

NEW MEXICO
STATE TREASURER'S OFFICE

INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

AUGUST 13, 2025

Representative Cynthia Borrego (District 17), Chair
Senator Roberto "Bobby" J. Gonzales (District 6), Vice Chair



Laura M. Montoya
State Treasurer



Janice Y. Barela
Deputy State Treasurer



Vikki Hanges
Chief Investment
Officer



Anna Murphy
Senior Portfolio
Manager



Dominic Chavez
Interim State Cash
Manager



STO CORE OFFICE FUNCTIONS

- Banker for the state government agencies
- Manage cash flow and ensure state obligations are met
- Funds not immediately needed are invested – safety, liquidity and yield
- Debt service paying agent
- Manage securities
- Manage investments on behalf of local governments
- Purchase GO Bonds and Educational Technology Notes for School Districts
- Administer Programs and Outreach Initiatives
- Serve on 13 Boards, Councils and Commissions



BOARDS, COUNCILS & COMMISSIONS



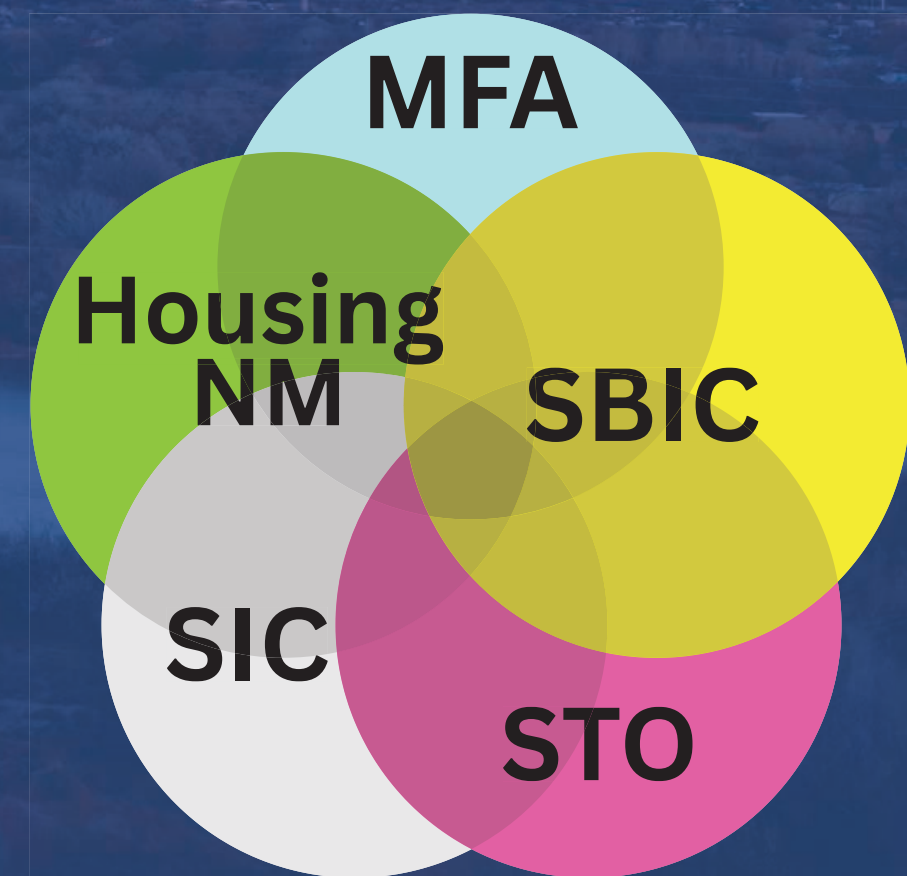
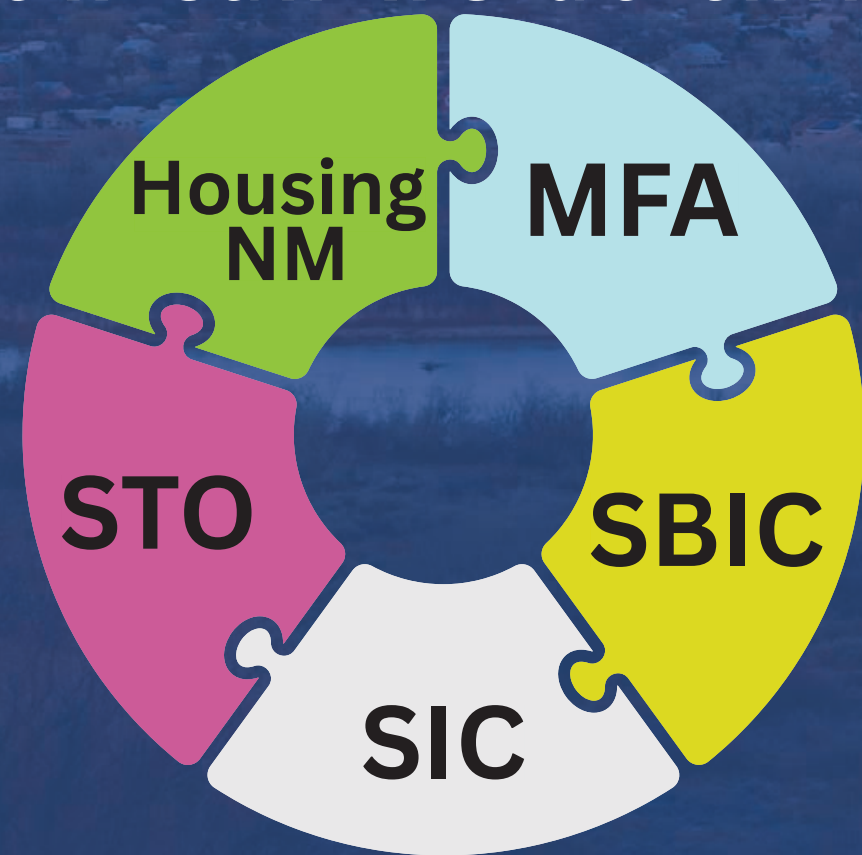
IMPORTANT TOPICS TO DISCUSS AND QUESTIONS WE NEED TO ASK

