

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
Wednesday, August 13, 2025

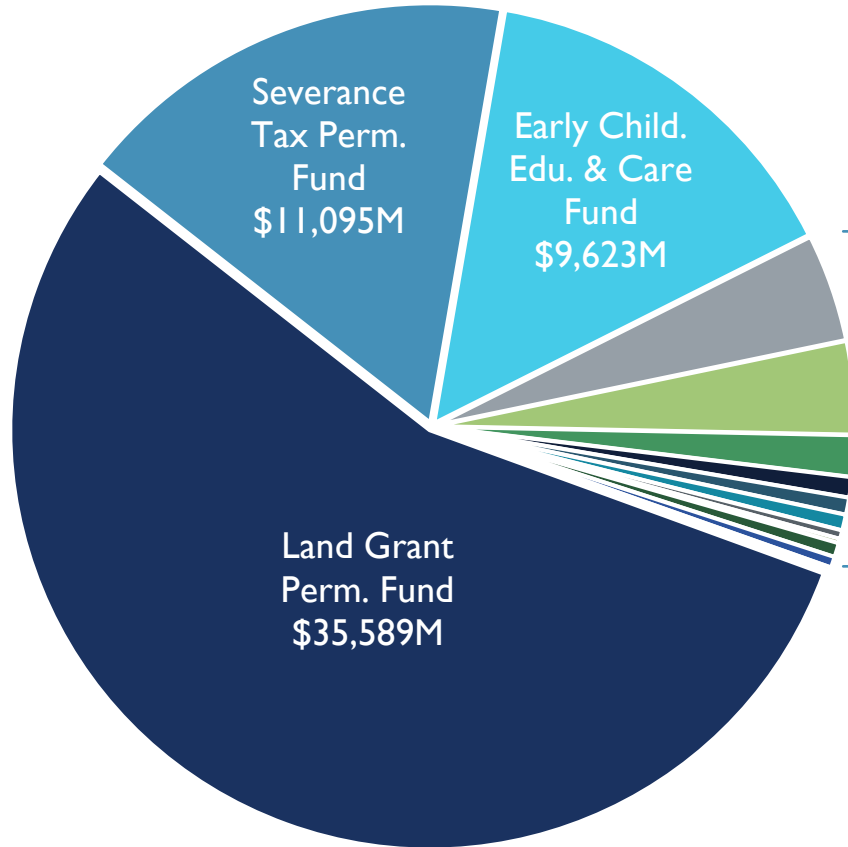


CURRENT SIC MATTERS – FACTS AND FIGURES

- Council now managing more than \$64 billion*
- 2025: Legislature created **two new endowment funds** to be managed by SIC in FY26:
 - Medicaid Trust Fund (MTF)
 - Behavioral Health Trust Fund (BHTF)
- **Fourteen** permanent, endowment and reserve funds now under management
- Also 24 Governmental Clients with \$2.68 billion
- Fund benefits/distributions to top **\$2.56 billion** for first time in FY26, +\$500M year-over-year
- Fund benefits have grown from \$1B in FY20 to more than \$2.5B in FY26 (+~150%)
- Total asset growth ~\$8.5 billion in FY25

*Includes all assets, as of 6/30/25

ASSETS UNDER MANAGEMENT: \$64.038 BILLION (6/30/25)



Third Party Clients	\$2,686 M
Tax Stabilization Reserve	\$2,317 M
Higher Education Trust Fund	\$1,026 M
Capital Dev. and Reserve Fund	\$504 M
Tobacco Settle. Perm. Fund	\$422 M
Conservation Legacy Perm. Fund	\$392 M
Water Trust Fund	\$213 M
Opioid Settlement Restricted Fund	\$108 M
Rural Libraries Endow. Fund	\$350 M
Workforce Dev. & Appren. Trust Fund	\$270 M
Behavioral Health Trust Fund*	\$100 M
Medicaid Trust Fund*	TBD

Source: NMSIC Investment Holdings Report, June 2025

*Reflects new fund established in the 2025 legislative session, values not reflected in June 2025 AUM

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 (WDAATF)

