



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

LFC Investment Performance Report

Brendon Gray, LFC Economist

Presented to the Investments and Pensions
Oversight Committee

5/22/2025

Roadmap

- Overview of state investments
- LFC investment performance reporting
- Large investment fund performance



Different investments for different purposes

General fund,
“checking
account”

\$10.1
billion¹

General fund
reserves,
“savings
account”

\$3.9 billion²

Long-term
investments

\$87.2
billion³

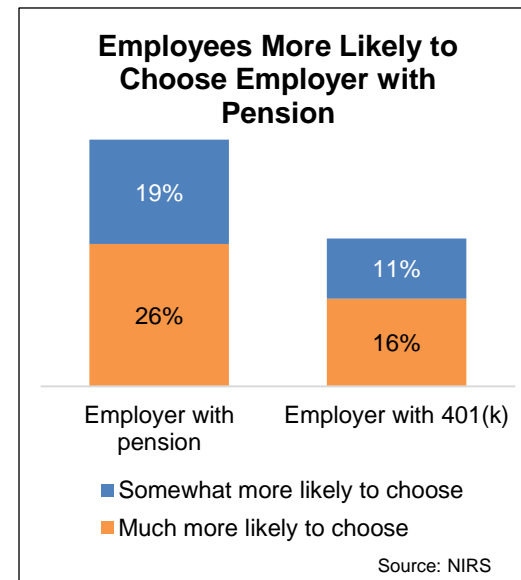
Source: ¹STO as of 3/31/2025; ²December 2024 CREG; ³LFC FY25 Q2 Investment Report



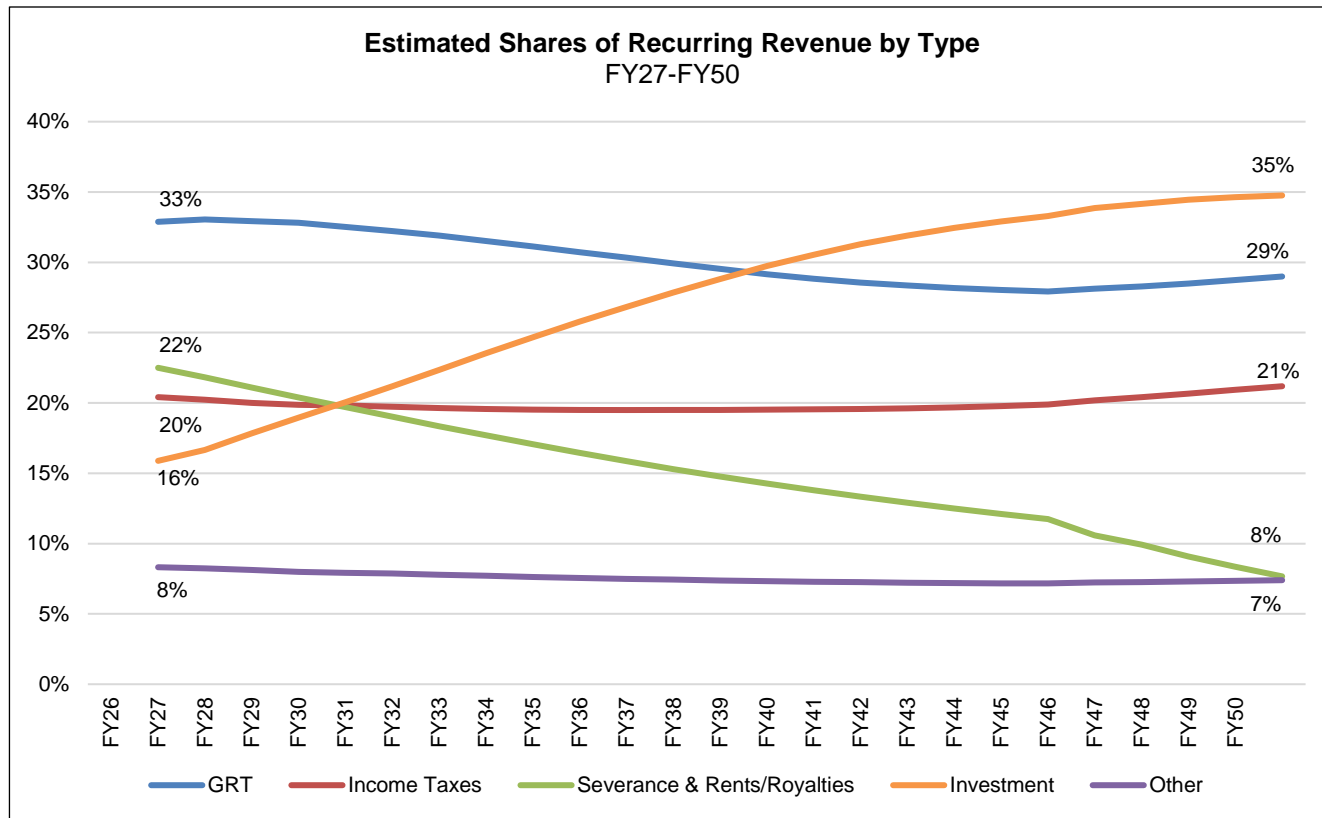
Funding pensions is a key long-term fiscal priority

