BOARD OF COMMISSIONERS OF PUBLIC LANDS 1848

Managing Wisconsin's trust assets for public education

Douglas La Follette, *Secretary of State*
Sarah Godlewski, *State Treasurer*
Joshua L. Kaul, *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

Thomas P. German, *Executive Secretary*

AGENDA

April 7th, 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 – March 17th, 2020 (Attachment)

3. Approve Loans (Attachment)

Old Business:

4. Ratify Loan Rate Adjustment

New Business:

5. Consideration and potential vote on Common School Fund earnings distribution

6. Presentation of proposed changes to BCPL Investment Policy

Routine Business:

7. Chief Investment Officer's Report

8. Executive Secretary's Report

9. Board Chair's Report

10. Future Agenda Items

11. Adjourn

AUDIO ACCESS INFORMATION

Toll Free Number: **(888) 291-0079**
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Board Meeting Minutes
March 17th, 2020

Present via teleconference were:

Sarah Godlewski, Board Chair	State Treasurer
Josh Kaul, Commissioner	Attorney General
Doug LaFollette, Commissioner	Secretary of State
Julie Benkoske, Chief of Staff	State Treasurer's Office
Joanna Beilman-Dulin	State Treasurer's Office

Present in person were:

Tom German, Executive 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
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands

Absent Board members:
None

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES – March 3rd, 2020.

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

DISCUSSION: None

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 discussed the Menasha loans. Menasha has three separate infrastructure projects that they want to complete with three separate loans.

Commissioner Lafollette asked about the Menasha loans. Why are the loans to Menasha three different loans? How long will the project(s) take to be completed?

Mr. Sneider replied that timeline for completion of the projects is unknown but he believes the reason for three separate loans is a desire to control the amount of the payments.

Secretary German commented that it may be that the Menasha projects are being done in phases and hence each phase needing a separate loan.

Mr. Sneider discussed the Mishicot loan for land purchase for future use. Mishicot needed to move forward right away at our old interest rate and did not have time to pass a new resolution.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **$3,155,000.00** in State Trust Fund Loans to support **4** community projects in Wisconsin

> City of Menasha / Calumet and Winnebago Counties / Finance street, sidewalk and trail projects / $1,390,000.00
> City of Menasha / Calumet and Winnebago Counties / Finance street, buildings, and park projects / $1,005,000.00
> City of Menasha / Calumet and Winnebago Counties / Finance street and sidewalk projects / $490,000.00
> Village of Mishicot / Manitowoc County / Finance land purchase / $270,000.00

ITEM 4. LOAN RATE ADJUSTMENT

DISCUSSION: Mr. Sneider commented that interest rates have dropped significantly over the past several weeks. Interest rates have been changed to follow the market: 2 year loans 2.5%; 3-5 year loans 2.5%; 6-10 year 2.75%; and 11-20 year 3.5%. The Board Chair and Executive Secretary can make the decision to change loan rates up to 1% in between Board meetings. The change was introduced March 3rd and we are asking the Board to ratify those changes.

MOTION: Commissioner Lafollette moved to ratify the new loan rates; Board Chair Godlewski seconded.

VOTE: The resolution is approved 3-0.

ITEM 5. NO NEW BUSINESS

DISCUSSION: None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider commented that the market has gone down in the last few weeks but BCPL continues to be a prudent investor. When BCPL acquired Prudent Investor Standard, its mandate changed to include the diversification of assets. This change was to bring the BCPL into industry best practices for asset management and it occurred at a time when asset prices were at all-time highs.

Mr. Sneider explained that the response was to avoid jumping in with both feet. BCPL did not believe it was prudent to purchase assets it believed were overpriced. Rather, BCPL tiptoed into new asset classes even though it had plenty of cash available to deploy. This strategy has put BCPL in a position where it can take advantage of the current market turmoil.

Mr. Sneider further explained that the Investment Committee has been on top of the situation, having met several times over the past few weeks. The prior policy was to acquire $1 million each week in equity ETFs. BCPL is fulfilling its mandate to diversity but doing so in a careful manner.

Mr. Sneider noted that in March, so far, following the huge drops in the market, BCPL has been able to acquire $40 million in equity and corporate bond ETFs. BCPL is taking advantage of the drop in market prices, as it is a permanent fund and is looking at this as an opportunity to acquire assets at a more reasonable price.

Secretary Lafollette asked about the repercussions of a serious recession. Will that mean that the investments that BCPL is making now go down in value but then eventually go up sometime later?

Mr. Sneider responded saying that may be a possibility but it's next to impossible to call these investments bottom of the market investments, instead, look at it as an opportunity to acquire assets that would have cost us a lot more had BCPL acquired them a few weeks ago. BCPL is a long-term fund with a permanent horizon. In time, these prices will go back up and the economy will improve and BCPL will continue to be in a very good position.

Secretary Lafollette asks about a possible recession and price drops. Would BCPL continue to purchase?

Executive Secretary German responded absolutely. BCPL's total portfolio has dropped less than 2% in value because we have been slowly investing.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German commented about the coronavirus. BCPL has prepared appropriately. We have been working for years to allow staff to work remotely but we still have a need to have staff in the office regularly due to funds delivered via US mail and because most of our loan fund administration is done by paper. We will, however, be slimming down staff at the office.

Secretary German shared that WEMTA has cancelled its annual convention this year. BCPL will not have its big check presentation. BCPL is working with WEMTA on other opportunities to share the news of the record earnings distribution this year.

Secretary German shares that BCPL has hired a LTE office manager, Thuy Nguyen. She comes to BCPL with over 20 years of office managerial experience with a local law firm. She will be applying for the FTE position when the position is reposted.

Secretary German comments that he received a call from the appraiser of the US Forest Service last week to share that her top priority is the appraisal for the exchange between the agencies. She is expecting to complete her draft procurement instruction package this week and will be sharing it with BCPL to seek comments before she puts it out for bid.

Secretary German met with the CFO of Milwaukee's Housing Authority. Milwaukee has some significant financing needs for the coming year but currently does not know exact details. BCPL will have further discussion with Milwaukee when more specifics are known.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented about COVID-19 and the uncertainties that are to come. She thanks Mr. Sneider for maintaining the portfolio and buying ETFs.

ITEM 9. FUTURE AGENDA ITEMS

No new future agenda items.

ITEM 10. ADJOURN

Commissioner Lafollette moved to adjourn the meeting; Board Chair Godlewski seconded the motion. The motion passed 3-0; the meeting adjourned at 2:16 p.m.

Thomas P. German, Executive Secretary

Link to audio recording: https://bcpl.wisconsin.gov/SharedDocuments/BoardMeetingDocs/2020/2020-03-17-BoardMtgRecording.mp3

BOARD MEETING
APRIL 7, 2020

AGENDA ITEM 3
APPROVE LOANS

	Municipality	Municipal Type	Loan Type	Loan Amount
1.	Maple Douglas County Application #: 02020121 Purpose: Finance purchase of dump truck	Town Rate: 2.75% Term: 7 years	General Obligation	$200,000.00
2.	Emmet Marathon County Application #: 02020122 Purpose: Finance truck purchase	Town Rate: 2.50% Term: 5 years	General Obligation	$150,000.00
3.	Mosinee Marathon County Application #: 02020123 Purpose: Finance water tower repainting	City Rate: 2.75% Term: 10 years	General Obligation	$141,500.00
4.	Eaton Manitowoc County Application #: 02020124 Purpose: Finance purchase of plow truck	Town Rate: 2.75% Term: 8 years	General Obligation	$169,040.00
5.	Bloomfield Walworth County Application #: 02020125 Purpose: Finance infrastructure improvements	Town Rate: 2.75% Term: 10 years	General Obligation	$1,500,000.00
6.	Black Creek Outagamie County Application #: 02020126 Purpose: Finance purchase of ambulance	Town Rate: 2.75% Term: 7 years	General Obligation	$275,852.00
7.	Plover Portage County Application #: 02020127 Purpose: Finance street and other projects	Village Rate: 2.75% Term: 10 years	General Obligation	$3,500,000.00
8.	Mercer Iron County Application #: 02020128 Purpose: Finance purchase of fire truck	Town Rate: 2.75% Term: 10 years	General Obligation	$308,824.00

Municipality	Municipal Type	Loan Type	Loan Amount
9. Lakeside Douglas County Application #: 02020129 Purpose: Finance purchase of tractor/brusher	Town Rate: 2.50% Term: 5 years	General Obligation	$90,000.00
10. Winchester Vilas County Application #: 02020130 Purpose: Finance purchase of plow/patrol truck	Town Rate: 2.75% Term: 6 years	General Obligation	$100,000.00
11. Ellington Outagamie County Application #: 02020132 Purpose: Finance purchase of fire truck	Town Rate: 2.75% Term: 7 years	General Obligation	$700,000.00
TOTAL			**$7,135,216.00**

BOARD MEETING
April 7, 2020

AGENDA ITEM 4
RATIFY ADJUSTMENTS TO STATE TRUST FUND LOAN PROGRAM INTEREST RATES

Background

BCPL tries to maintain a competitive rate structure that balances the needs of our borrowers and beneficiaries. This has been a difficult task lately, with turbulence in the market including a lack of liquidity in the municipal bond market. The Federal Reserve has attempted to intervene, but yields on municipal bonds have increased (sometimes wildly) compared to the all-time low interest rates seen on US Treasury Notes and Bonds. Many municipal issuers have postponed bond sales and some banks have pulled out of the market.

Staff Recommendations

To adjust to market conditions and prevent large municipalities from overwhelming the loan program with large project loans, staff is recommending an increase in longer term loan rates and the implementation of a 'soft-cap' on loans above $5 million. This soft-cap will require the BCPL Investment Committee to approve any loan application above $5 million in consideration of current liquidity constraints within the investment portfolio. The recommended change in loan rates is for an increase in the rate for 6-10 year loans from 2.75% to 3.0%, and for 11-20 year loans from 3.50% to 4.0%.

Loan Term	Prior Rate	New Rate	Change
2 Years	2.50%	2.50%	-
3-5 Years	2.50%	2.50%	-
6-10 Years	2.75%	3.00%	+0.25%
11-20 Years	3.50%	4.00%	+0.50%

Authorization for Interest Rate Adjustment

The Board had previously authorized the Executive Secretary in consultation with the Board Chair to adjust loan interest rates up to 1% in between board meetings. In accordance with that authority, the Executive Secretary and Board Chair approved these changes effective March 27, 2020.

Proposed Resolution

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands ratifies the changes in BCPL State Trust Fund Loan Program, with annual interest rates to be set at 2.50% for 2-year loans; 2.50% for 3-5 year loans; 3.0% % for 6-10 year loans; and 4.0% for 11-20 year loans.

BE IT FURTHER RESOLVED, that the BCPL Investment Committee shall approve any loan application above $5 million in consideration of current liquidity constraints within the investment portfolio before such application may be processed in the ordinary course of business.

BOARD MEETING
APRIL 7, 2020

AGENDA ITEM 5
EXECUTIVE SUMMARY
SUPPLEMENTAL DISTRIBUTION OF COMMON SCHOOL FUND EARNINGS FROM SMOOTHING ACCOUNT FOR FY 2020

BCPL adopted an investment policy in November of 2016. This Policy included a mission statement providing that BCPL is to manage the assets of the School Trust Funds in a manner that maintains significant, stable, and sustainable distributions to fund beneficiaries.