- 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

Growth Focused

Preservation Focused

Group Name	High Growth	Growth	Growth w/ ETI	Moderate Growth	Enhanced Liquidity	Stability-Focus	Workforce Development
NMSIC Funds	WTF RLF	LGPF CLPF BHTF	STPF	ECECF HETF TSPF OSRF	CDRF MTF	TSR	WDAF****
Distribution Rate (%)	4.7% (WTF) up to 5.0% (RLF)	5.0% (LGPF/BHTF) -- (CLPF)***	4.7%	5.0%* 4.7%**	5.0%	--	17%
Target Return (%)	--	7.0% (LGPF)	6.75%	--	--	--	--
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 Debt	8%	15%	11%	20%	20%	30%	50% of Remaining Amount
Real Return	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
2025 RVK Capital Market Assumptions (%)							
Expected Compound Return	7.2%	7.1%	7.0%	6.8%	6.4%	5.5%	5.1%
Estimated Annual Yield	2.6%	3.2%	2.9%	3.7%	4.3%	5.6%	6.0%
Max Drawdown (1-Year)	-28.0%	-26.6%	-27.6%	-22.1%	-14.0%	-1.4%	-1.7%

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

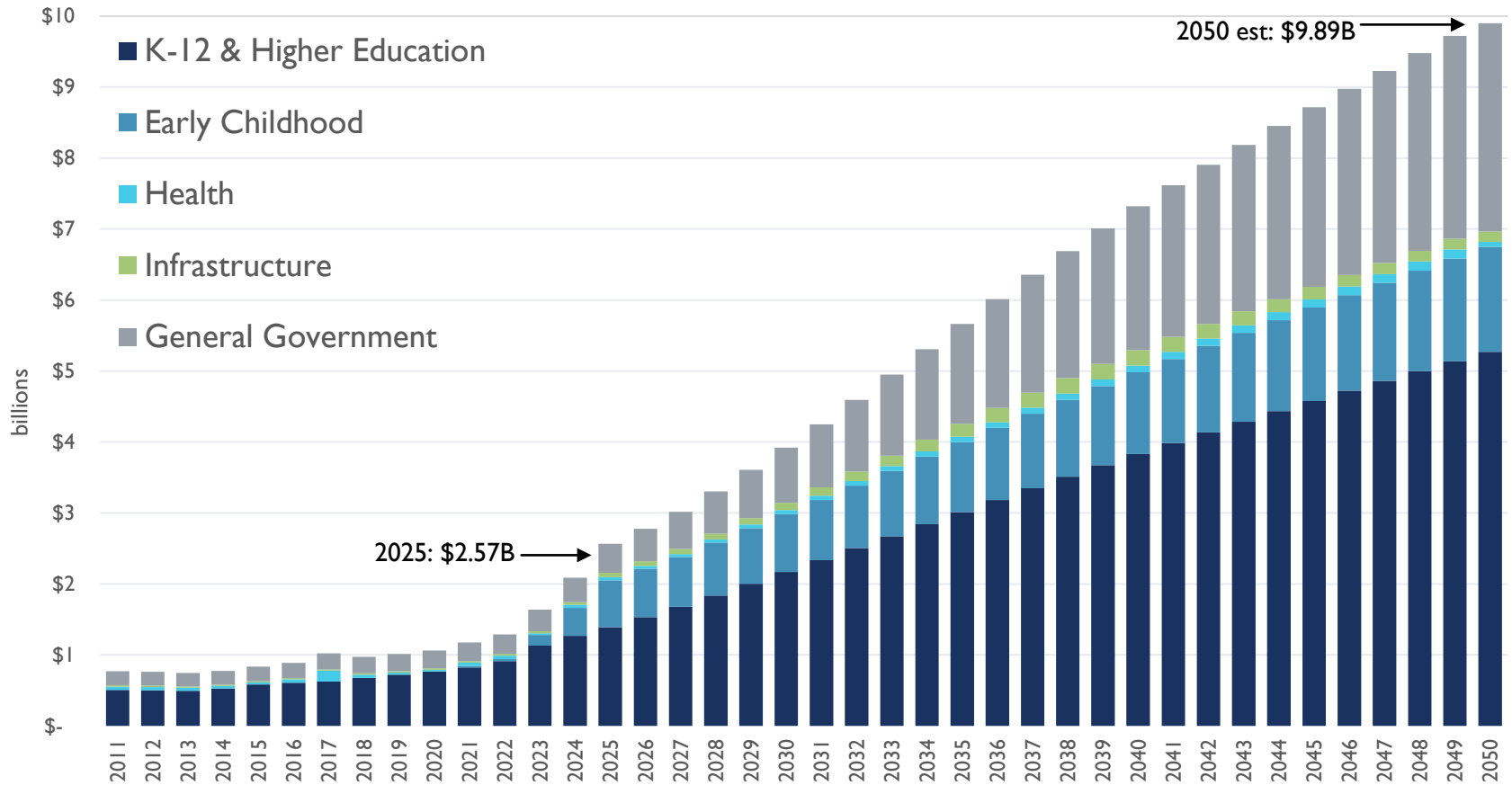
**TSPF distribution rate is 4.7%.

