

INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

Representative Cynthia Borrego, Chair
Senator Roberto “Bobby” Gonzales, Vice Chair

General Updates on New Mexico’s Permanent Funds and Other
Investments Managed by the State Investment Council

Jon Clark, NM State Investment Officer
Kristin Varela, Chief Investment Officer
Thursday, July 2, 2026



WHO WE ARE

Established by New Mexicans in 1958 to manage the Land Grant Permanent Fund, the SIC is the **second largest sovereign wealth fund in the U.S.** and among the **top 30 globally**. The Council is Chaired by the Governor, and includes 11 total members:

- State Treasurer
- Commissioner of Public Lands
- Secretary for the New Mexico Department of Finance and Administration
- Chief Financial Officer for a state university
- Four public members appointed by the Legislative Council
- Two public members appointed by the Governor.



SIC UPDATES

We turn funds from non-renewable resources into a renewable financial resource that benefits New Mexicans now and in the future.

- Assets **grew by ~\$5.8B** in FY26.
- We will return **~\$2.8B to the state** this year. FY20 was first year to cross \$1B annual impact
- We manage **14 funds** benefiting public entities from early learning to higher education.
- **23 local and statewide entities** invest **\$3.1B** in low-fee SIC investment pools.

As of May 31, 2026 we oversee

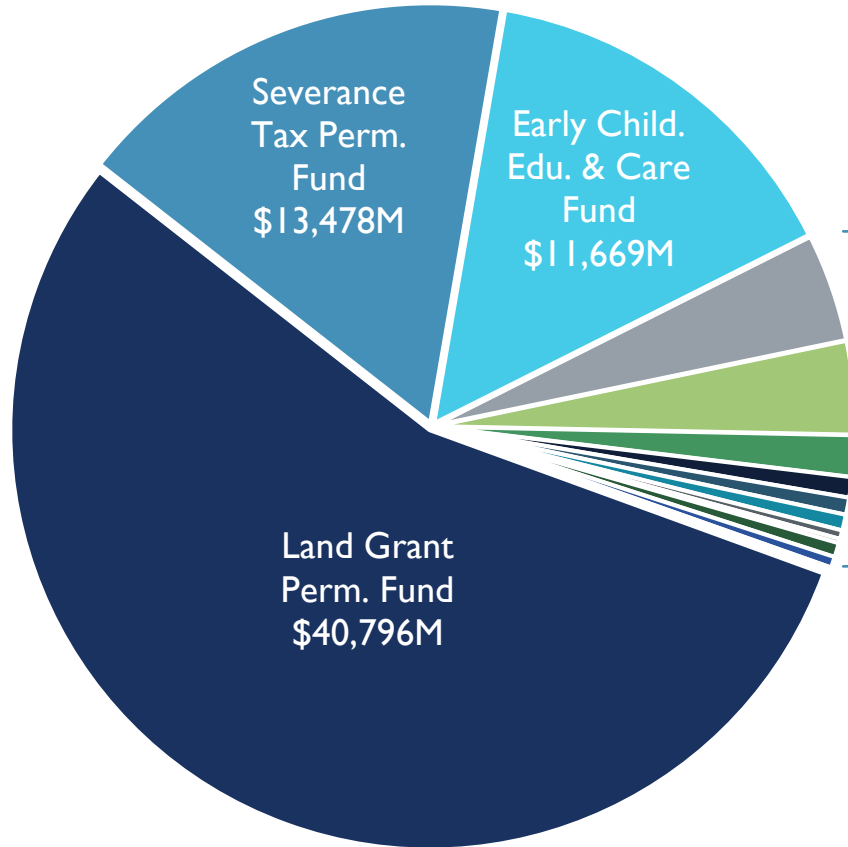
\$74.8B

in permanent, endowment,
and reserve funds



State Investment Officer Jon Clark delivers remarks next to Governor Michelle Lujan Grisham earlier this year.

ASSETS UNDER MANAGEMENT: \$74.799 BILLION (5/31/26)



Third Party Clients	\$3,168 M
Tax Stabilization Reserve	\$2,423 M
Higher Education Trust Fund	\$1,147 M
Capital Dev. and Reserve Fund	\$625 M
Tobacco Settle. Perm. Fund	\$488 M
Conservation Legacy Perm. Fund	\$410 M
Water Trust Fund	\$235 M
Opioid Settlement Restricted Fund	\$117 M
Rural Libraries Endow. Fund	\$38 M
Workforce Dev. & Appren. Trust Fund	\$23 M
Behavioral Health Trust Fund	\$109 M
Medicaid Trust Fund	\$71 M

Source: NMSIC Investment Holdings Report, May 2026.

