

Chapter IB 1

RESTRICTION OF INVESTMENT BOARD EMPLOYEES

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|---------|--|---------|---|
| IB 1.01 | Statutory authority and purpose | IB 1.06 | Other state employment |
| IB 1.02 | Definitions | IB 1.07 | Other than state employment |
| IB 1.03 | Gifts or favors | IB 1.08 | Service on boards of directors |
| IB 1.04 | Investments in firms providing services to the board | IB 1.09 | Confidential and privileged information |
| IB 1.05 | Investments by employes of the board | | |

IB 1.01 Statutory authority and purpose. This chapter containing restrictions on investment board employes is promulgated under the directive of s. 25.156 (4), Stats., for the purpose of avoiding conflicts of interest between employes personal interests, the interests of the investment board and the funds under the management and control of the board. Investment board employes are also subject to the Code of Ethics for classified employes 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) "Confidential information" means any information that is created by and within the board and is not available for public inspection or, any information received by the board from another person under a pledge of confidentiality and which is not for sale by the provider to others and is not available for public inspection.
- (3) "Employee" means the executive director, executive assistant and all full and part-time classified 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 employes for the purposes of these rules.
- (4) "Executive director" means the person appointed by the members of the board as executive director or in his or her absence or disability, the person appointed as assistant director.
- (5) "Family" means any person related by blood or marriage to an employe of the board who is living in the same personal residence as the employe.
- (6) "Favor" means the performance of a task or giving information by a person which will personally benefit an employe of the board or a member of the employe's family.
- (7) "Financial interest" means any equity or debt interest and includes any form of stock, a security convertible into stock, a right or warrant to purchase stock, any form of debt instrument, a limited partnership interest, a partner's interest in a partnership, a membership in an association or joint venture or the interest of a sole proprietor, but excludes mortgages on an employe's home or other residence and other consumer loans.
- (8) "Firm" means a corporation, partnership, association, joint venture or sole proprietor.
- (9) "Gift" means the giving of real or personal property having value by one person to an employe of the board or a member of the family of an employe without the expectation of a similar gift or favor in return, but does not include expressions of sympathy or similar items not intended to influence the employe's judgment.
- (10) "Indirectly" means the purchase of or holding a financial interest in the name of another, a member of the employe's family, or through the use of a nominee or broker account.
- (11) "Investment" means 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, 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, purchase of a personal residence or recreational residence or, personal possessions such as furniture, fixtures, appliances or motor vehicles.
- (12) "Owns" means the power to sell or direct the sale of an investment and including sales under a power of attorney.
- (13) "Personal" means anything that is used by an employe or a member of an employe's family which does not further the board's business.
- (14) "Privileged information" means information which would be protected against disclosure under ch. 905, Stats., or any other law.
- (15) "Services" means either the offering of advice, counsel or analysis of investments or companies to invest in or portfolios of investments for remuneration either through commissions or underwriting 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 either on a formal exchange or otherwise.

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

IB 1.03 Gifts or favors. (1) An employe or a member of an employe's family may not during the period the employe is employed by the board accept or retain any personal gift or favor from any person representing a firm currently providing services to the board or a company or institution in which the board is holding an investment or where a

IB 1.03

written proposal for an investment has been sent to the members of the board.

(2) This section does not apply to meals, travel expense, accommodations or social functions furnished to an employe attending any conference, meeting or due diligence investigation 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 promotional or other minor items that are used and retained at the offices of the board.

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

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

(2) If an employe, at the time the employe is hired, owns directly or indirectly, a financial interest in a firm providing services to the board, the employe 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 employe 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 employe or the employe's family, the board may yearly grant, upon written application, a waiver effective for the following year.

(3) This section does not apply to holding a financial interest in a corporation which owns stock in a firm providing services to the board if the net income provided by the firm providing services to the board is less than 10% of the net income of the corporation owning the stock.

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

IB 1.05 Investments by employes of the board. (1) Employes may not 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 employe may purchase and own a stock or convertible bond which was offered to the public for the first time if the employe purchases it after it is publicly traded.

(2) An employe may purchase, hold and sell any other investment provided if the investment is being purchased, held or sold by the board prior to the time of purchase or sale by the employe, the employe discloses in writing to the executive director the purchase or sale, and either states that the purchase or sale is not based upon information confidential to the board, or receives permission from the executive director for the purchase or sale based upon the executive director finding that the purchase or sale is not in conflict with the board's purchase, sale or holding.

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

IB 1.06 Other state employment. Pursuant to s. 19.45 (9m), Stats., no employe of the board who is employed full-

Register, March, 1995, No. 471

time at an annual salary in excess of two-thirds of the midpoint of the current salary for executive salary group 2 under s. 20.923, Stats., may hold any other position from which the employe receives income from the state exceeding \$5,000 per year.

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

IB 1.07 Other than state employment. (1) Pursuant to s. 25.16 (2), Stats., no employe 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) Employes of the board may need to engage in other than state employment. Each employe 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 employe of the board may serve in any position, including a directorship, of a non-profit corporation, 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 employe of the board may serve as a director of any for-profit corporation, company, association, or joint venture and receive 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 companies' bonds, stock or debt are not likely to become investments which the board would purchase and,

(c) The executive director determines that service as a director will not interfere or adversely affect the employe'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 employe and the executive director.

(3) An employe of the board may serve as a director of a corporation, company or joint venture in which the board has an investment only when the board approves such service in advance and any remuneration received by the employe is paid to the board.

(4) If an employe is serving as a director at the time an investment in that company, corporation or joint venture is submitted as a proposed investment to the board, such service shall immediately be brought to the attention of

the board and the employe 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 employe elects to continue as a director then during the time the board holds any investment in that company, the employe 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 employe may again receive and retain any remuneration.

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

IB 1.09 Confidential and privileged information. (1) No employe of the board may release confidential or privileged information without the written approval of the executive director.

(2) No employe 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.