



Douglas La Follette, *Secretary of State*
John Leiber, *State Treasurer*
Joshua L. Kaul, *Attorney General*

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Thomas P. German, *Executive Secretary*

AGENDA

February 7, 2023

2:00 P.M.

Board of Commissioners of Public Lands
101 E. Wilson Street, 2nd Floor
Madison, Wisconsin

Routine Business:

1. Call to Order
2. Approve Minutes – January 6, 2023 (Attachment)
3. Approve Loans

Old Business:

4. None

New Business:

5. CIO Quarterly Investment Report

Routine Business:

6. Chief Investment Officer's Report
7. Executive Secretary's Report
8. Board Chair's Report
9. Future Agenda Items
10. Adjourn

AUDIO ACCESS INFORMATION

Conference Line Number: 608-571-2209
Conference ID Code: 386 436 692#

Board Meeting Minutes
January 6, 2023

Present were:

- | | |
|---|--|
| Doug LaFollette, Commissioner and Board Chair | Secretary of State |
| Josh Kaul, Commissioner | Attorney General |
| John Leiber, Commissioner | State Treasurer |
| Tom German, Executive Secretary | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |
| Denise Nechvatal, Senior Accountant | Board of Commissioners of Public Lands |
| Mike Krueger, IT Manager | Board of Commissioners of Public Lands |
| Thuy Nguyen, Office Manager | Board of Commissioners of Public Lands |

ITEM 1. CALL TO ORDER

Commissioner LaFollette called the meeting to order at 2:02 p.m.

ITEM 2. ELECTION OF BOARD CHAIR

MOTION: Commissioner Kaul moved to make Commissioner LaFollette Board Chair; Commissioner Leiber seconded the motion.

DISCUSSION: None

VOTE: The motion passed 3-0.

ITEM 3. SET BOARD MEETING SCHEDULE

Board Chair LaFollette explained that the board has met on the first and third Tuesday at of each month at 2:00 pm for quite some time.

Commissioner Kaul shared that this time has worked well for him.

Commissioner Leiber commented that this would work fine as long as he knows the schedule of the meetings so he can schedule things around it.

The board agrees to keeping the meetings as the first and third Tuesday of each month at 2:00 pm rescheduling as necessary when conflicts arise.

ITEM 4. APPROVE MINUTES – December 20, 2022

MOTION: Commissioner Kaul moved to approve the minutes; Commissioner LaFollette seconded the motion

DISCUSSION: Commissioner Leiber abstained from voting as he did not attend the December 20th meeting.

VOTE: The motion passed 2-0.

ITEM 5. APPROVE LOANS

MOTION: Commissioner LaFollette moved to approve the loans; Commissioner Leiber seconded the motion.

DISCUSSION: Mr. Sneider commented that the loans being reviewed today are from the same community. The town was asked to take out two loans rather than combining the projects into one loan in an effort to increase the transparency of the loans in the future. Both loans are standard loans for the State Trust Fund Program.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$375,000.00** in State Trust Fund Loans to support **2** community projects in Wisconsin.

1. Town of Round Lake / Sawyer County / Finance boat landing repairs / \$34,000.00
2. Town of Round Lake / Sawyer County / Finance purchase of fire truck / \$341,000.00

ITEM 6. OLD BUSINESS

None

ITEM 7. NEW BUSINESS

None

ITEM 8. CHIEF INVESTMENT OFFICER'S REPORT

None

Mr. Sneider shared that at the next board meeting he will be presenting his quarterly investment report.

ITEM 9. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German reported that the sale transaction to the Lac Courte Oreilles closed today. He thanked the board for their support and consideration for helping to get that finalized. He expressed a special thanks to Micah for his hard work in getting the details worked out and thanked Micah and Thuy for resolving some of the issues involved in closing the transaction on such a short timeline.

As more organizations are hosting more in-person events, staff will be traveling more. He and Mr. Sneider will be attending the Wisconsin Education Conference in two weeks in Milwaukee. This conference provides an opportunity to promote the State Trust Fund Loan Program to school districts, but also to communicate with education stakeholders on the distribution of the Common School Fund earnings.