To accomplish the goal of stable distributions during years that investment returns were below long-term expectations, the Policy included a provision for establishing a Smoothing Account to be funded with deferred earnings distributions. This Account would be used as a cushion to supplement available earnings during "disruptive" and negative market conditions. This would provide the Wisconsin Department of Public Instruction ("DPI") and Wisconsin Public School Libraries with a more reliable stream of funding which would make budgeting easier for schools. In accordance with the Prudent Investor Standard, this cushion would also allow BCPL to diversify trust fund investments. The target size of the CSF Smoothing Account was equal to one half of the earnings distribution for the next year, an amount believed to be adequate to offer protection from a downturn lasting several years. The smoothing account reached and exceeded that target level in June 2019.

In accordance with the Investment Policy, BCPL staff calculated the CSF earnings distribution for fiscal year 2020 at a new record amount of $38.2 million. This anticipated distribution amount was communicated to DPI in January of 2020.

In light of the Covid 19 Health Emergency, Wisconsin Public School Libraries have faced an unprecedented demand for certain technologies to facilitate distance learning. This demand includes items that are normally purchased by schools with their share of the CSF distribution. BCPL reached out to DPI in recent weeks to discuss the impact of the crisis on the needs of Wisconsin Public School Libraries. During these discussions, DPI asked BCPL to consider making a "supplemental" distribution from the Smoothing Account this year in order to help meet those current unprecedented demands.

The BCPL Investment Committee considered the relevant facts of the situation and determined that the Smoothing Account was now large enough to support a $5.25 million supplemental distribution. This level of supplemental distribution will not have a material negative impact on Common School Fund management or asset allocation.

In light of that determination, the Investment Committee unanimously recommends that the Board approve such distribution as an exception to the earnings distribution calculations contained in BCPL's Investment Policy. This supplemental distribution would be made in addition to the $38.2 million distribution previously calculated in accordance with the BCPL investment Policy bringing the total distribution for FY 2020 to $43.45 million.

BOARD MEETING
APRIL 7, 2020

AGENDA ITEM 5
PROPOSED RESOLUTION
SUPPLEMENTAL DISTRIBUTION OF COMMON SCHOOL FUND EARNINGS FROM SMOOTHING ACCOUNT FOR FY 2020

WHEREAS the Board of Commissioners of Public Lands ("BCPL") has calculated the 2020 earnings distribution of $38.2 Million for the Common School Fund ("CSF") in accordance with BCPL's Investment Policy;

WHEREAS BCPL's Investment Policy provides for a Smoothing Account consisting of a limited amount of retained earnings in order to provide the Wisconsin Department of Public Instruction ("DPI") and Wisconsin Public School Libraries with a reliable stream of CSF earnings distributions even during "disruptive" and negative market conditions. The target size of the Smoothing Account for the Common School Fund is equal to one half of earnings distribution for the next year;

WHEREAS BCPL staff have determined that the Smoothing Account for the Common School Fund now contains slightly more than the targeted amount;

WHEREAS Wisconsin Public School Libraries are currently facing unprecedented demands in the face of the Covid 19 outbreak;

WHEREAS the Wisconsin Department of Public Instruction has requested BCPL to consider making a "supplemental" distribution from the Smoothing Account this year in order to help meet the current unprecedented demands on Wisconsin Public School Libraries; and

WHEREAS the BCPL Investment Committee has determined that a supplemental distribution of $5.25 million from the Smoothing Account could be made at this time without having a material negative impact on Common School Fund management and asset allocation and the Investment Committee unanimously recommends such supplemental distribution as an exception to the earnings distribution calculations in the Investment Policy;

NOW, THEREFORE, BE IT RESOLVED, that the **BOARD OF COMMISSIONERS OF PUBLIC LANDS** hereby authorizes a supplemental distribution of $5.25 million of Common School Fund earnings from the Smoothing Account.

BE IT FURTHER RESOLVED that BCPL expressly authorizes this distribution as an exception to the earnings distribution calculations in Section BCPL's Investment Policy.

BE IT FURTHER RESOLVED that BCPL expressly authorizes that this supplemental distribution will be made in addition to the $38.2 million distribution previously calculated in accordance with the BCPL investment Policy bringing the total distribution for FY 2020 to $43.45 million.

BOARD MEETING
APRIL 7, 2020

AGENDA ITEM 6
EXECUTIVE SUMMARY
PROPOSED AMENDMENTS TO BCPL INVESTMENT POLICY

BCPL Approved an Investment Policy Statement (IPS) on November 1, 2016 for each of the four managed trust funds. The IPS described the Trust Funds, detailed the objectives and constraints inherent in management of those funds, and provided a roadmap to future asset allocations as required under the prudent investor standard. At that time, the principal of the trust funds was entirely invested in State Trust Fund Loans, State and Municipal Bonds and federal agency bonds. The IPS provided a roadmap for diversification of the funds and the mechanism for developing and building a "Smoothing Fund" that would provide some cushion for the ups and downs of the market. The IPS was modified in December of 2019 to change the asset allocation for the Common School Fund to allow for greater diversification of the funds.

The mission of BCPL remains the same: to manage the assets of the School Trust Funds in a manner that maintains significant, stable, and sustainable distributions to fund beneficiaries. The Constitutional constraints also remain: trust fund interest (income) must be distributed to the beneficiaries, but trust fund principal stays principal and cannot be distributed. The State Trust Fund Loan Program will remain a key component of our investment portfolio.

However, we have come a long way in three and one-half years and in accordance with Investment Policy, we have reviewed the Policy and determined that certain amendments are now appropriate. The Substantive Changes to the IPS are set forth below:

Substantive Changes to Investment Guidelines and Policy

<u>Investment Guidelines</u>

1. Roles and Responsibilities of the Board Chair and Investment Committee are better defined. Shifts the authority for changing loan rates and terms to the Investment Committee.
2. Organized the Investment Philosophy and included provisions for transparency and opportunity seeking in Wisconsin.
3. Reorganized Permitted Investment and Investment Strategies to simplify and align with Asset Allocation model and BCPL practices. Shifts authority for the approval on individual stock purchases to the Investment Committee.
4. Removed section discussing timeframe before the smoothing accounts reach targeted level, which is no longer necessary. Added authority for Investment Committee to change the smoothing account level if determined to be in the long-term best interest of beneficiaries.

Common School Fund Investment Policy Statement

1. Included an analysis of appropriate inflation rate for consideration in investment strategy.
2. New asset allocation model was adopted by the Board on 12/3/2019. Additional changes proposed at this time include:
   a. **Fixed Income** - Lower the target allocation to State/State Agency/Municipal Bonds, US Treasury/Agency Bonds, and the BCPL State Trust Fund loan program. Increase allocation to Corporate Bonds and Other Private Debt. Widened the acceptable range in most areas to accommodate future shifts in relative values among fixed income investments. These changes are recommended to reflect current market conditions.
   b. **Equities and Alternatives** – Increase allocation to real estate and infrastructure. Widen range on public equities to accommodate future shifts in relative values. It is believed that real estate and infrastructure will be increasing important as a stable source of income and capital gains for this permanent fund.

Normal School Fund Investment Policy Statement

1. Changed the Distribution Policy and Investment Objective to align more closely with Common School Fund Policy. This change caused by the State Budget, which now provides tax dollars rather than program revenue to pay for agency expenses. The availability of tax dollars eliminates the need for an extremely conservative investment strategy required to provide certainty that the Normal School Fund had available funds to pay for Agency expenses related to land and timber operations.
2. Included an analysis of appropriate inflation rate for consideration in investment strategy.
3. Asset allocation model dramatically changed to provide for additional income and capital gains:
   a. **Fixed Income** – Reduced overall fixed income target from 100% to 30%, with the entire allocation to Trust Fund Loans. The smaller size of this fund and allocation makes it difficult to provide diversification within the fixed income asset class. Trust Fund Loans are an extremely safe asset with a premium risk-adjusted rate of return.
   b. **Equities and Alternatives** – Increase allocation to public equities and real estate to provide an opportunity for both income and capital gains. Since established long ago, this fund had been completely invested in fixed income with principal growth solely through the sale of timber harvested from Normal School Fund lands. The long-term growth provided through this strategy will increase the importance of this fund for future generations of UW students.

State of Wisconsin
Board of Commissioners of Public Lands

School Trust Fund Investment Guidelines
and
Investment Policy Statements

An Investment Management Framework for State of Wisconsin School Trust Funds, including the Common School Fund, the Normal School Fund, the Agricultural College fund, and the University Fund.

As amended at the 04/21/2020 BCPL Board Meeting

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Investment Policy Statements

SCHOOL TRUST FUND INVESTMENT GUIDELINES

Mission Statement, Authority, and Purpose

Introduction

The Board of Commissioners of Public Lands (BCPL) is the oldest state agency and the only agency created within the State Constitution. The forefathers of this State placed a high value on public education, and created this agency as an independent board to oversee the valuable federal land grants through a permanent trust created to benefit Wisconsin schoolchildren. Members of the Board have a fiduciary duty and must administer the trust solely in the interests of the beneficiaries.

The Wisconsin constitution includes language forming the BCPL, with membership comprised of three statewide elected constitutional officers: the Secretary of State, State Treasurer, and Attorney General. The BCPL is entrusted with the authority to manage the sale of those lands and resultant monies to benefit the education of current and future generations. It is widely believed that the School Trust Funds remain relevant today because the management of School Trust assets was somewhat protected from the political and budgetary pressures found in the legislative and executive branches of state governance.

The school trust lands and the proceeds from their sale, plus additional monies as directed by the State Constitution, have been placed into four distinct state trust funds (the School Trust Funds): the Common School Fund, Normal School Fund, University Fund, and Agricultural College Fund. The beneficiaries of the Common School Fund are K-12 public schools located in Wisconsin. Earnings from the investment of Common School Fund principal are currently directed to provide the sole state aid for the purchase of public school library media and resources. The University of Wisconsin is the beneficiary of the other three School Trust Funds managed by the BCPL.

Mission Statement

The mission of the BCPL is to manage the assets of the School Trust Funds in a manner that maintains significant, stable, and sustainable distributions to fund beneficiaries, and to manage all assets and programs entrusted to the Board in a prudent and professional manner, in accordance with the Wisconsin Constitution and applicable state law.

General Authority

The Wisconsin Constitution (Article X) entrusts the management and sale of school trust lands and the investment of funds arising therefrom to the BCPL. As most of the school trust lands are remnants of federal land grants, there are some federal statutes that effect such lands and resulting land sale proceeds. Chapter 24 of the Wisconsin Statutes governs school trust lands and trust funds managed by BCPL. Wisconsin Statutes Chapter 112 includes both the Uniform Fiduciaries Act and the Uniform Prudent Management of Institutional Funds Act, which govern the management of the School Trust Funds. Wisconsin Statutes Chapter 701 contains the Wisconsin Trust Code that governs the administration of Trust Funds within the state.

Investment Authority

The Wisconsin Constitution states that "…The Commissioners shall…invest all moneys arising from the sale of such lands …in such manner as the legislature shall provide...".[1] This provision has been interpreted by the Wisconsin Supreme Court to mean that the State Legislature has the authority to specify the universe of investments available to the BCPL, but may not direct the BCPL to make any particular investment.

Prior to August 2015, the State Legislature limited the investment authority of the BCPL to certain fixed-income securities.

The enactment of Wisconsin Act 60 in August 2015 greatly expanded the investment authority available to the BCPL for management of the School Trust Funds. This statute included language replacing the previous list of authorized investments with the Prudent Investor Standard: "The board shall manage and invest moneys belonging to the trust funds in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances, in accordance with the *Uniform Prudent Management of Institutional Funds Act*."[2]

Purpose of This Policy

This Investment Policy Statement (Policy) governs the investment of assets for each of the four School Trust Funds of the State of Wisconsin. Prior to the enactment of Act 60, state statutes provided a de facto investment policy for the BCPL. Removal of these constraints allowed the transition of BCPL asset management into industry best practices starting with the creation of this Policy.