PERMANENT/ENDOWMENT FUND OVERVIEW

Land Grant Permanent Fund (LGPF)

- Established in 1912 when New Mexico became a state; made up of 21 different permanent funds, each belonging to a separate beneficiary
- Receives royalties for mineral production on state trust lands - oil and gas revenues make up about 99% of contributions
- Distribution policy set in the NM Constitution - distributes 6.25% of the five-year rolling average from the permanent school fund of the LGPF (5.5% for common schools and .75% for early childhood); all other funds in the LGPF distribute 5% of the five-year rolling average to each beneficiary

Severance Tax Permanent Fund (STPF)

- Established in 1973 as the depository for severance taxes not being used to repay capital outlay projects
- Receives severance tax revenue not otherwise used for bonding capacity for capital outlay projects
- Beginning in FY25: receives excess oil and gas emergency school tax and federal mineral leasing revenues above certain threshold
- One-time legislative appropriation of \$475 million in 2023
- Distribution policy set in the NM constitution - distributes 4.7% of the five-year rolling average to the general fund (unearmarked)

Tax Stabilization Reserve (TSR)

- Transferred to SIC management in 2019 and transformed into a state reserve fund - commonly known as the state's "rainy day" fund
- Receives Oil and Gas Emergency School Tax revenue above the five-year average, if total general fund reserves are *less than* 25% of recurring appropriations
- Money in the TSR may be appropriated to shore up the general fund budget in the event of a revenue downturn, or by a 2/3 vote of the House and Senate

Early Childhood Education and Care Fund (ECECF)

- Created in 2020 to provide recurring revenue to support early childhood education and care services
- Receives Oil and Gas Emergency School Tax revenue above the five-year average, if total general fund reserve balances are *more than* 25% of recurring appropriations; and receives revenue from Federal Mineral Leasing payments above the 5-year average
- Distributes 5% of the rolling 3-year average to the Early Childhood Education and Care Program Fund

PERMANENT/ENDOWMENT FUND OVERVIEW

Tobacco Settlement Permanent Fund (TSPF)

- Receives annual payments to the state as part of the Master Settlement Agreement between New Mexico, other states, and big tobacco companies
- Historically distributed 50% of tobacco settlement revenue to tobacco program funds; beginning FY25 distributes 4.7% of the rolling five-year average to tobacco program funds

Water Trust Fund (WTF)

- Created in 2001 to conserve and protect the water resources of New Mexico – fund is enshrined in the NM constitution
- Legislative appropriations to the fund: 2006: \$40 million; 2023: \$100 million; 2024: \$50 million
- Historically distributed \$4 million annually to the Water Project Fund; beginning FY26 distributes 4.7% of the rolling five-year average

Rural Libraries Endowment Fund (RLEF)

- Created in 2019 to support the preservation, development and establishment of rural libraries throughout the state
- Legislative appropriations to the fund: 2019: \$1 million; 2020: \$2 million; 2022: \$10 million; 2023: \$15 million; 2024: \$2.5 million
- Distributes investment income to the rural libraries program fund and to the Cultural Affairs Department to administer the program fund

Conservation Legacy Permanent Fund (CLPF)

- Created in 2023 to support conservation programs and initiatives across various state agencies
- Legislative appropriations to the fund: 2023: \$50 million; 2024: \$300 million
- Distributes the prior fiscal year's investment earnings in excess of \$5 million to the Land of Enchantment Legacy Fund

Opioid Settlement Restricted Fund (OSRF)

- Created in 2023 to receive opioid settlement revenues paid to the state per New Mexico's opioid allocation agreement
- Distributes 5% of the rolling three-year average to the Opioid Crisis Recovery Fund

Workforce Development and Apprenticeship Trust Fund (WDAF)

- Created in 2024 with a one-time Legislative appropriation of \$30 million in FY24
- Distributes \$5M the first two years and \$3M thereafter to the Public Works Apprenticeship and Training Fund and the Workforce Solutions Department

PERMANENT/ENDOWMENT FUND OVERVIEW

Higher Education Trust Fund (HETF)

- Established in 2024 to provide a trust fund to pay for tuition and student financial aid programs
- Seeded with a one-time transfer of \$959 million from the Tax Stabilization Reserve in May 2024
- Distributes 5% of the three-year average to the Higher Education Program Fund

Capital Development and Reserve Fund (CDRF)

- Established in 2024 with a one-time distribution of up to \$500 million in FY24 of excess cash remaining in the severance tax bonding fund
- Beginning in FY25, receives annual distributions from the severance tax bonding fund consisting of savings generated by limiting long-term bond issuances to median state debt ratios, when such savings exist (HB253-2024)
- Distributes 5% of the prior 3FY average to the Capital Development Program Fund

