

2003 DRAFTING REQUEST

Bill

Received: 11/14/2003

Received By: **rchampag**

Wanted: **Soon**

Identical to LRB:

For: **Investment Board**

By/Representing: **Sandy Drew**

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

Drafter: **rchampag**

May Contact:

Addl. Drafters:

Subject: **State Finance - investment board**

Extra Copies:

Submit via email: **YES**

Requester's email: **sandy.drew@swib.state.wi.us**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Certain duties and powers of the investment board

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>
/?	rchampag 11/14/2003	jdyer 11/18/2003 jdyer 11/18/2003					S&L Tax
/1			rschluet 11/18/2003		Inorthro 11/18/2003		State

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/2	rchampag 11/18/2003	jdye 11/18/2003	rschluet 11/18/2003	_____	lnorthro 11/18/2003		State
/3	rchampag 01/05/2004	jdye 01/05/2004	rschluet 01/05/2004	_____	lemery 01/05/2004	mbarman 01/07/2004	

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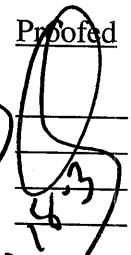
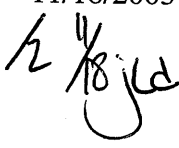
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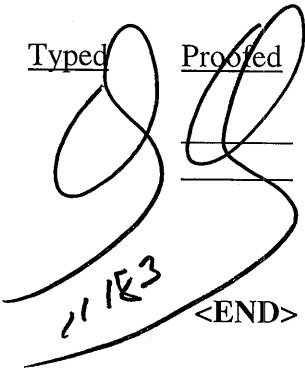
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/?	rchampag	11/19 JLD					
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FE Sent For:

11/18/03 <END>



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-3256/3
RAC&JK:jld:rs

From TODAY

2003 BILL

*LRB-3755/1
RAC:jld*

reg. cat

1 **AN ACT** *to repeal* 25.17 (14g); *to renumber and amend* 25.17 (14m) (a) and
2 70.119 (4); *to amend* 25.18 (1) (h), 25.18 (2) (e) and 70.115; and *to create* 25.17
3 (14m) (ad), 70.11 (43), 70.119 (4) (b) and 70.119 (10) of the statutes; **relating**
4 **to:** reports required to be submitted by the investment board; contracting with
5 outside investment advisors for certain investments; ^{and} expanding the authority
6 of the investment board to sell certain stock, debentures, or other securities
7 ~~and creating a property tax exemption for certain real estate owned by the fixed~~
8 ~~retirement investment trust fund or the variable retirement investment trust~~
9 ~~fund of the Wisconsin Retirement System.~~

Analysis by the Legislative Reference Bureau

The bill makes all of the following changes with respect to the State of Wisconsin Investment Board (SWIB):

1. Under current law, SWIB is required to submit an annual report, no later than January 1 of each year, to the Joint Legislative Audit Committee, the Joint Committee on Finance, and to the legislature on SWIB's annual investment goals and long-term investment strategies. The bill provides that this report is to be included in another report relating to investments that SWIB must submit each year no later than March 31.

BILL

2. Under current law, SWIB may contract with outside investment advisers for the investment of SWIB-managed assets in real estate, mortgages, equities, debt of foreign corporations, and debt of foreign governments. Currently, no more than 15 percent of the total assets of the fixed retirement investment trust or 15 percent of the total assets of the variable retirement investment trust may be delivered to outside investment advisers. The bill permits such investments to be made not only in the debt of foreign corporations and governments, but in any debt.

3. Under current law, all real property owned by any of the funds invested by SWIB, other than constitutional trust funds, is subject to the assessment of local, general property taxes. Under the bill, real property owned by the fixed retirement investment trust fund or the variable retirement investment trust fund of the Wisconsin Retirement System is exempt from the assessment of local, general property taxes, if SWIB occupies at least 75 percent of the property as its principal place of business. In addition, SWIB must make payments in lieu of property taxes to any municipality that provides municipal services to the tax exempt property.

4. Current law permits SWIB to sell stock, debentures, or other securities that it has the right to acquire upon the exercise of conversion rights then owned by it. In a 1971 opinion, the attorney general interpreted this statutory provision to prohibit SWIB from selling stock, debentures, or other securities, if SWIB does not own, or own rights to acquire, the stock, debentures, or securities at the time of the sale. (60 OAG 266). The sale of securities that are not owned at the time of the sale and that are to be procured at a future date is often referred to as a "short sale." A "short sale" is used to take advantage of a decline in the price of a security between the time that the seller sells the security and the time the seller subsequently purchases the security to "cover" the seller's short position. The bill permits SWIB to sell such investments in any manner allowed under the federal Employee Retirement Income Security Act and applicable federal regulations for private pension funds of a size similar to funds managed by SWIB. This new standard would permit "short sales."

