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Jonathan Barry, *Executive Secretary*

AGENDA

December 3rd, 2019
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 – November 19th, 2019 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Consideration and potential vote on Asset Allocation changes in investment plan.

Routine Business:

- 5) Chief Investment Officer's Report (Attachment)
- 6) Executive Secretary's Report
- 7) Board Chair's Report
- 8) Future Agenda Items
- 9) Adjourn

AUDIO ACCESS INFORMATION

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Board Meeting Minutes
November 19th, 2019

Present in person were:

Sarah Godlewski, Board Chair	State Treasurer
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Mike, Krueger, IT Manager	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
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Board members not present for meeting:

Doug LaFollette, Commissioner	Secretary of State
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ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:03 p.m.

ITEM 2. APPROVE MINUTES – NOVEMBER 12th, 2019

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

DISCUSSION: Board Chair Godlewski noted a discussion topic was missed for item #4 on page 7. “Mr, Kaul indicated he will have his staff look into fiduciary responsibility and report back to the board.” Item will be added before the meeting minutes are published.

VOTE: The motion passed 2-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider indicated that none of the loans before the board today are unusual, but include some refinances of prior BCPL Loans. Mr. Sneider explained that because BCPL does not charge fees or other borrowing expenses, there needed to be a hurdle for customers to refinance. If there was no barrier, every time that BCPL lowered interest rates, all loan customers would refinance and create a burden for staff and reduce distributable income. To qualify for refinance, BCPL requires borrowers to take out a new loan equal to 25% of the amount to be refinanced. This policy stabilizes the amount of distributable income by replacing the income lost when lowering the rate on the original loan.

VOTE: The motion passed 2-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$3,187,230.60** in State Trust Fund Loans to support **8** community projects in Wisconsin.

- > City of Black River Falls / Jackson County / Finance TID #3 Infrastructure Projects / \$955,000.00
- > Town of Bloomfield / Walworth County / Finance infrastructure and road improvements / \$1,500,000.00
- > Village of Brooklyn / Dane and Green Counties / Finance purchase of fire truck / \$145,317.60
- > Town of Conover / Vilas County / Finance salt shed project / \$180,000.00
- > Town of Conover / Vilas County / Finance road project / \$63,000.00
- > Town of Conover / Vilas County / Refinance BCPL Loan #2019124 / \$139,559.00
- > Town of Conover / Vilas County / Refinance BCPL Loan #2019125 / \$114,354.00
- > Town of Farmington / La Crosse County / Finance purchase of highway equipment / \$90,000.00

ITEM 4. E1903 – LAND SALE 40 ACRES FROM CSF TO NSF

MOTION: Board Chair Godlewski moved to discuss the sale; Commissioner Kaul seconded the motion.

DISCUSSION: Board Chair Godlewski asked Deputy Secretary German to walk them through the sale. Mr. German explained that this was a proposed transaction between two of the trust funds (Normal and Common) overseen by the Commissioners. It is also a transaction that benefits both trust funds.

In the large land transaction approved in October, there was one parcel of Common School Land that was to be transferred to the Wisconsin Valley Improvement Company as part of a larger exchange. However, it is not practicable to carve out a small piece of the incoming land from WVIC and designate it as Common School Land. Furthermore, WVIC wanted to acquire all of the identified lands in one transaction. The best way of proceeding with the transaction was for the Common School Fund to sell the parcel to the Normal School Fund at the appraised value and then have the Normal School Fund bundle that parcel along with the other Normal School parcels being conveyed to WVIC.

The Common School Fund benefits by being able to dispose of a parcel of submerged land and the Normal School Fund benefits by being able to dispose of hundreds of acres of submerged land (including the parcel from the Common School Fund). Both trust funds divest themselves of unproductive assets and obtain productive assets.

VOTE: The motion passed 2-0.

ITEM 5. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider reported that in the interest of brevity, there was nothing to add to written materials provided in the board packet.

ITEM 6. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry provided an update on current plans for timber sales in light of this summer's enormous blowdown of standing timber that occurred in Northern Wisconsin on July 26th. That event was the largest blowdown in Wisconsin since 1977 and the DNR estimates it knocked down a two-year supply of wood for the entire Wisconsin forest products industry. Since that time, many loggers have limited their activities exclusively to salvage operations. These salvage sales are selling storm damaged timber at greatly reduced prices and have made selling standing stumpage challenging.