Behavioral Health Trust Fund (BHTF) NEW

- Created in 2025 to support statewide behavioral health initiatives
- Seeded with a one-time appropriation of \$100 million in FY26. Will receive unspent balances of certain 2025 behavioral health appropriations
- FY26-FY28: will receive 50% of excess oil and gas school tax revenue that would otherwise flow into the ECECF
- Beginning FY27, will distribute 5% of the prior 3-year average to the Behavioral Health Program Fund

Medicaid Trust Fund (MTF) NEW

- Created in 2025 to support statewide Medicaid funding
- Receive state agency budget reversions in excess of \$110 million
- FY26-FY28: will receive 50% of excess federal royalty payments that would otherwise flow into the ECECF
- Beginning FY30, will distribute 5% of the prior 3-year average to the State-Supported Medicaid Fund, if the balance of the MTF exceeds \$500 million
- Fund corpus may also be appropriated by the legislature under certain conditions

Summary Matrix of NMSIC Funds



Group Name	High Growth	Growth	Growth w/ SVCP & ETI	Moderate Growth	Enhanced Liquidity	Stability-Focus	Workforce Development
NMSIC Funds	WTF RLEF	LGPF CLPF BHTF	STPF	ECECF HETF TSPF OSRF	CDRF MTF	TSR	WDAF ⁴
Distribution Rate (%)	4.7% (WTF) ¹ 5.0% (RLF)	6.1% (LGPF) ² 5.0%	4.70%	5.0% ³ 4.7% (TSPF)	5.0%	--	17%
Legislative Appropriation Provisions	No	No	No ⁵	Yes	Yes	Yes	Yes
Target Return (%)	TBD	7.0% (LGPF)	6.75%	TBD	TBD	--	--
Long-Term Targets (%)							
US Equity	15%	20%	20%	20%	15%	--	
Non-US Equity	15%	20%	20%	20%	15%	--	
Low Duration FI	--	--	--	--	10%	35%	Following Year's Distribution Amount
Public Market FI	7%	6%	5%	13%	20%	20%	50% of Remaining Amount
Private Market FI	8%	15%	11%	20%	20%	30%	50% of Remaining Amount
Real Assets	15%	12%	11%	10%	10%	--	
Real Estate	15%	12%	11%	7%	5%	15%	
Private Equity	25%	15%	10%	10%	5%	--	
SVCP & ETI	--	--	12%	--	--	--	
Cash Equivalents	--	--	--	--	--	--	Current Year's Distribution Amount
2026 RVK Capital Market Assumptions (%)							
Expected Compound Return	7.0%	6.8%	6.8%	6.6%	6.1%	5.3%	5.1%
Estimated Annual Yield	2.5%	3.0%	2.5%	3.5%	3.9%	5.0%	5.5%
Max Drawdown (1-Year)	-27.1%	-25.6%	-29.1%	-21.5%	-14.2%	-1.6%	-1.5%

¹As of December 31, 2025, 4.7% of the average WTF 5-year market value is ~\$5.17m.

²Reflects the estimated blended distribution rate of 6.25% for the Permanent School Fund and 5.00% for the remaining LGPF beneficiaries, per Constitutional Amendment 1 passed in 2022 that increased the distribution from the Permanent School Fund by 1.25%.

³ECE has a minimum distribution of \$500 million.

⁴WDAF will distribute \$5M per year in perpetuity, provided that the amendments to HB 7 are enacted. Annual distribution rate represents 17% of the initial funding amount. Expected return and risk reflect the current profile and will vary over the life of the Fund. The life of the Fund is expected to be shorter than the time horizon of the long-term capital market assumptions.

⁵The legislature can "sweep" monies from certain sources before they end up in the STPF but cannot directly appropriate from the Fund itself.

SIC FUNDS BENEFIT NEW MEXICO CHILDREN & FAMILIES

\$42B

PROJECTED TO BE RETURNED TO THE STATE OVER THE NEXT 10 YEARS.



FREE UNIVERSAL
CHILDCARE



NEARLY A THIRD OF ALL
PUBLIC K-12
EDUCATION



WORKFORCE
DEVELOPMENT
PROGRAMS



NEARLY 80% OF EARLY
CHILDHOOD
EDUCATION



TUITION-FREE
COLLEGE



GROWING IMPORTANCE OF INVESTMENT FUNDING FOR PUBLIC SCHOOLS & EARLY CHILDHOOD

Public School Funding (\$MM)	FY23	FY24	FY25	FY26
Public School Support Operating Budget	\$ 3,873	\$ 4,176	\$ 4,428	\$ 4,761
Early Childhood Funding (\$MM)	FY23	FY24	FY25	FY26
ECECD General Fund Budget	\$ 196	\$ 327	\$ 348	\$ 269
Early Childhood Trust Fund Budget	\$ 30	\$ 150	\$ 250	\$ 491
Subtotal Early Childhood GF+ECTF	\$ 226	\$ 477	\$ 598	\$ 760
Other Early Childhood Funding Sources	\$ 237	\$ 168	\$ 95	\$ 96
Total Early Childhood System (all funding sources)	\$ 462	\$ 645	\$ 692	\$ 856