This policy is established to provide the framework for management of School Trust Fund assets and sets forth the investment objectives, philosophy, guidelines, and practices for the BCPL, staff, external investment managers (managers), and consultants. The Policy is intended to provide parameters to ensure long-term prudence and care in execution of the investment program, while allowing the flexibility to capture investment opportunities made available to staff and managers. The Policy shall also provide the standards by which the BCPL can evaluate staff, managers, investment consultants, custodians and other service providers.

No investment or action pursuant to an investment may be taken unless permitted by this Policy or by action of the BCPL, and any exceptions to this policy must be approved by the BCPL.

This Policy is supplemented by agency operating procedures and policies, along with language contained within contractual agreements between the BCPL and investment managers and other service providers.

Formal Review Schedule

The BCPL acknowledges that investments are subject to short-term volatility, but that maintaining a long-term outlook will provide better results for the investment of the permanent School Trust Funds. This

[1] Article X, Section 8 - Wisconsin Constitution

[2] Chapter 24.61(2)(a) and 112.11(3) - Wisconsin Statutes

long-term perspective will constrain impulsive and potentially harmful decision-making in reaction to short term market fluctuations and conditions. In order to preserve this long-term view, the BCPL has adopted the following formal review schedule:

Formal Review Agenda Item	Formal Review Schedule
Investment Guidelines	At least every two years
Investment Policy Statements	At least every two years
Asset Allocation Policy	At least annually
Total Fund Performance	At least quarterly
Asset Class Performance	At least quarterly
Investment Manager Performance	At least quarterly

Description of the School Trust Funds

Common School Fund

The Common School Fund is the largest trust fund managed by BCPL, and was established in the State of Wisconsin Constitution in 1848. This Fund was originally endowed with a federal land grant of the 16th Section of each Wisconsin township (nearly one million acres in total) for the purposes of education. Another grant of 500,000 acres, originally dedicated to 'internal improvements', was added to the Common School Fund due to a successful petition to the United States Congress by the forefathers of this state. Except for about 6,000 acres that remain in trust, all of the school trust lands from these original grants were sold to establish the Fund.

Principal has continued to grow because the Wisconsin Constitution provides that the Fund receive all monies and the clear proceeds of all fines and forfeitures (including unclaimed and escheated property) that accrue to the state.

Common School Fund Earnings are delivered each April (mid fiscal year) to the Department of Public Instruction, which then distributes the earnings as library aid to all public K-12 school districts in the state. These payments are currently directed to provide the sole state aid for the purchase of public school library media and resources. The Wisconsin Constitution provides each school district to receive a share of total distributable earnings based on the number of children aged 4 through 20 living in that district.

As of December 31, 2019, the Common School Fund had total (cost basis) financial assets of $1.2 billion invested in the following security types:

Common School Fund Assets

Fixed Income	Cost Basis*
Public Debt	
State/State Agency/Municipal Bonds	$192,702,982
U.S. Treasury/Agency Bonds	14,972,500
U.S. Treasury Inflation Protected Securities	--
Corporate Bonds	29,998,848
Private Debt	
BCPL State Trust Fund Loans	468,680,865
Other Private Debt	24,908,448
Total Fixed Income	$731,263,643
Equities and Alternatives	
Public Equities	
Domestic Equities	40,967,170
Global Equities	44,006,250
Alternatives	
Private Real Estate	--
Real Assets/Infrastructure	--
Private Equity/Venture Capital	11,863,843
Total Equities and Alternatives	$96,837,263
Cash	
State Investment Fund — Total Cash	$330,984,794
TOTAL ASSETS	**$1,159,085,699**

*Fund values are marked-to-market at end of each fiscal year.

Remaining land assets of the Common School Fund total 5,955 acres. The following categories are not mutually exclusive, meaning that a single parcel may be included in more than one category and the sum of acres within each category will not equal total acreage:

Common School Fund Acreage	
Productive Timberland	3,240
Non-Timbered (primarily wetlands)	978
Land with Management Impediments	1,827

The management impediment category includes lands that have no legal access, or where logging is not economically feasible because of low timber value, small tract size or parcel remoteness.

Normal School Fund

At the time of Wisconsin's statehood, there was only one "school fund" established in the state constitution for the support and maintenance of both common (public K-12) and normal schools (teacher colleges). From this single fund, whatever trust assets or income not needed for common schools was to be used for the normal schools. In the early days of statehood, the legislature was primarily concerned with funding of the common schools and allocated few resources to normal schools.

In 1850, Wisconsin received a federal grant of more than three million acres of land pursuant to the Swamp Land Act. The proceeds from the sale of these lands were to be used for the purpose of drainage and reclamation of "swamp and overflowed lands" *to the extent necessary*. By 1865, the Wisconsin legislature was convinced that the State needed only half of those swamp lands for drainage purposes. The other half of the land grant was directed by the Constitution to the school fund. The legislature made the additional finding that the common schools did not need additional funding at that time so these lands and resulting sales proceeds would be used to endow the Normal School Fund. One year later in 1866, Wisconsin established its first Normal School in Platteville.

Nearly all of these original swamp lands were sold in the 1800s. The scattered parcels that remained within the Trust were difficult to sell because the parcels had little monetary value and/or severe management impediments, including the lack of legal access. Many of these impediments continue to affect the marketability of these lands, and the Normal School Fund retains ownership of 71,176 acres today.

Over the years, the normal schools became state teacher colleges and then state universities that were eventually folded into the University of Wisconsin System (UW). The UW, as the successor in interest of the original normal schools, is now the beneficiary of the Normal School Fund. Additions to principal come from the proceeds of timber sales.

Earnings are distributed to the University of Wisconsin throughout each fiscal year, and are currently dedicated to fund scholarships for UW-Madison and UW-Extension students as well as programs at UW-Stevens Point.

As of December 31, 2019, the Normal School Fund had total (cost basis) financial assets of approximately $27.8 million invested in the following security types:

Normal School Fund Assets

Fixed Income	Cost Basis*
Public Debt	
State/State Agency/Municipal Bonds	5,833,386
U.S. Treasury/Agency Bonds	--
U.S. Treasury Inflation Protected Securities (TIPs)	--
Corporate Bonds	--
Private Debt	
BCPL State Trust Fund Loans	16,637,389
Other Private Debt	--
Total Fixed Income	$22,470,775
Equities and Alternatives	
Total Equities and Alternatives	--
Cash	
State Investment Fund	$5,372,420
Timber Sale Deposits	(54,053)
TOTAL ASSETS	**$27,789,141**

*Fund values are marked-to-market at end of each fiscal year.

Remaining land assets of the Normal School Fund total 71,176 acres. The following categories are not mutually exclusive, meaning that a single parcel may be included in more than one category and the sum of acres within each category will not equal total acreage:

Normal School Fund Acreage	
Productive Timberland	28,403
Non-Timbered (primarily wetlands)	20,388
Land with Management Impediments	21,698

As with Common School Fund lands, the management impediment category includes parcels with no legal access, or where logging is not economically feasible.

University Fund

In both 1838 and 1854, Congress granted to the Territory of Wisconsin the equivalent of two townships, or 72 square miles of land, to be sold to support a university. Wisconsin sold nearly all these lands shortly after obtaining title, and made no provision for adding to this fund. For many years, the principal balance has remained static and invested only in fixed income securities. Interest earnings are distributed annually to the University of Wisconsin.

As of December 31, 2019, the University Fund had total financial assets of $234,130 invested as follows:

University Fund Assets

Fixed Income		Cost Basis*
Public Debt	State/State Agency/Municipal Bonds	$30,192
Private Debt	BCPL State Trust Fund Loans	$147,109
	Total Fixed Income	$177,301
Cash		
	State Investment Fund	$56,829
TOTAL ASSETS		**$234,130**

*Fund values are marked-to-market at end of each fiscal year.

Land assets of the University Fund consist of a single remaining parcel of 37 deeded acres. The majority of the parcel is submerged, with the remainder predominantly wetlands.

University Fund Acreage	
Productive Timberland	0
Non-Timbered (primarily wetlands)	37
Land with Management Impediments	37

Agricultural College Fund

The Agricultural College Fund was established with an 1862 act of Congress granting land to create a permanent endowment to support “colleges of agriculture and mechanical arts” in each state. The Morrill Act gave rise to land grant colleges across the nation by providing that each state was entitled to 30,000 acres of land for each member of Congress. Wisconsin had eight Congressional representatives at that time, so received title to 240,000 acres of land under this law. Wisconsin sold all these lands shortly after obtaining title, and made no provision for adding to this fund. The principal balance of the Agricultural College Fund remains fixed at the amount originally received for these lands, and the BCPL makes an annual distribution of earnings to the University of Wisconsin.

As of December 31, 2019, the Agricultural College Fund had total financial assets of $305,282 invested as follows:

Agricultural Fund Assets

Fixed Income		Cost Basis*
Public Debt	State/State Agency/Municipal Bonds	$59,047
Private Debt	BCPL State Trust Fund Loans	$224,645
	Total Fixed Income	$283,692
Cash		
	State Investment Fund	$21,589
TOTAL ASSETS		**$305,282**
*Fund values are marked-to-market at end of each fiscal year.		

Roles and Responsibilities

The BCPL

The Board of Commissioners of Public Lands is the primary body charged with overseeing investment activities relating to the Funds. The three elected members of the BCPL include the Secretary of State, State Treasurer, and State Attorney General. Commissioners are fiduciaries subject to certain statutory and common law duties and standards, and must administer the trust solely in the interests of the beneficiaries.

The BCPL is responsible for the prudent investment of all assets and programs entrusted to the Board, in accordance with the Wisconsin Constitution and applicable federal and state laws. The BCPL is responsible for establishing and maintaining all policies and guidelines by which the Funds are managed, and by which the Executive Secretary and Investment Committee operate. The BCPL relies on the Executive Secretary, Investment Committee, agency staff, and managers to properly administer the Funds and implement strategies for the investment of Trust assets.

Board Chair

The members of the BCPL are responsible to elect one member as Board Chair. The Board Chair facilitates meetings and works collaboratively with the Executive Secretary to set goals and objectives for the agency.

Executive Secretary and Agency Staff

The Board of Commissioners of Public Lands appoints an Executive Secretary to act on its behalf. The Executive Secretary has a primary responsibility to manage the school trust funds and assets under the control of the BCPL as provided by law. In addition to the Executive Secretary, agency staff includes the Deputy Secretary/Legal Counsel, Chief Investment Officer, Forest Supervisor, Senior Accountant/Financial Manager, and five fulltime staff.

Investment Committee

The Board of Commissioners of Public Lands hereby appoints as voting members to the BCPL Investment Committee: the Board Chair (or Board Member designated by the Board Chair), Executive Secretary, Deputy Secretary/Legal Counsel, and the Chief Investment Officer. The Senior Accountant/Financial Manager shall also attend and contribute to all Investment Committee meetings. The Committee shall elect one member as Chair, who is responsible for creating the meeting calendar and agendas and facilitating meetings of the Committee.

The Investment Committee has the responsibility for implementing BCPL policy, selecting the custodian bank, choosing investment managers and commitment amounts, setting interest rates and other loan terms available through the BCPL State Trust Fund Loan program, and reporting to the BCPL regarding the performance of investment portfolios. Members of the committee may propose and advocate for any investment that falls within the Investment Policy Statement and Asset Allocation of any managed fund. All investments, along with any delegation of authority to invest on behalf of the BCPL, shall be made only following a majority affirmative vote of all Investment Committee members.