He and Mr. Sneider will also be attending the Wisconsin Towns Association district meetings. These meetings are held throughout the state for the next 10 weeks. Executive Secretary German will leave from the Wisconsin Education Conference in Milwaukee and head to Minocqua for the Wisconsin Towns Association meeting the following day. Towns are significant stakeholders as towns are more likely to use the State Trust Fund Loan

Program (STFLP). Town use the STFLP more than villages, cities or counties. With the pandemic, there has been a significant turnover in town personnel and these events give us a chance to introduce our loan program and answer questions on their home turf. Some of the events Mr. Sneider and he have done together have given Mr. Sneider a chance to needle him a bit in front of an audience that is not sympathetic to lawyers or Madison bureaucrats.

The Wisconsin Educational Media and Technology Association (WEMTA) Conference is coming up February 6th and 7th. This group includes the librarians and media technology consultants that use the materials that are purchased with the distributions from the Common School Fund. There is no group more in tune with what BCPL does. In the past, this event was traditionally held in late March or early April and we used the event to present a big check showing what this year's distribution will be. The event was often held at the Kalahari, Wisconsin Dells and attracted upwards of 700 attendees and commissioners and staff also attended. However, this year's event is being held in the Wausau area much earlier than in the past. Since we released the information on the size of our distribution last fall, the event is not as newsworthy as it was in the past.

Board Chair LaFollette commented that it is still newsworthy to the public so an announcement can still be made. We're very proud of what we have done. Perhaps a press release can be made in February.

Executive Secretary German agreed with Board Chair LaFollette and explained that he was hoping to connect with the some of the Wausau media market as well, since it's being held there. After the WEMTA conference he will be heading up to BCPL's Lake Tomahawk office for some meetings. If any commissioners are interested in attending, please let him or Thuy know. He is happy to reach out to WEMTA and ask if the Commissioners would be able to provide a short video with remarks. Please let Executive Secretary German know if you would like to have this done. Also, DPI has released their allocation of our record earnings distribution among the 421 different school districts yesterday. The distribution list is published on the BCPL website.

The Normal School Fund is also heading toward a record distribution this year, at about \$1.1 million to the UW. There is a bit of uncertainty on the horizon in that distribution as the mechanics for the Normal School Fund are in a state of limbo. The earmark for the merit scholarships is due to sunset in April this year before the end of the fiscal year. Last year we had looked into the possibility of developing legislation that would provide some forgivable loans or scholarships for aspiring teachers who attend the UW, but especially to help out rural areas. Since the Normal School Fund was established in the Constitution for the express purpose of funding Normal Schools, which were the original teacher colleges, this seemed like a commonsense approach. However, that effort did not go anywhere last session. He hopes to connect with some lawmakers this year and see if there is any interest in picking that up again.

Board Chair LaFollette asked for a summary of why the legislation didn't go anywhere.

Executive Secretary German explained that it was a bit late in the session and lawmakers were trying to get a lot of things across the finish line and this did not hit anyone's priority list.

Finally, IT expert Mike Krueger retired from state service last week. Mike has been an invaluable asset to BCPL and the state. He will be sorely missed. BCPL could not have accomplish much of its work without a talented IT professional like Mike. Our success was also his success. Good news is that we are in the homestretch of recruiting Mike's replacement. Two candidates made it through the testing phase and we hope to schedule interviews next week.

ITEM 10. BOARD CHAIR'S REPORT

None

ITEM 11. FUTURE AGENDA ITEMS

None

ITEM 12. ADJOURN

Commissioner Kaul moved to adjourn the meeting; Commissioners Leiber seconded the motion. The motion passed 3-0; the meeting adjourned at 2:19 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", written over a horizontal line.

Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2023/2023-01-06 BoardMtgRecording.mp3>