- Fees
- Risk mitigation
- Transparency
- Fair & equitable processes
- Standard operating procedures
- Updates on investment policies
- Asset allocation
- Liquidity needs



TEAMWORK MAKES THE DREAM WORK

- How can we invest in our state and people?
- New Mexico is third largest energy producing state in the nation.
- SunZia Wind and Transmission project is currently the largest wind project in the western hemisphere, with the capacity of 3.5 gigawatts and is paired with 550 mile transmission line. (Corona, NM).
- How can we do things holistically?



EDUCATION

Zoom Out: 4 Levers To Transform Our Socio-Economy

From Aristotle to Political Science: Every University on Earth

\$140 Trillion are managed by Investment Account Officers (IAO).

10,000 business schools worldwide

Government

Asset Owner Investors

Who They Serve:
Society, Voters,
Customers, Members,
Stakeholders
Environment,
Planet
Etc.

Companies

484 accredited
Financial Economics
& Finance Depts.

Financial Intermediaries

Stanford | Long-Term Investing

Cambridge Endowment for Research in Finance (CERF)

icpm | INTERNATIONAL CENTRE FOR PENSION MANAGEMENT

UC San Diego

KRONER CENTER FOR FINANCIAL RESEARCH

75 university programs (globally) that teach some “investing”.
(ZERO prof. schools)



EDUCATION

140 Trillion dollars are managed by IAOs. they put the Capital in Capitalism.

Few are paying attention. Why? A university-level “School of Investment” does not exist (let alone courses on pension investing).

- 33 counties, 106 municipalities, 68 executive state agencies, and universities, schools, banks...
- County treasurers, chief financial officers, chief investment officers, portfolio managers, financial analysts, and more.

Why wouldn't we want our own New Mexicans in these positions?

Dr. Ashby Monk,
Executive & Research Director

SLTI

Stanford | Long-Term Investing



EDUCATION

- Why aren't New Mexico universities offering investing courses?
- We are taking care of our own family's pensions. We all have a vested interest and take pride in taking care of our communities.
- 48 of New Mexico's 89 school districts, reaching 48.34% of all public school students in the state, have made financial literacy a high school graduation requirement.



