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Thomas P. German, *Executive Secretary*

## **AGENDA**

August 20, 2024

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 – August 6, 2024 (Attachment)
3. Approve Loans

### **Old Business:**

4. None

### **New Business:**

5. None

### **Routine Business:**

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

### **AUDIO ACCESS INFORMATION**

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Conference Line Number: 608-571-2209

1st Tues of the month Conf ID Code: 207 822 241#

3rd Tues of the month Conf ID Code: 335 125 302#

Board Meeting Minutes  
August 6, 2024

Present were:

Sarah Godlewski, 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
Rich Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Denise Nechvatal, Controller	Board of Commissioners of Public Lands
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands

**ITEM 1. CALL TO ORDER**

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

**ITEM 2. APPROVE MINUTES**

**MOTION:** Commissioner Kaul moved to approve the minutes; Commissioner Leiber seconded the motion.

**DISCUSSION:** None.

**VOTE:** The motion passed 3-0.

**ITEM 3. APPROVE LOANS**

**MOTION:** Commissioner Kaul moved to approve the loans; Board Chair Godlewski seconded the motion.

**DISCUSSION:** Mr. Sneider shared that there are three loans for approval today. The projects include roadwork, equipment purchase, and bridge work. Also, the Village of Embarrass is doing some initial engineering and design work for a future project and will likely borrow again from the State Trust Fund Loan Program for the construction phase.

**VOTE:** The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$1,046,500.00** in State Trust Fund Loans to support **3** community projects in Wisconsin.

1. Town of Milford / Jefferson County / Finance roadwork and fire truck / \$270,000.00
2. Village of Whiting / Portage County / Finance roadwork and bridge rehabilitation / \$626,500.00
3. Village of Embarrass / Waupaca Counties / Finance engineering and design work / \$150,000.00

**ITEM 4. OLD BUSINESS**

None

## **ITEM 5. NEW BUSINESS**

None

## **ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT**

Mr. Sneider reported that at the last meeting 18 loans were approved. That is likely a record number over the last few years.

He also shared that June 30<sup>th</sup> is the end of Q2 and also the end of the fiscal year for the State of Wisconsin. There is some additional reconciliation required between BCPL and the State Controllers Office at year-end, so he hopes to present the quarterly investment report at the next meeting.

Mr. Sneider also shared some exciting news. Last week, BCPL staff completed the largest transaction in BCPL history. Over the past 18 months, BCPL has been working with Invesco to create a custom private index fund to manage our public equities. This fund will improve our management efficiency and allow for lower costs and greater flexibility than the prior holdings of publicly-traded ETFs. The index was designed to provide the same 50/50 domestic and global exposures but with a screen for earnings quality and tilt toward dividends equaling 120% of the worldwide equity dividend yield. Rebalancing is scheduled to occur every six months with liquidity screens applied quarterly.

The transactions that took place last week included the sale of all of our public equity ETFs held by the Common School Fund and the Normal School Fund. Total sales were \$235 million for the Common School Fund and \$3.7 million for the Normal School Fund. The sales had the effect of recognizing significant long term capital gains that will add over \$44,000,000 to the Common School Fund and \$800,000 to the Normal School Fund. We then reinvested \$200 million of the Common School Fund sale proceeds into the new fund, which is named the Invesco BCPL Badger Fund. This reinvestment brought the public equity allocation down to slightly below our 15% target allocation. The new portfolio includes 1,322 securities, several with Wisconsin ties including AO Smith, U.S. Bank Corp, Molson Coors, MGIC Investment Corporation, Kohl's and Snap on Tools.

## **ITEM 7. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary German reported that we are actively working on our budget request for the next biennium so that by the time we hit September, we will have the pieces put together already. We will be looking to have the board endorse our budget request at a later meeting.

Board Chair asked if we are looking at transitioning to Program Revenue (PR) from General Purposes Revenue (GPR).

Executive Secretary German replied yes. He shared that he has talked with some members of the Joint Finance Committee (JFC) who will likely be on JFC again and he's had a decent reception from them regarding this change.

## **ITEM 8. BOARD CHAIR'S REPORT**

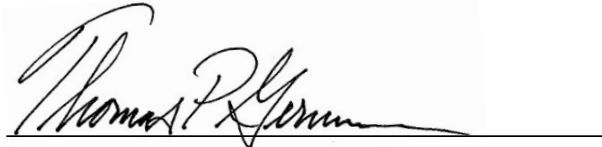
None

**ITEM 9. FUTURE AGENDA ITEMS**

None

**ITEM 10. ADJOURN**

Commissioner Kaul moved to adjourn the meeting; Commissioner Leiber seconded the motion. The motion passed 3-0; the meeting adjourned at 2:10 p.m.

