

**BCPL Board Meeting
February 3, 2026
Start Time: 2:01 pm**

SG: OK. Well, it is February 3rd. I'm going to call our board meeting to order. The first item is approving the minutes from our January 20th meeting. I move to approve the minutes. Is there a second?

JL: I'll second.

SG: Thank you, John. Any friendly amendments, comments, questions about the minutes? Seeing none, all those in favor of approving the minutes say aye, aye, Sarah.

JK: Aye, Josh.

JL: Aye, John.

SG: The minutes are approved. The next item is reviewing our loan portfolio. Today we have 4 loans at a little over \$5,000,000 that are across the state. Is there a motion to approve the loans?

JL: I'll make the motion.

SG: I will second that. Rich, it looks like we've got some pretty bread and butter loans we're approving today.

RS: And some other ones too.

SG: All right. Yeah, yeah.

RS: You know, loan number one is to the village of Marshall. They are financing road work and a solar project. And I talked to him about the solar project and what it entails is some roof panels on a renovated municipal building to help supply a portion of that building's electrical needs. The Village of Black Creek in loan #2 is financing a storm sewer project that's related to Department of Transportation road work project. And then the town of Lawrence in loan #3, you know, they've been a great customer. They're a fast growing community located between Green Bay and Appleton. And this is for new infrastructure for the Rock Ridge subdivision. And then the last one for the City of Stoughton is land. They're purchasing land for a new public safety building and potentially they're also going to include a new utility building on that land. That's all I have for today. Are there any questions?

JL: Rich? Is there any reason why Marshall's doing just one loan instead of one loan for each project?

JL: You know, John, you're right. You're right. You know, a lot of times I like to have them separate for each specific loan purpose, but they prefer to do it in one loan this time.

JL: OK

SG: Any other questions for Rich? Seeing, none. All those in favor of approving the loan portfolio today say aye. Aye, Sarah.

JK: Aye, Josh.

JL: Aye, John.

SG: Loans are approved and we have no new business and so we're moving down to our routine business which Rich, we've got our fourth quarter investment report.

RS: We do. Thank you, Sarah.

As you know, I like to quote from our investment policy ever so often and our mission statement is as follows, *“The mission of the BCPL is to manage the assets of the school trust funds in a manner that maintains significant stable and sustainable distributions to fund beneficiaries and to manage all assets and programs entrusted to the Board in a prudent and professional manner in accordance with the Wisconsin Constitution and applicable state law.”* It's been about a year since I last went through our mission statement and I thought we might be ready for an update.

The first listed criteria for distributions is significance. The 2026 distribution, to be made in a few months is at a new record amount of \$73.5 million, and these distributions are really making a difference to Wisconsin public schools. I've heard from several school librarians that other departments within their school system are extremely jealous of this dedicated funding. The \$73.5 million dollar distribution for 2026 is 2.3 times higher than in 2017, the year our first investment policy was put into place. And since then we've generated a 9.6% compound annual growth rate in distributions. And we should be very proud of that accomplishment. Just for comparison, inflation over the same. Which included some of the highest rates of inflation over the last two generations grows at an average rate of 3.3%. That means that over the last nine years, our distributions have grown by nearly three times the rate of inflation. Our distributions have certainly met the mission statement criteria of significant.

The second standard for our distributions is stability. Stability is a little more difficult area to claim success. How can a distribution be called stable when it's risen from 40.6 million to 73.5 million in just the last four years? That said, it's pretty hard to complain. But the diversification of our portfolio, including some 11 different asset classes that now produce significant levels of income, along with our ongoing surplus funding of the trust fund smoothing accounts have certainly made it less likely that future distributions will be disrupted. And as you can see from the graph included on Page 7, since we have implemented our investment policy, we have been only going in one direction. As our investment policy matures, future income growth will naturally slow down as changes in the portfolio become more incremental. This is already happening as the 5% increase from last year is a moderation from prior growth rates. This is beginning of a more stable distribution pattern as we move forward.

The third mission criteria for our distributions is sustainability and here it is easy to claim success with this final standard. Our investment policy prudently requires BCPL to maintain a minimum smoothing fund at 50% of the next targeted distribution. This smoothing fund is said to be used to supplement annual distributions in the future should market conditions ever cause a significant drop in earnings. Not only have we maintained the smoothing fund at the minimum level required under a policy, but we have saved a little extra for that potential rainy day. The Common School Fund Smoothing fund now holds over \$41 million, which includes a \$12 million surplus over and above the minimum required. It was a conscious decision by the Investment committee to hold back funds and amounts higher than the required minimum. Let me explain that rationale.

