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Thomas P. German, *Executive Secretary*

AGENDA

July 5, 2022
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 – June 21, 2022 (Attachment)
3. Approve Loans

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

Conference Line Number: **(608) 571-2209**
Conference ID Code: **790 694 843#**

Board Meeting
Minutes
June 21, 2022

Present were:

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

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:01 p.m.

ITEM 2. APPROVE MINUTES – June 7, 2022

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

DISCUSSION: None

VOTE: The motion passed 2-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider commented there are a couple of loans for roadwork, and a couple for equipment purchases. All ordinary loans.

VOTE: The motion passed 2-0

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$1,972,500.00** in State Trust Fund Loans to support **6** community projects in Wisconsin.

1. Town of Winchester / Winnebago County / Finance roadwork / \$290,000.00
2. Town of Mosinee / Marathon County / Finance roadwork / \$500,000.00
3. Town of Phelps / Vilas County / Finance purchase of front end loader / \$122,500.00
4. City of New Holstein / Calumet County / Finance sewer infrastructure projects / \$175,000.00
5. City of New Holstein / Calumet County / Finance water infrastructure projects / \$698,000.00
6. Town of Barronett / Washburn County / Finance purchase of grader / \$187,000.00

ITEM 4. OLD BUSINESS – Update on US Forest Service transaction

Executive Secretary German reported that he has exchanged some emails with Atty. Vince Vukelich. Atty. Vukelich is with the General Counsel's Office of the Forest Service. It appears that the transaction will not close by the end of this fiscal year. Atty. Vukelich mentioned that there was another transaction that the regional office is focusing on before starting on our transaction. The Commissioners had asked at the last meeting what to do at this point. Do we write a letter? How do we proceed? Executive Secretary German believes the best course of action is not to apply pressure on the Office of General Counsel, but instead ask the regional office to elevate the priority of our transaction and respectfully request that no other transaction receive higher priority until our transaction is completed.

Executive Secretary German explained that BCPL will pay the title company for the title insurance premium in escrow. We will take the funds we had set aside for this transaction and pay the closing fees this fiscal year.

ITEMS 5. NEW BUSINESS – Discussion on investments in firearms companies

Mr. Sneider commented that the focus of his report is on civilian gun manufacturers and retailers, he did not include firms that supply the Defense Department. None of BCPL's private funds have any investment, either debt or equity in arms dealers or weapons manufacturers. Four of the ETF's that we have invested in do have investments in civilian gun manufacturers and retailers. Item 5- Exhibit 1, shows approximately \$107 million invested in those four funds. The total amount invested in gun manufacturers is a little over \$87,000 and the total amount invested in gun retailers is a little bit over \$1 million. The vast majority of that investment is in Walmart. Exhibit 2, shows what firms those ETF's have invested in. Some of these firms manufacture ammunition, some manufacture weapons. Olin Corporation (parent company of Winchester) and National Presto Industries are ammunition manufacturers, and the remainder manufacture weapons and ammunition. Walmart is the largest investment that we have in any retailer of civilian gun manufacturers or retailers. After some research Mr. Sneider found that currently Walmart sells weapons in about half of its locations. Exhibit 3, shows analysis of what our current annual management fees are for those current investments and compares those to the annual management fees of some of the larger "ESG" funds that are available out there. ESG is an industry term for a high rating of the environmental, social and governance aspects of corporations.

Board Chair Godlewski shared that she has had conversation with beneficiaries (public schools, and public school librarians and teachers) and they have shared that it would be their preference that BCPL not invest, even indirectly, in civilian gun manufacturers and retailers. She believes it would be a good next step to ask the Investment Committee to review a request to remove from the investment criteria civilian gun retailers and manufacturers so that we will no longer invest in those directly or indirectly. She believes the Investment Committee should explore what impact this could make and take this suggestion seriously from our beneficiaries.

Commissioner Kaul asked for more clarification as to the impact of these investments.

Board Chair Godlewski explained that it would include divesting and investing in a different class. Exploring the potential financial impact and finding out if this is something that can be done. She shared that Mr. Sneider has begun looking at alternative funds and how they're performing. Another thing to think about is how this can be incorporated effectively in our investment policy statement.

Commissioner Kaul commented that he would like to discuss this issue further when Commissioner LaFollette is in attendance. He asked if anyone has done any sort of analysis on the impact of these sorts of actions, i.e., if retailers change their practices, what other consequences are there.

Board Chair Godlewski shared that we are seeing public funds move in this direction all over the country, most recently Nevada. She and Commissioner Kaul agree that further discussion should be had at the next board meeting.

Board Chair Godlewski made a preliminary motion to ask the Investment Committee to review and determine if there is a possibility for BCPL to create policy that would uphold its fiduciary responsibility with regards to investments with civilian gun manufacturers and retailers. Commissioner Kaul agreed with the proposed motion.