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

Thomas P. German, Executive Secretary

Link to audio recording:

[https://bcpl.wisconsin.gov/bcpl.wisconsin.gov Shared Documents/Board Meeting Docs/2024/2024-08-06 BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2024/2024-08-06/BoardMtgRecording.mp3)

**BOARD MEETING  
AUGUST 20, 2024**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Slinger Washington County Application #: 02025012 Purpose: Finance TID #6 Development Incentive	Village Rate: 6.00% Term: 5 years	General Obligation	\$400,000.00
2. Slinger Washington County Application #: 02025013 Purpose: Finance park construction costs	Village Rate: 6.00% Term: 5 years	General Obligation	\$350,000.00
3. Pine Lake Pro & Rehab Assoc Forest County Application #: 02025014 Purpose: Finance Dam Replacement	Lake District Rate: 6.00% Term: 20 years	General Obligation	\$250,000.00
4. Townsend Oconto County Application #: 02025015 Purpose: Finance Town Hall renovation and addition	Town Rate: 6.00% Term: 15 years	General Obligation	\$900,000.00
5. Rutland Dane County Application #: 02025016 Purpose: Finance roadwork	Town Rate: 6.00% Term: 10 years	General Obligation	\$325,000.00
6. Mount Horeb Dane County Application #: 02025017 Purpose: Finance land purchase for park and development	Village Rate: 6.00% Term: 20 years	General Obligation	\$5,000,000.00
7. Shorewood Hills Dane County Application #: 02025018 Purpose: Finance purchase of capital equipment	Village Rate: 6.00% Term: 10 years	General Obligation	\$350,000.00
	<b>TOTAL</b>		<b>\$7,575,000.00</b>

**Growth of Common School Fund  
Vs Inflation**

	Average Annual Growth		
	1 year	10 year	40 year
Common School Fund	0.1%	4.5%	6.4%
CPI - Educational Books and Supplies	0.8%	1.4%	4.8%
CPI - Urban Consumer All Items	3.0%	2.8%	2.8%

Data as of June 2024, except for CPI - Educational Books and Supplies which is as of May 2024.

## Common School Fund Asset Allocation Report

June 30, 2024

Asset Class	Current Portfolio		Potential Portfolio			Target	
	Current Market Value	Current Allocation	Expected Commitments	Market Value + Commitments	Potential Allocation	Target Allocation	Target Range
<b>Fixed Income</b>							
<b>Public Debt</b>							
State/State Agency/Municipal Bonds	73,294,897	5.2%		73,294,897	5.2%	5.0%	0% to 20%
U.S. Treasury/Agency Bonds	89,155,085	6.4%		89,155,085	6.4%	0.0%	0% to 20%
U.S. Treasury Inflation Protected Securities	4,963,435	0.4%		4,963,435	0.4%	0.0%	0% to 10%
Corporate Bonds	111,751,430	8.0%		111,751,430	8.0%	5.0%	0% to 20%
<b>Private Debt</b>							
BCPL State Trust Fund Loans	294,908,311	21.0%		294,908,311	21.0%	25.0%	10% to 30%
Other Private Debt	196,617,020	14.0%	27,125,000	223,742,020	15.9%	15.0%	10% to 30%
<b>Total Fixed Income</b>	<b>770,690,178</b>	<b>54.9%</b>	27,125,000	797,815,178	56.9%	50.0%	
<b>Equities and Alternatives</b>							
<b>Public Equities</b>							
Preferred Stocks	79,270,405	5.6%		79,270,405	5.6%	5.0%	0% to 10%
Domestic Equities	120,665,084	8.6%		120,665,084	8.6%	7.5%	5% to 20%
Global Equities	108,282,662	7.7%		108,282,662	7.7%	7.5%	5% to 20%
<b>Alternatives</b>							
Private Real Estate	216,255,234	15.4%	2,951,899	219,207,133	15.6%	20.0%	10% to 30%
Infrastructure	28,725,785	2.0%	16,145,706	44,871,491	3.2%	4.0%	0% to 10%
Private Equity/Venture Capital	50,770,388	3.6%	28,265,955	79,036,343	5.6%	4.0%	0% to 10%
<b>Total Equities and Alternatives</b>	<b>603,969,558</b>	<b>43.0%</b>	47,363,559	651,333,117	46.4%	48.0%	
<b>Cash</b>							
State Investment Fund	28,427,491	2.0%					
<b>Total Cash</b>	<b>28,427,491</b>	<b>2.0%</b>				2.0%	0% to 10%
<b>TOTAL CSF PORTFOLIO</b>		<b>1,403,087,227</b>	<b>100.0%</b>	<b>74,488,559</b>			

