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Thomas P. German, *Executive Secretary*

## AGENDA

November 6<sup>th</sup>, 2020  
1:00 P.M.

Board of Commissioners of Public Lands  
101 E. Wilson Street, 2<sup>nd</sup> Floor  
Madison, Wisconsin

### Routine Business:

1. Call to Order
2. Approve Minutes – October 20<sup>th</sup>, 2020 (Attachment)
3. Approve Loans (Attachment)

### Old Business:

4. None

### New Business:

5. None

### Routine Business:

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

### AUDIO ACCESS INFORMATION

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Toll Free Number: **(888) 291-0079**  
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Board Meeting  
Minutes  
October 20<sup>th</sup>, 2020

Present were:

- |   |  |
|---|--|
| Sarah Godlewski, Board Chair              | State Treasurer                        |
| Josh Kaul, Commissioner                   | Attorney General                       |
| Doug LaFollette, Commissioner             | Secretary of State                     |
| Tom German, Executive Secretary           | Board of Commissioners of Public Lands |
| Jim DiUlio, Deputy Secretary              | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |
| Mike Krueger, IT Manager                  | Board of Commissioners of Public Lands |
| Denise Nechvatal, Senior Accountant       | Board of Commissioners of Public Lands |
| Thuy Nguyen, Office Manager               | Board of Commissioners of Public Lands |
| Julie Benkoske, Chief of Staff            | State Treasurer                        |

**ITEM 1. CALL TO ORDER**

Board Chair Godlewski called the meeting to order at 2:05 p.m.

**ITEM 2. APPROVE MINUTES** – October 6, 2020.

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

**DISCUSSION:** None

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

**ITEM 3. APPROVE LOANS**

**MOTION:** Commissioner LaFollette moved to approve the loans; Commissioner Kaul seconded the motion.

**DISCUSSION:** Mr. Sneider shared that the loan to Cumberland is the purchase of land for a potential future right of way.

1. City of Cumberland / Barron County / Finance land purchase / \$125,000.00
2. Town of Oregon / Dane County / Finance roadwork and plow truck / \$250,000.00

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

**ITEM 4. OLD BUSINESS - NONE**

## **ITEM 5. NEW BUSINESS – NONE**

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

Mr. Sneider discussed the new quarterly Portfolio and Asset Allocation reports included in the Board Packet, stating that the reports were designed to give an overview of our portfolio, along with progress towards goals established in the Investment Policy.

Mr. Sneider began with the Portfolio Report, explaining that this report provides general investment information regarding the Common School Fund. Describing each column on the Portfolio Report, Mr. Sneider pointed out that each asset class showed gains except for Private Real Estate and Private Equity/Venture Capital. Mr. Sneider explained that the loss in Private Real Estate can be attributed to the timing of the investment and the onset of COVID-19. Investments have since recovered nearly all those losses, coming back stronger and sooner than expected.

Mr. Sneider also explained that losses shown in Private Equity/Venture Capital Investments are not unexpected at this stage of the investment cycle due to the “J curve”. During the beginning years of a new fund, investors are paying fund expenses before any of the initial investments start to pay off. Almost invariably, this process causes private equity and venture capital investments to show losses in the beginning years of the investment. For the Common School Fund, commitments to Private Equity/Venture Capital are a relatively small allocation not intended to provide distributable income to our beneficiaries. This allocation provides long-term capital gains to offset future inflation, and these early paper losses have little impact on that goal.

Mr. Sneider indicated that Yield at Cost provides information about two important topics: how much of the return for each asset class is coming from interest and dividend payments versus expected capital gains, and how asset classes compare to each other from a risk perspective. Mr. Sneider explained that for Fixed Income assets, higher yields generally indicate higher levels of risk.

Mr. Sneider stated that Projected Annual Income shows the diversity of income streams that have been developed over the past few years, and quoted from the Investment Policy Statement (IPS): The “mission of the BCPL is to manage assets of the School Trust Funds in a manner that maintains significant, stable, and sustainable distributions to fund beneficiaries.” Mr. Sneider stated that this mission is accomplished by diversifying the sources of the distribution, developing a robust stream of revenues that is not dependent on current market conditions or other variables.

Moving on to the Asset Allocation Report, Mr. Sneider stated the goal of this report was to show progress towards target allocations approved by the Board. He defined each report column, explaining that numbers shown in green indicated that the asset class is within the target allocation range, while numbers in red show are currently outside of that approved range. Mr. Sneider indicated that the only red marks in the current allocation are in the Real Estate and Cash asset classes, and reminded the Board that the Investment Committee suspended the funding of real estate investments earlier this year until more was understood regarding COVID 19 and potential impacts across the economy.

Mr. Sneider went on to explain that the remaining columns include unfunded commitments within each asset class. He noted that when commitments are eventually funded, total investments within each asset class will fall within the approved target range of the IPS.

Board Chair Godlewski asked whether the 3.4% overall Yield at Cost and projected income at around \$40 million was where BCPL wants to be, or how does that benchmark against where BCPL wants to go in the future?

Mr. Sneider responded that the annual income from current investments is higher than the previous distribution and would be a new record for BCPL, excluding the special COVID distribution made this year. The original distribution amount was \$38.2 million in 2020, but he believes that BCPL will be making greater distributions in the future.