STO OVERVIEW

- **Active Investment Management**
 - **Over \$19 billion in total assets managed**
 - General Fund CORE
 - General Fund Liquidity
 - Bond Proceeds - Taxable
 - Bond Proceeds - Tax-Exempt
 - Severance Tax Bonding Fund
 - Local Government - Short Term
 - **Local Government - Medium Term**
- Overnight Repo Pool
- Education & Technology Notes
- General Obligation Bonds
- Paying Agent for Outstanding Bond Issues
- Collateral Management





FISCAL YEAR 2025 HIGHLIGHTS



Managed Assets
\$19.6 Billion



Agencies Served
140



LGIP Assets
\$2.27 Billion
\$1.06 Billion



Total Bank Accounts
1,100



Total Earnings
\$722 Million



Trade Volume
\$22 Billion

INVESTMENT OBJECTIVES

Safety
Liquidity
Yield

Investments are primarily high-quality, short-duration, U.S. Government and Agency bonds that minimize credit and interest rate risk

Section 6-10-10.1 NMSA 1978



ALLOWABLE INVESTMENTS

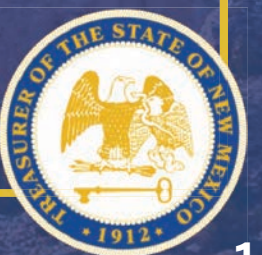
Permissible Investments

- Maximum maturity of five years
 - US Treasuries
 - US Government Agencies
 - Corporate bonds rated AA or better
 - Supranationals rated AAA
- **Maximum maturity of three years**
 - Corporate bonds rated A or better
 - Municipal bonds rated A or better
- **Cash Equivalents**
 - Repurchase agreements with approved counterparties
 - NM collateralized bank deposits
 - Commercial paper rated at least A1, P1 or F1
 - Municipal variable rate demand notes rated A or better



MARKET OVERVIEW

- **Current Fed Funds rate 4.25% - 4.50%**
 - March 2020 to March 2022 held steady at 0.00% - 0.25%
 - Fed's tightening cycle to 5.25% - 5.50%
 - March 2022 to July 2023
 - Fed begins monetary policy easing September 2024
 - Policy rate reduced by 1.0% as of December 2024
 - Fed holds policy rate at 4.25%-4.50% starting January 2025
 - Fed emphasizes heightened economic uncertainty and maintaining the flexibility to respond incoming inflation and employment data
 - Fed expectation for further policy easing
 - End of 2025 to 3.75% - 4.00%
 - End of 2026 to 3.50% - 3.75%
 - Terminal rate to 3.00%
- **Fed inflation target is 2% average over time**
 - Core PCE Deflator, Fed's preferred measurement, 2.8% for June
 - High of 5.4% reached in February 2022
- **Employment coming into better balance**
 - Unemployment rate is now 4.2%, from 14.8% high during the pandemic, and low of 3.4% January 2023
 - Nonfarm payroll employment weakening with 589,000 downward revision by BLS for the 12 months ending March 31st and a 2-month downward revision of 258,000 as of August 1st
- **GDP Annualized**
 - **1Q25 -0.5%**
 - **2Q25 3.0%**



END OF FISCAL YEAR 25

1) General Fund balances ended the quarter/fiscal year at \$11.009 billion. The liquidity component ended the quarter at \$4.713 billion, and the core investment portfolio at \$6.296 billion. This is a 42.81% allocation to liquidity and a 57.19% allocation to core. The liquidity component increased by approximately \$661 million, and the core fund increased by \$164 million.

2) Corporate and commercial paper allocation remained relatively stable in the core investment and LGIP medium-term funds. Both the BPIP portfolio reduced weightings as maturities came due, and the corporate sector was not replaced.

3) Durations ended the quarter shorter on both the core fund and tax-exempt and neutral to the benchmarks on the LGIP Medium Term Fund and the BPIP Taxable portfolio.

4) Performance for all portfolios outperformed the stated benchmarks over the fiscal year.

5) The LGIP Short Fund ended the quarter with a balance of \$2.280 billion and net-yield of 4.32%. The days to maturity ended the quarter at 17.8 days for the LGIP versus the comparable S&P GIP index at 35 days. 6) The LGIP Medium Fund ended the quarter at \$1.062 billion and a duration of 1.29, which is 104% of the benchmark.



