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Thomas P. German, *Executive Secretary*

## AGENDA

February 1, 2022  
2:00 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 – January 18, 2022 (Attachment)
3. Approve Loans

### Old Business:

4. None

### New Business:

5. Quarterly Investment Reports

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

Board Meeting  
Minutes  
January 18, 2022

Present were:

Sarah Godlewski, Board Chair  
Josh Kaul, Commissioner  
Tom German, Executive Secretary  
Richard Sneider, Chief Investment Officer  
Mike Krueger, IT Manager  
Thuy Nguyen, Office Manager  
Julie Benkoske, Chief of Staff

State Treasurer  
Attorney General  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
State Treasurer

### ITEM 1. CALL TO ORDER

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

### ITEM 2. APPROVE MINUTES – January 4, 2022

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

**DISCUSSION:** None

**VOTE:** The motion passed 2-0.

### ITEM 3. APPROVE LOANS

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

**DISCUSSION:** Mr. Sneider shared that two of the loans are to lake districts for weed harvesters. Loan #2 to Town of Washington in Door County is for a land purchase that is going to be used for a town park and some funds will be used for road repairs and repair of an observation tower as well.

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

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$805,000.00** in State Trust Fund Loans to support **3** community projects in Wisconsin.

1. Okauchee Lake Management District / Waukesha County / Finance repairs to weed cutters and equipment / \$80,000.00
2. Town of Washington / Door County / Finance land purchase and infrastructure repair / \$525,000.00
3. Blake Lake Polk Co Protection & Rehabilitation District / Polk County / Finance purchase of weed harvester / \$200,000.00

### ITEM 4. OLD BUSINESS – Update on co-op acquisition of idle paper mills

Board agrees to remove this item from future board meeting agenda. Executive Secretary German agrees to provide updates, if any at future meetings.

## **ITEMS 5. NEW BUSINESS**

None

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

Mr. Sneider stated that market interest rates are starting to go up. The yield on five and ten year treasuries have gone up nearly one half of 1% in the last 30-45 days. The Investment Committee approved selling \$35 million in lower yielding corporate bond funds that were at risk for declining values. The fourth quarter reports will be presented at the next meeting in February.

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

Executive Secretary German commended Mr. Sneider on the timing of selling the treasuries as those funds would have decreased in value.

The first item Executive Secretary German spoke about was the Common School Fund distribution this spring. It is scheduled to be \$40.6 million. This is, again, a record annual regular distribution for public school libraries and students. BCPL made a slightly higher total distribution in the first year of the pandemic with the additional special distribution to provide more funding support for our distance learning. As we review our fund's performance and the effect of the smoothing fund, we will also review whether we may be able to decrease the size of the smoothing fund slightly and therefore increase the annual distribution in the near future. He will report back to the board on this.

Next, the Normal School Fund is also heading toward a record distribution this year of \$1,070,000 to the UW. The distribution to the UW is earmarked in the statutes for particular programs and scholarships. One of those earmarks is scheduled to sunset in mid fiscal year 2023. Without legislation more than half that annual distribution will be held in suspense without an appropriation to spend it. He has been working with Board Chair Godlewski on finding a home for those monies, and they have been working with the UW and a few legislators on possible legislation that would provide some forgivable loans or scholarships for teachers.

BCPL is working on responding to a sizable open records request from the Lakeland Times for documents related to land purchases and exchanges in the last three calendar years. That request will be completed shortly.

And finally, the State Education Convention is starting this week, and although it is expected to be a much smaller convention than past years because of the pandemic, Executive Secretary German is planning on attending and hopes to provide information on the State Trust Fund Loan Program, the Common School Fund and how BCPL is supporting public education in this state.

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

Board Chair Godlewski also commended Mr. Sneider on the timing of the sales of the corporate bonds.