PERA & ERB Member Snapshot (thousands)			
Type	PERA	ERB	Total
Active	55.7	61.5	117.2
Inactive	28.9	54.7	83.7
Retirees	47.1	54.8	101.8
Total	131.7	171.0	302.7

Source: PERA, ERB



Long-term investments are a key fiscal priority




LFC reports quarterly on large state investments

Historical

Money Matters

Analysis by the LFC Economists



Investment Performance Quarterly Report, Second Quarter, FY25

State investment balances increased by \$9.6 billion, or 12.4 percent, compared with this time last year. Investments benefited from resilient market conditions continuing several months of growth through 2024. One-year returns remained strong despite some volatility in the quarter for the state's pension funds. The state's risk-averse allocations generally performed worse than peer funds in the one-year period amid strong markets. The fund managed by the Educational Retirement Board continued to demonstrate strong performance, with the state's best long-term returns and a more optimized risk profile than other large state investments.

THIS REPORT details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC), which manages the land grant permanent fund (LGPF), the severance tax permanent fund (STPF), and the early childhood education and care trust fund (ECTF).

Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC.

Investment Performance Highlights

- The value of New Mexico's combined investment holdings grew by \$383.4 million quarter-over-quarter, to an ending balance of \$87.2 billion, with gains bolstered by contributions of excess oil and gas revenues to the ECTF and the STPF. For the year, funds increased by \$9.6 billion, or 12.4 percent. Over the last five years, the state's combined investment holdings grew by \$32.1 billion, or 58.3 percent.
- One-year returns were strong for all funds, ranging from 9.9 percent (ERB) to 6.6 percent (STPF). Average investment returns over the last 10 years ranged from 7.7 percent (ERB) to 6.0 percent (STPF).
- Inflows of oil and gas taxes and royalties across the LGPF, STPF, and ECTF made up 41 percent, or \$3.96 billion, of the one-year value increase across all funds. STPF performance is lowered by the allocation to New Mexico investments, which typically provide a lower return. ERB and PERA balances were moderated by benefit payments greater than contributions typical for pension funds.
- Only STPF failed to meet its long-term return target for the one-year period. ERB and LGPF outperformed their long-term targets in every period except for the three-year period. PERA only met its long-term target in the one-year period.¹

Aggregate Value of New Mexico Investment Holdings

\$87.2 billion

Note: does not include general fund investments.

Annual Combined Growth of All Funds

\$9.6 billion

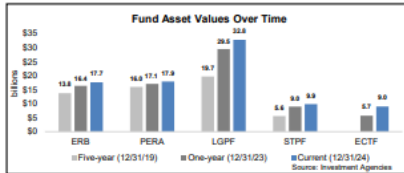
12%

Note: does not include general fund investments.

5-Year Annualized Returns

Fund	Returns
ERB	7.91
LGPF	7.14
PERA	6.20
STPF	5.99

Source: Investment Agencies



Fund Asset Values Over Time

Inflow (in billions):

- ERB: 11.4, 14.4, 17.7
- PERA: 14.1, 11.1, 17.9
- LGPF: 19.7, 24.4, 32.4
- STPF: 4.4, 4.9, 4.9
- ECTF: 6.7, 8.0

n=Five-year (12/31/19) n=One-year (12/31/23) n=Current (12/31/24)


Source: Investment Agencies

¹ The funds' long-term return targets are 7.25 percent (PERA), 7 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

Investment Performance Quarterly Report | April 11, 2025 | 1

New

Investment Performance Dashboard, 2nd Quarter FY25



Links

[LFC Website](#) → [LFC Evaluation Unit Reports](#) →

State investment balances increased by \$9.6 billion, or 12.4 percent, compared with this time last year. Investments benefited from resilient market conditions continuing several months of growth through 2024. One-year returns remained strong despite some volatility in the quarter for the state's pension funds. The state's risk-averse allocations generally performed worse than peer funds in the one-year period amid strong markets.