STO Fund Performance

Period Ended 6/30/25



	1Y	3Y	5Y	FY24 Total Earnings*	FY25 Total Earnings*
General Fund					
Liquidity	4.79%	4.71%	2.89%	\$228,337,494	\$171,490,713
ICE 1-Month US Treasury Bill Index	4.75%	4.58%	2.77%		
Core	3.17%	3.86%	1.66%	\$252,933,884	\$344,529,330
ICE 0 to 5 Year US Treasury Index	3.11%	3.53%	1.31%		
<i>Combined Total Earnings for General Fund</i>				\$418,271,378	\$516,020,043
Bond Proceeds Pools					
Tax Exempt	5.21%	4.30%	2.35%	\$68,294,664	\$53,526,233
ICE 0 to 2 Year US Treasury Index	5.12%	3.99%	2.10%		
Taxable	5.56%	4.11%	2.07%	\$100,324,105	\$142,618,833
ICE 0 to 3 Year US Treasury Index	5.41%	3.77%	1.77%		
Local Gov't Investment Pool					
LGIP ST – 1-Year Net Yield at end of fiscal year*	4.67%	0.16%	1.49%	\$93,184,186	\$94,562,790
S&P LGIP – 1-Year Net Yield at end of fiscal year*	4.64%	0.12%	1.42%		
LGIP MT	5.55%	N/A	N/A	\$6,639,034	\$55,926,115
ICE 0 to 3 Year US Treasury Index	5.41%	N/A	N/A		
Severance Tax Bonding Fund					
STBF	4.76%	4.83%	2.95%	\$34,880,527	\$28,639,091
S&P LGIP Gross of Fees	4.94%	4.77%	2.91%		

* Total Earnings includes income earned and change in unrealized gain/loss. 1-Year Net Yield for LGIP ST and S&P LGIP index is reported as of fiscal year-end for FY25, FY22, FY20



LGIP NEWSLETTER



The Honorable Laura M. Montoya
THE NEW MEXICO STATE TREASURER'S OFFICE
Local Government Investment Pool
NEWSLETTER
August 2025



PORTFOLIO SUMMARY

- ▶ Ending June market value for the LGIP Short Term (ST) was \$2.275 bil versus May's reported closing value of \$2.186 bil.
- ▶ The LGIP ST maintains a AAAM rating by Standard & Poor's.

PORTFOLIO MIX

- ▶ At the end of June, the portfolio was invested as follows: 33% US Treasury securities, 29% in US government agency floating rate securities, 19% in repurchase agreements, and 19% in collateralized demand deposit accounts with qualified banking institutions.
- ▶ At month-end, the LGIP ST held positions in 40 securities.

INVESTMENT EARNINGS

- ▶ During June, the fund earned \$8,074,292.
- ▶ For FY2025, the fund earned \$94,368,801.
- ▶ LGIP ST earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

PERFORMANCE

- ▶ Gross yield on the LGIP ST was 4.37% at the end of June.
- ▶ Net yield to participants was 4.32%.

INVESTMENT HIGHLIGHTS

- ▶ For the LGIP ST, the WAM(R) of 18 days and WAM (F) of 75 days were within their maximums of 60 and 120 days respectively.
- ▶ During the month, the LGIP ST purchased \$500.0 mil US Treasury securities maturing in 2 to 3 months.

INVESTMENT STRATEGY

- ▶ LGIP ST WAMs are currently 11 and 75 days for WAM(R) and WAM(F), respectively.
- ▶ LGIP ST will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of prudent investments.

NET ASSET VALUE/SHARE

- ▶ At month-end, the Net Asset Value per Share of the Local Government Investment Pool was \$1.00006

MARKET WATCH

During the second quarter, the Fed left the policy interest rate unchanged, at a range of 4.25%-4.50%, a decision that was supported unanimously by the Federal Open Market Committee (FOMC). The policy stance was held at the July 30 FOMC meeting, however with two dissenting votes by members Bowman and Waller, who preferred to lower the policy range by 0.25%. It was the first time that two members voted against the committee since 1993.