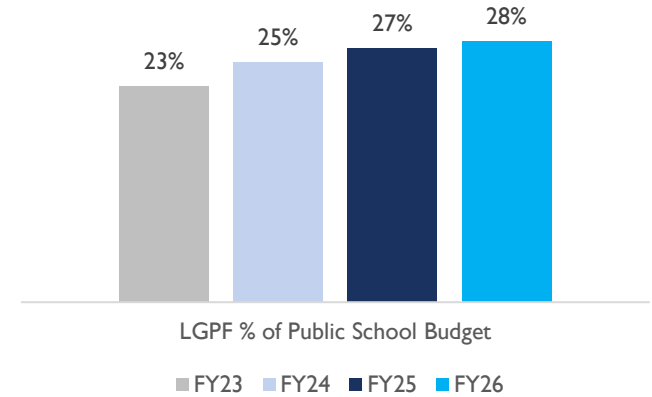
Source: LFC Post-Session Reports

Permanent/Endowment Funds (\$MM)	FY23	FY24	FY25	FY26
LGPF 5% Distrib. for Common Schools	\$ 886	\$ 967	\$ 1,083	\$ 1,200
40% of addtl LGPF 1.25% for Public Schools	\$ -	\$ 97	\$ 108	\$ 120
Total LGPF Distrib. for Public Schools	\$ 886	\$ 1,064	\$ 1,192	\$ 1,320
ECECF Distrib. to Program Fund	\$ 30	\$ 150	\$ 250	\$ 500
60% of addtl LGPF 1.25% for Early Childhood	\$ -	\$ 145	\$ 162	\$ 180
Total Perm./Endow. Distrib. for Early Childhood	\$ 30	\$ 295	\$ 412	\$ 680

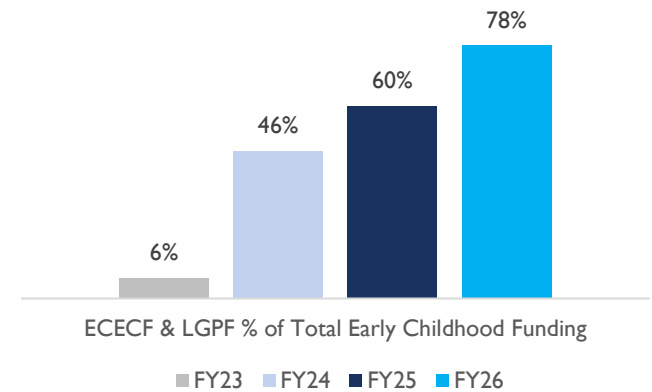
Source: NM State Investment Office

Investment Funds % of Funding	FY23	FY24	FY25	FY26
LGPF % of Public School Budget	23%	25%	27%	28%
ECECF & LGPF % of Total Early Childhood Funding	6%	46%	60%	78%