The targeted distribution is defined as the moving average of the past five years of earnings. And as I mentioned earlier, income growth will naturally slow down as we near target allocations. As the five year average catches up to current earnings, any surplus held within the smoothing funds will automatically shrink, just from the math. This happens because the minimum smoothing fund is also growing at the same time and the last thing we want to be is caught short in the smoothing fund a few years from now. Bottom line is that we take very seriously the first word in the industry standard investment authority provided to BCPL by the legislature in late 2015, Prudent.

To conclude this part of my report. For many years, the BCPL has been leading a very successful mission and I would like to thank the board members of the investment committee and all BCPL staff for helping to create significant, stable and sustainable distributions for our beneficiaries. You know, I know that some of my rhetoric probably seems a little over the top at times, but I really do believe that we should be proud of what we have accomplished over the past several years. Are there any questions before moving on to the quarterly reports?

TN: Oh, now I just want to say to the board to you, Rich and to all the staff how exciting it is to see this year's record distribution to the schools. And so congratulations.

RS: It's exciting.

TN: No questions for me. Sorry. I just wanted to thank everybody.

RS: Oh, thank you. No, I, I don't really, Oh, go ahead.

SG: No, Rich, I was just going to say I think the commissioners agree that this is something to be really proud of and the work that has been put into doing all of this. And when I look at my, what was it 2019 sign that I made that was \$32,000,000. And then tomorrow John and I are going to be presenting 73.5 million. I mean, that's incredible. So it's a lot to be proud of and we're really appreciative.

RS: So is that sign getting a little, is that sign getting a little heavier?

SG: Yeah, yeah, exactly, exactly. It's also beat up because I keep taking it down every year and looking at it and be like, but this is incredible. And then you know, so...

TN: Rich, I separately because I don't have a enough clarity in the question regarding the smoothing fund and that surplus. But I do, I think it's important that I understand and that the board understand. You mentioned near the end of your talking points that the smoothing fund for smoothing out variability in the annual distribution that, that that will shrink by nature of its design. And I guess I'd ask you to think about and perhaps report back to the board in the near future what that means. You said we'll see that in a couple of years. Did I hear you right? A couple of years from now?

RS: It's not the smoothing fund itself that's going to shrink, it's the excess amount, the surplus funding of the smoothing fund that's going to shrink. And so one thing that the board might want to consider moving forward is whether or not now that we have a lot of experience with our investment policy, you know, it's been 9 years now, whether or not we really need to maintain a smoothing fund of that size. You know, when we first established that 50% level, it was because we were going into a lot of different asset classes that many people considered to be more risky. You know, including common stocks and, and other things like that. But the reality of the situation is because it allowed us to diversify our investments, you know, the distribution levels have actually become less risky than they were when we were only invested in fixed income. And so, you know, it's nice to have that smoothing fund. You know, there are a lot of black boxes out there that, you know, could come back and create problems for future distributions. And there's a lack of transparency in certain markets and we have to consider that going forward. But one thing for the board to consider is whether or not we, you know, the 50% level is, is more than sufficient and maybe should be reduced in future years. But you know, that's not for today.

TN: OK, thank you.

RS: You bet. And I don't really have a whole lot to discuss today about our reports from the fourth quarter. When you have a diversified portfolio like I was talking about, you are well protected from outside noise that might influence parts of the market and there's plenty of noise out there.

As you know, my #1 focus in the portfolio report is always in the bottom right hand corner. The projected income over the next 12 months. this number was just 12 months ago, this number was just \$70. 2 million and now it has grown by about 4.5 million. Most of this increase is due to both increased investment and a slightly higher yield in our private debt portfolio and we still have a little bit of room to grow there, including over \$57 million in committed capital waiting to be called and invested into private debt. This asset class has certainly been successful allocation for us.

Another big change from a year ago has been growth in our common stock and venture capital portfolios. The value of our common stock portfolio grew 23% last year, almost \$50 million, while unrealized gains in our venture portfolio went from 4 million to nearly 28 million. And that last number doesn't even include the \$8 million gain we did recognize on our investment in Histosonics that we discussed this past September.

All told, during 2025, Common School Fund portfolio went from a \$45 million unrealized loss with \$30 million unrealized gain and we're distributing a record amount of \$73. 5 million. It's been a good year. Are there any questions on this page?

SG: No, not for me, Rich. Thank you.

RS: If not, then we'll move on to the allocation report on the final page. And my only note here is that we are closing in on our target allocations as I mentioned, but we do have a ways to go. The asset classes where we are currently under allocated are those where the percentage shown in the potential allocation column is less than the percentage shown in the target allocation column. And these include from top to bottom: private debt, real estate, infrastructure and private equity.