		Unfunded Commitments as of 06/30/2024		
		Total	Unfunded	Expected <sup>1</sup>
<b>PRIVATE DEBT</b>	PGIM Senior Loan Opportunities Fund I	50,000,000	11,500,000	9,000,000
	Angelo Gordon Direct Lending Fund	25,000,000	8,125,000	6,875,000
	Golub Capital Partners 15	25,000,000	12,500,000	11,250,000
<b>PRIVATE REAL ESTATE</b>	Nuveen US Cities Workplace	15,000,000	2,951,899	2,951,899
	<b>INFRASTRUCTURE</b>			
	BlackRock Global Infrastructure Fund IV	25,000,000	16,145,706	16,145,706
	KKR Diversified Core Infrastructure Fund	20,000,000	-	-
<b>VENTURE CAPITAL</b>	<i>4490 Venture II</i>	15,000,000	900,000	900,000
	<i>Venture Investors Health Fund VI</i>	15,000,000	2,685,000	1,185,000
	<i>Baird Venture Partners V</i>	7,500,000	1,108,610	358,610
	<i>NVNG Fund I</i>	10,000,000	6,908,077	4,908,077
	<i>Idea Fund of LaCrosse II</i>	5,000,000	4,250,000	2,500,000
	<i>Baird Venture Partners VI</i>	20,000,000	16,034,267	9,034,267
	<i>Venture Investors Health Fund 7</i>	20,000,000	16,380,000	9,380,000

See Notes provided on the attached Portfolio Report for additional information

**Common School Fund**  
**Portfolio Report**  
June 30, 2024

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income
<b>Fixed Income</b>						
Public Debt						
State/State Agency/Municipal Bonds	73,294,897	78,440,609	(5,145,712)	-6.6%	4.0%	3,176,365
U.S. Treasury/Agency Bonds	89,155,085	94,896,000	(5,740,915)	-6.0%	4.8%	4,530,000
U.S. Treasury Inflation Protected Securities	4,963,435	4,890,909	72,526	1.5%	2.3%	112,672
Corporate Bonds	111,751,430	127,761,954	(16,010,524)	-12.5%	5.6%	7,144,080
Private Debt						
BCPL State Trust Fund Loans <sup>1</sup>	294,908,311	294,908,311	-	n/a	4.7%	13,882,527
Other Private Debt <sup>2</sup>	196,617,020	199,281,927	(2,664,907)	-1.3%	9.2%	18,425,264
<b>Total Fixed Income</b>	<b>770,690,178</b>	<b>800,179,710</b>	<b>(29,489,532)</b>	<b>-3.7%</b>	<b>5.9%</b>	<b>47,270,908</b>
<b>Equities and Alternatives</b>						
Public Equities						
Preferred Stocks	79,270,405	98,363,707	(19,093,302)	-19.4%	5.6%	5,498,119
Domestic Equities	120,665,084	89,415,381	31,249,703	34.9%	2.8%	2,501,406
Global Equities	108,282,662	101,209,888	7,072,774	7.0%	4.2%	4,216,168
Alternatives						
Private Real Estate	216,255,234	213,952,813	2,302,421	1.1%	3.2%	6,755,720
Infrastructure	28,725,785	28,871,460	(145,675)	-0.5%	5.1%	1,476,645
Private Equity/Venture Capital <sup>2</sup>	50,770,388	45,021,962	5,748,426	12.8%	0.0%	-
<b>Total Equities and Alternatives</b>	<b>603,969,558</b>	<b>576,835,211</b>	<b>27,134,347</b>	<b>4.7%</b>	<b>3.5%</b>	<b>20,448,058</b>
<b>Cash</b>						
State Investment Fund <sup>3</sup>	28,427,491	28,427,491			5.4%	1,542,368
Total Cash	28,427,491	28,427,491			5.4%	1,542,368
<b>TOTAL CSF PORTFOLIO</b>	<b>1,403,087,227</b>	<b>1,405,442,412</b>	<b>(2,355,185)</b>	<b>-0.2%</b>	<b>4.9%</b>	<b>69,261,334</b>

**Notes:**

<sup>1</sup> 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 that are due 3/15/25 as of 6/30/24, and is subject to change.

<sup>2</sup> Private fund investments are valued at the sum of manager-provided market values (at the end of the prior quarter) plus capital calls made during the current quarter. Market valuations are updated as information is received.

<sup>3</sup> State Investment Fund yield is from June 2024 SIF Pool Earnings Workbook. Total cash is a preliminary number subject to change.