

Board Meeting Minutes
February 6, 2018

Present via teleconference were:

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| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| Brad Schimel, Board Chair | Attorney General |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Richard Sneider, Loan Analyst and
Chief Investment Officer | Board of Commissioners of Public Lands |

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 11:33 a.m.

ITEM 2. APPROVE MINUTES – JANUARY 17, 2018

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Orfordville Rock County Application #: 02018102 Purpose: Finance road projects	Village Rate: 3.00% Term: 5 years	General Obligation	\$275,000.00
2. Somers Kenosha County Application #: 02018103 Purpose: Finance TID #1 development incentives and ancillary costs	Village Rate: 4.75% Term: 15 years	TID Revenue	\$1,000,000.00
TOTAL			\$1,275,000.00

MOTION: Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion.

DISCUSSION: No discussion.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 4. DISCUSSION AND VOTE REGARDING LEGISLATION TO ELIMINATE STATE TRUST FUND LOAN PROGRAM – AB857 AND SB713

Board Chair Schimel asked Executive Secretary Barry to explain the proposed legislation and how it could impact the Board's programs. Executive Secretary Barry replied that the legislation will eliminate the State Trust Fund Loan Program, a current investment option for Trust Fund principal; expand the Board's ability to delegate investment authority to SWIB; remove public school libraries as named beneficiaries to the Common School Fund (CSF); and direct CSF earnings be distributed with general education aid. He attended a recent hearing and testified for informational purposes only. Board Chair Schimel asked if anyone had testified in favor of the legislation at the hearing. Executive Secretary Barry replied that three people favored the legislation: Rep. Hutton, Sen. Strobel, and Commissioner Adamczyk.

Commissioner Adamczyk questioned whether the Board needed to vote on the matter. He did not think the bill would pass this session. He said he supported the concept of the legislation and understood an amendment to maintain public school libraries as the CSF beneficiaries would be introduced.

Commissioner Adamczyk went on to assert that Trust Fund earnings would have been higher had SWIB invested the funds as opposed to BCPL staff. Board Chair Schimel challenged that assertion and referenced a Legislative Fiscal Bureau report that concluded SWIB would likely not have realized higher earnings because SWIB would have been under the same statutory and constitutional investment limitations as BCPL staff.

Board Chair Schimel also pointed out that the State Trust Fund Loan program is beneficial to municipalities (and school districts). Not only are interest rates competitive but the lending process is straightforward and there are no prepayment penalties. While he prefers to not get involved in the legislative process, he is concerned that if the Board does not take a position on the legislation then it appears that the Board "thinks this is a good idea." He added that "this is not a good idea." Commissioner La Follette agreed.

Commissioner Adamczyk said, "As a trustee of this fund, I don't see myself as having any kind of obligation to the local municipalities because we are here to protect our beneficiaries, which are the K-12 public schools." Board Chair Schimel argued that the Board is fulfilling its obligation to the Trust and the beneficiaries while, at the same time, "doing good things for the municipalities."

Commissioner La Follette added, for the record, that the legislation "would destroy the Trust Fund Loan Program, which has operated for over 100 and some years, very effectively, very fiscally responsibly, and very helpful to hundreds and hundreds of schools and municipalities over the years."

MOTION: Commissioner La Follette moved that the Board take a position opposing the legislation and authorize the staff to communicate that position to the public and to the Legislature; Board Chair Schimel seconded the motion.

DISCUSSION: Board Chair Schimel finished by saying that he did not want the Board to appear to be characterized as acquiescing and why the Board needed to take a position.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 5. DISCUSSION AND POTENTIAL VOTE REGARDING LEGISLATION PROHIBITING THIRD PARTY AUDITORS FOR UNCLAIMED PROPERTY – AB773 AND SB645

Board Chair Schimel explained that the Board would only be addressing a narrow portion of the legislation (third-party tax audits relating to unclaimed property). Executive Secretary Barry said the legislation related to tort reform and the portion that addresses third-party audits relating to unclaimed property was a concern to him. This portion of the legislation would reduce the deposits to the Common School Fund (CSF). He asked the Board for limited authority to register concern for only this portion of the proposed legislation.

MOTION: Commissioner La Follette moved that the Board oppose the draft legislation only as it relates to third-party tax audits of unclaimed property and authorize staff to communicate that position to the public and the legislature; Board Chair Schimel seconded the motion for purposes of discussion.

DISCUSSION: Board Chair Schimel asked Executive Secretary Barry to clarify if he was requesting that the Board oppose the legislation or authorization to register concern. Executive Secretary Barry replied authorization to register concern. Commissioner La Follette thought it was important that the Board make clear that it was *opposed* to this portion of the legislation rather than just concerned. Executive Secretary Barry noted that the legislation could affect the return of unclaimed property to its rightful owner in addition to diminishing the deposits to the CSF. Commissioner Adamczyk said he would not take a position on it. Board Chair Schimel said he was opposed only to the narrow section of the legislation pertaining to third-party tax audits of unclaimed property, not the entire legislation.

Board Chair Schimel noted that while Commissioner Adamczyk speaks about duty of loyalty to the beneficiaries, this legislation would reduce deposits to the CSF. Commissioner Adamczyk replied he did not wish to weigh in on the issue at this time.

VOTE: The motion passed 2-0. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk was present but not voting.

ITEM 6. FUTURE AGENDA ITEMS

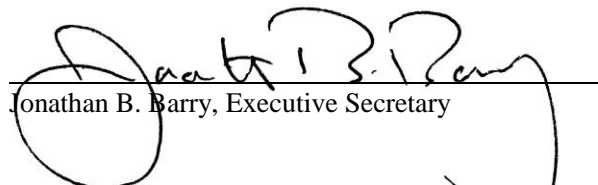
None.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

- *Investment Transaction Report:* Executive Secretary Barry reported that staff recently purchased exchange-traded funds (ETFs). It was determined that this strategy of slowly purchasing ETFs would provide exposure to the equities market. The ETFs purchased have a strong tilt towards dividend-producing stocks. The Board's asset allocation model limits equities to 15% of the investment portfolio.
- *Agency Expenses Over \$5,000 Approved by Board Chair:* Board Chair Schimel explained that the expenditure was for a due diligence report relating to venture capital investments. The expense totaled \$15,000.

ITEM 8. ADJOURN

The meeting adjourned at approximately 12:12 p.m.


Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2018-02-06_BCPL-BoardMtgRecording.mp3