The Investment Committee shall determine and delegate all appropriate and necessary authorities to the Chief Investment Officer for executing approved investments in publicly traded securities.

Commitments to external managers for executing an investment strategy including only publicly-traded securities shall require a majority affirmative vote of all Investment Committee members.

Commitments to external investment managers for the management of investments that are not publicly traded shall require a majority affirmative vote of all Investment Committee members. In addition, unless a determination is made by the Investment Committee that a third party due diligence report is not required in any particular circumstance, these types of investments shall be made contingent on a due diligence report that is approved by the Investment Committee.

Investment Managers

Managers may be hired to provide specialized asset management capabilities, and will serve at the pleasure of the BCPL. Each manager will select, buy, and sell specific securities or investments within the parameters specified in their investment guidelines and in adherence to this Policy. Managers will construct and manage investment portfolios that are consistent with the investment philosophy and disciplines for which they were hired. Managers will provide performance reporting at intervals and in a format specified by the BCPL Investment Committee.

Custodian

A custodian bank shall be selected to safeguard Trust Fund financial assets. The custodian is responsible for collecting income and safely keeping all cash and securities, processing transactions, and providing accounting and investment reports to the Agency.

Conflicts of Interest

Commissioners, the Executive Secretary, Members of the Investment Committee, Managers, Consultants, and Custodians involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of investments within BCPL-managed trust funds, or that could impair their ability to make impartial recommendations and decisions. Potential conflicts of interest, or anything that might create an appearance of a conflict of interest, must be disclosed in writing to the Executive Secretary. Commissioners shall submit an Annual Statement of Economic Interest to the appropriate State of Wisconsin authorities and members of the Investment Committee are encouraged to do the same.

Adherence to CFA Institute Code of Ethics and Standards of Professional Conduct

The CFA Institute Code of Ethics and Standards of Professional Conduct and Asset Manager Code of Conduct comprise the current industry standards and best practices for the conduct of fiduciaries. These documents are attached as Addendum 1 to this policy. This investment policy hereby requires Commissioners, the Executive Secretary, and all Agency Staff to adhere to these standards.

Investment Philosophy

The Investment Philosophy captures investment and asset management principles that shall guide the BCPL in performing its fiduciary and statutory obligations. The following principles have been adopted to meet the investment objectives of the BCPL:

1. Asset Allocation

a. Strategic asset allocation is a fiduciary duty and allocation across asset classes is the most important determinant of long-term total return and return variability.
b. Each trust or fund invested by the BCPL shall have a strategic asset allocation and investment strategy that is appropriate given its specific requirements for return, risk, time horizon, and liquidity.
c. Capital markets exhibit periodic inefficiencies that may be exploited through shorter-term tactical shifts in asset allocations to increase expected investment performance. The amount of any tactical allocation shall be limited to ranges specified within the approved asset allocation.

2. Diversification

a. Diversification by asset class and within asset classes is a primary risk control element.
b. The transition from the legacy portfolios of fixed-income securities to new asset classes and allocations will require special considerations to meeting the expectations of beneficiaries, including the maintenance and stability of annual income distributions. The establishment of targeted annual distributions coupled with segregated smoothing accounts is required to ensure the stability of future distributions.
c. Prior to the implementation of this policy, the growth in fund principal had declined to levels near the long-term expected rate of inflation. To maintain purchasing power for future generations, capital gains on investments held one year and longer shall be added to the principal of each School Trust Fund. Interest income, dividends, and short-term capital gains shall be distributed to beneficiaries as required by law and precedence.

3. Fund Management and Transparency

a. The cost of investment management is an important element of long-term investment returns, and costs are contained through lower-cost internal management, passive management approaches, external fee negotiations, and a focus on net performance.
b. Over the long term, active management can add value at the asset class, sector, and security levels by exploiting market inefficiencies and their resulting valuation opportunities. Less efficient asset types and markets provide the best opportunities for active management.
c. Management compensation shall be assessed and monitored so that the goals and interests of investment managers are properly aligned with those of fund beneficiaries.
d. Fund and portfolio results are most appropriately measured against appropriate benchmarks. Evaluation of investment results should include analysis of both risk and return relative to the objectives and constraints of the managed funds. Peer comparisons are problematic due to differences in the objectives and constraints between the peer funds.

e. Transparency of investment strategy and processes is an important element in maintaining the confidence and trust of beneficiaries and the public. The BCPL shall strive to provide transparency whenever possible.

4. History and Legacy

a. Legacy land assets shall be managed to increase the quality and value of land holdings where possible, generate long-term capital gains through timber harvests utilizing industry-best sustainable timber management standards, and improve management efficiencies through the rearrangement of land assets into larger blocks with the sale of excess parcels.
b. The BCPL State Trust Fund Loan Program, a direct lending program to Wisconsin municipalities and school districts since 1871, provides an important strategic advantage to BCPL asset management with superior risk and return characteristics.
c. BCPL shall make reasonable efforts to seek investment opportunities within the State of Wisconsin to the extent practicable and subject to the fiduciary duty to act in the sole interests of the beneficiaries.

General Risk Objectives

The investment risk objective for the School Trust Funds is based on the following principles:

- An increase in risk shall be compensated through higher expected long-term portfolio returns.
- Risk can be mitigated through diversification of asset classes and investment approaches. Diversification takes advantage of the different responses to market, economic, and political conditions inherent within distinct asset classes. Diversification also limits portfolio exposure to individual sources of risk and reduces the variability of portfolio returns.
- The primary determinant of long-term investment performance is the strategic asset allocation.
- Capital markets exhibit periodic inefficiencies that may be exploited through shorter-term tactical shifts in asset allocations to increase expected investment performance. The amount of any tactical allocation shall be limited to ranges specified within the approved asset allocation.
- BCPL manages permanent trust funds with an extremely long investment time horizon, which increases the importance to understand and evaluate risks from environmental, social and governance factors.

The BCPL shall establish a long-term asset allocation policy for each fund that balances the return objective with the risk level that is appropriate for that fund. These policies provide for the appropriate level of diversification and allow for tactical allocations designed to take advantage of market inefficiencies. In determining the suitable risk levels, the BCPL has considered the purpose and characteristic of each fund; sources, amounts and timing of anticipated additions to fund principal; constitutional and statutory fund distribution requirements to beneficiaries; liquidity requirements; and general economic conditions.

General Constraints

Wisconsin Constitution

The Wisconsin Constitution requires that all Common School Fund and Normal School Fund income is distributed to beneficiaries, with principal balances to be maintained within the fund. Most other endowments distribute both interest and principal to meet the needs of beneficiaries, and pay out a fixed percentage of the beginning principal balance regardless of investment results. The inability of BCPL to distribute fund principal is critical to asset management policy, and requires that assets are managed differently than the peer group of endowments.

Beneficiary Dependence on Annual Distributions

Earnings from investment of the Common School Fund currently provide the sole state aid for the purchase of public school library media and resources. This dependence on the annual distribution has a significant impact on the management of the trust funds by reducing the acceptable amount of risk applicable to distributable income.

Earnings from investment of the Normal School Fund are distributed to the University of Wisconsin and are currently dedicated to fund scholarships for UW-Madison and UW-Extension students as well as programs at UW-Stevens Point. While this annual distribution is a small percentage of the total budget of the University, these monies remain an important source of funding for these scholarships and academic programs.

The Prudent Investor Standard

Wisconsin Statutes Section 112.11 requires the BCPL to manage and invest moneys in accordance with the *Uniform Prudent Management of Institutional Funds Act,* which states:

112.11 (3) STANDARD OF CONDUCT IN MANAGING AND INVESTING AN INSTITUTIONAL FUND

(A) Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.

(B) In addition to complying with the duty of loyalty imposed by law other than this section, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

(C) In managing and investing an institutional fund, an institution:

1. May incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution.
2. Shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

(D) An institution may pool 2 or more institutional funds for purposes of management and investment.

(E) Except as otherwise provided by a gift instrument, the following rules apply:

1. In managing and investing an institutional fund, the following factors, if relevant, shall be considered:
   a. General economic conditions.

b. The possible effect of inflation or deflation.
c. The expected tax consequences, if any, of investment decisions or strategies.
d. The role that each investment or course of action plays within the overall investment portfolio of the fund.
e. The expected total return from income and the appreciation of investments.
f. Other resources of the institution.
g. The needs of the institution and the fund to make distributions and to preserve capital.
h. An asset's special relationship or special value, if any, to the charitable purposes of the institution.

2. Management and investment decisions about an individual asset shall not be made in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.
3. Except as otherwise provided by law other than this section, an institution may invest in any kind of property or type of investment consistent with this section.
4. An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.
5. Within a reasonable time after receiving property, an institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional fund into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this section.
6. A person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

State Statutes

The BCPL is a state agency with an operating budget that requires legislative approval. Historically funded through program revenues (investment earnings), beginning in FY2020 BCPL expenses are funded through State of Wisconsin General Purpose (Tax) Revenues.

The State Legislature also has the authority to specify the universe of investments available to the BCPL, although it may not direct the BCPL to make any particular investment. Statutes also provide the authority and general terms of the BCPL State Trust Fund Loan Program. While the School Trust Funds are protected within the State Constitution, the state legislature is a political body that controls the future course of agency policies and procedures.

The funds managed by the BCPL have been determined by the Supreme Court of the State of Wisconsin to be Trust Funds. Wisconsin Statutes Chapter 701 governs the administration of Trust Funds within the state. Wisconsin Statutes Section 701.0802(1) (Duty to Loyalty) specifies in that "A trustee shall administer the trust solely in the interests of the beneficiaries".

General Investment Guidelines and Restrictions

1. All investments made shall be subject to the quality and diversification restrictions established by the Prudent Investor Standard.
2. Assets may be held in commingled funds and/or privately managed separate accounts. Exposure through commingled funds, ETFs, and mutual funds shall be evaluated on a case-specific basis through analysis of the prospectus or offering document.
3. No more than 5% of the stock of any corporation may be owned by any School Trust Fund.
4. With the exception of debt instruments issued by the State of Wisconsin and the United States of America (including various agencies and government-sponsored enterprises including the Federal Farm Credit System), investments representing the debt or equity of any one company, institution, or real estate project shall not exceed 5% of the market value of any School Trust Fund.
5. Cash management will be controlled on a portfolio-wide basis, and managers are expected to remain fully invested in the types of securities for which they have responsibility, unless otherwise authorized.
6. The utilization of leverage is permitted in accordance with industry and market standards for permitted investments under this policy. Any use of leverage will be consistent with the strategy for which the BCPL hired the manager and controlled by the specific guidelines for that manager. BCPL may not borrow money without board authorization.
7. The BCPL recognizes that the Funds are exposed to currency risk through international equity, fixed income, and absolute return allocations. The BCPL prefers to utilize unhedged benchmarks and does not require managers to hedge the currency exposure in their portfolios.

Permitted Investments and Investment Strategies

The BCPL may invest in the following securities and investment activities as long as such investments comply with the Prudent Investor Standard. Unless otherwise prohibited by law, the investment may be acquired directly or through an investment vehicle including, but not limited to, exchange-traded-funds, mutual funds, limited partnerships, limited liability companies, trusts, or separately managed accounts.