Board Chair Godlewski commented about the Normal School Fund and the opportunity to potentially provide student loan forgiveness or scholarships for teachers. She believes this to be a great opportunity and this is something that is being worked very diligently on. She shared that last week she met with the State Superintendent who was thrilled about this year's distribution. She will be working with the WI Educational Media & Technology Association (WEMTA) and the Department of Public Instruction (DPI) regarding coverage of the distribution. She added that this is definitely something to celebrate and she will keep the commissioners posted on what the roll out looks like.

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

None

**ITEM 10. ADJOURN**

Commissioner Kaul moved to adjourn the meeting; Board Chair Godlewski seconded the motion. The motion passed 3-0; the meeting adjourned at 2:11 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/2022/2022-01-18 BoardMtgRecording.mp3>

**BOARD MEETING  
FEBRUARY 1, 2022**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Port Wing Bayfield County Application #: 02022060 Purpose: Finance bridge replacement	Town Rate: 2.50% Term: 5 years	General Obligation	\$353,500.00
	<b>TOTAL</b>		<hr/> <b>\$353,500.00</b>

**Common School Fund  
Portfolio Report  
December 31, 2021**

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss <sup>1</sup>	% Gain/Loss	Yield at Cost	Projected Annual Income
<b>Fixed Income</b>						
Public Debt						
State/State Agency/Municipal Bonds	149,557,143	141,507,223	8,049,920	5.7%	4.0%	5,670,831
U.S. Treasury/Agency Bonds	-	-	-			-
U.S. Treasury Inflation Protected Securities	-	-	-			-
Corporate Bonds	213,265,571	208,475,353	4,790,218	2.3%	4.7%	9,838,980
Private Debt						
BCPL State Trust Fund Loans <sup>2</sup>	276,981,518	276,981,518	n/a	n/a	3.6%	9,842,176
Other Private Debt <sup>3</sup>	22,581,253	22,179,433	401,820	1.8%	8.2%	1,820,694
<b>Total Fixed Income</b>	<b>662,385,485</b>	<b>649,143,527</b>	<b>13,241,958</b>	<b>2.0%</b>	<b>4.2%</b>	<b>27,172,681</b>
<b>Equities and Alternatives</b>						
Public Equities						
Domestic Equities <sup>3</sup>	296,684,493	267,134,204	29,550,289	11.1%	4.0%	10,818,371
Global Equities	149,310,549	126,646,155	22,664,394	17.9%	4.6%	5,846,908
Alternatives						
Private Real Estate	169,496,106	148,279,342	21,216,764	14.3%	4.9%	7,229,742
Real Assets/Infrastructure	-	-	-			-
Private Equity/Venture Capital <sup>4</sup>	31,543,473	23,039,568	8,503,905	36.9%	0.0%	-
<b>Total Equities and Alternatives</b>	<b>647,034,621</b>	<b>565,099,269</b>	<b>81,935,352</b>	<b>14.5%</b>	<b>4.2%</b>	<b>23,895,021</b>
<b>Cash</b>						
State Investment Fund <sup>5</sup>	73,215,311	73,215,311			0.07%	48,096
<b>Total Cash</b>	<b>73,215,311</b>	<b>73,215,311</b>			<b>0.07%</b>	<b>48,096</b>
<b>TOTAL CSF PORTFOLIO</b>	<b>1,382,635,418</b>	<b>1,287,458,108</b>	<b>95,177,310</b>	<b>7.4%</b>	<b>4.0%</b>	<b>51,115,798</b>

**Notes:**

<sup>1</sup> Trades during the 2021 calendar year produced \$15.4MM in realized long-term capital gains (added to CSF principal) and \$856k in realized short-term capital gains (added to distributable income). Q4 long-term gains realized from trades totaled \$3.1 million with short-term gains at \$110k.

<sup>2</sup> The total market value of STFL assets is likely greater than cost. However, these assets are held at cost because no independent appraisal has been conducted and STFL assets have always been held to maturity. Annual income is at STFL interest payments due 3/15/22, and is subject to change.