**Common School Fund
Portfolio Report
December 31, 2022**

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income
Fixed Income						
Public Debt						
State/State Agency/Municipal Bonds	77,322,948	84,137,588	(6,814,640)	-8.1%	4.1%	3,429,113
U.S. Treasury/Agency Bonds	88,336,280	94,896,000	(6,559,720)	-6.9%	4.8%	4,530,000
U.S. Treasury Inflation Protected Securities	-	-	-			-
Corporate Bonds	107,624,399	127,761,954	(20,137,555)	-15.8%	5.1%	6,508,687
Private Debt						
BCPL State Trust Fund Loans ¹	280,901,869	280,901,869	n/a	n/a	3.7%	11,405,254
Other Private Debt ²	133,485,563	134,111,183	(625,620)	-0.5%	9.3%	12,522,445
Total Fixed Income	687,671,059	721,808,594	(34,137,535)	-4.7%	5.3%	38,395,499
Equities and Alternatives						
Public Equities						
Preferred Stocks	77,104,841	98,467,570	(21,362,729)	-21.7%	5.2%	5,124,118
Domestic Equities	130,717,542	121,070,813	9,646,729	8.0%	4.4%	5,305,564
Global Equities	120,563,521	124,136,333	(3,572,812)	-2.9%	3.1%	3,847,054
Alternatives						
Private Real Estate	232,792,550	193,304,703	39,487,847	20.4%	4.8%	9,332,168
Real Assets/Infrastructure	-	-	-			-
Private Equity/Venture Capital ³	39,081,997	31,063,757	8,018,240	25.8%	0.0%	-
Total Equities and Alternatives	600,260,451	568,043,176	32,217,275	5.7%	4.2%	23,608,904
Cash						
State Investment Fund ⁴	36,610,267	36,610,267			4.06%	1,485,338
Total Cash	36,610,267	36,610,267			4.06%	1,485,338
TOTAL CSF PORTFOLIO	1,324,541,777	1,326,462,037	(1,920,260)	-0.1%	4.8%	63,489,741

Notes:

¹ The total market value of STFL assets is likely greater than cost. However, these assets are held at cost because no independent appraisal has been conducted and STFL assets have always been held to maturity. Annual income is at STFL interest payments due 3/15/23, and is subject to change.

² \$25 million called on 1/03/23 to Invesco Commercial Mortgage Income Fund is included in this table to provide a more complete income projection.

³ Private equity/venture capital investments are valued at the sum of manager-provided market values (at the end of the prior quarter) and capital calls made during the current quarter. Market valuations for prior quarters is updated as information is received.

⁴ State Investment Fund yield is from December 2022 SIF Pool Earnings Workbook. Total cash is a preliminary number subject to change.

**Common School Fund
Portfolio Report
December 31, 2020**

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income
Fixed Income						
Public Debt						
State/State Agency/Municipal Bonds	189,327,758	177,822,602	11,505,156	6.5%	4.1%	7,313,179
U.S. Treasury/Agency Bonds	-	-	-			-
U.S. Treasury Inflation Protected Securities	-	-	-			-
Corporate Bonds	123,233,692	117,568,385	5,665,307	4.8%	5.0%	5,884,194
Private Debt						
BCPL State Trust Fund Loans ¹	388,688,303	388,688,303	-	0.0%	3.7%	14,256,850
Other Private Debt ²	39,562,245	37,572,602	1,989,643	5.3%	6.9%	2,606,656
Total Fixed Income	740,811,999	721,651,893	19,160,106	2.7%	4.2%	30,060,879
Equities and Alternatives						
Public Equities						
Domestic Equities ³	167,492,071	142,018,911	25,473,160	17.9%	3.7%	5,248,145
Global Equities	116,081,639	96,946,545	19,135,094	19.7%	2.7%	2,620,382
Alternatives						
Private Real Estate	57,734,916	56,501,666	1,233,250	2.2%	5.0%	2,803,811
Real Assets/Infrastructure	-	-	-			-
Private Equity/Venture Capital ⁴	14,238,497	14,597,713	(359,216)	-2.5%	0.0%	-
Total Equities and Alternatives	355,547,123	310,064,835	45,482,288	14.7%	3.4%	10,672,338
Cash						
ADM	100,000,000	100,000,000			0.4%	371,269
State Investment Fund ⁵	70,961,200	70,961,200			0.1%	77,603
Total Cash	170,961,200	170,961,200			0.3%	448,872
TOTAL PORTFOLIO	1,267,320,322	1,202,677,928	64,642,394	5.4%	3.4%	41,182,089

Notes:

¹ The total market value of STFL assets is likely greater than cost. However, these assets are held at cost because no independent appraisal has been conducted and STFL assets have always been held to maturity. Annual income is at STFL interest payments due 3/15/21, and is subject to change.

