



Douglas La Follette, *Secretary of State*
Matt Adamczyk, *State Treasurer*
Brad D. Schimel, *Attorney General*

101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

AGENDA

April 3, 2018
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 – March 20, 2018 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Discussion and Potential Vote to Sell Normal School Fund and University Fund Trust Lands to Common School Fund after AB804 is Signed into Law – Submitted by Commissioner Adamczyk

Routine Business:

- 5) Future Agenda Items
- 6) Executive Secretary's Report (Attachments)
 - Investment Transaction Report – March 30, 2018
 - Monthly Portfolio Report – Fixed Income – March 30, 2018
 - Monthly Portfolio Report – Public Equity – March 30, 2018
- 7) Adjourn

AUDIO ACCESS INFORMATION

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

**BOARD MEETING
APRIL 3, 2018**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the March 20, 2018, board meeting.

Board Meeting Minutes
March 20, 2018

Present via teleconference were:

- 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, Chief Investment Officer Board of Commissioners of Public Lands
John Neis, Executive Managing Director Venture Investors
Paul Weiss, Managing Director Venture Investors
David Arnstein, Chief Financial Officer Venture Investors

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:02 p.m.

ITEM 2. APPROVE MINUTES – MARCH 6, 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.

Table with 4 columns: Municipality, Municipal Type, Loan Type, Loan Amount. Contains 4 rows of loan data including Blair, Trempealeau County and Lac La Belle, Waukesha County.

5.	Palmyra Jefferson County Application #: 02018115 Purpose: Finance roadwork	Town Rate: 3.50% Term: 5 years	General Obligation	\$150,000.00
6.	Two Rivers Manitowoc County Application #: 02018118 Purpose: Finance 2018 capital projects and equipment	City Rate: 3.75% Term: 10 years	General Obligation	\$2,041,500.00
TOTAL				\$3,277,968.68

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

DISCUSSION: None.

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

[Agenda item four, a presentation by Venture Investors, was discussed after the Executive Secretary's Report.]

ITEM 5. FUTURE AGENDA ITEMS

None.

ITEM 6. EXECUTIVE SECRETARY'S REPORT

Nothing to report.

ITEM 4. PRESENTATION BY VENTURE INVESTORS

Executive Secretary said the agenda item was informational only and required no board action. He explained that Venture Investors is focused on investing in biologic research and is closely tied with research universities in the Midwest.

John Neis thanked the Board for the opportunity to present Venture Investors' investment opportunity. He gave an overview of the success the company has realized with exits from research companies in which they have invested. Those investments were all in the Midwest, mainly sourced through research universities, and all in health care. The current venture capital fund includes backing from the State of WI Investment Board (SWIB), WI Alumni Research Foundation, MG&E, WEA Trust, and other investors. They are targeting \$100 million in commitments for the fund.

[Board Chair Schimel left the teleconference at 2:20 p.m.]

Executive Secretary Barry pointed out that BCPL is a public entity and subject to Wisconsin's open records law yet must keep confidential information confidential. He asked Mr. Neis to explain to the Board how that balance would be achieved. Mr. Neis replied that they would have to become familiar with the protections that BCPL has put in place. He added that in the case of SWIB, they have taken steps to ensure that Venture Investors' does not undermine the confidentiality of the companies they are invested in when providing reports to their investors. They need the freedom to report on the performance and achievements of those companies without revealing strategic and competitive information. Legislative protections for this type of confidential information have been put into place. He asked what types of protections were in place for BCPL regarding for confidential information as it relates to investments. Deputy Secretary German replied that the agency currently does not have the same statutory protections for confidential information regarding venture capital investments as SWIB does. Mr. Neis

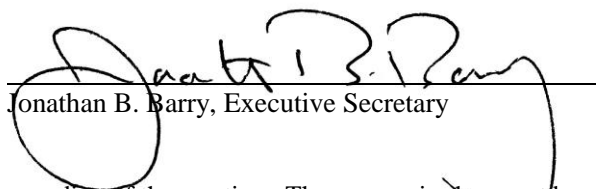
said Venture Investors does provide thorough reporting with mechanisms in place to protect confidential information of the companies in which they are invested. Other protections would have to be established and negotiated with the Board.

Commissioner La Follette asked, hypothetically, if the Board commits funds to the venture capital fund, when would those funds be drawn. Mr. Neis replied that it could be as soon as the end of April and that commitments currently total \$56 million of the \$100 million. They anticipate investing in companies while at the same time continuing to raise funds.

Commissioner La Follette then asked when the Board would see a return on their investment. Mr. Neis explained that as they exit the companies in which they have invested, returns are generated back to the investors. An exit could be the result of the company being sold or going public. A return could be realized in as little as two years or perhaps longer. Basically, it is a long-term commitment.

