



**NEW MEXICO STATE  
INVESTMENT  
COUNCIL**

**FY 2023 Appropriation Request Summary  
Legislative Finance Committee  
October 28, 2021**



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GOVERNOR

State of New Mexico  
**STATE INVESTMENT COUNCIL**

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October 28, 2021

Honorable Patricia A. Lundstrom, Chair  
Honorable George K. Munoz, Vice Chair  
Legislative Finance Committee

Re: FY23 Appropriation Request –State Investment Council (33700)

Ladies and Gentlemen:

The State Investment Council (SIC) appears before the Legislative Finance Committee to present its FY23 Appropriation Request. A summary of the request follows:

<u>FY23 Budget Request</u>	<u>Other State Funds</u>
Base	\$64.320 million
Expansion	<u>0.0 million</u>
Total Request	\$64.320 million

As the attached summaries show, our request reflects a net increase of \$8.593 million in comparison to FY22. Per the attached summary, \$8.627 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, 2021 shows that the permanent funds have increased \$7.36 billion during the past fiscal year, largely due to additional contributions to the Tax Stabilization Reserve Fund (TSRF), the new Early Childhood Education & Care Fund (ECE&CF) as well as FY 21 investment returns of 25.73% for the Land Grant Permanent Fund (LGPF) and 22.35% for the Severance Tax Permanent Fund (STPF). We have estimated potential fund growth for FY23 as shown in our appropriation request submission. Growth in assets is estimated based upon historical returns. Any unused appropriations are reverted to the LGPF and the STPF at fiscal year-end. Personal services show a decrease of \$0.064 million. The office is currently recruiting for 2 positions that recently became vacant.

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.

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 over \$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**  
**FY23 Appropriation Request Summary**  
(Millions)

	FY23	FY22	Difference
<b>General Fund</b>	\$ -	\$ -	\$ -
<b>Federal Funds</b>	\$ -	\$ -	\$ -
<b>Other State Funds</b>	\$ 64.320	\$ 55.727	\$ 8.593
<b>Total Sources</b>	\$ 64.320	\$ 55.727	\$ 8.593
<b>Personal Services &amp; Employee Benefits</b>	\$ 4.063	\$ 4.127	\$ (0.064)
<b>Contractual Services</b>	\$ 59.551	\$ 50.924	\$ 8.627
<b>Other</b>	\$ 0.706	\$ 0.676	\$ 0.030
<b>TOTAL REQUEST</b>	\$ 64.320	\$ 55.727	\$ 8.593

## State Investment Council FY 22 Appropriation Request Summary

- FY22 request: \$64.320 million
- FY21 budget: \$55.727 million
- Proposed increase: \$ 8.593 million (15.41 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;
- Increased investment management fees result from a higher forecast of the potential growth of assets through FY23, since fees are based on a percentage of assets under management and this follows FY 21 in which the LGPF returned 25.73% and the STPF returned 22.35%. This increasing asset base will likely require a BAR for FY 22;
- 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
- Decrease in personal services of \$64,000. Only 1 of 26 authorized positions hasn't been filled. Currently recruiting for both an accounting analyst and an investment analyst which recently became vacant.