During the press conference following the decision, Chair Powell emphasized that both inflation and economic uncertainty remain elevated, with the effects of tariffs still not clear. Given the lack of clarity, Powell noted that the Fed is effectively looking through the tariff effect by not raising rates. The majority of the committee views the modestly restrictive policy as appropriate, providing flexibility for the Fed to respond to any new developments in the economic or inflation outlook. Second quarter GDP came in above expectations at 3.0% on the day of the meeting, supporting the view that the current policy stance is not holding back the economy. Powell was clear that the Fed has not made any decisions regarding the September meeting. Overall, the tone of the press conference was slightly more hawkish, pushing bond yields higher.

The objectives of the Short-Term LGIP remain unchanged: safety, liquidity, and yield - in that order. Preservation of principal and providing access to liquidity, in most cases within 24 hours, are the pool's primary objectives. The pool's yield closely tracks the short-term interest rate policy set by the Federal Reserve. The pool is managed within the confines of Standard & Poor's Principal Stability Fund criteria and possesses the highest possible rating, AAAM. The recent market volatility underscores the benefits of investing in a high-quality, short-term, US Government-focused pool, since these assets are viewed as a safe haven during times of economic and financial stress.

Data	Period	Value	Next Period	Expected Value	Release Date
ISM Manufacturing Index	Jun-25	49.0	Jul-25	49.5	8/1/2025
U.S. Unemployment	Jun-25	4.10%	Jul-25	4.20%	8/1/2025
Change in Nonfarm Payrolls	Jun-25	147,000	Jul-25	104,000	8/1/2025
ISM Services Index	Jun-25	50.8	Jul-25	51.5	8/5/2025
CPI YoY	Jun-25	2.70%	Jul-25		8/12/2025
CPI MoM	Jun-25	0.30%	Jul-25		8/12/2025
CPI Ex Food and Energy YoY	Jun-25	2.90%	Jul-25	3.00%	8/12/2025
CPI Ex Food and Energy MoM	Jun-25	0.20%	Jul-25		8/12/2025
PPI YoY	Jun-25	2.30%	Jul-25		8/14/2025
PPI MoM	Jun-25	0.00%	Jul-25		8/14/2025
PCE Core Deflator YoY	Jun-25	2.80%	Jul-25		8/29/2025
PCE Core Deflator MoM	Jun-25	0.30%	Jul-25		8/29/2025
Fed Funds Target	30-Jul-25	4.25%-4.50%	17-Sep-25	4.25%-4.50%	9/17/2025
GDP QoQ	Q2 2025 (Advance)	3.00%	Q3 2025 (Advance)		10/30/2025

Data from Bloomberg as of 7/31/2025

LGIP ACCOUNT UPDATES

Recent changes to personnel overseeing your LGIP account? Other LGIP account updates? As we start the new fiscal year, now is a great time to ensure that all LGIP account paperwork, including the certification of authorized persons documentation, is current. The STO website has links to LGIP participant forms, located here: <https://nmsto.gov/local-government-investment-pool-lgip/>. Please reach out to Amanda Padilla, LGIP Coordinator, for any updates or changes to your account documents at (505) 955-1142, or NMSTO.LGIP@sto.nm.gov.