Investment Funding Percentage of Public School Budgets



Investment Funding Percentage of Early Childhood Budgets

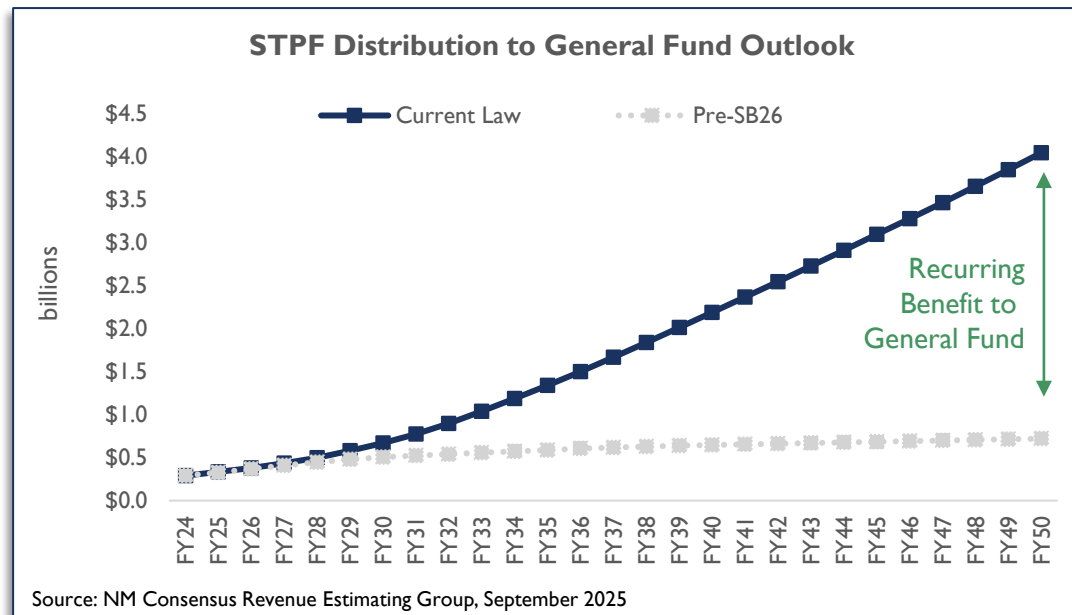


A REVENUE SOLUTION TO A REVENUE PROBLEM

Senate Bill 26 (2023) capped the amount of oil- and gas-related revenues reaching the general fund from the oil and gas emergency school tax and federal mineral leasing payments, the two largest sources of general fund oil and gas revenues.

Key Benefits:

- Significantly reduces oil- and gas-related revenue volatility for the general fund
- Simplifies general fund revenue estimating for sources that are historically very difficult to predict
- Reduces general fund dependence on oil and gas revenues
- Improves general fund stability by replacing volatile energy revenue with more stable investment distributions

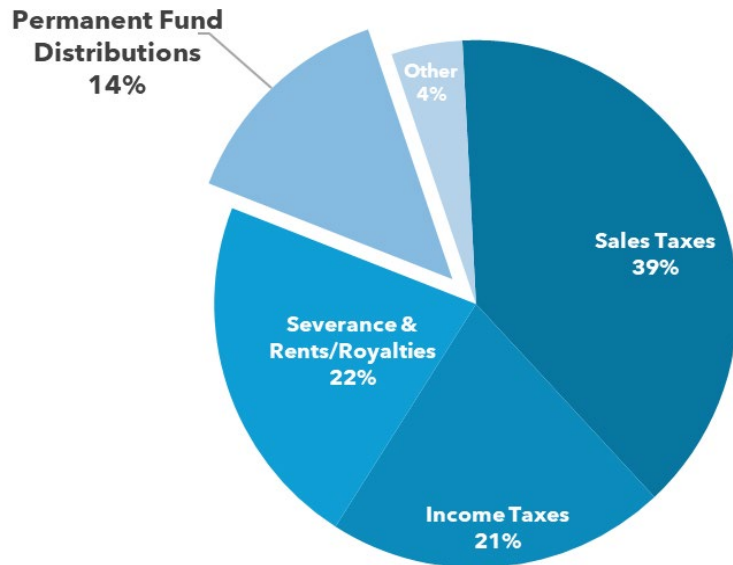


PERMANENT FUND DISTRIBUTIONS TO MAKE UP GROWING SHARE OF GENERAL FUND REVENUE

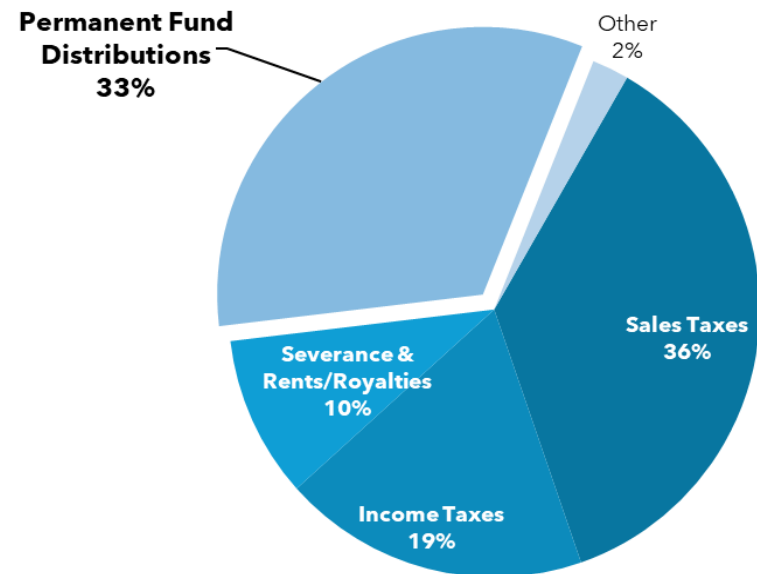
According to NM's Consensus Revenue Estimating Group, general fund revenues from oil and gas will decline as the world transitions to renewable energy resources, and Land Grant Permanent Fund (LGPF) distributions will increase to provide a significantly higher portion of general fund revenue, nearly tripling by 2050.