***The CLPF distributes annual investment income in excess of \$5 million.

****WDAF will distribute \$5M in the first two years, with a \$3M annual distribution thereafter until the Fund is exhausted. Annual distribution rate represents 17% of the initial funding amount. Expected return and risk reflect the estimated profile upon initial funding and will vary over the life of the Fund.

*****SVCP & ETI refers to Strategic Venture Capital Program & Economically Targeted Investments.

NMSIC'S INVESTMENT DISTRIBUTIONS SUPPORT A VARIETY OF STATE GOVERNMENT FUNCTIONS



Source: NM State Investment Office, estimate as of April 2025 (base scenario)

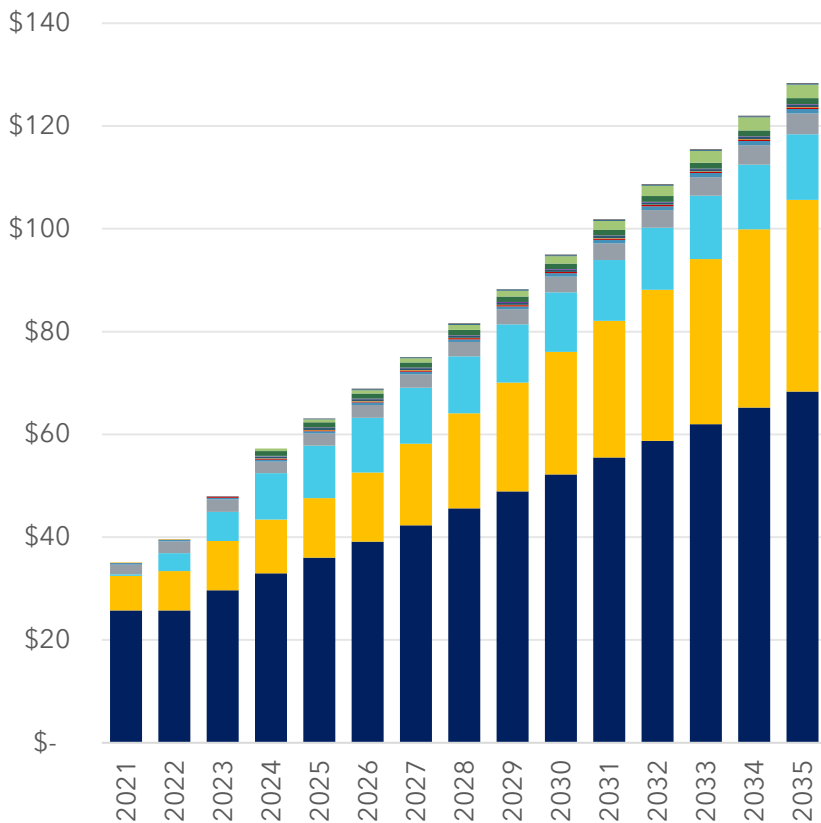
Note: K-12 & Higher Education includes LGPF (distrib. to common schools, PED, and higher education institutions) and HETF; Early Childhood includes LGPF (distrib. to early childhood department) and ECECF; Health includes LGPF (distrib. to hospitals), TSPF, OSRF, BHTF, and MTF; Infrastructure includes relevant LGPF beneficiaries, CDRF and WTF; and General Government includes STPF, relevant LGPF beneficiaries, RLEF, CLPF and WDAF.

