



**NEW MEXICO STATE  
INVESTMENT  
COUNCIL**

**FY 2022 Appropriation Request Summary  
Legislative Finance Committee  
November 16, 2020**



State of New Mexico  
**STATE INVESTMENT COUNCIL**

41 Plaza la Prensa  
Santa Fe, New Mexico 87507  
Phone: (505) 476-9500  
Fax: (505) 424-2510

**Michelle Lujan Grisham**  
GOVERNOR

**STEVEN K. MOISE**  
STATE INVESTMENT OFFICER

**ROBERT "VINCE" SMITH, CFA**  
DEPUTY STATE INVESTMENT OFFICER

November 16, 2020

Honorable Pete Campos, Chair  
Honorable Andres G. Romero, Vice Chair  
Legislative Finance Committee

Re: FY22 Appropriation Request –State Investment Council (33700)

Ladies and Gentlemen:

The State Investment Council (SIC) appears before the Legislative Finance Committee to present its FY22 Appropriation Request. A summary of the request follows:

<b><u>FY22 Budget Request</u></b>	<b><u>Other State Funds</u></b>
Base	\$56.239 million
Expansion	<u>0.0 million</u>
Total Request	\$56.239 million

As the attached summaries show, our request reflects a net decrease of \$1.988 million in comparison to FY21. Per the attached summary, \$2.325 million of the decrease relates to contractual services which include investment management fees. Investment management fees are based on a percentage of assets under management. Our Investment Holdings Report (excluding clients) at June 30, 2020, shows that the permanent funds have increased \$1.30 billion during the past fiscal year, largely due to the new Tax Stabilization Reserve Fund (TSRF), and Early Childhood Education & Care Fund (ECE&CF). We have estimated potential fund growth for FY22 as shown in our appropriation request submission. Growth in assets is estimated based upon historical returns. Any unused appropriations are reverted to the Land Grant Permanent Fund and the Severance Tax Permanent Fund at fiscal year-end. Personal services shows an increase of \$0.343 million, largely due to needed increases in staffing. Soon, we will be sourcing up to six additional positions, which will leave one of our 31 authorized positions unfilled. Two of these vacant positions are recent vacancies.

The SIC continues to build a best-in-class institutional investment management organization. During the past several years, the Council has embarked on an ambitious schedule of requests for proposals for investment management services. This process has resulted in the selection of several new managers, funds and consultants which have helped us to achieve solid performance.

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We are committed to prudent, professional investment management, enabling us to grow New Mexico's permanent endowment funds long-term, so as to maintain or improve the purchasing power the funds can provide to policy-makers, government-institutions, taxpayers and most critically, the current and future generations of New Mexico school-children. The permanent funds now contribute nearly \$1.1 billion to New Mexicans annually. In these efforts, we thank you and your fellow legislators for your guidance and support.

Very truly yours,

**New Mexico State Investment Council**

By: 

Steven K. Moise

State Investment Officer

**State Investment Council**  
**FY22 Appropriation Request Summary**  
(Millions)

	FY22	FY21	Difference
<b>General Fund</b>	\$ -	\$ -	\$ -
<b>Federal Funds</b>	\$ -	\$ -	\$ -
<b>Other State Funds</b>	\$ 56.239	\$ 58.227	\$ (1.988)
<b>Total Sources</b>	\$ 56.239	\$ 58.227	\$ (1.988)
<b>Personal Services &amp; Employee Benefits</b>	\$ 4.638	\$ 4.295	\$ 0.343
<b>Contractual Services</b>	\$ 50.924	\$ 53.249	\$ (2.325)
<b>Other</b>	\$ 0.677	\$ 0.683	\$ (0.006)
<b>TOTAL REQUEST</b>	\$ 56.239	\$ 58.227	\$ (1.988)

## State Investment Council FY 22 Appropriation Request Summary

- FY22 request: \$56.239 million
- FY21 budget: \$58.227 million
- Proposed decrease: \$ 1.988 million (3.4 percent)

### Justification for request:

- Decreased investment management fees (within contractual services) are spread across all publicly-traded asset classes;
- Continued outsourcing of investment management to improve returns;
- Decreased investment management fees result from a lower forecast of the potential growth of assets through FY22, since fees are based on a percentage of assets under management;
- For each dollar spent on management fees, the funds in the long term **expect to receive 2-3 times** that amount in improved returns (based on studies by our consultant RVK and staff); and
- Increase in personal services of \$343,000 for up to six positions. Two of these vacant positions are recent vacancies.