Estimated Sources of General Fund Revenue

FY26

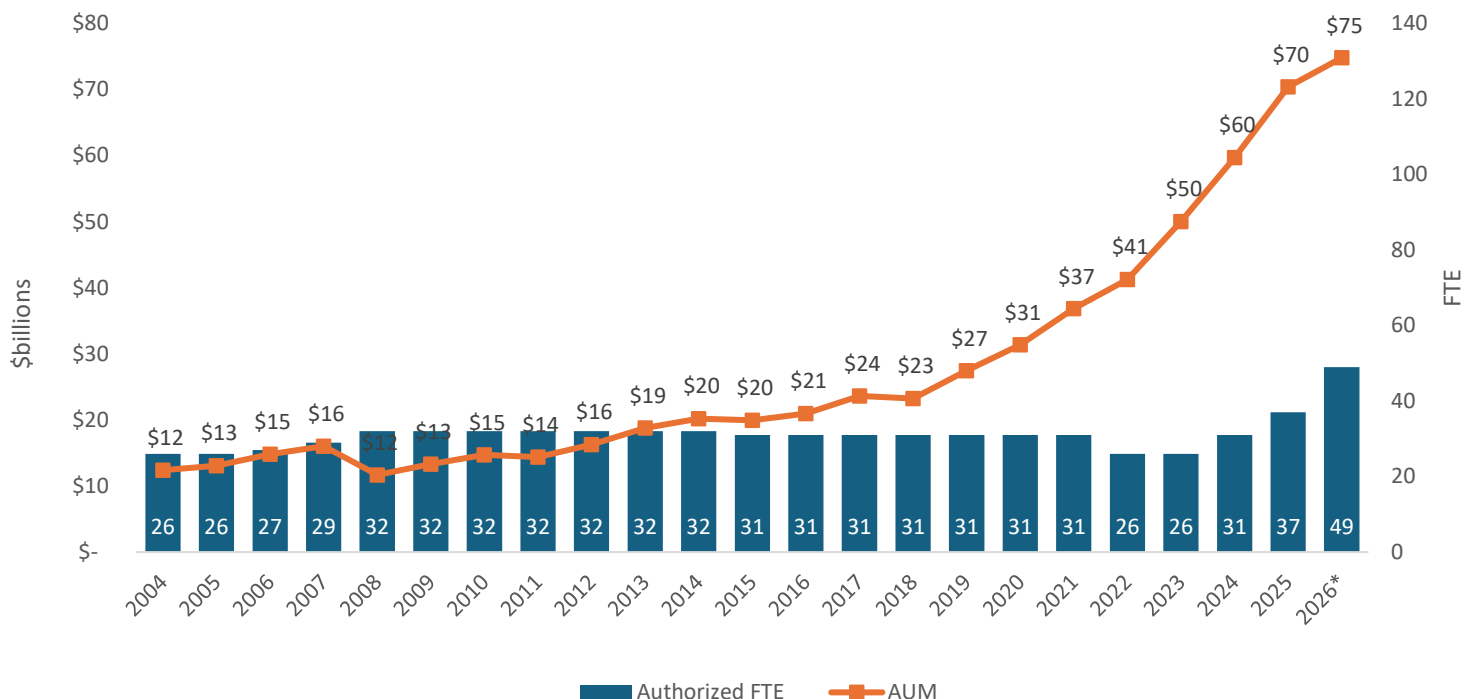


FY50



ASSET GROWTH HAS SIGNIFICANTLY OUTPACED AUTHORIZED STAFFING LEVELS

NMSIC Assets Under Management (AUM) vs. Authorized FTE

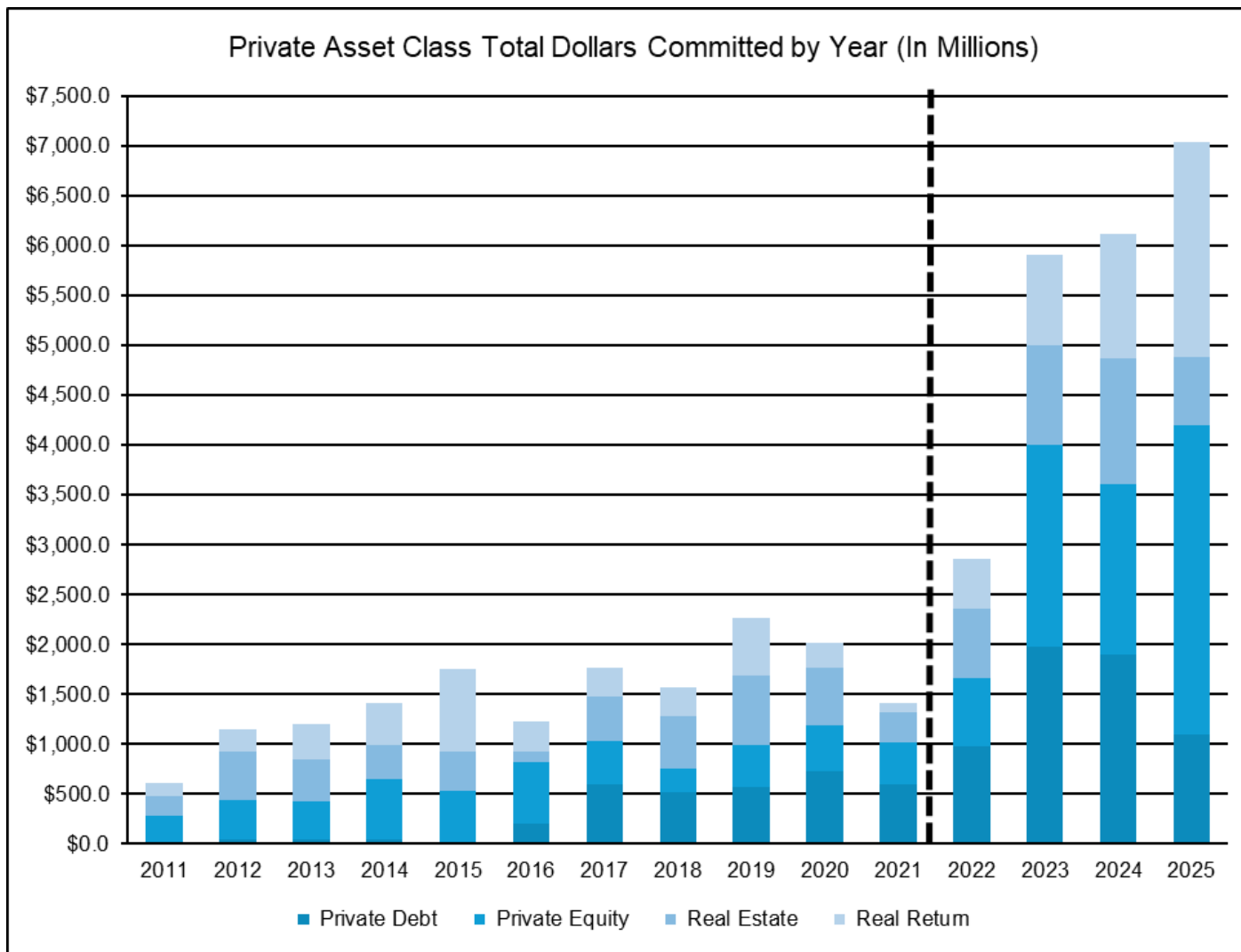


*Estimated AUM

Note: FTE reported as of fiscal year end. AUM reported as of calendar year end, except 2004-2007 which reflect fiscal year end balances for TSPF, WTF, and third party clients.

Source: NMSIC files, RVK, LFC Volume II reports

ASSET GROWTH HAS SIGNIFICANTLY OUTPACED AUTHORIZED STAFFING LEVELS



INVESTING IN NEW MEXICO

The Largest Regional Venture Program in the U.S.

New Mexico has a rich history of innovation, world-class research institutions, and talented professionals across industries, and the State Investment Council is leveraging a key opportunity to invest resources in areas of advanced energy, aerospace and defense, and deep tech, where New Mexico can lead - and win.

Our approach

The Strategic Venture Capital Program (SVCP) is the SIC's market rate venture capital program in which it partners with world-class investors to produce a Double Bottom Line:

1. Managers generate returns to support SIC-backed public benefits for New Mexico families;
2. Spur economic prosperity by encouraging portfolio companies to grow here.

Over the past 3 years, we have committed

\$2.0B

to 30+ top tier venture capital firms with an interest in expanding to New Mexico.



Existing partner J2 Ventures presenting a new fund to the council at our September 2025 meeting.

