

Board Meeting  
Minutes  
July 5, 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 2:02 p.m.

### ITEM 2. APPROVE MINUTES – June 21, 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 that today's loans are primarily for roadwork and equipment purchases. Loan #6 to the Village of Summit is to finance their capital improvement budget. Loans of this type are becoming more common. Loan #10 to the Town of Janesville is a recurring loan. The Town of Janesville has used the State Trust Fund Loan Program for years to finance their fire protection from the City of Janesville.

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

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$4,472,467.00** in State Trust Fund Loans to support **10** community projects in Wisconsin.

1. Town of Superior / Douglas County / Finance purchase of grader / \$273,000.00
2. Town of Breed / Oconto County / Finance roadwork / \$400,000.00
3. Town of Ellington / Outagamie County / Finance purchase of highway truck / \$200,000.00
4. Town of Ettrick / Trempealeau County / Finance construction of new town shop / \$450,000.00
5. Town of Ashippun / Dodge County / Finance roadwork / \$66,067.00
6. Village of Summit / Waukesha County / Finance 2022 Capital Improvement Program / \$794,400.00
7. Town of Northfield / Jackson County / Finance roadwork / \$100,000.00

8. Town of Union / Rock County / Finance road and bridge repairs / \$250,000.00
9. Town of El Paso / Pierce County / Finance roadwork / \$1,100,000.00
10. Town of Janesville / Rock County / Finance fire protection / \$839,000.00

#### **ITEM 4. OLD BUSINESS**

None

Board Chair Godlewski requests that an update on the Forest Service transaction be added to Old Business for the next meeting if there is anything to share.

#### **ITEMS 5. NEW BUSINESS**

None

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

Mr. Sneider shared that at the next board meeting he will be discussing the implications of selling exchange traded funds (ETFs) from our portfolios that include any investment in civilian gun manufacturing or retailing. The first board meeting in August he will be presenting the quarterly update on investment performance.

Commissioner Kaul asked about the issue of eliminating those ETFs from the portfolio and whether there is data about how eliminating those ETFs impacts corporate behavior. He stated that he has a number of questions on this issue.

Mr. Sneider commented that at the next meeting more discussion will be had.

Board Chair Godlewski asked if Commissioner Kaul has questions he'd like to address now.

Commissioner Kaul asked about the implications with respect to the board's fiduciary duty and how it will effect the board's ability to make future investments. He asked about how it compares to what other states and funds have done and how you draw line between acceptable investments and those that are questionable.

Executive Secretary German commented that considering the fiduciary duty requires also looking at issues with a long term view. Investing in companies that are engaged in a business that carries additional risk can result in negative consequences years into the future. The stock of such company may then not perform as well as the impact of those risks are realized. We have some additional research and analysis work to do before making any decisions on investing or divesting in specific companies or industries that carry some additional risk. There are a wide variety of exchange traded funds that differentiate themselves by what they include and what they exclude. There are also other alternatives investments that we can consider. Within the particular area we are discussing, a board policy decision needs to be made about what types of screening we should be looking at. Should it just be weapons manufacturers and or also retailers? Are there any other factors or areas that we want to look at as well?

Board Chair Godlewski commented that the board's fiduciary responsibility is also a responsibility to our beneficiaries. That must be part of the conversation. In her conversations with some beneficiaries to date, they have been incredibly supportive of this issue so we must not discount that. It is about managing risk with regards to our beneficiaries. There are a lot of opportunities for alternative classes of investments and other investments within the same asset class. The investment committee can share their assessment and analysis and decide on the definition of what investments are considered to be related to civilian arms dealers and manufacturers.

Commissioner Kaul shared that it would be helpful to see some data on the consequences of the steps the investment committee is taking on this. Commissioner Kaul is asked to further explain what he means by consequences. He asks if

these changes in the investments will influence corporate behavior. For example, if a large retailer in an area were to stop selling a certain type of firearm, a possible consequence of that is that firearm will then be sold through other means, i.e., not through Federally licensed firearm dealers, meaning dealers who do not conduct background checks. He would like to know if there is any data about the impact of these changes.

Board Chair Godlewski shared that she has not looked only at the corporate behavior perspective but rather she is looking at it as a business risk and as a responsibility to our beneficiaries. She asked Commissioner Kaul if he is looking at how it will impact the corporation.

Commissioner Kaul explained further about the example he made. He asked whether it will create a safety risk or will it help from a safety standpoint? He is interested to know if there is data out there on this.

Commissioner Kaul asks if looking purely through the fiduciary lens, why would that not be priced in by the market already or why do we think that the market is missing that.

Board Chair Godlewski explains that it goes back to the two things: additional risk and our beneficiaries, public schools, particularly public school librarians and media specialists and kids. She shared that she has had conversations with librarians, the head of AFT and the head of WEAC and their team about this.

Commissioner Kaul asked if there is a way to survey or get input, as sort of a broader level, from teachers or beneficiaries.

Board Chair Godlewski shared that she believes the best way to get input is to speak with their leadership who are elected.

Commissioner Kaul asked who that would be. WEMTA?

Board Chair Godlewski replied that yes, it is WEMTA. She shared discussions should be had with WEMTA, WEAC and AFT. She has had conversations with these groups and at the next meeting a discussion can be had about what they think about this.

Commissioner Kaul asked if conversations have been focused specifically on assault style rifles.

Board Chair Godlewski replied that it has focused on civilian firearms manufacturers.

Commissioner Kaul asked if there is a similar policy in other states.

Executive Secretary German commented that he asked outside counsel about other institutional investors. He was surprised they said there are some pension funds that have very detailed policies on what types of investments to avoid. He will see about getting more information on that for our next board meeting.

Commissioner Kaul requests Executive Secretary German to get additional information from investors and their beneficiaries on these issues. He asked if the trustees are elected by the beneficiaries or how does it work.

Executive German replied that every state is different and every pension fund is a little bit different. For some of the pension funds, the trustees are appointed by the company themselves and in other cases, some of the plan participants actually have some say in terms of who serves as a trustee.

Board Chair Godlewski commented that some just have sole fiduciary responsibility just with the office. So, every public fund is very different.

Commissioner Kaul asked how the board will do this in a way that is administratively feasible and does not make our investments a proxy for people's views on every issue that comes up.

Board Chair Godlewski shared that she believes the authority to decide this issue resides with the Commissioners. The board will look at the risks and talk to our beneficiaries. She noted that any changes proposed would be in accordance

with the very thorough Investment policy statement that the investment committee spends a lot of time creating and is reviewed every few years.

Executive Secretary German believes all the points being raised are important. There is a large number of exchange traded funds. He will attempt to produce the data that will make it easier for the board to make their decisions.

Commissioner Kaul stated that he appreciates all the work being done but just wants to make sure we are thinking through the various implications of the different strategies we may consider.

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

None

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

None

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

None

#### **ITEM 10. 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/2022/2022-07-05 BoardMtgRecording.mp3>