Lake Tomahawk staff have been in contact with loggers and other agencies about recent timber sales. Counties, such as Iron and Oneida have rarely experienced a no-bid timber sale but have recently seen a large proportion of their fall sales go no-bid. Their other sales sold at sharply reduced prices. Those sales that are still in demand and garnering

decent values are the ones that are located upon sandy soils and available for spring or summer logging opportunities. Because our goals are to maintain a presence as a consistent supplier of timber to local markets while achieving decent prices from our trust assets, our Lake Tomahawk staff have recommended and I, and Deputy Secretary German concur, in the following course of action:

- 1) Defer making a fall sale this season and instead conduct a winter sale (January).
- 2) Use the intervening time to prepare two sandy-ground timber sales from lands that we are acquiring in the near future from Minocqua Timber.
- 3) With this strategy in place, four of five sales that we can sell in January will offer spring and summer logging and hopefully achieve a better price.

4) Finally, instead of conducting a spring timber sale in April, delay until June the second FY-2020 timber sale. Waiting an additional two months next spring will help move the storm-damaged glut through the mills and may see a return to better market conditions at that time. Downed wood is a perishable resource and it is highly unlikely that most of the storm-damaged wood will be salvaged before it stains or rots. Therefore, waiting makes sense.

Deputy Secretary German pointed out that, because our timber sales are conducted with a three-year window for the winning bidder to complete harvest, we will not immediately see a sharp fall-off in timber revenues.

Executive Secretary Barry stated that the timber sale timing did not require board action but was being offered to keep the board informed.

ITEM 7. BOARD CHAIR'S REPORT

Board Chairman Godlewski stated that she first had an administrative item relating to board meeting schedules and likely conflicts with attendance by all members. After discussion, it was agreed that the next three board meetings dates would be scheduled for December 3rd, December 17th and January 15th.

Chair Godlewski brought up a proposal for retaining services of Carrie Thome, a respected investment professional, under the BCPL policy governing contracts or services under \$5,000. She said that the existing policy would enable working with Carrie to move this investment policy over to where we need it.'

Commissioner Kaul observed that he would like to see a financial case as to why it this course would be beneficial and that it made sense to him that we should first follow up internally with staff as to improvements in the policy. He felt that the proposed amended policy was substantially similar to that that which had been approved and under which BCPL had been operating for some time. He pointed out that this investment policy had been developed in collaboration with stakeholders and our beneficiaries. He further observed that the recent review by the Legislative Council Study committee found the BCPL investment policy to be appropriate and effective. He said that he did not perceive a significant benefit from retaining one consultant that would cause him to want to make the expenditure.

Commissioner Kaul stated that the points made by the Chair in her memo made sense—for example, having an executive summary would be helpful—but he still felt that having the staff come back, either indirectly or directly at a future meeting with their recommendations would be the best way to proceed.

It was agreed that staff would prepare their comments and suggestions for the next board meeting where the chair and other board members could attend. With December 17th being the most likely date.

In response to Chair Godlewski's request for other issues, Chief Investment Officer Sneider raised the issue of the need for more immediate flexibility in the asset allocation portion of the Investment Policy. He said that end of year often brings sharp change in the markets (as was the case in December of 2018) and it is best for us to be positioned to be able to respond timely. He suggested that the addition of corporate bond ETF'S could be added to the allocation portion of our policy even as we awaited adopting other amendments at a later date. Commissioner Kaul agreed that such changes could be made now and Chair Godlewski concurred with the idea of adding Corporate Bond ETF's.

Executive Secretary Barry and Deputy German pointed out that we could prepare the appropriate resolution to accomplish this and have it noticed and ready for board action at the December 3rd meeting.

ITEM 8. FUTURE AGENDA ITEMS

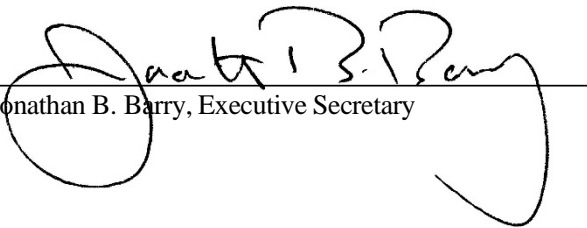
BCPL staff will review Board Chair Godlewski's 4 areas of concern and come back to the December 17th meeting with their recommendations.

Discuss and possibly approve Asset allocation changes separately.