ITEM 7. ADJOURN

The meeting adjourned at approximately 3:03 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/2018-03-20_BCPL-BoardMtgRecording.mp3.

**BOARD MEETING
APRIL 3, 2018**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Manawa Waupaca County Application #: 02018122 Purpose: Finance TID #3 development and ancillary costs	City Rate: 4.25% Term: 20 years	General Obligation	\$347,000.00
2. Manawa Waupaca County Application #: 02018123 Purpose: Finance water tower painting	City Rate: 4.25% Term: 15 years	General Obligation	\$311,200.00
3. Neenah Winnebago County Application #: 02018125 Purpose: Finance sanitary sewer assessment	Town Rate: 3.75% Term: 5 years	General Obligation	\$144,240.00
4. Raymond #14 Racine County Application #: 02018126 Purpose: Purchase land	School Rate: 4.00% Term: 10 years	General Obligation	\$350,000.00
5. Raymond #14 Racine County Application #: 02018127 Purpose: Refinance BCPL loan #02005167	School Rate: 4.00% Term: 7 years	General Obligation	\$276,547.98
6. Sparta Monroe County Application #: 02018121 Purpose: Purchase tractor and equipment	Town Rate: 3.25% Term: 2 years	General Obligation	\$101,498.00
7. Stratford Marathon County Application #: 02018120 Purpose: Finance TID #4 infrastructure improvements	Village Rate: 4.25% Term: 18 years	General Obligation	\$1,403,500.00
8. Two Rivers Manitowoc County Application #: 02018124 Purpose: Refinance general obligation debt	City Rate: 3.50% Term: 2 years	General Obligation	\$675,000.00
TOTAL			\$3,608,985.98

BOARD MEETING

APRIL 3, 2018

AGENDA ITEM 4

**DISCUSSION AND POTENTIAL VOTE TO SELL NORMAL SCHOOL FUND AND
UNIVERSITY FUND TRUST LANDS TO COMMON SCHOOL FUND
AFTER AB804 IS SIGNED INTO LAW**

Attached for discussion are documents provided by Commissioner Matt Adamczyk.

Board of Commissioners of Public Lands (BCPL)

Motion Language: If Governor Walker signs AB 804 into law, the BCPL is then authorized to sell all Normal School Fund (NSF) and University Fund (UF) land holdings (about 69,100 acres for NSF and 50 acres for UF) to the Common School Fund (CSF) for appraised value.

(From a previous fiscal memo from DNR, the department estimates the average value for BCPL land will be \$550-\$750 per acre. BCPL would need to conduct their own appraisal.)

As an example, let's assume the DNR average per acre cost of \$650. The NSF purchase of about 69,100 acres at \$650 per acre would equal \$44,915,000.

Hypothetical Scenario

Current NSF principal balance is about \$28,100,000

Additional principal for NSF from land sale to CSF of \$44,915,000

New NSF principal balance becomes about \$73,000,000

Rate of Return	New Principal in Fund	Fund Earnings	\$5,000 Scholarships possible
4% rate	\$73,000,000	\$2,920,000	584
5% conservative rate	\$73,000,000	\$3,650,000	730
7.2% rate	\$73,000,000	\$5,256,000	1,051

Advantages if AB 804 is signed into law and BCPL swaps land between funds:

1. Consolidate all lands into one trust fund for better management
2. Better diversification of the Common School Fund with land
 - a. Currently NSF fund assets are about:
 - i. \$45 million in land or about 60% land value
 - ii. \$28 million in liquid assets or only about 40%
 - b. After sale CSF will move to about
 - i. \$50 million in land or about 5% in land value
 - ii. \$1 billion in liquid assets or about 95%
3. Immediately fully fund the Merit Scholarship Program with a permanent \$73 million in principal to benefit Wisconsin residents to attend UW Schools

	Common School Fund	Normal School Fund	University Fund
Origin	About 1.5 million acres in 1848	About 1.75 million in 1850	
Fund Beneficiaries	K-12 public schools	UW System	UW System
Land Remaining	6,150	69,100	50
Est. Money in Fund	\$1,060,000,000	\$28,000,000	\$234,000
Est. Earnings to Beneficiaries	\$35,000,000	\$500,000	\$8,000

The chart that Derek was referencing with non-need-based funds is below – and as he testified, the amounts include any type of non-need-based fund, so they could be merit or have other qualifiers.