² Annual income for Brookfield Infrastructure Debt Fund II is projected at 7% in this table (based on fund prospectus). Current returns calculated by our portfolio management software are much higher, but would be misleading because of a non-recurring item.

³ Domestic equities currently includes \$52.3 million (at market value) in preferred stock ETFs. Categorizing this hybrid asset class as a domestic equity creates the appearance of overweighting domestic equities relative to other asset classes and relative to the market risk incurred. The inclusion of preferreds (5.3% yield at cost) within domestic equities (2.8% yield at cost) also has the effect of increasing the yield on the full asset class from 2.8% to 3.7%.

⁴ Private equity/venture capital is valued at market value per sponsor as of the end of the prior quarter plus the cost of new investments made during the current quarter. Historical valuations are updated as new valuations are received 60-90 days following the end of each quarter.

⁵ State Investment Fund rate is from December 2020 SIF Pool Earnings Workbook.

Common School Fund
Asset Allocation Report
December 31, 2022

Asset Class	Current Portfolio		Potential Portfolio			Target	
	Current Market Value	Current Allocation	Expected Commitments	Market Value + Commitments	Potential Allocation	Target Allocation	Target Range
Fixed Income							
Public Debt							
State/State Agency/Municipal Bonds	77,322,948	5.8%		77,322,948	5.8%	5.0%	0% to 20%
U.S. Treasury/Agency Bonds	88,336,280	6.7%		88,336,280	6.7%	0.0%	0% to 20%
U.S. Treasury Inflation Protected Securities	-	0.0%		-	0.0%	0.0%	0% to 10%
Corporate Bonds	107,624,399	8.1%		107,624,399	8.1%	5.0%	0% to 20%
Private Debt							
BCPL State Trust Fund Loans	280,901,869	21.2%		280,901,869	21.2%	25.0%	10% to 30%
Other Private Debt	133,485,563	10.1%	21,287,419	154,772,982	11.7%	15.0%	10% to 30%
Total Fixed Income	687,671,059	51.9%	21,287,419	708,958,478	53.5%	50.0%	
Equities and Alternatives							
Public Equities							
Preferred Stocks	77,104,841	5.8%		77,104,841	5.8%	5.0%	0% to 10%
Domestic Equities	130,717,542	9.9%		130,717,542	9.9%	7.5%	5% to 20%
Global Equities	120,563,521	9.1%		120,563,521	9.1%	7.5%	5% to 20%
Alternatives							
Private Real Estate	232,792,550	17.6%	22,951,899	255,744,449	19.3%	20.0%	10% to 30%
Infrastructure		0.0%		-	0.0%	4.0%	0% to 10%
Private Equity/Venture Capital	39,081,997	3.0%	13,412,074	52,494,071	4.0%	4.0%	0% to 10%
Total Equities and Alternatives	600,260,451	39.5%	36,363,973	636,624,424	48.1%	48.0%	
Cash							
State Investment Fund	36,610,267	2.8%					
Total Cash	36,610,267	2.8%				2.0%	0% to 10%
TOTAL CSF PORTFOLIO	1,324,541,777		57,651,392				

	Unfunded Commitments as of 12/31/2022		
	Total	Unfunded	Expected
Private Debt			
Brookfield Infrastructure Debt Fund II	\$ 30,000,000	\$ 4,527,461	\$ 4,527,461
PGIM Senior Loan Opportunities Fund I	50,000,000	16,759,958	16,759,958
Private Real Estate			
Nuveen US Cities Industrial	20,000,000	20,000,000	20,000,000
Nuveen US Cities Office	15,000,000	2,951,899	2,951,899
Private Equity/Venture Capital¹			
4490 Venture II	15,000,000	2,700,000	1,200,000
Venture Investors Health Fund VI	15,000,000	4,605,000	1,087,500
Baird Venture Partners V	7,500,000	1,606,264	1,404,750
NVNG Fund I	10,000,000	8,469,824	6,469,824
Idea Fund of LaCrosse II	5,000,000	5,000,000	3,250,000

See Notes provided on the attached Portfolio Report for additional information

¹ Expected call percentages for prior vintage Venture Capital Funds has been increased due to market conditions that may lengthen average holding periods for their underlying investments and require additional capital investment prior to potential exits.