ITEM 9. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion.

The motion passed 2-0; the meeting adjourned at 3:00 p.m.



Jonathan B. Barry, Executive Secretary

Link to audio recording:

https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2019/2019-11-19_BoardMtgRecording.mp3

**BOARD MEETING
DECEMBER 3, 2019**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Campbellsport Fond Du Lac County Application #: 02020072 Purpose: Finance library roof project	Village Rate: 3.25% Term: 10 years	General Obligation	\$85,000.00
2. Mount Pleasant Racine County Application #: 02020073 Purpose: Finance TID #1 Projects	Village Rate: 3.75% Term: 11 years	General Obligation	\$4,977,000.00
3. Rib Lake Taylor County Application #: 02020074 Purpose: Finance purchase of fire equipment	Village Rate: 3.25% Term: 5 years	General Obligation	\$25,000.00
4. Greenwood Taylor County Application #: 02020075 Purpose: Finance purchase of fire truck	Town Rate: 3.25% Term: 7 years	General Obligation	\$100,000.00
5. Highland Douglas County Application #: 02020076 Purpose: Finance tractor and brusher	Town Rate: 3.25% Term: 10 years	General Obligation	\$144,531.00
6. Middleton Dane County Application #: 02020077 Purpose: Finance flood recovery projects	City Rate: 3.25% Term: 5 years	General Obligation	\$590,000.00
7. Lawrence Brown County Application #: 02020078 Purpose: Finance purchase of plow truck and property	Town Rate: 3.25% Term: 4 years	General Obligation	\$500,000.00
8. Cumberland Barron County Application #: 02020079 Purpose: Finance roadwork	City Rate: 3.25% Term: 8 years	General Obligation	\$688,500.00

Municipality	Municipal Type	Loan Type	Loan Amount
9. Merrill Lincoln County Application #: 02020080 Purpose: Finance HVAC, Fiber, and Police Projects	City Rate: 3.25% Term: 10 years	General Obligation	\$251,200.00
10. De Pere Brown County Application #: 02020081 Purpose: Finance school remodel and IT purchases	School Rate: 3.25% Term: 10 years	General Obligation	\$530,000.00
11. Black River Falls Jackson County Application #: 02020082 Purpose: Finance TID #3 infrastructure projects	City Rate: 4.25% Term: 10 years	TID Revenue	\$1,210,000.00
TOTAL			\$9,101,231.00

**BOARD MEETING
DECEMBER 3, 2019**

**AGENDA ITEM 4
PROPOSED AMENDMENT TO INVESTMENT POLICY STATEMENT**

RECITALS

- A. At the November 1, 2016 board meeting, the Commissioners approved adoption of the Investment Policy Statement (IPS) to guide the investment of BCPL-managed trust funds. The IPS was subsequently modified at the August 20, 2019 board meeting.
- B. The BCPL Investment Committee (the “Committee”) has reached consensus on recommending a change to the Common School Fund Target Asset Allocation. This new allocation reclassifies asset categories to improve clarity and provides greater potential diversification for the investment of these funds.
- C. The Committee continues to work through additional possible changes to the IPS for consideration by the Commissioners at a future date.
- D. The Committee recommends that the Board now amend the IPS as set forth below.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands hereby amends the Common School Fund Investment Policy Statement by replacing the Common School Fund Target Asset Allocation with the following:

Common School Fund Target Asset Allocation

Asset Class	Current Allocation 06/30/19	Target Allocation	Range
Fixed Income	74%	60%	
Public Debt			
State/State Agency/Municipal Bonds	17%	10%	5% to 30%
U.S. Treasury/Agency Bonds	16%	5%	5% to 30%
U.S. Treasury Inflation Protected Securities (TIPs)	0%	0%	0% to 10%
Corporate Bonds ETFs	0%	5%	0% to 10%
Private Debt			
BCPL State Trust Fund Loans	38%	35%	20% to 50%
Other Private Debt	2%	5%	0% to 10%
Equities and Alternatives	6%	38%	
Public Equities			
Domestic ETFs	3%	7.5%	5% to 10%
Global ETFs	3%	7.5%	5% to 10%
Alternatives			
Private Real Estate	0%	15%	5% to 25%
Real Assets/Infrastructure	0%	3%	0% to 10%
Private Equity/Venture Capital	1%	5%	0% to 10%
Cash	20%	2%	0% to 10%