Executive Secretary German commented that there are two different things we're looking at. First, switching to different ETF's or a different class. Do the broad market ETFs have a different type of earnings model from ETFs with a ESG screen? Secondly, what's the cost impact? There are some other funds that are similar to the funds we're in. They have slightly higher cost structures. We have yet to do a side by side comparison to find out if they have a similar earnings profile or not. Both Board Chair Godlewski and he will be out of town for the next Board meeting so he suggests further discussion continue at the second Board meeting in July. He will contact Commissioner LaFollette to relay what was discussed at today's meeting.

Mr. Sneider commented that a lot of these funds are going to have different ESG criteria on how they determine whether or not a certain company fits within their mandate. But overall, the impact of moving to ESG managed ETFs or mutual funds will be a tilt towards large tech companies because most of these funds are weighted by market value and large tech companies have a lot of market value and meet most of the ESG criteria.

ITEMS 6. NEW BUSINESS – Amend Loan Purpose for South Central Library System

Executive Secretary German explained that for the most part, our loan descriptions are fairly broad, which allows the borrower a little bit of flexibility on how exactly the proceeds are used. The size of the loan and the wording of the purpose of this particular loan, made the staff think that it would be a good idea to ask the board to expressly approve an amended purpose. When the South Central Library System (SCLS) came to us for a loan, they were definitely looking at building a new facility. SCLS reached a point where they thought they may have to acquire an existing building and renovate it instead, which may not fit within the original defined purpose of the loan. SCLS was concerned enough that they asked for our express permission. BCPL staff was concerned that this may be going beyond the staff's authority in this case, and so we are asking the Board to approve an express amendment of the loan purpose, to expressly include the acquisition and renovation of an existing building for such use. A resolution has been included.

MOTION: Board Chair Godlewski made a motion to approve the modification of the purpose of the loan to state, *“Financing the construction of a new SCLS Headquarters/Delivery facility or acquisition and renovation of an existing building for the use as such facility”*. All other terms and conditions of such loans shall remain unchanged; Commissioner Kaul seconded the motion.

DISCUSSION: None

VOTE: The motion passed 2-0

ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT

None

ITEM 8. EXECUTIVE SECRETARY'S REPORT

None

ITEM 9. BOARD CHAIR'S REPORT

None

ITEM 10. FUTURE AGENDA ITEMS

None

ITEM 11. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 2-0; the meeting adjourned at 2:26 p.m.

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

Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2022/2022-06-21 BoardMtgRecording.mp3>

**BOARD MEETING
JULY 5, 2022**

**AGENDA ITEM 3
APPROVE LOANS**

| Municipality | Municipal Type | Loan Type | Loan Amount |
|---|---|--------------------|--------------|
| 1. Superior Douglas County Application #: 02022105 Purpose: Finance purchase of grader | Town Rate: 4.50% Term: 7 years | General Obligation | \$273,000.00 |
| 2. Breed Oconto County Application #: 02022106 Purpose: Finance roadwork | Town Rate: 3.50% Term: 10 years | General Obligation | \$400,000.00 |
| 3. Ellington Outagamie County Application #: 02022107 Purpose: Finance purchase of highway truck | Town Rate: 4.00% Term: 5 years | General Obligation | \$200,000.00 |
| 4. Ettrick Trempealeau County Application #: 02022108 Purpose: Finance construction of new town shop | Town Rate: 4.50% Term: 5 years | General Obligation | \$450,000.00 |
| 5. Ashippun Dodge County Application #: 02022109 Purpose: Finance roadwork | Town Rate: 4.50% Term: 5 years | General Obligation | \$66,067.00 |
| 6. Summit Waukesha County Application #: 02022110 Purpose: Finance 2022 Capital Improvement Program | Village Rate: 4.50% Term: 5 years | General Obligation | \$794,400.00 |
| 7. Northfield Jackson County Application #: 02022111 Purpose: Finance roadwork | Town Rate: 4.50% Term: 5 years | General Obligation | \$100,000.00 |
| 8. Union Rock County Application #: 02022112 Purpose: Finance road and bridge repairs | Town Rate: 4.00% Term: 5 years | General Obligation | \$250,000.00 |

| Municipality | Municipal Type | Loan Type | Loan Amount |
|--|---------------------------------------|--------------------|-----------------------|
| 9. El Paso Pierce County Application #: 02022113 Purpose: Finance roadwork | Town Rate: 4.00% Term: 10 years | General Obligation | \$1,100,000.00 |
| 10. Janesville Rock County Application #: 02022114 Purpose: Finance fire protection | Town Rate: 4.50% Term: 2 years | General Obligation | \$839,000.00 |
| TOTAL | | | \$4,472,467.00 |