NM-FOCUSED STRATEGIC VENTURE CAPITAL PROGRAM

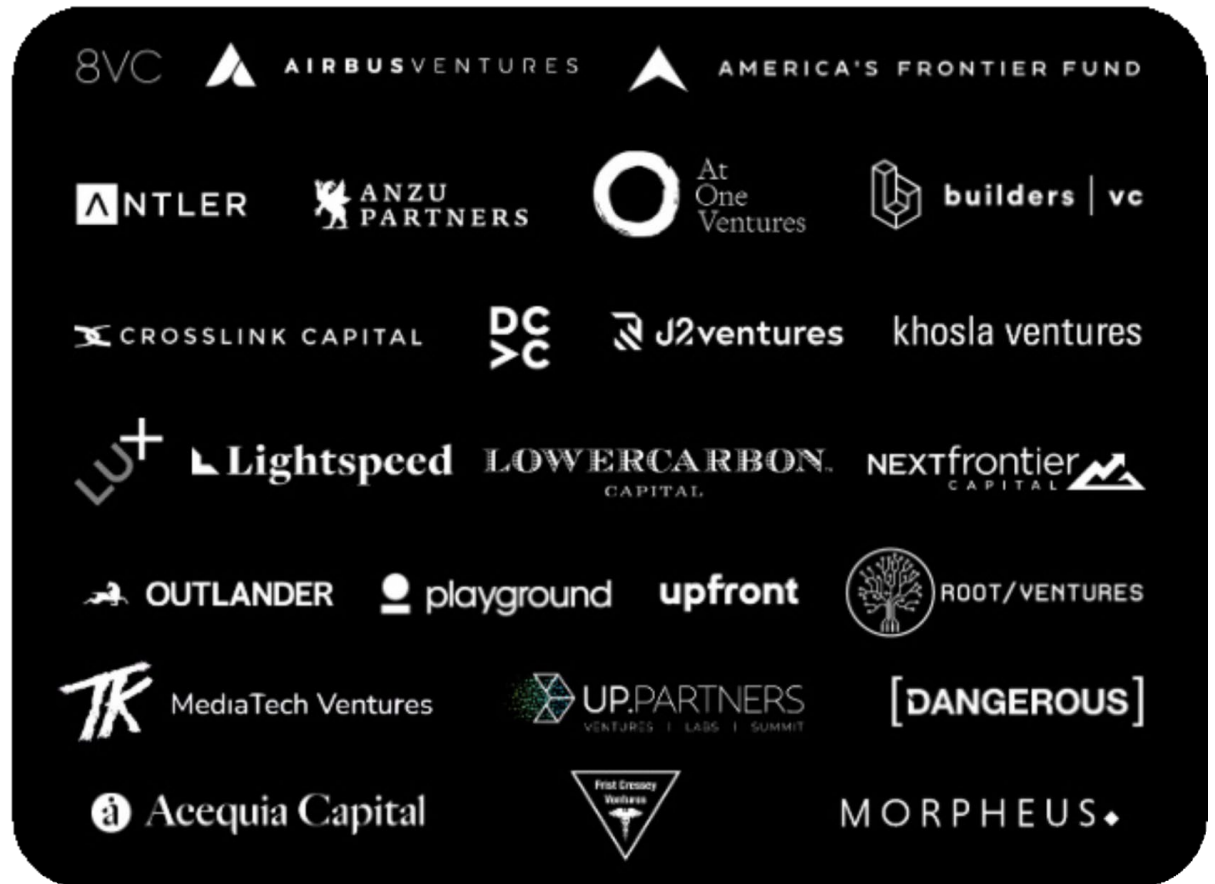
\$2 BILLION

in investments committed across

~30 TOP VC'S

AREAS OF FOCUS:

- DEEP TECH
- ADVANCED ENERGY
- CLIMATE TECH
- AERONAUTICS/DEFENSE



WE DON'T INVEST IN COMPANIES – WE INVEST IN FIRMS THAT BRING THEM TO OR GROW THEM IN NEW MEXICO

In 2025 alone, the SIC's venture program indirectly supported economic impact in New Mexico totaling

\$2B

PACIFIC FUSION chose New Mexico over California for its research and development facility, **bringing \$1B in economic impact including 200+ high-wage jobs.** It has received investments from our partners Lowercarbon Capital, Lightspeed, DCVC, and UP.Abundance.

XGS ENERGY has committed to building a geothermal plant to power Meta's data center in New Mexico, also **expected to bring \$1B in economic impact.** A key investor is Anzu Partners, which we've committed to.

CASTELION is **in the final stages of choosing between Arizona and New Mexico** for its defense manufacturing facility expansion. Our partner Lightspeed is one of the company's investors.



Our Private Equity team recently attended Pacific Fusion's announcement of its selection of New Mexico for its new R&D facility.

A NEW INFRASTRUCTURE STRATEGY



On May 14, SIC-backed Tierra Adentro Growth Capital (TAG Capital) held a groundbreaking ceremony for two major solar-plus-battery-storage projects in San Juan County. They've also supported geothermal company Zanskar, in southern NM.

~600 JOBS

Estimated construction roles the two projects will bring to the area, at peak construction.



SIC UPDATES, Q&A

- Kristin Varela, Chief Investment Officer
 - A New Mexico native, Kristin previously served at NMPERA as interim CIO and most recently as CIO for Hawaii's employee pension.
 - National selection process
 - First woman CIO for SIC
 - Kristin replaces Robert "Vince" Smith, who served more than 15 years at NMSIC before retiring due to health reasons.

