

Board Meeting Minutes  
March 21, 2023

Present were:

Sarah Godlewski, Board Chair	Secretary of State
Josh Kaul, Commissioner	Attorney General
John Leiber, Commissioner	State Treasurer
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Chuck Failing, IT Specialist	Board of Commissioners of Public Lands
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands

**ITEM 1. CALL TO ORDER**

Commissioner Leiber called the meeting to order at 2:03 p.m.

**ITEM 2. ELECTION OF BOARD CHAIR**

**DISCUSSION:** Commissioner Leiber shared that he would like to serve as board chair. He commented that he would like to share some of his legislative experience. He has enjoyed attending meetings and promoting BCPL. He would like an elected board member as chair as it may be beneficial when working with legislators and the governor’s office.

Commissioner Godlewski shared that she would like to serve as board chair. She shared that BCPL and she worked well together as evidenced by the work that was done on BCPL’s bylaws as well as developing strong relationships with key stakeholders and beneficiaries.

**MOTION:** Commissioner Kaul moved to elect Commissioner Godlewski as board chair; Commissioner Godlewski seconded the motion.

**VOTE:** The motion passed 2-1. (Commissioners Kaul and Godlewski voted aye. Commissioner Leiber voted no)

**ITEM 3. APPROVE MINUTES**

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

**DISCUSSION:** None.

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

**ITEM 4. APPROVE LOANS**

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

**DISCUSSION:** Mr. Sneider shared that there are two loans for road work and two loans for equipment purchases. He commented that over the last 24 hours we have received seven loan applications. One of the applications was from the Town of Sanborn in Ashland County. The town is applying to borrow money to reimburse taxes that were

paid by Native Americans. These payments are required as the result of a recent court decision.

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

The Board of Commissioners of Public Lands (BCPL) unanimously approved a **\$1,153,371.00** State Trust Fund Loan to support 4 community projects in Wisconsin.

1. Town of Delafield / Waukesha County / Refinance roadwork / \$250,000.00
2. Town of Lamartine / Fond Du Lac County / Finance purchase of truck / \$60,000.00
3. Town of Morse / Ashland County / Finance roadwork / \$752,871.00
4. Village of Albany / Finance purchase of backhoe/loader / \$90,500.00

#### **ITEM 5. OLD BUSINESS – Normal School Fund distributions**

Executive Secretary German shared that Assembly Bill 67 is moving through the legislature very quickly. That bill is designed to remove the sunset provision on the Merit Scholars Program. Any Normal School Fund distributions above \$500,000 in any year are directed by statute to these merit scholarships. This year's total distribution will be approximately \$1.1 million and will provide approximately \$600,000 in scholarships to UW students. The bill has already been through the assembly and it's now scheduled for a vote tomorrow in the Senate.

Board Chair Godlewski asked Executive Secretary German to provide the board with updates until the bill is finalized.

#### **ITEM 6. NEW BUSINESS**

None

#### **ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT**

Mr. Sneider talked about the current round of bank failures and the impact that had on the market. The biggest problem that banks face is what happened to S&Ls in the late 1980s, namely short-term deposits and long-term assets. For S&Ls the long-term assets were commercial real estate and home mortgages, but for Silicon Valley Bank and other regional banks the long-term assets purchased with these short-term deposits were treasury notes and bonds.

The price on fixed income assets changes within the opposite direction of current market interest rates. When interest rates go up, bond prices go down. As the Fed increased interest rates eight times over the past year, the deposit rates paid by banks continued to increase while the value of their long-term bonds continue to drop. This is not a problem if you're going to hold these assets to maturity. Treasuries are safe and you will receive 100% of your investment back at maturity.

As for the Common School Fund, last year when interest rates started to climb, we had excess cash reserves that needed to be invested to generate income for our beneficiaries. The investment Committee granted the authority to invest up to \$100 million of Common School Fund cash and agency bonds because interest rates were looking good, and these bonds have zero default risk. BCPL invested about \$95 million over the next several months into an agency bond portfolio, which had an average yield of 4.8%. As of this morning, our agency bonds in the portfolio are showing an unrealized paper loss of \$4.3 million or 4.6%. The difference between BCPL and the banks is that we do not need to sell these bonds at a loss. That doesn't mean we will never sell at a loss, because we might if a better investment opportunity becomes available. Some regional banks, on the other hand, had heavy paper losses that looked bad to both investors and depositors.

FDIC insures deposits up to \$250,000. When large depositors got worried and started pulling out their short-term money out of the banks, the banks were forced to sell their long-term bonds at a significant loss, and those losses were so bad that the banks could not cover all the deposits being withdrawn.

Silicon Valley Bank (SVB) and Signature Bank are a few of the largest, if not the largest, banks in the venture capital industry. The Common School Fund has significant investments, about \$30 million today on a cost basis across five separate venture capital funds. None of the venture capital funds BCPL has invested in has had a significant relationship with SVB. Three of our funds have investments in companies with deposit relationships with SVB or Signature Bank, which are both now under FDIC control. With the FDIC fully protecting all depositors, we've been assured that these portfolio companies have access to all their money and there will be no interruptions to payroll or other operations.

The Investment Committee had a special meeting yesterday and lowered State Trust Fund Loan Rates to 5% across the board. The investment committee stands ready to make changes as required by market conditions. Unlike banks or even most endowments, we manage our investment portfolio to create a diversity of income streams to better create significant, stable, and sustainable distributions to our beneficiaries, we manage our assets to reduce the risks created by market volatility. And the investment committee will strive to keep the state trust fund loan program a viable option for investment of the trust funds and as a source of project funding for municipalities and school districts across the state.

Commissioner Leiber asked about rate locks on municipal loans through the State Trust Fund Loan Program.

Mr. Sneider explained that rates are locked for 60 days from the date the loan application is requested. Some borrowers will start the application process over if rates go down.

#### **ITEM 8. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary German shared that BCPL staff perform continuing due diligence on our trust fund investments. In accordance with our internal control plan we periodically review the strength and services of our custodian, Charles Schwab. And after the failure of several prominent banks recently, we took a closer look at Schwab's operations to make sure we were aware of any such risks associated with our relationship. Schwab does not appear to have the interest rate risk that caused the problems at Silicon Valley Bank and others. BCPL's practices call for a sweep of any cash in our Schwab custodial accounts back into the state investment fund every day, which further reduces any such risk. We are confident that our custody arrangement is safe and secure, but as part of our continuing due diligence, Mr. Sneider and Executive Secretary German will be following up with Schwab's Chief Risk Officer in the next couple of weeks to talk further.

#### **ITEM 9. BOARD CHAIR'S REPORT**

None

#### **ITEM 10. FUTURE AGENDA ITEMS**

None.

#### **ITEM 11. ADJOURN**

Board Chair Godlewski moved to adjourn the meeting; Commissioners Leiber seconded the motion. The motion passed 3-0; the meeting adjourned at 2:26 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

[https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2023/2023-03-21 BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2023/2023-03-21%20BoardMtgRecording.mp3)