NMSIC NAV GROWTH & FUND DISTRIBUTION ESTIMATES

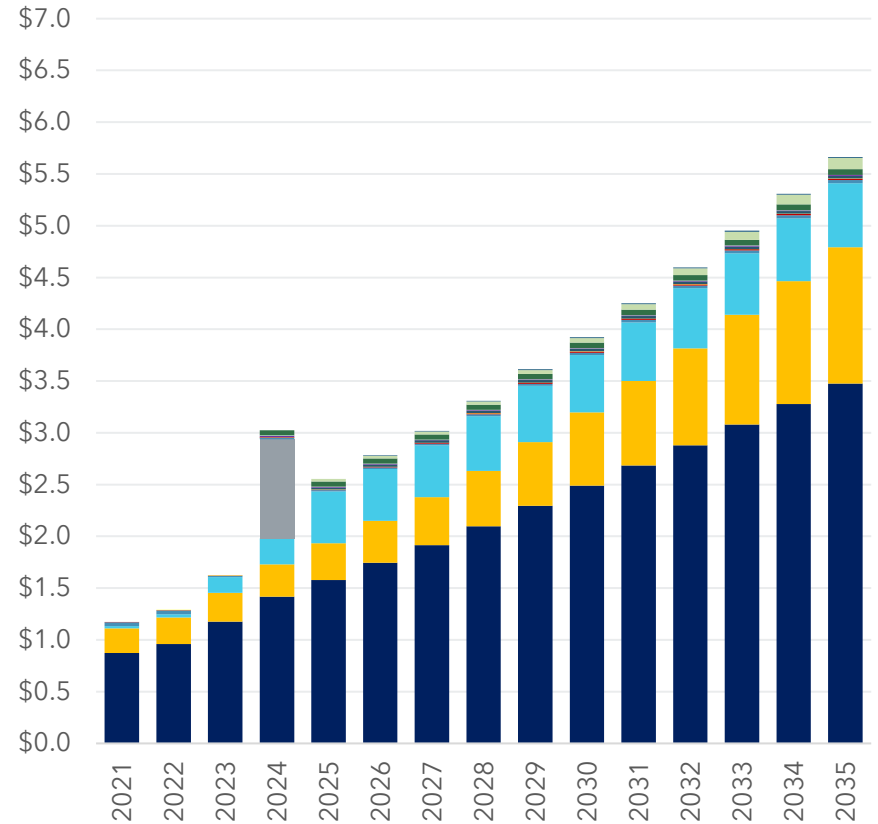
BASE CASE, EXCLUDING CLIENT FUNDS (IN BILLIONS)

■ LGPF
 ■ STPF
 ■ ECECF
 ■ TSR
 ■ TSPF
 ■ WTF
 ■ RLEF
 ■ CLPF
 ■ OSRF
 ■ WDAF
 ■ HETF
 ■ CDRF
 ■ BHTF
 ■ MTF

Net Asset Value (NAV)



Fund Distributions



Source: NM State Investment Office staff research and analysis; RVK 2025 Capital Market Assumptions

INVESTING IN NEW MEXICO – HISTORY

- Legislature authorized NM venture capital fund investments from STPF in 1990, with goal of technology commercialization from National Labs & NM universities
 - Allowed for “differential rate” investments, where lower-than-market-rate financial returns were acceptable if jobs/industry also created
- Program caps expanded in 2003, 2007 & 2020
- Returns below target; few company/investment realizations
- 2019: Council changes external advisor, recognizes excess risk due to high portfolio concentration
- 2020-2022: focus on increasing diversification, growing number of managers actively sourcing start-up deal flow in ecosystem; new goal of working with top-tier VCs interested in NM opportunities & building VC ‘infrastructure’
- 2022-2025: Council commits to 20+ different managers, focusing strategy on “hard science” & sectors where NM has strong talents & “right-to-win”

