



**NEW MEXICO STATE
INVESTMENT
COUNCIL**

**FY 2020 Appropriation Request Summary
Legislative Finance Committee
October 25, 2018**



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GOVERNOR

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Oct. 25, 2018

Honorable Patricia A. Lundstrom, Chair
Honorable John Arthur Smith, Vice-Chair
Legislative Finance Committee

Re: FY20 Appropriation Request –State Investment Council (33700)

Ladies and Gentlemen:

The State Investment Council (SIC) appears before the Legislative Finance Committee to present its FY20 Appropriation Request. A summary of the request follows:

| <u>FY20 Budget Request</u> | <u>Other State Funds</u> |
|----------------------------|--------------------------|
| Base | \$63.646 million |
| Expansion | <u>0.0 million</u> |
| Total Request | \$63.646 million |

As the attached summaries show, our request reflects an increase of \$8.901 million in comparison to FY19. \$8.152 million of the increase 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, 2018, shows that the permanent funds have increased \$1.58 billion during the past fiscal year, largely due to excellent investment returns. We have estimated potential fund growth for FY20 as shown in our appropriation request. Any unused appropriations are reverted to the Land Grant Permanent Fund and the Severance Tax Permanent Fund at fiscal year-end. Personal services show an increase of \$0.716 million, largely due to needed increases in staffing levels. Currently the SIC is recruiting a public equity analyst, and an administrative assistant. Soon, we need to recruit three additional positions, which will leave two of our 31 positions unfilled.

The SIC continues to transform itself into 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 “protecting and growing the state’s permanent endowment funds for current and future generations, through prudent, professional investment management.” 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
FY20 Appropriation Request Summary
(Millions)

| | FY20 | FY19 | Difference |
|--|-----------|-----------|------------|
| General Fund | \$ 0.0 | \$ 0.0 | \$ 0.0 |
| Federal Funds | \$ 0.0 | \$ 0.0 | \$ 0.0 |
| Other State Funds | \$ 63.646 | \$ 54.745 | \$ 8.901 |
| Total Sources | \$ 63.646 | \$ 54.745 | \$ 8.901 |
| Personal Services & Employee Benefits | \$ 4.431 | \$ 3.715 | \$ 0.716 |
| Contractual Services | \$ 58.540 | \$ 50.388 | \$ 8.152 |
| Other | \$ 0.675 | \$ 0.642 | \$ 0.033 |
| TOTAL REQUEST | \$ 63.646 | \$ 54.745 | \$ 8.901 |

State Investment Council FY 20 Appropriation Request Summary

- FY20 request: \$63.646 million
- FY19 budget: \$54.745 million
- Proposed increase: \$8.901 million (16.3 percent)

Justification for request:

- Increased investment management fees (within contractual services) are spread across all publicly-traded asset classes.
- Continued outsourcing of investment management to improve returns.
- There will be increased investment management fees as the result of improved performance of funds, since fees are based upon 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).
- Increase in personal services of \$716,000 for five positions.