Fixed Income

Public Debt

1. Bonds, notes or other obligations of the United States government, its agencies, government-sponsored enterprises, corporations, or instrumentalities for which the credit of the United States government is pledged for the payment of the principal and interest.
2. Bonds, notes or other obligations issued by any state, its agencies, municipalities, school districts, or other political subdivisions.
3. Bonds, notes, commercial paper or other obligations of any corporation organized and operating within the United States or within countries that comprise the Morgan Stanley Capital International All Countries World Index or other countries specifically permitted by the BCPL Investment Committee.
4. Debt obligations of non-U.S. governmental or quasi-governmental entities that may be denominated in foreign currencies.
5. Collateralized debt securities, including asset-backed and mortgage-backed securities that have an investment grade rating or have been specifically permitted by the BCPL Investment Committee.

Private Debt

1. Direct loans made to Wisconsin Municipalities and School Districts made through the BCPL State Trust Fund Loan Program.
2. Direct investment in any of the security types or issuers allowed under Public Debt, but with securities that are privately negotiated.
3. Funds consisting of commingled limited partnerships, trusts or other vehicles that invest either domestically or internationally in direct loans to corporations, bank loans, commercial or residential real estate mortgage loans, distressed debt or mezzanine debt issues.

Equities and Alternatives

Public Equities

1. Domestic Equities including investments in common or preferred corporate stocks and investment trusts domiciled in the U.S. and listed on the NYSE, AMEX or the NASDAQ exchanges or the ADRs of foreign stocks traded on these exchanges.
2. Global Equities including investments in common or preferred stocks of corporations domiciled in countries that comprise the Morgan Stanley Capital International All Countries World Index or other countries specifically permitted by the BCPL Investment Committee. External asset managers may execute foreign exchange contracts and invest in local country cash equivalents issued under the laws of permitted foreign countries and as permitted under the terms of their agreement with BCPL.

Alternatives

1. Private Real Estate including direct investment in real estate (subject to statutory limitations), in addition to investments in commingled limited partnerships, trusts or other vehicles that invest either domestically or internationally in the debt or equity of underlying real estate properties, portfolios of properties or operating companies within the real estate industry.
2. Real Assets/Infrastructure Funds consisting of commingled limited partnerships, trusts or other vehicles that invest either domestically or internationally in infrastructure, transportation, communication, water and wastewater, timber, commodities, and energy systems or properties.
3. Private Equity/Venture Capital Funds consisting of commingled limited partnerships, trusts or other vehicles that invest either domestically or internationally in corporate buyout, venture capital and special situation funds.

Cash

The BCPL will maintain cash positions in amounts necessary for liquidity, distributions to beneficiaries, and ongoing investment activities including risk reduction when appropriate.

1. State Investment Fund, which is managed by the State of Wisconsin Investment Board to provide next day liquidity and safety for funds held by the State, Wisconsin municipalities, and others.
2. Bond Anticipation Notes, Note Anticipation Notes, and Tax Revenue Anticipation Notes issued by Wisconsin School Districts and Municipalities.
3. Deposit Accounts and Certificates of Deposit with banks incorporated within the United States.
4. Money market accounts issued by an investment bank domiciled in the United States.

Return Objectives, Smoothing Accounts and Annual Distributions

The mission of the BCPL is to maintain significant, stable, and sustainable distributions to fund beneficiaries. Sustainability in this context means that BCPL will take a multi-generational approach to management of School Trust Fund assets, and will be accountable to both current and future beneficiaries.

The return objective of the BCPL will be to achieve the highest level of long-term investment returns compatible with the risk tolerance of the fund and prudent investment practices. At a minimum, the objective is to generate returns that allow the average annual income distribution provided to beneficiaries to increase at a rate equal to or above the appropriate long-term rate of inflation.

Establishment of Smoothing Accounts for the Common School Fund and Normal School Fund

Beneficiaries of the Common School Fund and the Normal School Fund are dependent on the distribution of Trust Fund income to fund operations. This is less true for the University Fund and Agricultural College Fund, whose beneficiary is the general fund of the University of Wisconsin (UW) and annual distributions of trust fund income are currently a very small portion of the UW budget.

For the Common School Fund and the Normal School Fund, the transition from a portfolio consisting solely of fixed income securities to an asset allocation model that increases expected investment returns will impact both the volatility of annual returns and funds available for distribution. The importance of stable annual distributions to the beneficiaries in this new environment of higher volatility necessitates the establishment of targeted annual distributions with associated smoothing accounts.

Amount and Funding of Smoothing Accounts

Segregated smoothing accounts have been established for both the Common School Fund and Normal School Fund from net investment income earned above the targeted annual distribution. The State Constitution does not allow the distribution of fund principal, making it is necessary to establish these segregated smoothing accounts *from earnings.* The smoothing funds will be used to supplement the annual distribution to beneficiaries during years when distributable income does not meet the targeted annual distribution.

The market conditions that might cause a decline in distributable earnings could persist for several years, and the smoothing accounts must be sized to supplement distributions during this entire period. A prudent minimum amount to be maintained within the Common School Fund and Normal School Fund smoothing accounts is hereby established at 50% of the next targeted annual distribution at the end of each fiscal year.

The BCPL Investment Committee has the authority to increase the minimum amount to be held in the smoothing fund to a maximum 100% of the next targeted distribution amount. This action shall require the Investment Committee to make a determination that the increase is in the long-term best interest of beneficiaries.

Annual Distributions

The targeted annual targeted distribution will be the average annual net investment income earned over the prior five fiscal years (e.g. the distribution to be made in April 2020 is the average annual net investment income earned during the five years ending June 30, 2019). Net investment income is hereby defined as total interest, dividends and short-term capital gains less all costs incurred by BCPL in the management of the trust funds.

The following process shall determine the flow of net investment income during each fiscal year:

1. On October 1 of each fiscal year, the BCPL Senior Accountant/Financial Manager shall determine the following:
    a. The targeted distributions for the current fiscal year for both the Common School Fund and Normal School Fund, calculated as average annual net investment income earned by each fund during the five years ending on the preceding June 30.
    b. The minimum amount of each smoothing fund, calculated at 50% of the targeted distributions as defined above.
    c. The current amount of each smoothing fund, defined as that fund's portion of Fund 763 appropriation 902 on the preceding June 30.
2. If the current amount of the smoothing fund is greater than the minimum amount of the smoothing fund, the Investment Committee may determine to add all or a portion of that difference to the targeted distribution for the current fiscal year.
3. Net investment income beginning on July 1 will be allocated in the following order:
    a. Smoothing fund in amounts necessary to increase the current amount to the minimum amount;
    b. Targeted distribution for the following April;
    c. Smoothing fund.
4. If the net investment income available at the time of distribution is less than the targeted distribution, a transfer from the appropriate smoothing fund will supplement net investment income so that the amount of the fiscal year distribution is equal to the targeted distribution.

Additions to Fund Principal

Constitutional Additions to the Common School Fund

Article X, Section 2 of the State Constitution requires that:

> "The proceeds of all lands that have been or hereafter may be granted by the United States to this state for educational purposes… and all moneys and the clear proceeds of all property that may accrue to the state by forfeiture or escheat; and the clear proceeds of all fines…for any breach of the penal laws, and all moneys arising from any grant to the state where the purposes of such grant are not specified… shall be set apart as a separate fund to be called "the school fund"…[4]

As mentioned earlier, the Common School Fund was originally established with federal land grants totaling about 1.5 million acres. The fund has stayed relevant since statehood because the proceeds from the original land sales have been supplemented through the above constitutional provision. However, the increase in the number of municipal courts, improved systems for returning unclaimed property, and changes in the state regulatory environment have combined to slow down the growth of fund principal in recent years.

This trend magnifies the importance that all sources of fines and forfeitures that accrue to the state are secured for the Common School Fund, as directed in the constitution. An important element of the fiduciary duty of the BCPL is that all reasonable measures are taken to ensure that funds that legally belong to the Common School Fund are so deposited, and that the BCPL challenges any diversion of such funds to the fullest extent possible.

Long-Term Capital Gains

Long-term capital gains (gains and losses on the sale of assets held one year or longer) shall be retained and added to the principal of each School Trust Fund at the time earned.

This policy continues a BCPL accounting standard that dates from the mid-1800s. In early BCPL history, BCPL-managed lands included both agricultural and timberland parcels. BCPL categorized the sale proceeds from seasonal crops (mostly hay) as income to be distributed to Trust Fund beneficiaries. However, the proceeds from timber sales were added to Trust Fund principal. These distinct treatments make sense in that the harvesting of seasonal crops does not normally deplete the value of a land asset, while timber harvests can have a significant and detrimental impact on land values. This principle is consistent with accounting standards for short-term and long-term capital gains. Short-term capital gains are generally treated like annual interest income, with no impact on the inherent value of the asset. Long-term capital gains are added to trust principal, because the distribution these gains could diminish the value of trust assets for future beneficiaries

Unique Elements of BCPL-Managed Funds

BCPL State Trust Fund Loan Program

Since first authorized by the State of Wisconsin legislature in 1871, the primary investment vehicle for the BCPL has historically been the State Trust Fund Loan Program, a direct lending program to Wisconsin municipalities and school districts. This program has provided funding for countless public projects throughout the state, and continues to be a major source of funding for economic development, local infrastructure, school improvements, and the purchase of vehicles and capital equipment. This program is highly valued by municipalities and school districts because there are no fees, the simplified borrowing process requires no third-party assistance, loan terms are flexible including prepayment without penalty, and interest paid is returned to communities across Wisconsin as public school library aid.

In addition to providing an important source of funding to Wisconsin communities, the loan program originates investment assets with very low default risk. In fact, there has not been a single loan default in the 149-year history of the program. One major reason for this success is that Wisconsin statutes require the BCPL to intercept state aid upon a borrower loan default. State funding of local expenditures is a major source of revenues for individual municipalities and school districts in Wisconsin, and this potential intercept provides a significant incentive for borrowers to stay current on BCPL loan payments.

The state aid intercept allows the BCPL to make loans to communities with lower credit ratings and expect full repayment of principal and interest when due. Trust Fund beneficiaries gain from expansion of the program to all communities within the state, without the additional costs and complexity that would be required with a full underwriting of borrower credit quality. Value is created because the statutory intercept provisions increase the potential credit rating on any loan to the State of Wisconsin equivalent of Aa1/AA+ regardless of the underlying credit quality of the borrower.

An analysis comparing the yields generated by the BCPL loan portfolio to corporate bonds indicates that the Trust Fund Loan Program generates excess returns, providing a substantial advantage to Trust Fund beneficiaries.[3] Program yields are higher than would be expected in the open market for the level of underlying default risk. These excess returns provide an opportunity for BCPL to explore the possibility of creating an on-going source of capital gains and/or servicing income by selling loans on the secondary market. The creation of a pipeline for selling loans might also provide the BCPL with additional flexibility in the management of Trust assets. For example, if the total amount of outstanding loans exceeds the target allocation for that asset class, BCPL could sell excess loans rather than take actions designed to reduce loan demand.

Land Assets

The BCPL has managed State of Wisconsin School Trust Lands since statehood in 1848. Originally granted to Wisconsin from the Federal Government, School Trust Lands eventually totaled almost 4 million acres with the vast majority sold during the 1800s. The BCPL continues to manage approximately 77,000 acres that are concentrated within a nine county consolidation zone in North Central Wisconsin. About 6,000 acres are held in the Common School Fund, with 71,000 acres in the Normal School Fund.

Land assets play an important role in strategic asset allocation by providing diversification and inflation protection to the Trust Fund portfolios. At some point in the future, BCPL may want to reconsider the current asset allocation to timberland, but it is in the best interest of Trust Fund beneficiaries to take reasonable steps in maximizing the value of BCPL-managed land assets prior to any land sales.