Detailed information for each of these funds can be accessed by selecting the fund below.

Long-Term Investment Funds

Fund Value as of 12/31/2024	1-year Performance vs benchmark	10-year Performance vs long-term target	Fund Value 2018-2024 in thousands
LGPF: \$32.8 billion	7.9% +0.8pp	7.0% 0pp	Bar chart showing growth from 2018 to 2024
STPF: \$9.8 billion	6.6% +0.8pp	6.0% -0.75pp	Bar chart showing growth from 2018 to 2024
ECTF: \$9.0 billion	8.0% +0.7pp	NA	Bar chart showing growth from 2018 to 2024

Pension Funds

Fund Value as of 12/31/2024	1-year Performance vs benchmark	10-year Performance vs long-term target	Fund Value 2018-2024 in thousands
PERA: \$17.9 billion	8.2% -0.7pp	6.2% -1pp	Bar chart showing growth from 2018 to 2024
ERB: \$17.7 billion	9.9% +0.5pp	7.7% +0.7pp	Bar chart showing growth from 2018 to 2024

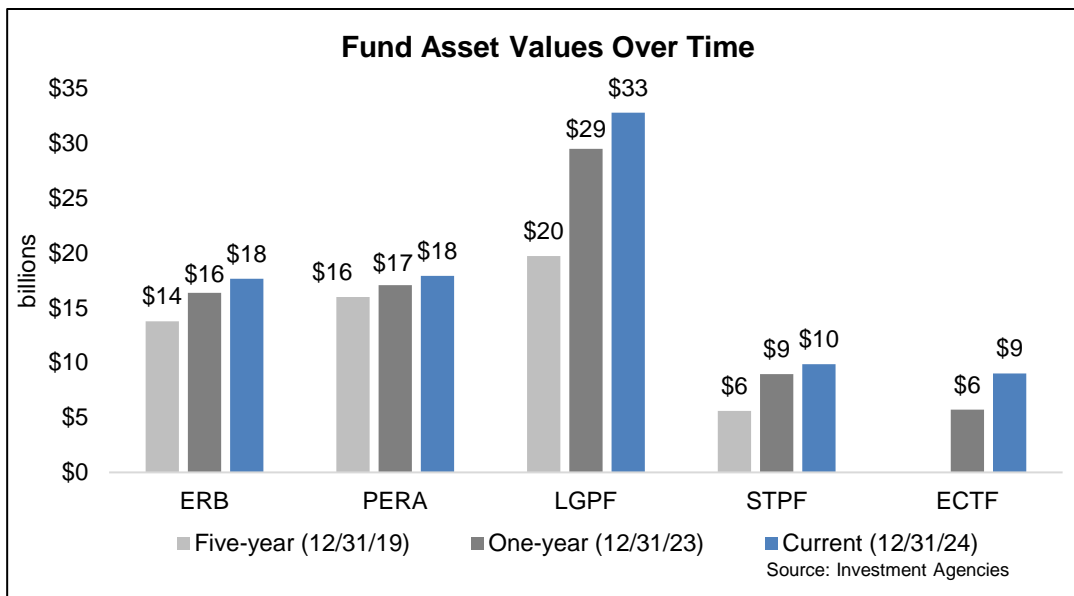


Period ending 12/31/2024

FUND PERFORMANCE