INVESTING IN NEW MEXICO – GOALS

- Ecosystem building strategy:
 - Partner with experienced fund managers with proven track record of success, strong domain expertise and network resources to facilitate growth & profitable company exits
 - Coordinate & invest in Venture Studios, Accelerators & Company Creators
 - Focus on growth areas, NM strengths around “deep tech”: quantum, AI, aerospace, energy & defense technologies, climate tech, advanced manufacturing
 - Diversify manager base to establish multiple resources for start-ups no matter whether they are at pre-seed, seed, or growth stages of development
- Council creates new Strategic Venture Capital Program (SVCP):
 - Raising the bar on fund performance & the criticality of financial returns
 - Economic-development benefits & financial returns inextricably linked
 - Better alignment with legislative priorities: 2023 SB26; 2025 SB162
 - Both bills, backed by LFC, require Severance Tax Permanent Fund to achieve market rates of return to generate success for New Mexico long-term
 - Shift away from differential rate commitments due to poor track record & adverse manager selection

INVESTING IN NEW MEXICO – PERFORMANCE

Internal Rate of Return Performance - Total Portfolio							
As of March 31, 2025 (Q1)							
Portfolio	Quarter	1-year	3-year	5-year	10-year	Since Inception	
	IRR	IRR	IRR	IRR	IRR	IRR	Net Gain/Loss (\$M)
2019 & After	4.2%	8.8%	3.4%	5.1%	N/A	5.0%	\$32.7
2018 & Before	-7.8%	-23.5%	-21.1%	-11.9%	-4.7%	-2.8%	(\$117.9)
Grand Total	-0.2%	-6.7%	-11.6%	-6.1%	-2.4%	-1.6%	(\$85.2)

- Commitments made 2019-present have generated a since-inception IRR of 5.0%, with 8.8% return over the last year
- Commitments made 2018 and before have generated a since-inception IRR of -2.8%, with a -23.5% return over the last year.

INVESTING IN NEW MEXICO – GREEN SHOOTS

- Supporting technology transfer & commercialization
 - **UBiQD** - Los Alamos “Quantum Dot” technology, next generation solar, scaling operations with recent \$20M Series B financing round
- Investments helping attract new companies & start-ups to NM
 - **XGS Geothermal** - Portfolio company for Anzu Partners
 - XGS announces 150MW geothermal power project with META in NM to build \$1.2 Billion power plant
 - **HarvestIQ, Inc.** - Portfolio company for Builders VC
 - “Agriculture Tech” company to move growing operations to Albuquerque for expansion, proximity to customers & financial resources
- Other major projects announcements pending

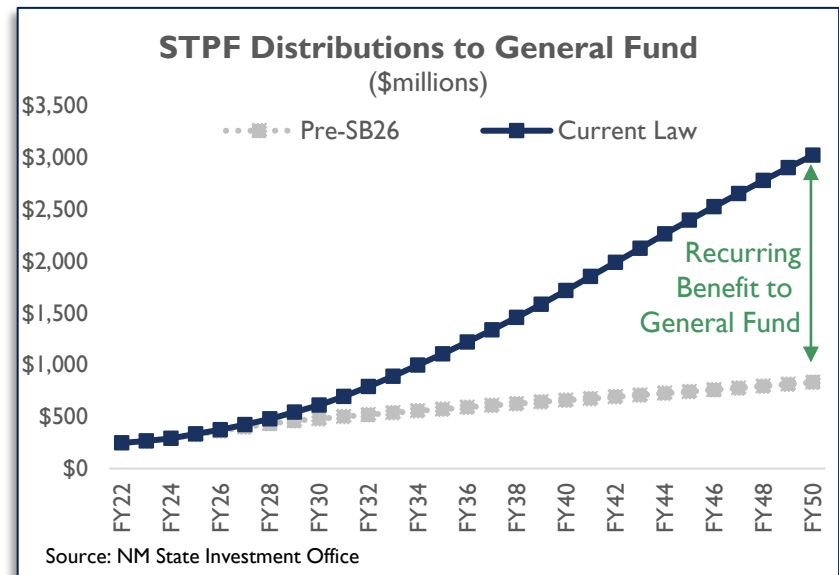
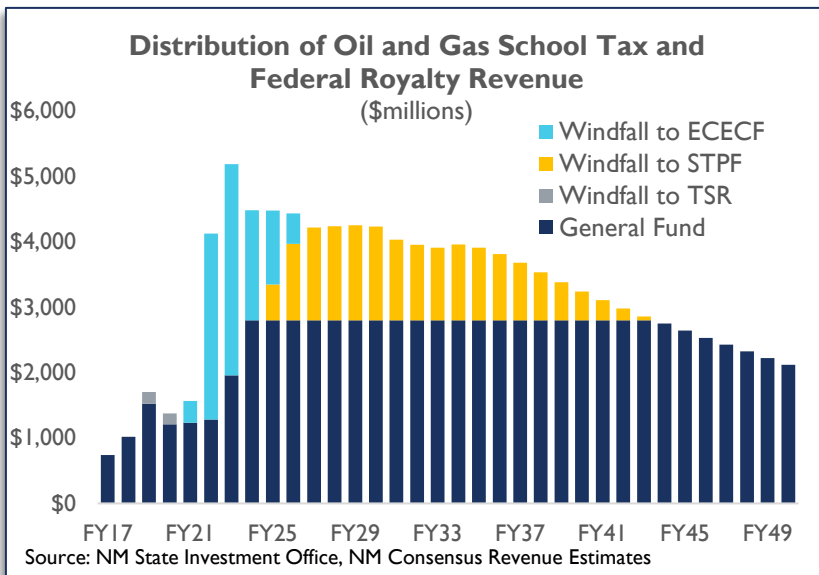
WINDFALL OIL & GAS CONTRIBUTIONS TO STPF

