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Thomas P. German, *Executive Secretary*

AGENDA

February 4th, 2020
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 21st, 2020 (Attachment)
- 3) Approve Loans (Attachment)

Old Business:

- 4) None

New Business:

- 5) None

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

Toll Free Number: **(888) 291-0079**
Passcode: **6363690#**

Board Meeting Minutes
January 21st, 2020

Present in person were:

Sarah Godlewski, Board Chair	State Treasurer
Julie Benkoske, Chief of Staff	State Treasurer
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Mike Krueger, IT Manager	Board of Commissioners of Public Lands
Denise Nechvatal, Accountant	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands

Present via teleconference were:

Josh Kaul, Commissioner	Attorney General
Doug LaFollette, Commissioner	Secretary of State

Absent Board members:

None

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:00 p.m.

ITEM 2. APPROVE MINUTES – DECEMBER 17th, 2019.**MOTION:** Commissioner Lafollette moved to approve the minutes; Board Chair Godlewski seconded the motion.**DISCUSSION:** No discussion.**VOTE:** The motion passed 3-0.**ITEM 3. APPROVE LOANS****MOTION:** Commissioner Lafollette moved to approve the loans; Board Chair Godlewski seconded the motion.**DISCUSSION:** Mr. Sneider highlighted loans to the Town and City of Hayward to finance a joint project to finance a golf course irrigation system, the Village of Rosendale to finance a squad car, and the City of Racine for a pass-through loan for multi-family housing. Commissioner Kaul inquired about the cost of the golf course irrigation project, and Mr. German indicated that cost seemed reasonable compared to similar projects he was familiar with in the Madison area.**VOTE:** The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$4,462,663.40** in State Trust Fund Loans to support **10** community projects in Wisconsin.

- > City of Hayward / Sawyer County / Finance golf course irrigation system / \$807,500.00
- > Town of Hayward / Sawyer County / Finance golf course irrigation system / \$807,500.00
- > Town of Oakfield / Fond Du Lac County / Finance purchase of plow truck / \$135,000.00
- > City of Owen / Clark County / Finance roadwork / \$449,476.40
- > City of Racine / Racine County / Finance pass-through loan for multi-family housing / \$900,000.00
- > Town of Randall / Kenosha County / Finance roadwork / \$200,000.00
- > Village of Rosendale / Fond Du Lac County / Finance purchase of squad car / \$56,000.00
- > Rusk County / Rusk County / Finance fairground improvements / \$157,187.00
- > Town of Sugar Camp / Oneida County / Finance purchase of two plow trucks / \$300,000.00
- > Village of Woodville / St Croix County / Finance infrastructure projects / \$650,000.00

ITEM 4. NO OLD BUSINESS

DISCUSSION: None

ITEM 5. NO NEW BUSINESS

DISCUSSION: None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider noted that the State of Wisconsin will be issuing some taxable bonds soon. However, the spreads on such bonds had narrowed significantly and BCPL was not likely to bid on such bonds.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Board Chair Godlewski noted that this was the first meeting for Tom German as the new Executive Secretary of the Board. Secretary German announced that the Common School Fund earnings distribution for 2019 would be a record \$38.2 million. Staff will be coordinating with Board Members and WEMTA for the upcoming WEMTA convention and check presentation. Secretary German noted that Chief Investment Officer Sneider would be heading to Milwaukee this week to represent the agency at the Wisconsin Education Convention. Finally, Secretary German noted that a retirement party was planned for Jonathan Barry on January 28 at the Inn on the Park starting at 4:30pm. All are welcome to attend.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented it is good to be back, and she is looking forward to a successful 2020.

ITEM 9. FUTURE AGENDA ITEMS

No new future agenda items.