Article X, Section 7 of the State Constitution created the BCPL to sell the lands granted to Wisconsin by the Federal Government and invest the proceeds within a trust to benefit public schools. Section 8 requires that these lands be appraised before sale, and allows the Board to withhold land from sale “when they shall deem it expedient.” Section 8 also provides that funds shall be invested “in such manner as the legislature shall provide”.

In 2006, the Wisconsin Legislature unanimously approved legislation with the moniker of “Land Bank Authority", which provided limited authority to the BCPL to purchase replacement land assets. This law authorized BCPL to use the proceeds from the sale of School Trust Land sales solely for the purchase of replacement school trust lands when the BCPL determined that the purchase would improve timberland management, address forest fragmentation, or increase public access. The legislation capped the total

[3] BCPL Board Meeting Agenda and Minutes - January 19, 2016. Item 5, Pages 2-3. “Analysis of Trust Fund Loan Program Yields”

acreage owned within the combined School Trust Funds, but allowed the BCPL to rearrange holdings into more productive, accessible, and larger tracts that could be managed more efficiently. The law recognized the importance of maintaining land as an asset within the Trust Fund portfolios while also providing a mechanism to improve underperforming parcels.

Since that time, the BCPL has sold about 15,075 acres and purchased about 14,660 acres of replacement School Trust Lands. During the same period, BCPL has also exchanged a significant amount of land (1403 acres in and 2065 acres out). These replacement lands have improved the quality and value of the land portfolio by:

- Providing access to over 7,302 acres of previously landlocked parcels;
- Increasing timber revenues as newly acquired lands contain more upland acreage and timber; and
- Improving management efficiencies and economies of scale through blocking and creation of larger tracts.

Moving forward, the goal of BCPL land management is to accelerate the consolidation of remaining School Trust Lands into productive tracts of timberland. All parcels will be identified either for retention in the BCPL-managed portfolio or as excess land. Reasonable efforts will be taken to improve the marketability of excess lands that have curable defects or impediments to value. The sale of any parcel will be completed in a manner that maximizes the net present value of sale proceeds. Consolidation of land assets has been a goal of the BCPL for many years, and continued progress will require the dedication of agency resources and the availability of Land Bank Authority and other tools.

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State of Wisconsin
School Trust Fund Investment Policy Statements

Common School Fund
Normal School Fund
University Fund
Agricultural College Fund

Common School Fund

Investment Policy Statement

Fund Purpose

The Common School Fund is a permanent trust fund established in 1848 within the State Constitution for the purpose of education. The beneficiaries consist of all K-12 public school districts located in Wisconsin, and earnings from investment of the Common School Fund are currently directed to provide the sole state aid for the purchase of public school library media and resources.

Funding Sources

This Fund was originally established with federal land grants totaling about 1.5 million acres. Except for about 6,000 acres that remain in trust, all lands from these original grants were sold to establish the Fund.

Principal has continued to grow because the State Constitution provides that the Common School Fund receive all monies and the clear proceeds of all fines and forfeitures (including unclaimed and escheated property) that accrue to the state.

Capital gains on investments held one year and longer are added to the principal of the Fund.

Distribution Policy

Interest income, dividends, and short-term capital gains are distributed to beneficiaries in accordance with the State Constitution and agency policy. Distributions shall adhere to the policy described in detail on page 19, with the targeted distribution at the 5-year moving average of fund net annual earnings during the prior five fiscal years.

A smoothing account shall be established from withheld earnings, with the minimum dollar amount to be determined on October 1st of each year at 50% of the next targeted distribution amount. The smoothing account shall be used to supplement the distribution during years when interest, dividends and short-term capital gains earned during the current fiscal year are lower than the targeted distribution.

The BCPL Investment Committee has the authority to increase the minimum amount to be held in the smoothing fund to a maximum 100% of the next targeted distribution amount. This action shall require a determination by the Investment Committee that the increase is in the long-term best interest of beneficiaries.

Investment Objective

The annual return objective will be to maximize expected earnings within acceptable risk parameters. The long-term goal is to increase fund principal and annual distributions at or above the appropriate long-term rate of inflation.

There are many measures of inflation published by the U.S. Bureau of Labor Statistics, but the appropriate measure of inflation that is most strongly related to the use of funds is CPI - Educational Books and

Supplies. First published by the U.S. Bureau of Labor Statistics in 1967, this index has grown at an average annual rate of 6.0% and has remained significantly higher than the overall inflation rate since inception:

Average Annual Rate of Inflation

	CPI Educational Books and Supplies	CPI	Common School Fund Avg Annual Fund Growth
1967-2019	6.0%	4.0%	7.2%
2000-2019	5.0%	2.1%	5.2%
2010-2019	3.6%	1.7%	3.7%

The Federal Reserve has been quite effective in maintaining inflation rates below their target of 2% since the early 1980s, and there is no reason to predict that effectiveness will change. There is also sufficient data that inflation within the subcategory of Educational Books and Supplies will continue to outpace general CPI moving forward. A prudent assumption for this policy is that long-term inflation in Educational Books and Supplies will average 4.0%.

The growth of Trust Fund principal at or above the long-term rate of inflation is required for equitable treatment of future generations. For the Common School Fund, this growth has historically come from fines, forfeitures and escheats that accrue to the State of Wisconsin

As shown above, the growth in Common School Fund principal has remained at or slightly above the appropriate rate of inflation over the past several decades. For two reasons, this fact is not likely to continue if fund growth is limited to the historic sources of fines, forfeitures and escheats. First, there are political and economic pressures on amounts contributed to the Common School Fund from these historic sources. Second, there is a natural difficulty in maintaining growth rates as any fund or other enterprise gets larger. Because historic sources of principal growth will not increase fund principal at or above the rate of inflation into the future, it will be necessary to rely on for fund investments to contribute to that growth rate with the addition of long-term capital gains.

A prudent assumption may be that financial assets need to contribute 1-2% of annual growth, and this requirement will likely grow over time. Sustaining this level of fund growth while producing the stable income stream necessary to fund beneficiary distributions will require a significant shift to asset classes able to generate long-term capital gains to supplement fund growth.

Portfolio Constraints

Wisconsin Constitution

The Wisconsin Constitution requires that all Common School Fund income is distributed to beneficiaries, with principal balances maintained within the fund. Most other endowments distribute both interest and principal to meet the needs of beneficiaries, and pay out a fixed percentage of the beginning principal balance regardless of investment results. The inability to distribute Common School Fund principal is critical to asset management policy, and requires that Common School Fund assets are managed differently than the peer group of endowments. The ability of the smoothing account to stabilize future distributable income supports diversification into non-income-producing assets, but the extent of that diversification is limited when compared to endowments able to distribute fund principal.

Beneficiary Dependence on Annual Distributions

Earnings from investment of the Common School Fund are currently directed to provide the sole state aid for the purchase of public school library media and resources. This dependence has a significant impact on the management of the trust funds by reducing the acceptable amount of risk applicable to distributable income. The smoothing account mitigates, but does not eliminate, the impact of beneficiary dependence on investment management.

Liquidity

The BCPL State Trust Fund Loan Program provides excess investment returns for Trust Fund beneficiaries, and one goal of this policy is to provide sufficient liquidity to fund expected near-term loan demand . Annual loan disbursements for the past decade have averaged $130 million, but required liquidity varies with market conditions including macro and seasonal loan demand. It is anticipated that future liquidity requirements for the loan program can be met thorough liquidity management and the sale of investments.

Legacy Assets and Investment Policy Transition

The Common School Fund must transition from the fixed-income portfolio mandated by prior statute to a diversified portfolio required by the recent implementation of the Prudent Investor Standard. The goal of this new policy will be to provide stable distributions in addition to capital gains that increase fund principal at or above the rate of inflation. The allocation to new asset classes will be systematic and determined by the confidence level in maintaining targeted distribution amounts to beneficiaries. In addition, the entry point into new asset classes must consider current available valuations within a historic context, with the timing of additional diversification benefits secondary to relative values. In addition, initial allocations within asset classes are likely to be tilted towards assets that produce distributable income.

Strategic Asset Allocation

The Common School Fund is a permanent endowment for education and therefore similar to endowments that have been established for institutions of higher learning throughout the United States. This peer group of College and University Endowments generally utilizes the common method of distributing a fixed percentage of both principal and interest each year regardless of investment results. Because constitutional constraints prevent the Common School Fund from distributing principal, the asset allocation of these endowments is considered useful only for long-range planning purposes. The immediate adoption of the full peer group allocation model would increase portfolio risks and reduce income available for distribution to unacceptable levels. This peer group, narrowed by size to include seventy-seven U.S. College and University Endowments with assets between $500 million and $1 billion, had an average asset allocation during 2018 as shown below:

Asset Class	2018 NACUBO Allocation*
Fixed Income	10%
Domestic Equities	22%
International Equities	22%
Real Estate	3%
Private Equity	8%
Venture Capital	3%
Other Alternative Strategies**	27%
Cash	5%

* 2018 NACUBO-Commonfund Study of Endowments with total assets from $501 million to $1 billion. Full study is available from the National Association of College and University Business Officers.

** Other alternative strategies include hedge funds, absolute return, market neutral, long/short, 130/30, event-driven, derivatives, energy and natural resources, commodities, managed futures, and distressed debt.

BCPL has several strategic advantages available for asset management, and Common School Fund asset allocations should be designed to maximize the impact of these strengths, which include:

- The BCPL State Trust Fund Loan Program;
- BCPL staff, which provides low-cost in-house expertise in the Wisconsin credit markets, fixed-income investing, real estate and forestry;
- Strong institutional and professional relationships with other state agencies and staff, including the State of Wisconsin Investment Board (SWIB); and
- Strong institutional and professional relationships with the University of Wisconsin and the Wisconsin Alumni Research Foundation (WARF) and staff.

Examples of capitalizing on these strengths include the collaboration between BCPL and experts from the UW-Madison School of Business to develop the initial target asset allocation in 2016, along with BCPL discussions with SWIB and WARF staff regarding commitments to Wisconsin-based venture capital funds.

Recognizing that a long-term target allocation utilizing new asset classes can take years to implement prudently, the Board delegates implementation of the strategic asset allocation policy to the BCPL Investment Committee including interim funding levels of asset classes and the setting of interim asset allocation targets and benchmarks. The Strategic Asset Allocation is reviewed at least annually by the Investment Committee, with recommended changes to be approved by the Board.

Based on the objective to contribute long-term capital gains to principal, along with long-term return expectations and risk tolerance, the BCPL has chosen the following strategic asset allocation policy for the Common School Fund:

Common School Fund Target Asset Allocation

Asset Class	Target Allocation	Range	Current Allocation 12/31/2019
Fixed Income	**55%**		62%
Public Debt			
State/State Agency/Municipal Bonds	5%	0% to 30%	17%
U.S. Treasury/Agency Bonds	0%	0% to 30%	1%
U.S. Treasury Inflation Protected Securities	0%	0% to 10%	0%
Corporate Bonds	10%	0% to 30%	3%
Private Debt			
BCPL State Trust Fund Loans	30%	20% to 50%	40%
Other Private Debt	10%	0% to 20%	2%
Equities and Alternatives	**45%**		9%
Public Equities			
Domestic Equities	7.5%	5% to 20%	4%
Global Equities	7.5%	5% to 20%	4%
Alternatives			
Private Real Estate	20%	5% to 25%	0%
Real Assets/Infrastructure	5%	0% to 10%	0%
Private Equity/Venture Capital	5%	0% to 10%	1%
Cash	**0%**	**0% to 10%**	29%

Rebalancing

Rebalancing is the term that describes the periodic movement of funds from one asset or asset class to another in order to realign assets to the strategic asset allocation target. Systematic rebalancing can reduce portfolio volatility and increase portfolio return over the long-term. However, frequent rebalancing resulting from excessively tight ranges can lead to unnecessary transaction costs.