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.

- Does not affect the five-year average calculation that determines the amount of revenue the ECECF/TSR receives - only the revenues above the cap, but below the moving average, will be distributed to the STPF beginning in FY25

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



Note: Dollars in millions; estimates based on 2024 capital market assumptions and NMSIC staff analysis of data from Rystad Energy and Oxford Economics. Actual oil and gas revenues and STPF distributions will depend on market performance and fund contributions.

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

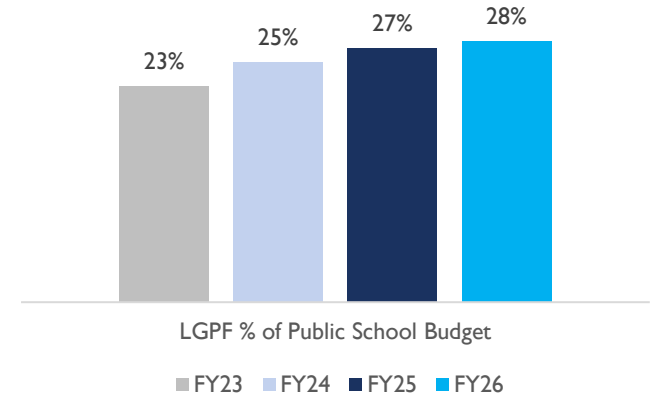
Source: LFC Post-Session Reports

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

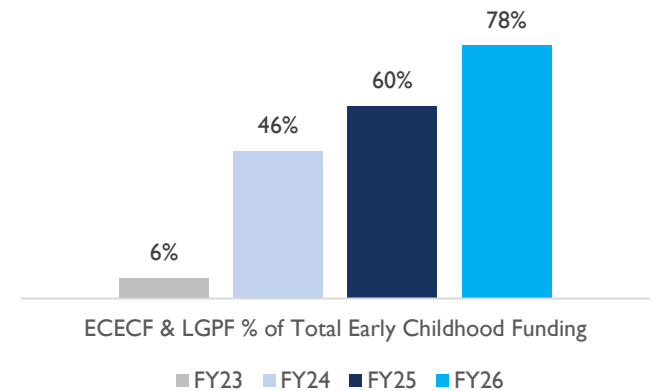
Source: NM State Investment Office

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



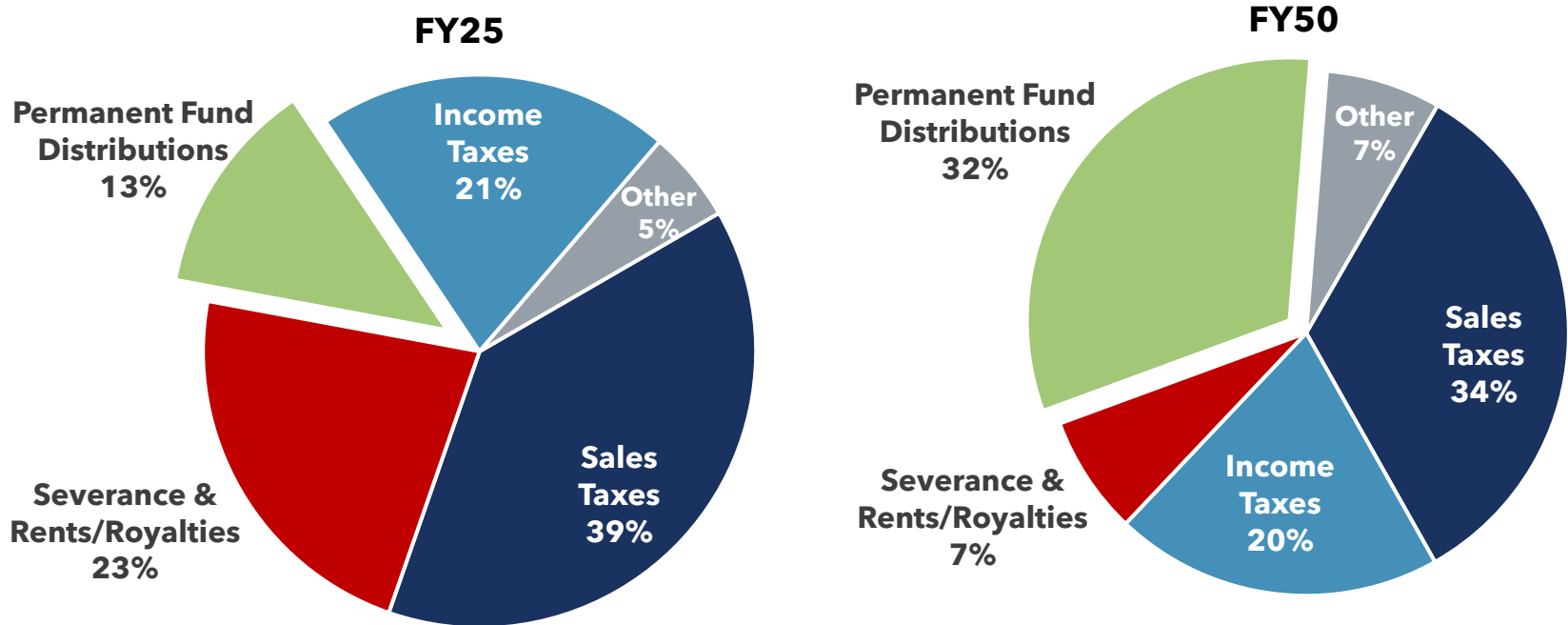
Investment Funding Percentage of Early Childhood Budgets



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

NM’s Consensus Revenue Estimating Group projects general fund revenues from the oil and gas industry will decline over time as the world transitions beyond traditional energy sources. As energy-related revenues decline, permanent fund distributions will grow significantly as a share of general fund revenue, helping to displace estimated future declines in oil and gas revenues.

Estimated Sources of General Fund Revenue



Source: NM State Investment Office analysis of NM Consensus Revenue Estimating Group Long-Term Revenue Outlook, September 2024, Baseline Scenario & December 2024 Consensus Revenue Estimate

CLOSING TOPICS, Q&A

The SIC has seen its assets more than triple in value over the last dozen years, and double in the last five, with very little staff expansion.

- Research supports “right sizing”, to increase amount of investment, accounting and support staff needed to curtail risk and be efficient; compensation issues being addressed with legislative support.