University - Aid Type Breakdown	Sum of 2016-17
State Non-Need	
Indiana University-Bloomington	\$ 2,108,901.00
Michigan State University	\$ 178,928.00
Northwestern University	\$ -
Ohio State University	\$ 1,484,375.00
Pennsylvania State University	\$ 94,856.00
Purdue University	\$ 2,457,277.00
Rutgers University	\$ -
University of Illinois at Urbana-Champaign	\$ 440,745.00
University of Iowa	\$ 447,450.00
University of Maryland	\$ 1,276,108.00
University of Michigan-Ann Arbor	\$ 2,081,130.00
University of Minnesota-Twin Cities	\$ 83,451.00
University of Nebraska-Lincoln	\$ -

Please let me know if you need anything else.

Thanks,
Crystal

--

Crystal L. Potts
Director of State Relations
University of Wisconsin-Madison
Office: (608) 265-4105
Cell: (608) 658-6761



[Follow us on Twitter!](#)

Normal School Fund Scholarship Potential			
Rate of Return	New Principal in Fund	Fund Earnings	\$5,000 Scholarships possible
4% current rate	\$73,000,000	\$2,920,000	584
5% conservative rate	\$73,000,000	\$3,650,000	730
7.2% rate	\$73,000,000	\$5,256,000	1051

**BOARD MEETING
APRIL 3, 2018**

**AGENDA ITEM 6
EXECUTIVE SECRETARY'S REPORT**

Attachments

- Investment Transaction Report - March 30, 2018
- Monthly Portfolio Report – Fixed Income – March 30, 2018
- Monthly Portfolio Report – Public Equity – March 30, 2018



Douglas La Follette, *Secretary of State*

Matt Adamczyk, *State Treasurer*

Brad D. Schimel, *Attorney General*

101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

Investment Transaction Report March 30, 2018

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FFCB	Aaa	03/21/18	\$5,000,000	\$5,000,000	4.00%	03/28/19	4.00%	03/28/33	4.00%

Bond Sales

Staff has not sold bonds since the last Investment Transaction Report.

Public Equity Purchases

Staff purchased an additional \$4 million in ETF shares since the last Investment Transaction Report.

Month-end portfolio reports for fixed income and public equity investments are available early (financial markets were closed on March 30 due for Good Friday) and are attached.



BCPL Fixed Income Portfolio

As of 03/30/2018
03/29/2018 Prices

Description	Moody's Rating	S&P Rating	Weight	Expected Yield	Yield to Maturity at Cost	Modified Duration (Years)	Cost Basis	Estimated Current Value	Estimated Unrealized Gain (Loss)	Annual Income
Treasury and Agency Securities	Aaa	AA+	47.8%	3.33%	3.30%	11.45	279,698,738	274,486,455	(5,212,282)	9,047,856
Wisconsin and State Agency	Aa2	AA-	26.9%	4.09%	4.16%	10.23	151,119,491	154,790,487	3,670,996	6,508,771
Municipal/School District	Aa3	AA-	25.3%	3.82%	3.87%	9.23	143,956,797	145,433,022	1,476,225	5,695,230
	Aa1	AA	100.0%	3.66%	3.67%	10.56	574,775,026	574,709,964	(65,062)	21,251,858



BCPL Public Equity Portfolio

As of 03/30/2018
03/29/2018 Prices

Symbol	Description	Quantity	Avg Cost	Cost Basis	Current Price	Current Value	Weight	Unrealized Gain (Loss)	Percent Gain (Loss)	Current Yield	Projected Annual Dividends	
Public Equities												
Domestic												
VTI	Vanguard Total Stock Market ETF	23,480	138.29	3,247,083	135.720	3,186,706	24.8%	(60,378)	-1.9%	1.7%	53,168	
VYM	Vanguard High Dividend Yield ETF	23,055	84.53	1,948,788	82.490	1,901,807	14.8%	(46,981)	-2.4%	3.2%	61,096	
VNO	Vanguard REIT ETF	8,669	74.95	649,699	75.470	654,249	5.1%	4,550	0.7%	4.1%	26,605	
VIG	Vanguard Dividend Appreciation ETF	6,347	102.33	649,477	101.050	641,364	5.0%	(8,112)	-1.2%	2.1%	13,462	
Global												
VEU	Vanguard FTSE All World ex-US ETF	59,344	54.74	3,248,508	54.370	3,226,533	25.1%	(21,975)	-0.7%	3.0%	97,027	
VWMI	Vanguard International High Dividend ETF	29,066	67.03	1,948,341	66.450	1,931,436	15.0%	(16,905)	-0.9%	4.2%	80,193	
VNQL	Vanguard Global ex-US Real Estate ETF	10,772	60.30	649,546	60.920	656,230	5.1%	6,684	1.0%	3.5%	23,160	
VIGI	Vanguard International Div Appreciation ET	9,989	65.03	649,544	64.410	643,391	5.0%	(6,153)	-0.9%	2.5%	15,922	
		170,722		12,990,987		12,841,717	100.0%	(149,270)	-1.1%	2.9%	370,634	