ITEM 10. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion.
The motion passed 3-0; the meeting adjourned at 2:09 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/2020/2020-1-21_BoardMtgRecording.mp3

**BOARD MEETING
FEBRUARY 4, 2020**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Webster Burnett County Application #: 02020100 Purpose: Finance skid steer	Village Rate: 3.25% Term: 5 years	General Obligation	\$15,000.00
2. Eagle Waukesha County Application #: 02020101 Purpose: Finance operations	Town Rate: 3.25% Term: 3 years	General Obligation	\$150,000.00
3. Port Washington Ozaukee County Application #: 02020102 Purpose: Finance environmental remediation project	City Rate: 3.25% Term: 10 years	General Obligation	\$47,426.00
4. Woodville St Croix County Application #: 02020103 Purpose: Refinance BCPL Loan #2019055.01	Village Rate: 3.75% Term: 18 years	General Obligation	\$255,337.07
5. Woodville St Croix County Application #: 02020104 Purpose: Refinance BCPL Loan #2018087.01	Village Rate: 3.75% Term: 17 years	General Obligation	\$167,743.54
6. Freedom Outagamie County Application #: 02020105 Purpose: Finance purchase of truck and accessories	Town Rate: 3.25% Term: 5 years	General Obligation	\$195,000.00
7. Hartford Washington County Application #: 02020106 Purpose: Finance purchase of truck	Town Rate: 3.25% Term: 5 years	General Obligation	\$184,457.87
	TOTAL		\$1,014,964.48

BOARD MEETING**February 4, 2020****AGENDA ITEM 6****CHIEF INVESTMENT OFFICER'S REPORT – JANUARY**

There seemed to be no stopping the constant march of higher equity prices, as the broad-based Russell 3000 index rose more than 18% from October 8th through January 17th. However, a small bug may have stopped the stampeding bulls at least temporarily, as concerns regarding the coronavirus seem to have dampened the parade. While the recent 3% give-back should not be mistaken as running for the exits, at least there has been some recognition of risk in the market.

In contrast, increasing fears over a global slowdown seem to have impacted interest rates much greater than equity prices. Over the last 14 months, the interest rate on the benchmark 10-year Treasury has been cut in half to near 1.5%, with 40bps of that change coming in the last 30 days.

On the bright side, the BCPL portfolio is very well positioned in this environment. We are showing nice gains in the equity portfolio acquired over the past 2 years, and the unrealized gain in our bond portfolio has improved by over \$31 million as interest rates have dropped. We are maintaining enough dry powder (cash reserves) to take advantage of future market opportunities, while progress is being made on completing the due diligence necessary for funding of commitments to open-ended real estate funds.

Staff has continued to make regular investments in equity and corporate bond ETFs, which increase income that is distributable to beneficiaries.

You may recall that the Board approved changes to the Common School Fund asset allocation at the meeting held on December 3rd. One adjustment provided for a new allocation to corporate bonds within the range of 0% to 10% of total assets. Recent acquisitions, including the \$15 million purchase of WARF bonds (which must be considered corporate rather than State of Wisconsin or State Agency) have put us on track to reach the 5% target within the first few weeks of February. As corporate bonds continue to be one of the best opportunities for trust fund investment in the current environment, the Investment Committee will likely be considering the authorization of additional investments that may bring that asset class to approach the upper level of the target range. As always, staff will keep the board informed as this situation evolves.

Attachments

1. Investment Transaction Report
2. Month-End Portfolio Report - Public Bonds
3. Month-End Portfolio Report - ETFs and Mutual Funds

BOARD MEETING

February 4, 2020

AGENDA ITEM 6**Investment Transaction Report – December 2019**

Transactions during the months of December 2019 are as follows. Outstanding commitments are as of the end of the month:

Fixed Income

Bonds		
Purchases		\$15.6 million
Sales		\$15,000
Redemptions		None
ETFs and Mutual Funds		
Purchases		\$15.0 million
Sales		None
Trust Fund Loans		
Monthly Board Approvals		\$12.2 million
Monthly Disbursements		\$17.2 million
Redemptions		None

Equities and Alternatives

Public Equities		
Purchases		\$6.0 million
Sales		\$120,000
Real Estate/Infrastructure ¹		
Monthly Funding		None
Outstanding Commitments		\$120.0 million
Private Equity/Venture Capital ²		
Monthly Funding		None
Outstanding Commitments		\$27.3 million

Cash Balance		\$336 million
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¹ All outstanding commitments have been approved by the Investment Committee and are awaiting document review and execution.

² Outstanding PE/VC commitments include \$37.5 million in total commitments less amounts called to date.