The Council has taken steps to improve outreach and collaboration with sister agencies when appropriate:

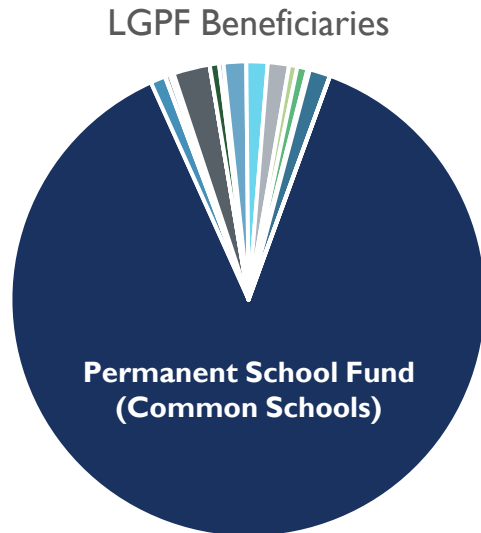
- Staff working with EDD, NMFA & others on venture investments that are helping build and attract companies to New Mexico
- Staff providing input & analysis to the CREG re: transition scenarios

APPENDIX

LGPF BENEFICIARIES

The LGPF is made up of 21 different permanent funds, each belonging to a separate beneficiary

- Beneficiaries receive royalties for non-renewable production on state land tracts - tied to the federal Ferguson Act of 1898 and the federal Enabling Act of 1910
- The permanent school fund makes up the largest portion of the LGPF (~88%), of which common schools (i.e. public schools) are the beneficiary
- Remaining beneficiaries of the LGPF include higher education, special schools, and other state institutions
- The permanent school fund distributes 6.25% of the five-year average fund value; all other beneficiaries receive 5% of the five-year average value. All beneficiary distributions are based on their percentage ownership of the fund, which changes over time based on production levels from beneficiary-specific land tracts.



Beneficiary	Percent Ownership
Common Schools	88.207 %
University of N.M.	.996 %
UNM Saline Lands	.033 %
NM State University	.333 %
Western NM Univ	.016 %
NM Highlands Univ	.015 %
Northern NM College	.013 %
Eastern NM University	.048 %
NM Inst. Mining & Tech	.122 %
NM Military Institute	2.301 %
NM Boys School	.003 %
DHI Miners Hospital	.564 %
NM State Hospital	.299 %
NM State Penitentiary	1.545 %
NM School for the Deaf	1.314 %
NM Sch. for Visually Hand.	1.312 %
Char. Penal & Reform	.499 %
Water Reservoir	.620 %
Improve Rio Grande	.137 %
Public Bldgs. Cap. Inc.	1.620 %
Carrie Tingley Hospital	.001 %

Note: as of May 31, 2025

THIRD PARTY CLIENT FUNDS

CCC Foundation Bonner Title V Fund	CYFD - Trust Fund Non-Expendable	NM Commissioner of Public Lands - O&G	New Mexico School for the Visually Handicapped	NMHU SWEN Endowment
City of Las Cruces	Eastern New Mexico University	NM Highlands University - Endowment Fund	NM Small Business Investment Corporation	NMMFA - General Fund
City of Rio Rancho Permanent Fund	Interstate Stream Comm. – Improvement to the Rio Grande	NM Highlands University Foundation	NM Tech - Foundation Restricted Fund	NMMFA - IFT Housing
Clovis Community College Foundation Fund	Interstate Stream Comm. - Irrigation Works Construction	NM Military Institute – Capital Operations	NM Tech - Proceeds from ABQ Building Sale	NMPSIA - Benefits
CNM ECECD Higher Education Endowment	Interstate Stream Comm. - NM Unit Fund	New Mexico Military Institute - Capital Outlay	NM Tech - Employee Benefits Account	NMPSIA - Risk
CNM Endowed Faculty in Nursing	John R. Carver Testamentary Trust	NM Military Institute - Legislative Scholarship	NM Tech - Endowment Fund	Office of the Superint. of Insurance
CNM Endowment Funds	Los Alamos County - Cemetery	NM Military Institute - LFC/VC	NM Tech - Foundation Enhanced	San Juan College Foundation
CNM General Funds	Los Alamos County - General Fund	NM Military Institute - Patterson Account	NM Tech - Foundation Fund	Springer Municipal School District
CNM Teacher Education Faculty Fellowship Endowment	Los Alamos County - Permanent	NM Military Institute - Trust Scholarship	NM Tech - NMTURPC- Operating Growth Investment	Western New Mexico University
CYFD - Next Generation Fund	MRGCD Endowment Fund Investments	New Mexico Retiree Health Care Authority	NM Tech - Plant/Debt/ Allocated Fund	