The Investment Committee will be responsible for developing and implementing a rebalancing plan that is appropriate for existing market conditions, with a primary objective of minimizing transaction costs, market impact, opportunity costs and portfolio disruptions. To the extent possible, cash flows and revenues will be used to maintain the strategic target allocation.

Recognizing that at times it may be impractical or costly to reallocate assets when an upper or lower limit is breached, the asset class will be rebalanced to within its strategic asset allocation range as soon as is practically possible, subject to reasonable transaction costs.

Tactical Asset Allocation

Capital markets exhibit periodic inefficiencies that may be exploited through shorter-term tactical shifts in asset allocations to increase expected investment performance. The amount of any tactical allocation shall be limited to ranges specified within the approved asset allocation.

Benchmarks

The Board has selected the following benchmarks for the Common School Fund:

Asset Class	Benchmark
Fixed Income	S&P Taxable Municipal Bond
Domestic Equities	Russell 3000 Index
International Equities	MSCI ACWI Ex-USA Index
Real Estate	NFI-ODCE Property Index
Real Assets/Infrastructure	Strategy Dependent
Private Equity/Venture Capital	Strategy Dependent
Cash	S&P U.S. Treasury Bill Index

Normal School Fund

Investment Policy Statement

Fund Purpose

The University of Wisconsin, as the successor of the original normal schools, is the beneficiary of the Normal School Fund. Distributions are currently directed by Statute to provide funding for UW student scholarships and program funding at the UW-Stevens Point.

Funding Sources

This Fund was originally established with federal land grants totaling about 1.75 million acres. Except for about 71,000 acres that remain in trust, all lands from these original grants were sold to establish the Fund. Additions to principal come from the gross proceeds of timber sales and capital gains on investments held one year and longer.

Distribution Policy

This fund was originally established for monies not needed by common schools, and is governed by the same constitutional language that constrains investment of the Common School Fund. Interest income, dividends, and short-term capital gains are distributed to beneficiaries in accordance with the State Constitution and agency policy.

Distributions shall adhere to the policy described in detail on page 19, with the targeted distribution at the 5-year moving average of fund net annual earnings during the prior five fiscal years. However, because there was a change in the funding mechanism for agency expenses in FY2020 (the funding of agency expenses was changed from program revenue to general purpose tax revenues), a transition policy is needed to eliminate the impact of this change on the calculation of the 5-year earnings average. Therefore, the calculation of targeted distribution through FY2024 will include Normal School Fund gross revenues (rather than net earnings) for years prior to FY2020.

A smoothing account shall be established from withheld earnings, with the minimum dollar amount to be determined on October 1st of each year at 50% of the next targeted distribution. The smoothing account shall be used to supplement the distribution during years when interest, dividends and short-term capital gains earned during the current fiscal year are lower than the targeted distribution.

The BCPL Investment Committee has the authority to increase the minimum amount to be held in the smoothing fund to a maximum 100% of the next targeted distribution amount. This action shall require a determination by the Investment Committee that the increase is in the long-term best interest of beneficiaries.

Investment Objective

The annual return objective will be to maximize expected earnings within acceptable risk parameters. The long-term goal is to increase fund principal and annual distributions to beneficiaries at or above the appropriate long-term rate of inflation.

There are many measures of inflation published by the U.S. Bureau of Labor Statistics, but the appropriate measure of inflation for these purposes should be strongly related to the use of funds. In the case of the Normal School Fund, the funds are used for programs and scholarships at the University of Wisconsin. The most appropriate inflation index is CPI – Education as published by the U.S. Bureau of Labor Statistics. This index has grown at an average annual rate of 4.9% since first created in 1993, well above the overall inflation rate (CPI) during this period:

Average Annual Rate of Inflation

	CPI - Education	CPI	Normal School Fund Avg Annual Fund Growth *
1993-2019	4.9%	4.0%	1.7%
2000-2019	4.7%	2.1%	1.9%
2010-2019	3.3%	1.7%	1.8%

*Fund balance for 2010 and 2019 is net of monies reserved for land bank purchases.

The Federal Reserve has chosen 2.0% as the long-term inflation target within the United States, and since the early 1980s has been quite effective in maintaining lower overall inflation rates. There is no reason to predict that the Federal Reserve will lose the ability to control future inflation, so it is reasonable to assume that overall long-term inflation (CPI) will remain near 2%. Should historical tendencies continue, inflation in education will outpace CPI moving forward. A prudent assumption for the Normal School Fund will assume long-term inflation for education at 4%.

The growth of Trust Fund principal at or above the long-term rate of inflation is required for equitable treatment of future generations. Since statehood, principal of the Normal School Fund had grown only through the sale of timber harvested from Trust Lands. As shown in the above table, net timber revenues have not provided sufficient growth in recent history for fund principal to keep pace with inflation.

However, the FY2020 switch to GPR (State of Wisconsin general purpose tax revenues) funding of agency expenses removes the need for investment income to cover agency expenses for timber and land management programs. This change reduces the need for stable income and allows the reallocation of assets from the prior policy that included only fixed income securities.

The goal for this new allocation of financial assets will be to supplement the long-term capital gains provided by timber revenues so that fund principal increases at or above the rate of inflation. Because timber revenues added no more than 1.7% annual growth over the past 25+ years, producing fund growth above the assumed 4% rate of inflation requires financial assets to contribute a minimum of 2.3% annual growth to fund principal. A prudent assumption would round that requirement up to 2.5%.

Sustaining supplemental growth of 2.5% from financial assets while producing the stable income stream necessary to fund designated UW scholarship and academic programs will require a significant shift to asset classes including equities and real estate.

Portfolio Constraints

Wisconsin Constitution

The Wisconsin Constitution requires that all Normal School Fund income is distributed to beneficiaries, with principal balances maintained within the fund. Most other endowments distribute both interest and principal to meet the needs of beneficiaries, and pay out a fixed percentage of the beginning principal balance regardless of investment results. The inability to distribute Normal School Fund principal is critical to asset management policy, and requires Normal School Fund assets to be managed differently than the peer group of endowments.

Beneficiary Dependence on Annual Distributions

Earnings are distributed to the University of Wisconsin and are currently dedicated to fund scholarships for UW-Madison and UW-Extension students as well as programs at UW-Stevens Point. While this distribution is a small percentage of the total budget of the University, these monies remain an important source of funding for these scholarships and academic programs. The current level of distributions is approximately 2% of the fund balance.

Liquidity

Liquidity is necessary only for the amount and timing of distributions.

Strategic Asset Allocation

Based on the objective to contribute long-term capital gains to principal, along with long-term return expectations and risk tolerance, the BCPL has chosen the following strategic asset allocation policy for the Normal School Fund:

Normal School Fund Target Asset Allocation

Asset Class	Target Allocation	Range	Current Allocation 12/31/2019
Fixed Income	**30%**		81%
Public Debt			
State/State Agency/Municipal Bonds	0%	0% to 20%	21%
U.S. Treasury/Agency Bonds	0%	0% to 20%	0%
U.S. Treasury Inflation Protected Securities	0%	0% to 10%	0%
Corporate Bonds	0%	0% to 10%	0%
Private Debt			
BCPL State Trust Fund Loans	30%	20% to 40%	60%
Other Private Debt	0%	0% to 10%	0%
Equities and Alternatives	**70%**		0%
Public Equities			
Domestic Equities	15%	10% to 30%	0%
Global Equities	15%	10% to 30%	0%
Alternatives			
Private Real Estate	40%	10% to 60%	0%
Real Assets/Infrastructure	0%	0% to 10%	0%
Private Equity/Venture Capital	0%	0% to 10%	0%
Cash	**0%**		19%

Rebalancing

Rebalancing is the term that describes the periodic movement of funds from one asset or asset class to another in order to realign assets to the strategic asset allocation target. Systematic rebalancing can reduce portfolio volatility and increase portfolio return over the long-term. However, frequent rebalancing resulting from excessively tight ranges can lead to unnecessary transaction costs.

The Investment Committee will be responsible for developing and implementing a rebalancing plan that is appropriate for existing market conditions, with a primary objective of minimizing transaction costs, market impact, opportunity costs and portfolio disruptions. To the extent possible, cash flows and revenues will be used to maintain the strategic target allocation.

Recognizing that at times it may be impractical or costly to reallocate assets when an upper or lower limit is breached, the asset class will be rebalanced to within its strategic asset allocation range as soon as is practically possible, subject to reasonable transaction costs.

Tactical Asset Allocation

Capital markets exhibit periodic inefficiencies that may be exploited through shorter-term tactical shifts in asset allocations to increase expected investment performance. The amount of any tactical allocation shall be limited to ranges specified within the approved asset allocation.

Benchmark

Recognizing that a long-term target allocation to alternative asset classes can often take a matter of years to implement prudently, the Investment Committee will review benchmarks to be adjusted as progress is made towards the long-term strategic asset allocation target.

The Board has selected the following benchmarks for the Normal School Fund:

Asset Class	Benchmark
Fixed Income	S&P Taxable Municipal Bond
Domestic Equities	Russell 3000 Index
International Equities	MSCI ACWI Ex-USA Index
Cash	S&P U.S. Treasury Bill Index
Real Estate	NFI-ODCE Property Index

University Fund

Investment Policy Statement

Fund Purpose

The purpose of the University Fund is to support the University of Wisconsin.

Funding Sources

In 1838, Congress granted to the Territory of Wisconsin the equivalent of two townships, or 72 square miles of land, to be sold to support a university. In 1854, Congress granted an additional two townships of land to benefit a university. Most of these lands were sold soon after Wisconsin obtained title, and no provision was made in the law for adding to the principal of this fund.

Distribution Policy

All interest earnings, dividends and short-term capital gains are distributed to the University of Wisconsin.

Investment Objective

The return objective of the University Fund is to maximize long-term capital gains so that fund principal grows at levels higher than the rate of inflation. The Prudent Investor Standard is now available to guide management of fund assets and distribution of current income has very little impact on University of Wisconsin operations. Fund principal should be allowed to grow so that the University Fund may be relevant to future generations of University Wisconsin students.

Portfolio Constraints

Fund size limits the availability of alternative investments and the flexibility of the strategic asset allocation.

Strategic Asset Allocation

The beneficiary is not dependent in any manner from distributions of this fund, so the University Fund should be fully allocated in a manner to generate long-term capital gains. The small size of the Fund makes it efficient to utilize passively-managed equity mutual funds or ETFs that are focused on long-term capital gains.

Benchmark

The Board has selected the following benchmarks for the University Fund: Russell 3000 Index.

Agricultural College Fund

Investment Policy Statement

Fund Purpose

The purpose of the Agricultural College Fund is to support the University of Wisconsin.

Funding Sources

The Agricultural College Fund was established with an 1862 act of Congress that granted land to create a permanent endowment to support "colleges of agriculture and mechanical arts" in each state. The Morrill Act gave rise to land grant colleges across the nation by providing that each state was entitled to 30,000 acres of land for each member of Congress. Wisconsin had eight Congressional representatives at that time, so received title to 240,000 acres of land under this law. These lands were sold shortly after Wisconsin obtained title, and no provision was made in the law for adding to the principal of this fund.

Distribution Policy

All interest earnings and short-term capital gains are distributed to the University of Wisconsin.

Investment Objective

The return objective of the Agricultural College Fund is to maximize interest income within acceptable risk parameters.

Portfolio Constraints

The Agricultural College Fund is constrained to investment in government fixed-income securities by Section 4 of the Morrill Act of 1862.