LGIP STAFF

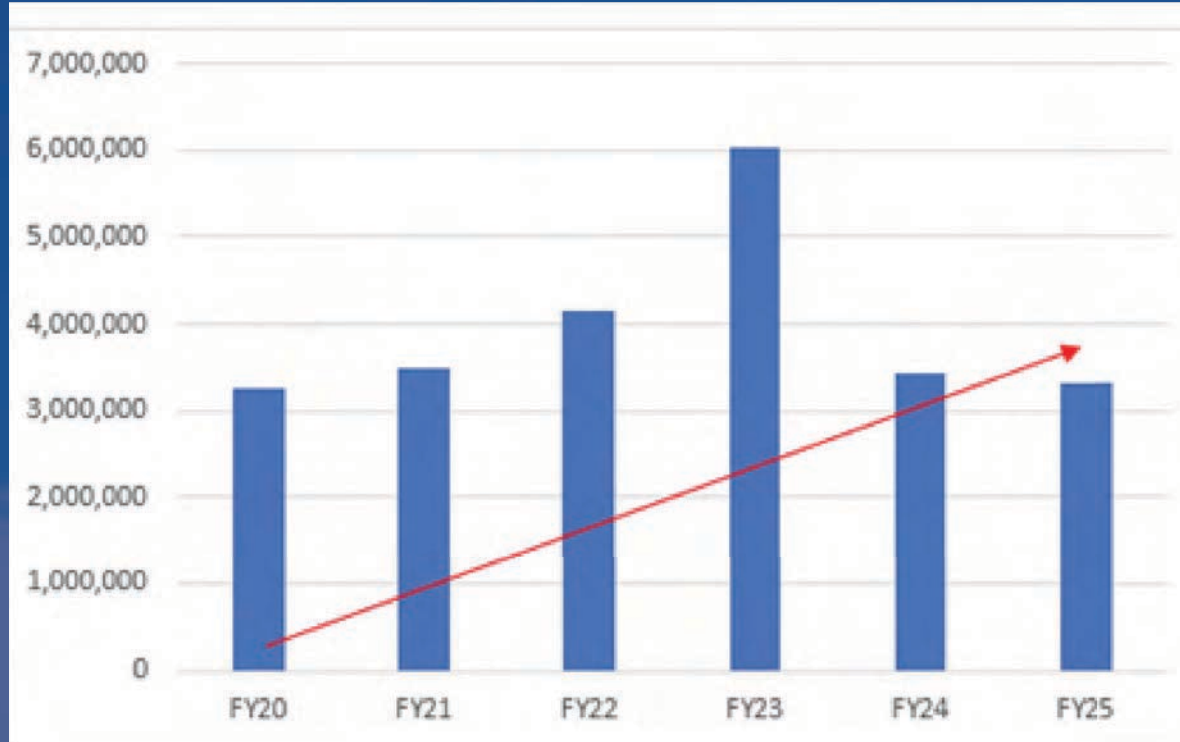
Transaction Coordinator: Amanda Padilla
Investment Transaction Supervisor: Hannah Chavez
Portfolio Managers: Anna Murphy, CFA, and Vikki Hanges, Chief Investment Officer