<sup>3</sup> The CSF investment in BXSL (a fund that primarily invests in the senior secured debt of private U.S. companies) went public through an IPO on 10/28/21 and was moved from the Private Debt asset class to the Domestic Equities asset class. The value of this investment was \$42.3 million on 12/31/21, a gain of 41% over the \$30 million cost. The domestic equities asset class also currently includes \$101 million (market value) in preferred stock ETFs. Not including BXSL or preferred stock ETFs, CSF domestic equities are valued at \$153 million.

<sup>4</sup> Private equity/venture capital is valued at market value per sponsor as of the end of the prior quarter plus the cost of new investments made during the current quarter. Historical valuations are updated as new valuations are received 75-105 days following the end of each quarter.

<sup>5</sup> State Investment Fund yield is from December 2021 SIF Pool Earnings Workbook.

**Common School Fund**  
**Asset Allocation Report**  
December 31, 2021

Asset Class	Current Portfolio		Potential Portfolio			Target	
	Current Market Value	Current Allocation	Unfunded Commitments	Market Value + Commitments	Potential Allocation	Target Allocation	Target Range
<b>Fixed Income</b>							
Public Debt							
State/State Agency/Municipal Bonds	149,557,143	10.8%		149,557,143	10.8%	5.0%	0% to 30%
U.S. Treasury/Agency Bonds	-	0.0%		-	0.0%	0.0%	0% to 30%
U.S. Treasury Inflation Protected Securities	-	0.0%		-	0.0%	0.0%	0% to 10%
Corporate Bonds	213,265,571	15.4%		213,265,571	15.4%	10.0%	0% to 30%
Private Debt							
BCPL State Trust Fund Loans	276,981,518	20.0%		276,981,518	20.0%	30.0%	20% to 50%
Other Private Debt	22,581,253	1.6%	65,123,159	87,704,412	6.3%	10.0%	0% to 20%
Total Fixed Income	662,385,485	47.9%	65,123,159	727,508,644	52.6%	55.0%	
<b>Equities and Alternatives</b>							
Public Equities							
Domestic Equities	296,684,493	21.5%		296,684,493	21.5%	7.5%	5% to 30%
Global Equities	149,310,549	10.8%		149,310,549	10.8%	7.5%	5% to 20%
Alternatives							
Private Real Estate	169,496,106	12.3%	81,794,288	251,290,395	18.2%	20.0%	5% to 25%
Real Assets/Infrastructure		0.0%		-	0.0%	5.0%	0% to 10%
Private Equity/Venture Capital	31,543,473	2.3%	25,419,889	56,963,362	4.1%	5.0%	0% to 10%
Total Equities and Alternatives	647,034,621	46.8%	107,214,177	754,248,799	54.6%	45.0%	
<b>Cash</b>							
State Investment Fund	73,215,311	5.3%					
Total Cash	73,215,311	5.3%				0.0%	0% to 10%
<b>TOTAL CSF PORTFOLIO</b>	<b>1,382,635,418</b>		<b>172,337,336</b>				

	Unfunded Commitments as of 12/31/21	
	Total	Unfunded
<b>Private Debt</b>		
Brookfield Infrastructure Debt Fund II	\$ 30,000,000	\$ 15,123,159
PGIM Senior Loan Opportunities Fund I	\$ 50,000,000	\$ 50,000,000
<b>Private Real Estate</b>		
Blackstone Strategic Partners Real Estate VII	\$ 30,000,000	\$ 21,794,288
Nuveen US Cities MultiFamily	\$ 25,000,000	\$ 25,000,000
Nuveen US Cities Industrial	\$ 20,000,000	\$ 20,000,000
Nuveen US Cities Office	\$ 15,000,000	\$ 15,000,000
<b>Private Equity/Venture Capital</b>		
4490 Venture II	\$ 15,000,000	\$ 6,555,000
Venture Investors Health Fund VI	\$ 15,000,000	\$ 6,780,000
Baird Venture Partners V	\$ 7,500,000	\$ 2,662,994
NVNG Fund I	\$ 10,000,000	\$ 9,421,895