Strategic Asset Allocation

The beneficiary has absolutely no dependence on distributions from the Agricultural College Fund, so it is appropriate to invest fully in Treasury Inflation Indexed Securities. The beneficiary would receive a small interest payment each year, and inflation would be added to principal to grow the fund over time. This strategy may provide for an impactful distribution in some future year.

Benchmark

The Board has selected the following benchmarks for the Agricultural College Fund: S&P U.S. TIPS 30 Year Index.

Addendum 1

CFA Institute Code of Ethics and Standard of Professional Conduct
CFA Institute Asset Manager Code of Conduct

CFA Institute

CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:
    - **a.** Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
    - **b.** Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
    - **c.** Judge the suitability of investments in the context of the client's total portfolio.
2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client,
2. Disclosure is required by law, or
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients. Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
3. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
4. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Participants in CFA Institute Programs. Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA Institute programs.

B. Reference to CFA Institute, the CFA Designation, and the CFA Program. When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA program.

ASSET MANAGER CODE OF PROFESSIONAL CONDUCT

The Asset Manager Code of Professional Conduct outlines the ethical and professional responsibilities of firms ("Managers") that manage assets on behalf of clients. By adopting and enforcing a code of conduct for their organizations, Managers demonstrate their commitment to ethical behavior and the protection of investors' interests.

GENERAL PRINCIPLES OF CONDUCT

Managers have the following responsibilities to their clients.
Managers must:

1. Act in a professional and ethical manner at all times.
2. Act for the benefit of clients.
3. Act with independence and objectivity.
4. Act with skill, competence, and diligence.
5. Communicate with clients in a timely and accurate manner.
6. Uphold the applicable rules governing capital markets.

ASSET MANAGER CODE OF PROFESSIONAL CONDUCT

A. LOYALTY TO CLIENTS

Managers must:

1. Place client interests before their own.
2. Preserve the confidentiality of information communicated by clients within the scope of the Manager–client relationship.
3. Refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity, or loyalty to clients.

B. INVESTMENT PROCESS AND ACTIONS

Managers must:

1. Use reasonable care and prudent judgment when managing client assets.
2. Not engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants.
3. Deal fairly and objectively with all clients when providing investment information, making investment recommendations, or taking investment action.
4. Have a reasonable and adequate basis for investment decisions.
5. When managing a portfolio or pooled fund according to a specific mandate, strategy, or style:
    a. Take only investment actions that are consistent with the stated objectives and constraints of that portfolio or fund.
    b. Provide adequate disclosures and information so investors can consider whether any proposed changes in the investment style or strategy meet their investment needs.
6. When managing separate accounts and before providing investment advice or taking investment action on behalf of the client:
    a. Evaluate and understand the client's investment objectives, tolerance for risk, time horizon, liquidity needs, financial constraints, any unique circumstances (including tax considerations, legal or regulatory constraints, etc.) and any other relevant information that would affect investment policy.
    b. Determine that an investment is suitable to a client's financial situation.

C. TRADING

Managers must:

1. Not act or cause others to act on material nonpublic information that could affect the value of a publicly traded investment.
2. Give priority to investments made on behalf of the client over those that benefit the Managers' own interests.
3. Use commissions generated from client trades to pay for only investment-related products or services that directly assist the Manager in its investment decision making process, and not in the management of the firm.
4. Maximize client portfolio value by seeking best execution for all client transactions.
5. Establish policies to ensure fair and equitable trade allocation among client accounts.

D. RISK MANAGEMENT, COMPLIANCE, AND SUPPORT

Managers must:

1. Develop and maintain policies and procedures to ensure that their activities comply with the provisions of this Code and all applicable legal and regulatory requirements.
2. Appoint a compliance officer responsible for administering the policies and procedures and for investigating complaints regarding the conduct of the Manager or its personnel.
3. Ensure that portfolio information provided to clients by the Manager is accurate and complete and arrange for independent third-party confirmation or review of such information.
4. Maintain records for an appropriate period of time in an easily accessible format.
5. Employ qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor investment decisions and actions.
6. Establish a business-continuity plan to address disaster recovery or periodic disruptions of the financial markets.
7. Establish a firmwide risk management process that identifies, measures, and manages the risk position of the Manager and its investments, including the sources, nature, and degree of risk exposure.

E. PERFORMANCE AND VALUATION

Managers must:

1. Present performance information that is fair, accurate, relevant, timely, and complete. Managers must not misrepresent the performance of individual portfolios or of their firm.
2. Use fair-market prices to value client holdings and apply, in good faith, methods to determine the fair value of any securities for which no independent, third-party market quotation is readily available.

F. DISCLOSURES

Managers must:

1. Communicate with clients on an ongoing and timely basis.
2. Ensure that disclosures are truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively.
3. Include any material facts when making disclosures or providing information to clients regarding themselves, their personnel, investments, or the investment process.
4. Disclose the following:
    a. Conflicts of interests generated by any relationships with brokers or other entities, other client accounts, fee structures, or other matters.
    b. Regulatory or disciplinary action taken against the Manager or its personnel related to professional conduct.
    c. The investment process, including information regarding lock-up periods, strategies, risk factors, and use of derivatives and leverage.
    d. Management fees and other investment costs charged to investors, including what costs are included in the fees and the methodologies for determining fees and costs.
    e. The amount of any soft or bundled commissions, the goods and/or services received in return, and how those goods and/or services benefit the client.
    f. The performance of clients' investments on a regular and timely basis.
    g. Valuation methods used to make investment decisions and value client holdings.
    h. Shareholder voting policies.
    i. Trade allocation policies.
    j. Results of the review or audit of the fund or account.
    k. Significant personnel or organizational changes that have occurred at the Manager.
    l. Risk management processes.

NOTIFICATION OF COMPLIANCE

Managers must notify CFA Institute of their claim of compliance through the Asset Manager Code of Professional Conduct claim of compliance form at www.cfainstitute.org/assetcode. This form is for communication and information-gathering purposes only and does not represent that CFA Institute engages in enforcement or quality control of an organization's claim of compliance. CFA Institute does not verify either the Manager's claim of compliance or actual compliance with the Code.

For additional information on complying, please visit www.cfainstitute.org/assetcode.

BOARD MEETING
April 7, 2020

AGENDA ITEM 7
Investment Transaction Report – March 2020

Fixed Income

Bonds		
	Purchases	None
	Sales	None
	Redemptions	$730,000
ETFs and Mutual Funds		
	Purchases	$25.1 million
	Sales	None
Private Debt		
	Monthly Funding	None
	Outstanding Commitments[1]	$30.0 million
	Net Trust Fund Loans[2]	($70.0 million)

Equities and Alternatives

ETFs and Mutual Funds		
	Purchases	$40.0 million
	Sales	None
Real Estate/Infrastructure[3]		
	Monthly Funding	None
	Outstanding Commitments	$110.0 million
Private Equity/Venture Capital		
	Monthly Funding	$600,000
	Outstanding Commitments	$23.9 million

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[1] The 3rd party due diligence report on Blackstone/GSO Secured Lending Fund has been received and approved by the BCPL Investment Committee, and funding of this $30 million commitment is now subject to final document review and execution.

[2] BCPL received annual principal payments totaling $60.3 million in March plus $14.3 million in loan prepayments. These inflows were offset by $4.7 million in new loan disbursements.

[3] The 3rd party due diligence report on Blackstone Strategic Partners Real Estate Fund VII has been received and accepted by the BCPL Investment Committee, and funding of this $30 million commitment is now subject to final document review and execution. Three additional commitments totaling $80 million remain subject to 3rd party due diligence reports.

April 1, 2020

BCPL Public Bond Portfolio

As of 04/01/2020
03/31/2020 Prices

Description	Expected Yield	Yield to Maturity at Cost	Modified Duration (years)	Cost Basis	Estimated Current Value	Estimated Unrealized Gain (Loss)	Annual Income
Publicly-Traded Fixed Income Securities							
Wisconsin and State Agency	4.17%	4.21%	9.63	106,430,434	111,247,650	4,817,216	4,623,536
Municipal/School District	4.05%	4.10%	8.97	90,970,840	96,205,543	5,234,703	3,803,698
Treasury and Agency Securities	3.65%	3.66%	11.96	14,972,500	15,118,580	146,080	546,500
Corporate Debt	3.56%	3.56%	18.65	15,000,000	16,207,230	1,207,230	534,600
	4.05%	4.09%	10.13	227,373,774	238,779,003	11,405,229	9,508,335

April 1, 2020

BOARD OF COMMISSIONERS OF PUBLIC LANDS 1848

Managing Wisconsin's trust assets for public education.

Common School Fund ETFs and Mutual Funds

As of 04/01/2020

03/31/2020 Prices

Symbol	Description	Quantity	Avg Cost	Cost Basis	Current Price	Current Value	Unrealized Gain (Loss)	Percent Gain (Loss)	Current Yield	Projected Annual Income
Corporate Debt										
USHY	iShares Broad USD HY Corp Bond	1,180,831	39.44	46,571,022	35.50	41,919,501	(4,651,521)	-10.0%	6.8%	2,869,419
BYLD	iShares Yield Optimized Bond ETF	608,848	25.49	15,518,183	24.66	15,014,192	(503,991)	-3.2%	3.8%	573,906
JMSIX	JPM Income Fund	1,642,853	9.43	15,500,000	8.43	13,849,253	(1,650,747)	-10.6%	5.8%	807,196
				77,589,204		70,782,945	(6,806,259)	-8.8%	6.0%	4,250,522
Domestic Equity										
VTI	Vanguard Total Stock Market ETF	193,368	138.60	26,800,978	128.91	24,927,069	(1,873,909)	-7.0%	2.2%	560,767
VYM	Vanguard High Dividend Yield ETF	263,467	81.05	21,353,580	70.75	18,640,290	(2,713,289)	-12.7%	4.0%	748,246
VIG	Vanguard Dividend Appreciation E	66,543	107.95	7,183,171	103.39	6,879,881	(303,290)	-4.2%	2.1%	141,737
VXF	Vanguard Extended Market	68,805	107.90	7,424,253	90.54	6,229,605	(1,194,648)	-16.1%	1.8%	112,840
VNQ	Vanguard REIT ETF	82,321	81.02	6,669,352	69.85	5,750,122	(919,230)	-13.8%	4.5%	258,488
				69,431,333		62,426,966	(7,004,367)	-10.1%	2.9%	1,822,078
Global Equity										
VEU	Vanguard FTSE All World ex-US ET	616,078	47.27	29,123,453	41.02	25,271,520	(3,851,934)	-13.2%	4.1%	1,028,850
VYMI	Vanguard International High Divid	416,398	55.61	23,156,976	45.29	18,858,665	(4,298,311)	-18.6%	5.9%	1,115,947
VNQI	Vanguard Global ex-US Real Estat	147,345	52.83	7,783,555	42.91	6,322,574	(1,460,981)	-18.8%	10.4%	660,106
VIGI	Vanguard International Div Appre	108,021	62.32	6,732,036	58.32	6,299,785	(432,251)	-6.4%	2.3%	142,588
EEMS	Ishares MSCI Emerging Mkt Small	100,725	39.41	3,969,566	32.08	3,231,258	(738,308)	-18.6%	3.7%	120,497
SCZ	Ishares MSCI EAFE Small Cap	70,464	52.79	3,719,580	44.83	3,158,901	(560,679)	-15.1%	4.9%	154,316
				74,485,165		63,142,703	(11,342,462)	-15.2%	5.1%	3,222,304
				221,505,703		196,352,614	(25,153,088)	-11.4%	4.7%	9,294,904