Commissioner LaFollette expressed his gratitude for all the work Mr. Sneider has done in preparing the reports. He asked what percentage of the projected income is coming from loans and what percent is coming from investments. Mr. Sneider replied that current loans are projected to produce income of about \$13.4 million annually, which is about 1/3 of the total projected investment income. Commissioner LaFollette shared that he has been around a long time and never envisioned that loans would not be the major income producing activity. Mr. Sneider commented that the loan program is still a major income producer, an important asset for the agency as a whole and is an important program for the State. Commissioner LaFollette commented that he has always felt the same way.

Board Chair Godlewski commented that when COVID hit, the agency was very proactive about reaching out to the Towns Association, Counties Association and the League letting them know that BCPL has financing available if they needed it. She added that the loan portfolio is a top priority not just for the great returns it produces but also for the recipients and communities across the State.

Mr. Sneider shared the following key takeaways from the two new quarterly reports:

1. Staff is moving forward in a prudent manner to allocate assets in accordance with the IPS approved by the Board.
2. The CSF portfolio is becoming well diversified and should produce higher distributions with lower volatility as we move forward in filling the allocations.
3. The current level of cash produces a drag on distributable income. As we invest our cash reserves into more productive assets, our distributable income will grow.
4. BCPL staff is working hard to achieve that goal.

Board Chair Godlewski thanked Mr. Sneider and the BCPL team. She added that at the end of last year, the Board spoke about an investment performance scorecard and clear reporting. She commented that Mr. Sneider and the team have been working very hard to put together these numbers together and believes these reports are very helpful and works toward the transparency and accountability.

Board Chair Godlewski indicated that she would like to do a year-end review of investments made including the loan portfolio. She thinks it would be helpful at the end of the year to get a snapshot on the progress that has been made over the last 12 months. Mr. Sneider agreed.

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

Executive Secretary German shared that the Governor's budget office came back with their revised spending reduction targets. BCPL was originally asked to have a spending reduction target of \$215,000 but after lengthy discussion they came back with a target of \$107,500 and BCPL is on track to meet that. He added his appreciation of Mr. Sneider for his report, as a lot of stuff goes into that and a lot of pieces need to be pulled together. He thinks it is a great way of looking at how the agency is doing and acknowledges that it is very labor intensive to create those reports. The loan information is in the agency's loan software. The municipal bonds and stock ETF data are in Portfolio Center, while some of the real estate investment data is stored separately as is the WEHDA bond data. BCPL staff are looking at how we can manage the data and generate reports differently. BCPL has been using Schwab Portfolio Center since it has been buying state and municipal bonds 10 years ago. For stocks and bonds that platform works fairly well. BCPL would like to automate its reporting process and consolidate its investment and record keeping and it is looking at other options. BCPL's new Deputy Secretary, Jim DiUlio, is heading up that effort. BCPL hopes to have a better vision of what that will look like and will keep you apprised as it moves through that.

While staff are investigating options for software management platforms for its trust fund investments it is also looking at land management options as well. BCPL has been relying on legacy software that was developed in house many, many years ago. BCPL will be meeting with the DNR in the near future to look at their WISFERS system and will keep you updated on that as well.

Commissioner LaFollette asked if the landowner has purchased the land that was put up for sale yet.

Executive Secretary German explained that the land has not been put up for sale yet because there are notices that must be published in the newspaper for a couple weeks before hand.

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

Board Chair Godlewski shared her appreciation to Mr. Sneider for his reports. She added that she would also like to thank Denise for all her work on capturing all the background information that is critical to what the Board is looking at today. She is excited about the quarterly reports and thinks they will be very helpful in the future.

#### **ITEM 9. FUTURE AGENDA ITEMS**

None

#### **ITEM 10. ADJOURN**

Commissioner Kaul moved to adjourn the meeting; Commissioner LaFollette seconded the motion. The motion passed 3-0; the meeting adjourned at 2:31 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2020/2020-10-20-BoardMtgRecording.mp3>

**BOARD MEETING  
NOVEMBER 6, 2020**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Agenda Ashland County Application #: 02021066 Purpose: Finance roadwork	Town Rate: 2.50% Term: 5 years	General Obligation	\$200,000.00
2. Brandon Fond Du Lac County Application #: 02021067 Purpose: Finance library building repairs	Village Rate: 2.50% Term: 5 years	General Obligation	\$26,450.00
3. Ringle Marathon County Application #: 02021068 Purpose: Finance new garage/storage building	Town Rate: 3.00% Term: 10 years	General Obligation	\$350,000.00
4. Clayton Winnebago County Application #: 02021069 Purpose: Finance roadwork	Town Rate: 2.50% Term: 5 years	General Obligation	\$300,000.00
5. Lafayette Chippewa County Application #: 02021070 Purpose: Finance tractor boom/ditch mower	Town Rate: 2.50% Term: 5 years	General Obligation	\$96,550.00
6. Ainsworth Langlade County Application #: 02021071 Purpose: Finance roadwork	Town Rate: 2.50% Term: 4 years	General Obligation	\$300,000.00
7. Wausaukee Marinette County Application #: 02021072 Purpose: Finance Evergreen Park & Campground Reconstruction	Village Rate: 4.00% Term: 20 years	General Obligation	\$600,000.00
8. Big Round Lake Pro & Rehab Dis Polk County Application #: 02021073 Purpose: Finance public works project	Lake District Rate: 2.50% Term: 2 years	General Obligation	\$30,000.00
<b>TOTAL</b>			<b>\$1,903,000.00</b>