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* 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.** 25.17 (14g) of the statutes is repealed.

2 **SECTION 2.** 25.17 (14m) (a) of the statutes is renumbered 25.17 (14m) (am) and

3 amended to read:

BILL

1 25.17 (14m) (am) An assessment of the board's progress in meeting its annual
2 investment goals established in the report under sub. (14g).

3 **SECTION 3.** 25.17 (14m) (ad) of the statutes is created to read:

4 25.17 (14m) (ad) A description of the board's annual investment goals and
5 long-term investment strategies, including any changes in the goals and strategies
6 from those in the previous year.

7 **SECTION 4.** 25.18 (1) (h) of the statutes is amended to read:

8 25.18 (1) (h) Sell stock, debentures, or other securities which that it has the
9 right to acquire upon the exercise of conversion rights then owned by it or as
10 otherwise allowed under the federal Employee Retirement Income Security Act, 29
11 USC 1001, et seq.

12 **SECTION 5.** 25.18 (2) (e) of the statutes is amended to read:

13 25.18 (2) (e) Contract with and delegate to investment advisers the
14 management and control over assets from any fund or trust delivered to such
15 investment advisers for investment in real estate, mortgages, equities, and debt of
16 ~~foreign corporations and debt of foreign governments~~ and pay such advisers fees
17 from the current income of the fund or trust being invested. No more than 15% of
18 the total assets of the fixed retirement investment trust or 15% of the total assets of
19 the variable retirement investment trust may be delivered to investment advisers.
20 The board shall set performance standards for such investment advisers, monitor
21 such investments to determine if performance standards are being met and if an
22 investment adviser does not consistently meet the performance standards then
23 terminate the contract with such investment adviser.

24 **SECTION 6.** 70.11 (43) of the statutes is created to read:

BILL

1 70.11 (43) INVESTMENT BOARD. Real property owned by the fixed retirement
2 investment trust fund or the variable retirement investment trust fund of the
3 Wisconsin Retirement System, if the investment board occupies at least 75 percent
4 of the property as its principal place of business.

5 **SECTION 7.** 70.115 of the statutes is amended to read:

6 **70.115 Taxation of real estate held by investment board.** All Except as
7 provided under s. 70.11 (43), all real estate owned or held by any of the funds invested
8 by the investment board, other than the constitutional trust funds, shall be assessed
9 and taxed in the same manner as privately owned real estate. Such taxes shall be
10 paid out of the fund to which the lands belong or for whose benefit they are held. If
11 such taxes are not paid, the real estate shall be subject to inclusion in a tax certificate
12 under s. 74.57 as are privately owned lands.

13 **SECTION 8.** 70.119 (4) of the statutes is renumbered 70.119 (4) (a) and amended
14 to read:

15 70.119 (4) (a) The Except as provided in par. (b), the department shall be
16 responsible for negotiating with municipalities on payments for municipal services
17 and may delegate certain responsibilities of negotiation to other state agencies or to
18 the University of Wisconsin Hospitals and Clinics Authority. Prior to negotiating
19 with municipalities the department shall submit guidelines for negotiation to the
20 committee for approval.

21 **SECTION 9.** 70.119 (4) (b) of the statutes is created to read:

22 70.119 (4) (b) The department shall delegate responsibility to the investment
23 board under s. 15.76 for negotiating with municipalities on payments for municipal
24 services provided to property described under s. 70.11 (43).

25 **SECTION 10.** 70.119 (10) of the statutes is created to read:

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1
2
3

70.119 (10) The investment board under s. 15.76 shall make payments for
municipal services provided to any property described under s. 70.11 (43).

(END)



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-3755/1 2

RAC:jld:rs

Today

2003 BILL

RMP

1 *Regen*
AN ACT *to repeal* 25.17 (14g); *to renumber and amend* 25.17 (14m) (a); *to*
2 *amend* 25.18 (1) (h) and 25.18 (2) (e); and *to create* 25.17 (14m) (ad) of the
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* For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-3755/2 3
RAC:jld:rs

WED

RMR

2003 BILL

Identical
changes to
Companion
drafts

Regen

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