Large state investments were valued at \$87.2 billion in FY25 Q2



Combined Growth of all Funds

Annual Increase

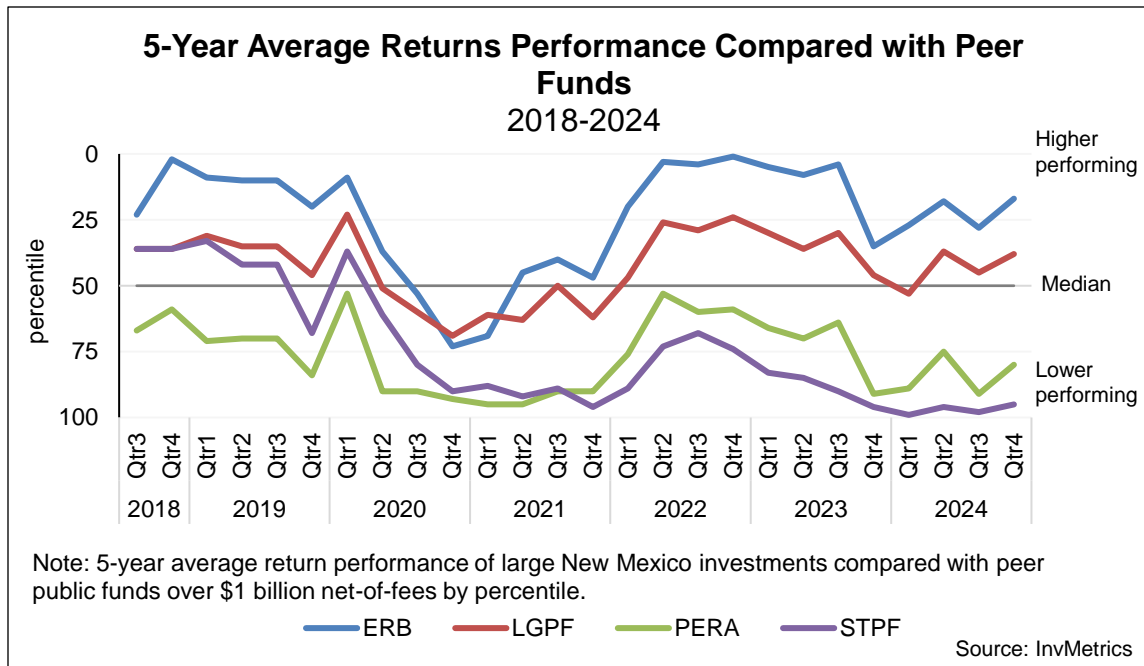
\$9.6 billion
12%

5-year Increase

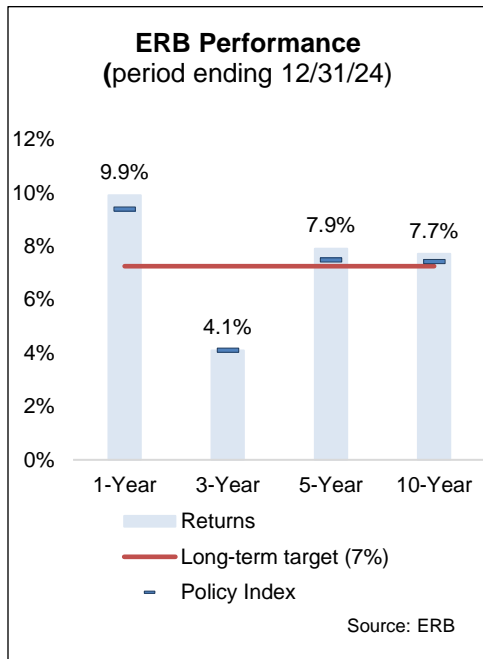
\$32.1 billion
58.3%



ERB & LGPF return performance is historically above the median peer fund, PERA & STPF below the median



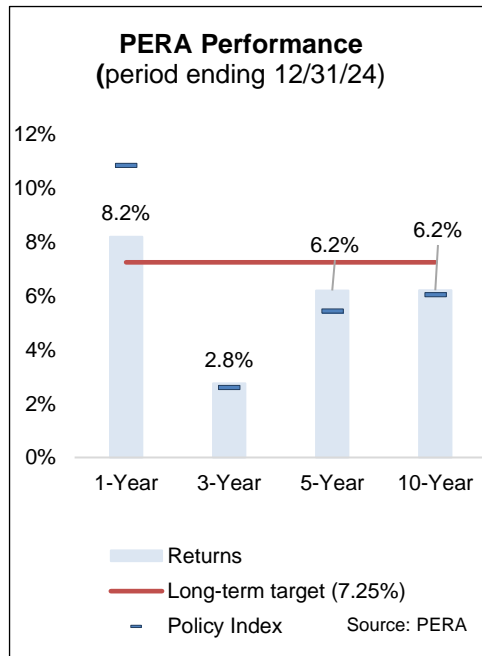
ERB outperformed short- and long-term targets



- ERB's annualized returns outperformed the fund's long-term target of 7 percent in each period except for the three-year period.
- The fund outperformed its policy index in each annualized period.
- The return in the quarter period, which is not annualized, was 0.59 percent while the policy index for that period was 0.67 percent.
- The fund also had the best risk-to-return measures among all investment funds, with the lowest standard deviation, the best Sharpe ratio, and lowest Beta.