Newsletters can be found at:
nmsto.gov/lgip



AP TRANSACTIONS

AP # of payments



Fiscal Year

2% INCREASE

AGENCY BANK DEPOSITS

Deposits



Fiscal Year

57% INCREASE

TRADE VOLUME

Billions

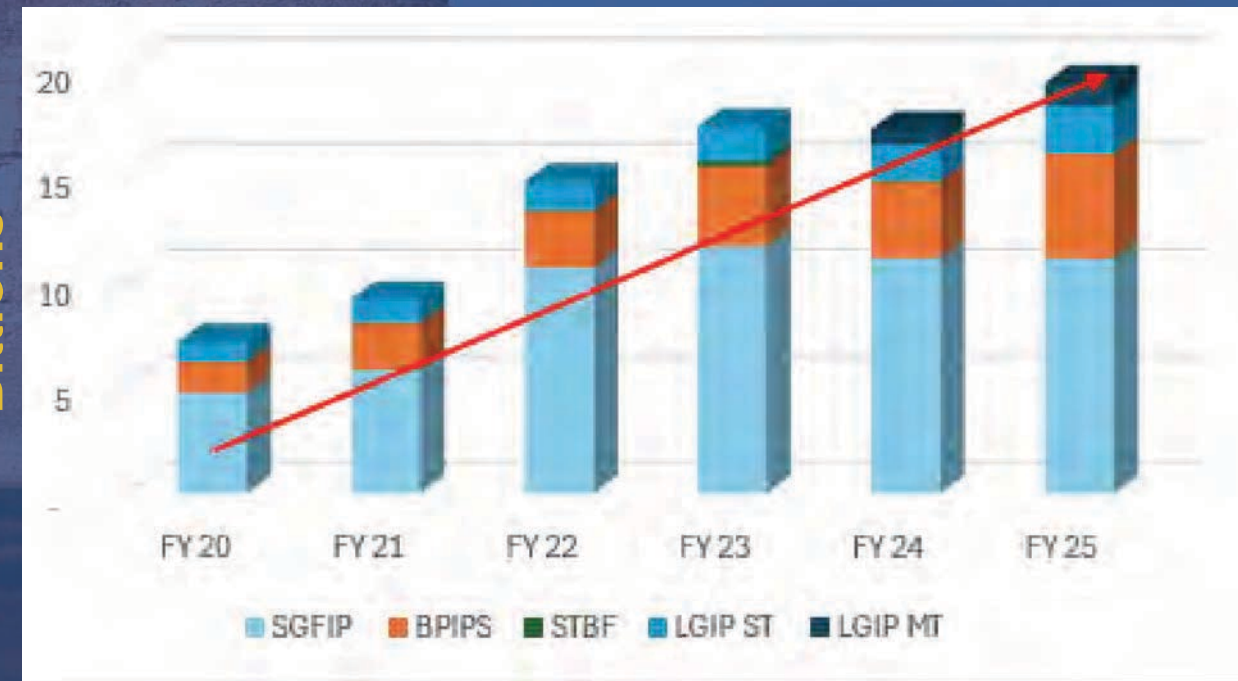


Fiscal Year

207% INCREASE

ASSETS UNDER MANAGEMENT

Billions



Fiscal Year

227% INCREASE



\$25 AUGUST ENROLLMENT INCENTIVE

NM STABLE



NM STABLE GROW YOUR MONEY FASTER THAN EVER BEFORE.

ENROLLMENT INCENTIVE

Open a NM STABLE account in August and receive a match on the first \$25 deposit.

Enroll Today!

nmstable.com

More Information:

1-800-439-1653

NM STABLE Assets Under Management as of 06/30/2024	\$15,100,360.86
NM STABLE Assets Under Management as of 06/30/2025	\$20,170,971.41
Percentage Change in NM STABLE AUM	33.57%
NM STABLE Average Account Balance as of 06/30/2024	\$10,154.44
NM STABLE Average Account Balance as of 06/30/2025	\$11,754.65
Percentage Change in NM STABLE Avg. Account Balance	14.61%
NM STABLE Active Accounts as of 06/30/2024	1,487
NM STABLE Active Accounts as of 06/30/2025	1,714
Percentage Change In NM STABLE Active Accounts	15.26%
NM STABLE Total Accounts Opened as of 06/30/2024	1,860
NM STABLE Total Accounts Opened as of 06/30/2025	2,175
Percentage Change In NM STABLE Accounts	16.94%

Thank you Legislators & Governor: The NM STABLE Age Adjustment takes effect on January 1, 2026, which will increase the qualifying age of disability onset from 26 years old to 46 years old, expanding access to NM STABLE accounts for veterans and civilians alike.

The difference between Active Accounts and Total Accounts Opened is that Total Accounts Opened includes ALL accounts (active, closed, & inactive).



BABY BONDS - WHERE ARE WE AT?

Investing in the next generation of New Mexicans Baby bonds will give every child born in New Mexico a pathway to a secure financial future, through education, homeownership, entrepreneurship, or long-term savings.

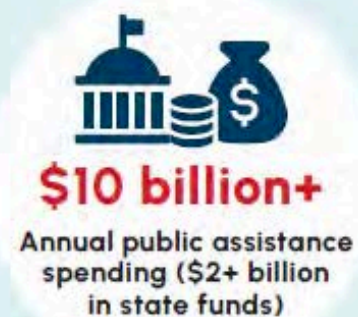
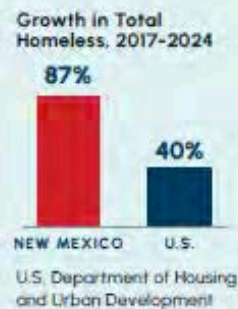
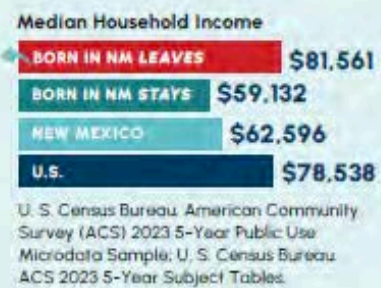
Grappling with population loss, persistent poverty, and limited access to capital, baby bonds represent a generational investment in upward mobility and shared prosperity.



What's Happening in New Mexico?

