

ORDER OF THE STATE OF WISCONSIN
INVESTMENT BOARD CREATING RULES

RECEIVED

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Revisor of Statutes
Bureau

IN THE MATTER of creating Ch. IB 2
of the Wisconsin Administrative Code
pertaining to the general policies
of the Investment Board

Analysis Prepared by the Investment Board

Chapter IB 2 interprets s. 25.17, Stats., by setting forth the general policies under which investments will be made for any fund under the management and control of the investment board. It establishes that the board will determine the purpose or purposes of each fund, establish requirements for management, review investment plans, review investment performance, determine risk and return, determine prudent investments and other general broad policies which govern investing of funds for others without preference of one group over another.

Pursuant to the authority vested in the state of Wisconsin investment board by s. 25.156(1), Stats., the state of Wisconsin investment board creates rules interpreting s. 25.17, Stats., as follows:

SECTION 1. Ch. IB 2 is created to read:

Chapter IB 2

GENERAL POLICIES OF THE INVESTMENT BOARD

IB 2.01 STATUTORY AUTHORITY AND PURPOSE

These general policies are promulgated under the authority of s. 25.156(1) as policies that are deemed necessary and appropriate to carry out the functions assigned to the investment board by law.

The basic objective of the investment board is to help achieve the purpose of each fund as established by the legislature by investing to achieve the best possible return with the least necessary risk subject to legislatively imposed restraints.

IB 2.02 General Policies Relating to All Funds

- (1) Any function identified in this chapter may be delegated to staff of the investment board by the members of the board.
- (2) The investment board shall, for each fund under its management and control, determine (within statutory constraints) the purpose or purposes of each fund, establish requirements to be met in the management of the funds, review investment plans, receive reports of investment transactions, review investment performance and evaluate performance results.
- (3) The investment board shall determine the appropriate risk and return standards acceptable for each fund using criteria that are generally accepted by similar institutions having similar responsibilities and similar objectives.
- (4) Investments shall be made only within the authorized investment criteria for the fund for which proposed.
- (5) In addition to sub. (4) above, it shall be determined whether the investment is a prudent investment under ch. 881 or other applicable standards unless the statutes governing the fund specifically state that the investment board is relieved of any obligation of prudent investing or may invest a part of the fund in the specific type of investment.
- (6) Within the constraints of authorized investments, investments shall be diversified so that large exposure to unpredictable events is minimized.
- (7) The investment board shall attempt to invest in organizations which adhere to prevailing local and national laws and generally accepted standards of conduct in their affairs. The board recognizes that in many countries customs, laws and their enforcement may vary from the basic human rights concepts and freedoms prevailing in the U.S. The board believes, however, that an organization, in whatever country it does business, can have a positive influence in support of basic human rights through its conduct in dealing with employes, clients and governments. Therefore, the investment board will seek investments in organizations which respect basic human rights and will encourage managements to respect basic human rights of their employes and clientele in any country, because such conduct is conducive to long run success.

- (8) The investment board encourages investment proposals from Wisconsin based companies or proposals which will broaden the Wisconsin economy or provide opportunities for employment by Wisconsin citizens. The proposals shall conform to board policies and staff procedures and practices. Risk and rate of return objectives shall be the same as other proposals.
- (9) The investment board will not approve for investment any proposal which would effect a special advantage, gain or rate of return to a sub-group of beneficiaries at the expense of a part or the entire beneficiary group.
- (10) The investment board will not approve for investment any proposal which makes or proposes to make any concession to any person or group of persons or which does not offer a competitive rate of return based upon perceived risk compared with other similar investments or proposed investments.

SECTION 2. EFFECTIVE DATE

The rules contained herein shall take effect as provided in s. 227.026(1) (intro.) Stats.

The foregoing rules were approved and adopted by the State of Wisconsin Investment Board on June 16, 1983.

Dated at Madison, Wisconsin August 2, 1983

STATE OF WISCONSIN INVESTMENT BOARD

By Gary I. Gates
Gary I. Gates, Secretary