible for the plan of bonus compensation provided under sub. (6m), whereby the employes may qualify for an annual bonus for meritorious performance. No such bonuses awarded by the board for any fiscal year may exceed a total of 10% of the total annualized salaries of all unclassified employes of the board, other than employes eligible for the plan of bonus compensation provided under sub. (6m), at the beginning of the fiscal year. No bonus awarded by the board to any individual employe for any fiscal year may exceed a total of 25% of the annual salary of the employe at the beginning of the fiscal year. In awarding bonus compensation for a given period, the board shall consider the performance of funds similar to those for which it has managing authority and market indices for the same period. The board shall provide for a portion of the bonus compensation awarded under this subsection to be distributed to an employe over a

✓ INTERNAL auditor, employes appointed by the  
INTERNAL auditor who are appointed in the  
unclassified  
service

1 3-year period conditioned upon continuation of employment to the time of  
2 distribution, except as provided in sub. (7). Bonus compensation may only be  
3 awarded under this subsection pursuant to a plan adopted by the board that specifies  
4 all of the following:

5 **SECTION 2.** 25.156 (6m) of the statutes is created to read:

6 25.156 (6m) (a) The investment board may provide a plan of bonus  
7 compensation for employes of the board who are appointed in the unclassified service  
8 and who are investment professionals, as determined by the secretary of  
9 administration under par. (b), whereby the employes may qualify for an annual  
10 bonus for meritorious performance. No such bonuses awarded by the board for any  
11 fiscal year may exceed a total of 25% of the total annualized salaries of all employes  
12 who are investment professionals, as determined by the secretary of administration  
13 under par. (b), at the beginning of the fiscal year. No bonus awarded by the board  
14 to any individual employe for any fiscal year may exceed a total of 50% of the annual  
15 salary of the employe at the beginning of the fiscal year. In awarding bonus  
16 compensation for a given period, the board shall consider the performance of funds  
17 similar to those for which it has managing authority and market indices for the same  
18 period. Bonus compensation may only be awarded under this subsection pursuant  
19 to a plan adopted by the board that specifies all of the following:

- 20 1. The conditions under which bonus compensation will be awarded.
- 21 2. The percentage of the total available bonus compensation that will be  
22 awarded based upon beneficial investment performance and the percentage of such  
23 compensation that will be awarded based upon other meritorious performance.
- 24 3. The specific criteria that will be employed in considering whether to award  
25 bonus compensation to a particular employe.



1 (b) Annually, no later than June 30, the secretary of administration shall  
2 determine which employes of the board are investment professionals and eligible for  
3 the plan of bonus compensation provided under par. (a) for the succeeding fiscal year  
4 and shall report this determination to the board.

5 **SECTION 3.** 25.16 (7) of the statutes is amended to read:

6 25.16 (7) The executive director shall fix the compensation of all employes  
7 appointed by the executive director, subject to restrictions set forth in the  
8 compensation plan under s. 230.12 or any applicable collective bargaining  
9 agreement in the case of employes in the classified service, but the investment board  
10 may provide for bonus compensation to employes in the unclassified service as  
11 authorized under s. 25.156 (6) and (6m).

12 **SECTION 4.** 25.165 (1) of the statutes is amended to read:

13 25.165 (1) There is created in the investment board an internal audit subunit,  
14 under the supervision of the internal auditor. The internal auditor shall report  
15 directly to the board and, subject to authorization under s. 16.505, shall appoint all  
16 employes necessary to carry out the duties of the internal auditor. The internal  
17 auditor shall appoint all employes outside the classified service, except blue collar  
18 and clerical employes. The internal auditor shall fix the compensation of all  
19 employes appointed by the internal auditor, subject to restrictions set forth in the  
20 compensation plan under s. 230.12 or any applicable collective bargaining  
21 agreement in the case of employes in the classified service, but the investment board  
22 may provide for bonus compensation to ~~these~~ employes in the unclassified service as  
23 authorized under s. 25.156 (6) and (6m).

