

Board Meeting Minutes
November 1, 2016

Present were:

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| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| Brad Schimel, Board Chair | Attorney General |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Richard Sneider, Loan Analyst and
Chief Investment Officer | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Bob Soldner | WI Dept. of Public Instruction |
| Mark Hellmer | State of WI Investment Board |

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:00 p.m.

ITEM 2. APPROVE MINUTES – OCTOBER 18, 2016

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

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Baileys Harbor Door County Application #: 02017079 Purpose: Finance sewer extension	Town Rate: 3.00% Term: 10 years	General Obligation	\$160,000.00
2. Bloomfield Walworth County Application #: 02017074 Purpose: Finance operations	Village Rate: 2.50% Term: 3 years	General Obligation	\$540,000.00
3. Center Rock County Application #: 02017075 Purpose: Finance bridge project	Town Rate: 2.50% Term: 3 years	NONE	\$225,000.00
4. Eau Galle Dunn County Application #: 02017080 Purpose: Refinance WRS prior service pension liability	Town Rate: 2.50% Term: 5 years	General Obligation	\$60,000.00

5.	Reedsburg Sauk County Application #: 02017073 Purpose: Purchase tractor	Town Rate: 2.50% Term: 4 years	General Obligation	\$66,750.00
6.	Sparta Monroe County Application #: 02017070 Purpose: Finance road construction and road maintenance	Town Rate: 2.50% Term: 2 years	General Obligation	\$90,000.00
7.	Sturgeon Bay Door County Application #: 02017067 Purpose: Purchase truck and fire truck	City Rate: 2.50% Term: 5 years	General Obligation	\$409,500.00
8.	Sturgeon Bay Door County Application #: 02017068 Purpose: Purchase fire department equipment	City Rate: 2.50% Term: 3 years	General Obligation	\$36,300.00
9.	Sturgeon Bay Door County Application #: 02017069 Purpose: Finance road improvements	City Rate: 3.00% Term: 10 years	General Obligation	\$100,605.00
10.	Trempealeau Trempealeau County Application #: 02017077 Purpose: Finance courthouse HVAC and sewer projects	County Rate: 2.50% Term: 2 years	General Obligation	\$128,000.00
11.	Trempealeau Trempealeau County Application #: 02017078 Purpose: Finance road construction	County Rate: 2.50% Term: 2 years	General Obligation	\$1,372,000.00
12.	Trenton Pierce County Application #: 02017071 Purpose: Purchase plow truck	Town Rate: 2.50% Term: 5 years	General Obligation	\$100,000.00
13.	Vesper Wood County Application #: 02017076 Purpose: Finance water utility upgrades	Village Rate: 2.50% Term: 5 years	General Obligation	\$60,000.00
14.	West Milwaukee Milwaukee County Application #: 02017072 Purpose: Finance WRS pension liability and TID incentive	Village Rate: 3.50% Term: 20 years	General Obligation	\$5,096,756.00
		TOTAL		\$8,444,911.00

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

DISCUSSION: None.

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

ITEM 4. DISCUSS AND POSSIBLE VOTE ON PROPOSED INVESTMENT POLICY AND ASSET ALLOCATION MODEL

Board Chair Schimel said the goals of the proposed Investment Policy (hereafter referred to as “the Policy”) include:

- the adoption of Prudent Investor Standards;
- the creation of a smoothing fund to help establish targeted annual distributions for the beneficiaries when market fluctuations occur; and
- the limitation in the amount of funds that can be invested and the types of investments allowed.

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

DISCUSSION: Commissioner Adamczyk said the concept made sense but he expressed concern that the Board would be relinquishing control of fund investments to the Investment Committee (hereafter referred to as “the Committee”) that is established in the Policy. (The Investment Committee would consist of the Board’s Executive Secretary, the Deputy Secretary, and the Chief Investment Officer.) His preference would be to hire outside investment managers, such as the State of Wisconsin Investment Board. He also expressed concern that investment decisions made by the Committee could be influenced by “the boss” because that person sets the salaries of the other Committee members.

Executive Secretary Barry replied that, should the need arise, a Request for Proposal (RFP) process would be used to hire an outside investment manager and establish investment criteria based on the goals detailed in the Policy. The results of an RFP would be presented to the Board.

Commissioner La Follette said he did not support hiring investment managers due to the fees that would be charged. He was also concerned about the unpredictability of investing in the stock market. He asked if staff could do research on various investment options and present them to the Board for approval before the investments are made.

Board Chair Schimel said that the Policy established some important limitations on the Committee and the investments that are allowed. The Board also has ultimate authority over the staff. He noted that Commissioner Adamczyk had expressed concern about the Board’s loss of control to staff while at the same time proposing that outside managers invest the Trust Funds, which would result in loss of control to outside parties.

Staff said that research would be conducted prior to any investment decisions in order to determine the most prudent way to move forward under the Policy. That research would be presented to the Board prior to implementation. If the Board insisted on approving all investments prior to their purchase, more meetings may be required. In addition, it may not be prudent to reveal those investment purchases in a public meeting so closed meetings would likely be required. Staff suggested that the Board could exercise control by applying limits to the amount that could be invested between board meetings.

The Commissioners agreed that they did not have the expertise to evaluate which investments should or should not be purchased. Commissioner Adamczyk questioned whether staff had that expertise. Board Chair Schimel said that the Board would need to trust the Committee to make those investment decisions and staff could provide

reports at the board meetings detailing the investments that had been made. The Board could always exercise its authority to set caps or other limitations if necessary.

Commissioner La Follette said he understood Commissioner Adamczyk's concerns about limiting the amount to be invested and delaying any such investments. He said he would offer a motion that would address Commissioner Adamczyk's concerns after the policy had been adopted.

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

MOTION: The following motion was moved by Commissioner La Follette and seconded by Commissioner Adamczyk:

The BCPL Investment Committee shall report to the Board with respect to pertinent research on proposed equity, venture capital and real estate investments prior to the purchase of any such investments.

Upon providing such report to the Board, the Investment Committee shall have full authorization to purchase such proposed investments. For the first six months after adoption of the Investment Policy, the Investment Committee's authorization for equity, venture capital and real estate investments shall be limited to an amount not to exceed \$15 million per month.

VOTE: The motion passed 3-0.

ITEM 5. FUTURE AGENDA ITEMS

Commissioner Adamczyk requested that the topic of the Board investing in real estate be added to a future agenda. Commissioner La Follette asked that a member of the Department of Administration also attend the meeting to answer any questions that might arise.

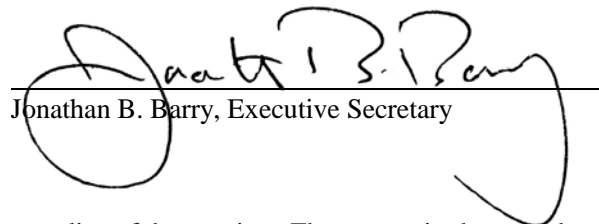
ITEM 6. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry reported that the Wisconsin Center District bonds that had been purchased by the Board would be repaid on December 17. Approximately \$1 million in interest had been earned on the bonds.

ITEM 7. ADJOURN

MOTION: Commissioner La Follette moved to adjourn the meeting; Board Chair Schimel seconded the motion.

The meeting adjourned at approximately 3:05 p.m.


Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.
Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2016-11-01_BCPL-BoardMtgRecording.mp3