The investment committee is working to find good opportunities to bring us even closer to our target allocations. Although we currently have a good amount of cash available in the state investment fund, there certainly is a possibility that you know there could be a change in market conditions that drive loan demand up significantly. A community could request a very large loan for an important project or current investment commitments to private funds could be called sooner than expected. If any of all of these things happen, how would we fund a new opportunity? If we do need to raise funds for a new opportunity, we also have several asset classes where the current allocation is greater than the target starting from the top: these asset classes include state and muni bonds, Treasury and agency bonds, corporate bonds and preferred stocks. The total amount invested in these asset classes is currently about \$230 million over their target allocations. But these are all liquid securities traded in public markets where we can sell if and when it makes sense. So if we ever need to raise liquidity to fund a new investment, the investment committee can sell selected bonds and preferred stocks from this list prudently and as needed. But until that time, these investments are generating good income with yields that remain well above the current yield on cash. So it makes sense for BCPL to be patient and to hold on to these assets, maintaining this imbalance within our target allocations until we have a better place to invest those funds. This ability to be patient is one of our strengths.

Many endowments and other investment funds will automatically and immediately adjust their portfolios to match target allocations, buying and selling assets regardless of current market conditions. But it is a real advantage for BCPL to have the ability to focus on the needs of our beneficiaries for significant, stable and sustainable distributions. That's all I have for today and I thanks. Thank you for your time. Does anybody have any questions?

SG: I don't have any questions on my end, Rich.

JL: None here.

JK: None here either. Thanks, Rich, for the update.

RS: Thank you.

SG: Thank you, Rich. Overall though, I think 2025 was a good year. So that's good news. Yeah, all right. The next item is the Executive Secretary's report.

TN: Okie-dokie. I continue to meet with staff. I had my first weekly check in with the northern office with Kevin Burns last Friday which went great in working through some of the stuff - I call them cats and dogs that were on my desk when I when I got in. One of the things I'm working on and the only reason I'm mentioning now because it's not a big deal, but it if anybody here, if any of the board members plan on attending Superior Days, which is next week, Monday, Tuesday and Wednesday. An exciting time for us northern folks, and folks who love northern Wisconsin. Big delegation comes down and lobbies the legislature and tries to see elected and public officials who impact folks in the north and maybe don't know as much about their challenges. Bayfield County is coming and they may come looking for one of you board members. But I'm hoping that I abated that, there's a land transaction Pigeon Lake that you guys have been briefed on with Tom and that requires some additional work on my part, additional appraisal, and some negotiations with the university. I talked to the university today and we're working through it and Bayfield County seems happy but getting impatient, I think. So, that has just been how I've spent my last few days meeting with staff and working through some of these things that people are getting pesky about and they have every right to be pesky about. And I'm just trying to move them along. And otherwise everything is all well.

SG: Hunky Dory?

TN: Hunky Dory here.

SG: All right? Well thanks, Tia. This is what, week three-week 2?

TN: This is the second day of week three.

SG: OK. Week three-week three. Yeah, good.

TN: I got a lot to do. But I'm enjoying things and being as helpful as I can and trying to tell good jokes.

SG: Great, great. Any other updates? OK. Well, we're glad you're here, Tia. One of the things I can just share to with the commissioners, Tia and I do check in weekly. So that's helpful. I think to start those up to make sure if there's any other blocking and tackling. Just two minor updates on my end.

We are doing the Common School Fund announcement tomorrow. And I know Josh, we will miss you, but John's coming up and I think we've got at least three... We've got a lot of people coming. So I think it's going to be a really good turnout, right.

And then we are also secured, as you all know, for the kind of typical WEMTA presentation. Just so both Josh and John, you know, I cannot make it on Tuesday. So I'm actually which is what, noon, which is when the presentation is happening.

JL: That's in March, right?

SG: Yeah, in March.

JL: March 3rd.

SG: Yeah, March 3rd, which I'm sad about, but I don't know, Josh, if you're planning on coming, but I know John, you are. So we'll at least have one board member represented. I will go the day earlier and just say my thank you because it's my last time that I will be addressing that crowd in this way. But that's kind of the only other two outstanding updates I had for the board.

TN: And John, I don't know whether you have other plans. We can talk about it later. But if you want, we can drive up together. If you were just going to go up and back, we could drive up together.

JL: I mean, it's just in The Dells, right?

TN: Yep.

JL: So yeah.

TN: Yep. Yep. OK, I will be there too.

SG: Great. So any other questions for me? All right. Any other future agenda items? All right. Well, it's seen that there's no old business. I moved to adjourn our meeting today. Is there a second.

JL: I will second.

AG: Thank you all those in favor of adjourning our meeting say aye. Aye, Sarah.

JK: Aye, Josh.

JL: Aye, John.

SG: The meeting's adjourned. Thanks, everybody. Have a good week.

TN: Thanks, everybody.

SG: Bye. Bye.

End time: 2:23 pm