24 **SECTION 9127. Nonstatutory provisions; investment board.**





State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-1731/3  
RAC;jlg:hmh

DOA:.....Holden - Bonus compensation plan for SWIB employes

FOR 1999-01 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

---

*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

Under current law, the investment board (board) may establish a bonus compensation plan for the executive director and other employes of the board who are appointed in the unclassified service of the state. Under the plan, these employes may qualify for an annual bonus for meritorious performance, which is required to be distributed over a three-year period. Current law provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of all unclassified employes of the board. In addition, no bonus awarded to an individual employe for any fiscal year may exceed a total of 25% of the annual salary of the employe. In awarding bonus compensation for a given period, the board must consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

This bill authorizes the board to create two different bonus compensation plans for two different groups of employes. The first plan provides bonus compensation for the executive director, internal auditor, employes appointed by the internal auditor who are appointed in the unclassified service of the state and other employes of the board who are in the unclassified service but who are not investment professionals, as determined by the secretary of administration. This plan is identical to the bonus compensation plan established under current law, except that the total amount of

bonuses awarded for any fiscal year may not exceed a total of 10% of the total annualized salaries of these employees.

The second plan provides bonus compensation for employees of the board who are in the unclassified service of the state and are investment professionals, as determined by the secretary of administration. The plan provides that total amount of bonuses awarded for any fiscal year may not exceed a total of 25% of the total annualized salaries of these employees. In addition, the plan provides that no bonus awarded to an individual employe for any fiscal year may exceed a total of 50% of the annual salary of the employe. Under the plan, there is no requirement that the bonus compensation must be paid out over a three-year period. The bill requires the board, in awarding bonuses to these employees, to consider the performance of funds similar to those for which it has managing authority and market indices for the same period.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           **SECTION 1.** 25.156 (6) (intro.) of the statutes is amended to read:

2           25.156 (6) (intro.) The investment board may provide a plan of bonus  
3 compensation for the executive director, internal auditor, employes appointed by the  
4 internal auditor who are appointed in the unclassified service and other employes  
5 of the board who are appointed in the unclassified service, other than employes  
6 eligible for the plan of bonus compensation provided under sub. (6m), whereby the  
7 employes may qualify for an annual bonus for meritorious performance. No such  
8 bonuses awarded by the board for any fiscal year may exceed a total of 10% of the total  
9 annualized salaries of all unclassified employes ~~of the board~~, other than employes  
10 eligible for the plan of bonus compensation provided under sub. (6m), at the  
11 beginning of the fiscal year. No bonus awarded by the board to any individual  
12 employe for any fiscal year may exceed a total of 25% of the annual salary of the  
13 employe at the beginning of the fiscal year. In awarding bonus compensation for a  
14 given period, the board shall consider the performance of funds similar to those for

1 which it has managing authority and market indices for the same period. The board  
2 shall provide for a portion of the bonus compensation awarded under this subsection  
3 to be distributed to an employe over a 3-year period conditioned upon continuation  
4 of employment to the time of distribution, except as provided in sub. (7). Bonus  
5 compensation may only be awarded under this subsection pursuant to a plan adopted  
6 by the board that specifies all of the following:

7 **SECTION 2.** 25.156 (6m) of the statutes is created to read:

8 25.156 (6m) (a) The investment board may provide a plan of bonus  
9 compensation for employes of the board who are appointed in the unclassified service  
10 and who are investment professionals, as determined by the secretary of  
11 administration under par. (b), whereby the employes may qualify for an annual  
12 bonus for meritorious performance. No such bonuses awarded by the board for any  
13 fiscal year may exceed a total of 25% of the total annualized salaries of all employes  
14 who are investment professionals, as determined by the secretary of administration  
15 under par. (b), at the beginning of the fiscal year. No bonus awarded by the board  
16 to any individual employe for any fiscal year may exceed a total of 50% of the annual  
17 salary of the employe at the beginning of the fiscal year. In awarding bonus  
18 compensation for a given period, the board shall consider the performance of funds  
19 similar to those for which it has managing authority and market indices for the same  
20 period. Bonus compensation may only be awarded under this subsection pursuant  
21 to a plan adopted by the board that specifies all of the following:

- 22 1. The conditions under which bonus compensation will be awarded.
- 23 2. The percentage of the total available bonus compensation that will be  
24 awarded based upon beneficial investment performance and the percentage of such  
25 compensation that will be awarded based upon other meritorious performance.