BCPL Public Bond Portfolio
As of 12/31/2019

<u>Description</u>	<u>Expected Yield</u>	<u>Yield to Maturity at Cost</u>	<u>Modified Duration (years)</u>	<u>Cost Basis</u>	<u>Estimated Current Value</u>	<u>Estimated Unrealized Gain (Loss)</u>	<u>Annual Income</u>
Publicly-Traded Fixed Income Securities							
Wisconsin and State Agency	4.17%	4.21%	9.86	106,433,912	110,710,470	4,276,558	4,623,536
Municipal/School District	4.06%	4.11%	9.05	92,191,871	96,416,624	4,224,753	3,866,511
Treasury and Agency Securities	3.65%	3.66%	12.20	14,972,500	15,127,705	155,205	546,500
Corporate Debt	3.56%	3.56%	18.44	15,000,000	14,932,455	(67,545)	534,600
	<u>4.06%</u>	<u>4.09%</u>	<u>10.22</u>	<u>228,598,284</u>	<u>237,187,254</u>	<u>8,588,971</u>	<u>9,571,147</u>



Common School Fund ETFs and Mutual Funds

As of 12/31/2019

Symbol	Description	Quantity	Avg Cost	Cost Basis	Current Price	Current Value	Weight	Unrealized Gain (Loss)	Percent Gain (Loss)	Current Yield	Projected Annual Income
Corporate Debt											
USHY	iShares Broad USD HY Corp Bond	219,550	40.97	8,994,094	41.10	9,023,505	8.3%	29,411	0.3%	5.9%	533,507
BYLD	iShares Yield Optimized Bond ETF	116,915	25.70	3,004,754	25.66	3,000,390	2.8%	(4,365)	-0.1%	3.7%	110,205
JMSIX	JPM Income Fund	311,203	9.64	3,000,000	9.63	2,996,888	2.8%	(3,112)	-0.1%	5.1%	152,906
				14,998,848		15,020,783	13.8%	21,934	0.1%	5.3%	796,618
Domestic Equity											
VTI	Vanguard Total Stock Market ETF	114,666	139.44	15,989,529	163.62	18,761,651	17.3%	2,772,122	17.3%	1.8%	332,531
VYM	Vanguard High Dividend Yield ETF	148,997	84.30	12,560,930	93.71	13,962,509	12.9%	1,401,579	11.2%	3.0%	423,151
VXF	Vanguard Extended Market	38,587	115.81	4,468,790	125.99	4,861,576	4.5%	392,787	8.8%	1.3%	63,283
VNO	Vanguard REIT ETF	49,236	82.55	4,064,535	92.79	4,568,608	4.2%	504,073	12.4%	3.4%	154,601
VIG	Vanguard Dividend Appreciation E	36,123	107.50	3,883,386	124.66	4,503,093	4.1%	619,707	16.0%	1.7%	76,942
				40,967,170		46,657,438	43.0%	5,690,268	13.9%	2.3%	1,050,509
Global Equity											
VEU	Vanguard FTSE All World ex-US ET	350,315	50.13	17,562,855	53.75	18,829,431	17.3%	1,266,576	7.2%	3.1%	585,026
VYMI	Vanguard International High Divid	221,629	60.79	13,472,475	63.78	14,135,498	13.0%	663,023	4.9%	4.2%	593,966
VIGI	Vanguard International Div Appre	65,886	63.39	4,176,629	72.06	4,747,745	4.4%	571,117	13.7%	1.8%	86,970
VNQI	Vanguard Global ex-US Real Estat	75,829	57.49	4,359,415	59.09	4,480,736	4.1%	121,320	2.8%	7.6%	339,714
EEMS	Ishares MSCI Emerging Mkt Small	52,751	43.08	2,272,288	45.26	2,387,510	2.2%	115,223	5.1%	2.6%	63,106
SCZ	Ishares MSCI EAFE Small Cap	37,919	57.03	2,162,589	62.28	2,361,595	2.2%	199,007	9.2%	3.5%	83,043
				44,006,250		46,942,515	43.2%	2,936,265	6.7%	3.7%	1,751,824
				99,972,268		108,620,735	100.0%	8,648,468	8.7%	3.3%	3,598,950