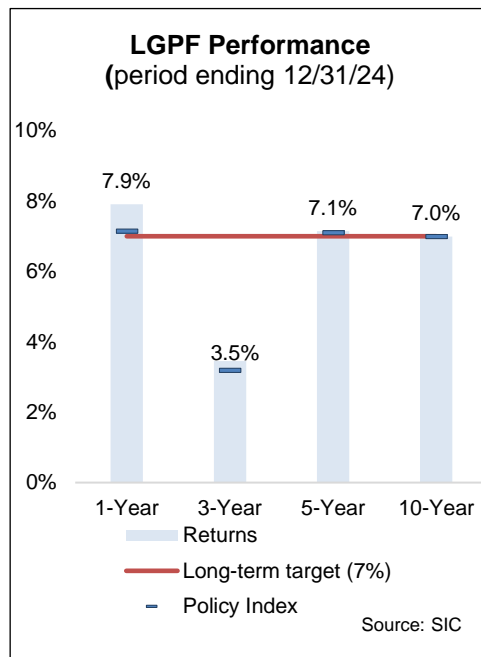
PERA outperformed short-term targets but underperformed long-term targets



- PERA annualized returns outperformed the fund's long-term target of 7.25 percent only in the one-year period.
- The fund outperformed its policy index in the three-, five-, and 10-year periods.
- The return in the quarter period, which is not annualized, was -0.18 percent, significantly above the policy index of -1.6 percent.



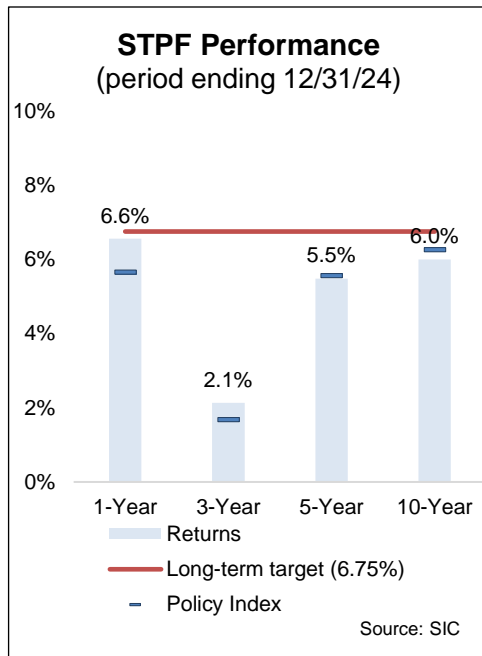
LGPF outperformed short- and long-term targets



- The LGPF met or surpassed its long-term target of 7 percent in each period except in the three-year period.
- The fund either surpassed or tracked very closely to its policy index for each period.
- The return in the quarter period, which is not annualized, was -0.63 while the policy index was -0.86 .



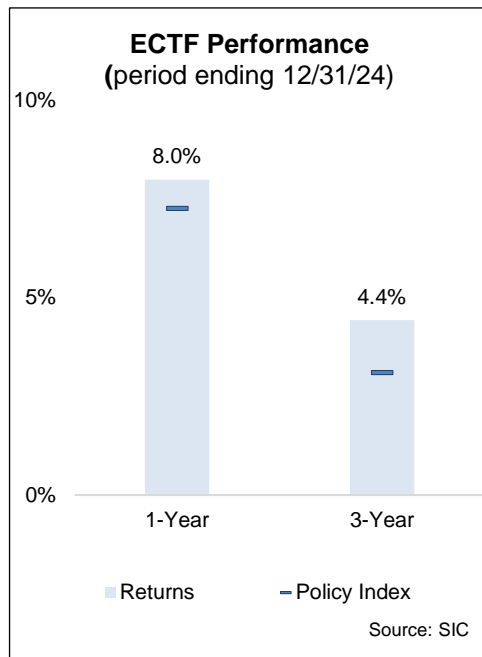
STPF underperformed its long-term target but met its short-term benchmarks



- The STPF underperformed its long-term target of 6.75 percent in each period.
- The fund underperformed its policy index in the five- and 10-year periods but overperformed its policy index in the one-year and three-year periods.
- The return in the quarter period, which is not annualized, was -0.86 while the policy index was -1.15.



ECTF met its short-term benchmarks



- The ECTF tracked closely with other SIC-managed funds, exceeding its policy index in each period.
- SIC recently approved a new asset allocation for the fund with a long-term return expectation of 6.8 percent, which was exceeded in the one-year period but not in the three-year period.
- The return in the quarter period, which is not annualized, was -0.53 while the policy index was -1.02.



Phone: 505-986-4567

Email: Brendon.Gray@nmlegis.gov

QUESTIONS?