See Notes provided on the attached Portfolio Report for additional information

**Common School Fund  
Progress Report  
December 31, 2021**

Asset Class	Market Value 12/31/2021	Change during prior 3 months		Change during prior 12 months			
		Market Value <sup>1</sup> 9/30/2021	Market Value Change	%	Market Value <sup>1</sup> 12/31/2020	Market Value Change	%
<b>Fixed Income</b>							
Public Debt							
State/State Agency/Municipal Bonds	149,557,143	152,201,942	(2,644,799)	-1.7%	189,327,758	(39,770,615)	-21.0%
U.S. Treasury/Agency Bonds	-	-	-	0.0%	-	-	0.0%
U.S. Treasury Inflation Protected Securities	-	-	-	0.0%	-	-	0.0%
Corporate Bonds	213,265,571	214,787,999	(1,522,428)	-0.7%	123,233,692	90,031,879	73.1%
Private Debt							
BCPL State Trust Fund Loans	276,981,518	247,703,929	29,277,589	11.8%	388,688,303	(111,706,785)	-28.7%
Other Private Debt	22,581,253	47,513,035	(24,931,782)	-52.5%	39,712,152	(17,130,899)	-43.1%
Total Fixed Income	662,385,485	662,206,905	178,580	0.0%	740,961,905	(78,576,420)	-10.6%
<b>Equities and Alternatives</b>							
Public Equities							
Domestic Equities	296,684,493	251,732,577	44,951,916	17.9%	167,492,070	129,192,423	77.1%
Global Equities	149,310,549	149,098,605	211,944	0.1%	116,081,639	33,228,910	28.6%
Alternatives							
Private Real Estate	169,496,106	166,282,659	3,213,447	1.9%	57,720,243	111,775,863	193.7%
Real Assets/Infrastructure	-	-	-	0.0%	-	-	0.0%
Private Equity/Venture Capital	31,543,473	29,888,368	1,655,105	5.5%	16,635,340	14,908,133	89.6%
Total Equities and Alternatives	647,034,621	597,002,209	50,032,412	8.4%	357,929,292	289,105,329	80.8%
<b>Cash</b>							
ADM	-	-			100,000,000	(100,000,000)	n/a
State Investment Fund	73,215,311	95,773,067	(22,557,755)	-23.6%	70,961,200	2,254,111	3.2%
Total Cash	73,215,311	95,773,067	(22,557,755)	-23.6%	170,961,200	(97,745,889)	-57.2%
<b>TOTAL CSF PORTFOLIO</b>	<b>1,382,635,418</b>	<b>1,354,982,181</b>	<b>27,653,237</b>	<b>2.0%</b>	<b>1,269,852,397</b>	<b>112,783,021</b>	<b>8.9%</b>
					CPI - Educational Books and Supplies	1 yr CPI	-0.4%
						10 yr Avg Annual CPI	2.4%
						40 yr Avg Annual CPI	5.3%
					CPI - Urban Consumer	40 yr Avg Annual CPI	2.8%

**Notes:**

<sup>1</sup> Since originally reported to the board, market values for 9/30/21 and 12/31/20 have been revised to reflect updated values provided by external fund managers.

<sup>2</sup> Because fund distributions are currently directed to provide the sole state aid for the purchase of public school library media and resources, BCPL staff has concluded that the most appropriate measure of inflation for the Common School Fund is CPI - Educational Books and Supplies. The rate of inflation quoted by media is often the "Consumer Price Index for All Urban Consumers: All Items in U.S. City Average" and is included above for reference. The CPI calculations shown above are estimates utilizing the latest available data, which is updated by the US Bureau of Labor Statistics approximately 45 days after the end of each month.

See Notes provided on the attached Portfolio Report for additional information