New Mexico is facing a demographic and economic crossroads:

- **People are leaving:** Out-migration outpaces in-migration. Those leaving tend to be younger, better educated, and higher income.
- **Wages are low and poverty is high:** New Mexico ranks 3rd in poverty nationally, with persistent disparities for Native Americans, women, and people born in-state.
- **Educational attainment is lagging:** Graduation rates are low, especially for in-state-born residents. Many still leave college with debt despite generous aid.
- **Housing and capital are out of reach:** First-time buyers struggle with affordability. Small businesses face barriers to financing—especially in rural and underserved areas.
- **Retirement security is weak:** Most private-sector workers lack access to workplace retirement savings. One-third of seniors live in poverty, heavily reliant on Social Security.
- **The state pays the price:** Over \$10 billion annually is spent on public assistance—highlighting the fiscal cost of financial instability.



“The state spent at least **\$10 billion** in FY23 on income support programs to subsidize low wages and support people not working.”¹

✓ CHILD WELL-BEING

New Mexico is ranked **50th**.
Source: The Annie E. Casey Foundation, 2024 Kids Count Data Book

✓ EDUCATION

New Mexico is ranked **50th**.
Source: The Annie E. Casey Foundation, 2024 Kids Count Data Profile

✓ HEALTH

New Mexico is ranked **44th**.
Source: The Annie E. Casey Foundation, 2024 Kids Count Data Book

✓ VIOLENCE

New Mexico topped a recent Forbes list of ‘Most Dangerous States’ with the **highest violent crime rate** in the nation.
Source: Forbes, March 2024

✓ SUBSTANCE USE

New Mexico consistently has the **highest alcohol-related death rate** in the country and ranked sixth nationally for drug overdose deaths in 2021.
Source: New Mexico Legislative Finance Committee Progress Report, August 24, 2023

✓ FAMILY AND COMMUNITY

New Mexico is ranked **49th**.
Source: The Annie E. Casey Foundation, 2024 Kids Count Data Profile

✓ INCARCERATION

With an incarceration rate of 647 per 100,000 residents, New Mexico locks up a **higher percentage** of its people than any **independent democratic country on earth**.
Source: Prison Policy Initiative, New Mexico Profile

✓ ECONOMIC WELL-BEING

New Mexico is ranked **48th**.
Source: The Annie E. Casey Foundation, 2024 Kids Count Data Book

✓ SUICIDE

In 2022, the most recent data available, New Mexico had the **fourth highest** suicide rate (24.7 per 100,000 residents) in the United States.
Source: NMHealth, September 5, 2024

Sources: Quote: Legislative Finance Committee Program Evaluation Unit, 2023. Income & labor force participation: ACS 5-year Estimates. Unemployment: Bureau of Labor Statistics.

Footnote: \$10 billion includes federal spending. The state portion is approximately \$2 billion.



BABY BONDS - WHERE ARE WE GOING?

How Can Baby Bonds Address It?

Baby bonds offer a long-term solution to the state's short- and long-range challenges by giving every child born in New Mexico access to an investment they can use between ages 18–35 to build wealth.

The investment is designed to:

- **Jumpstart homeownership:** Baby bond funds can support down payments or home renovations, increasing access to ownership and equity-building, especially for first-time buyers.
- **Expand access to education:** By covering tuition, training, and other higher educational costs, baby bonds reduce reliance on student loans and improve degree completion and career readiness.
- **Fuel entrepreneurship:** Aspiring business owners can use baby bonds to launch or grow ventures, especially in capital-starved communities.
- **Improve mobility and job access:** Purchasing a reliable vehicle helps rural and low-income recipients access education and employment.
- **Offer long-term stability:** Unused funds convert into retirement savings after age 65—building a safety net where none exists for many today.



✓ \$242 million in new **household wealth** from home equity, retirement savings, and debt reduction.

✓ \$151 million in business revenue and **entrepreneurial activity**.

✓ \$130 million in new **tax revenues**—including property taxes, gross receipts, and excise taxes—across all levels of government.

✓ 860 job-years created and \$47 million in **new labor** income.

✓ \$90 million boost to **GDP**, driven by new demand across key sectors.

✓ 25% reduction in out-migration would keep an estimated 1,500 more residents per age cohort **working and living** in New Mexico.

CONTACT

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