



STATE OF NEW MEXICO | OFFICE OF THE STATE TREASURER | NOVEMBER 27, 2023

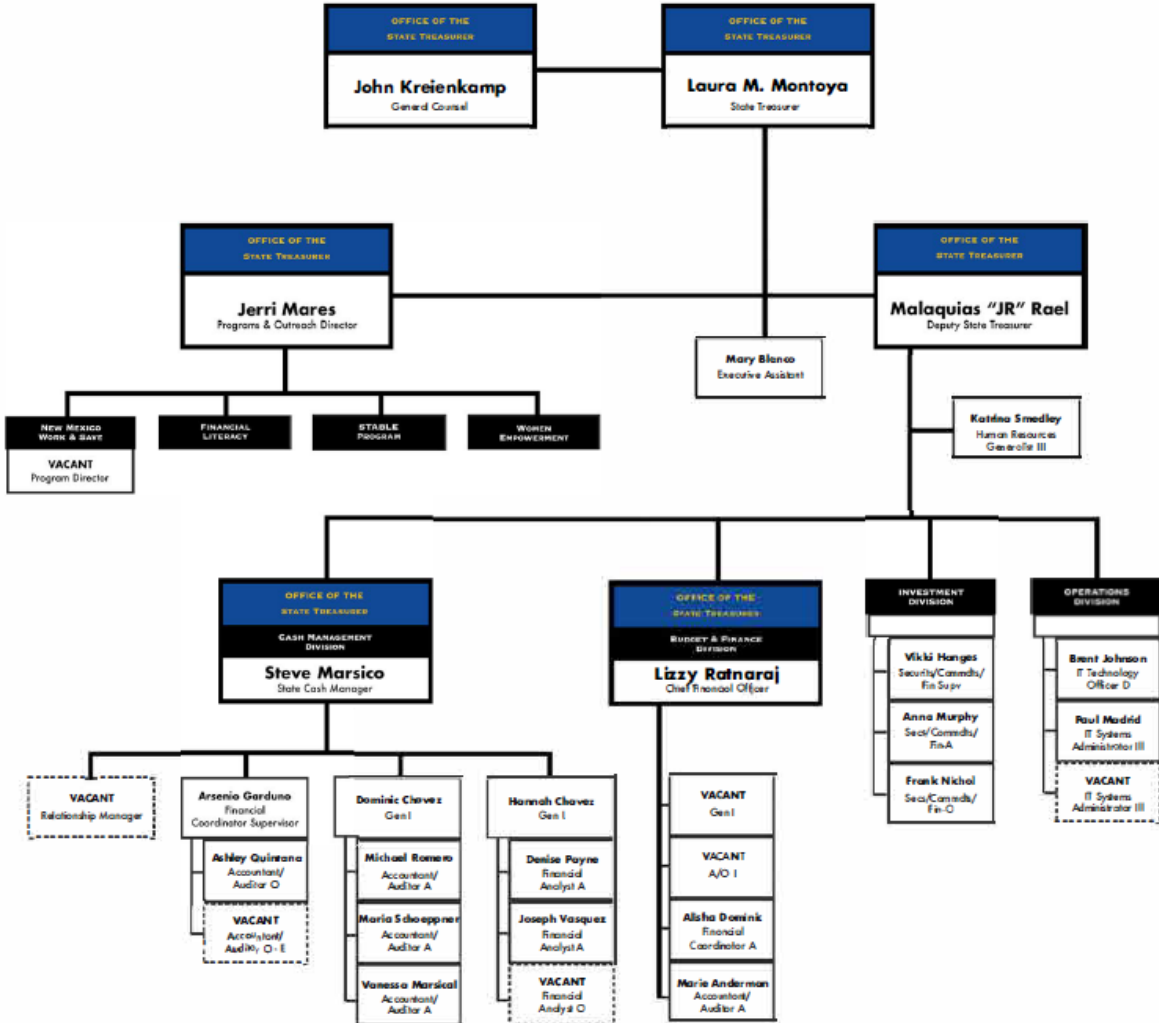
INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

PRESENTATION



LAURA M. MONTOYA
STATE TREASURER

ORGANIZATIONAL CHART



Fiscal Year 2023 Highlights



Managed Assets
\$17 Billion



Agencies Served
140



LGIP Assets
\$1.5 Billion



Total Bank Accounts
1,040



SGFIP Earnings
\$290 Million



Trade Volume
\$26.3 Billion

\$18 billion increase from FY18 through FY23

CORE OFFICE FUNCTIONS

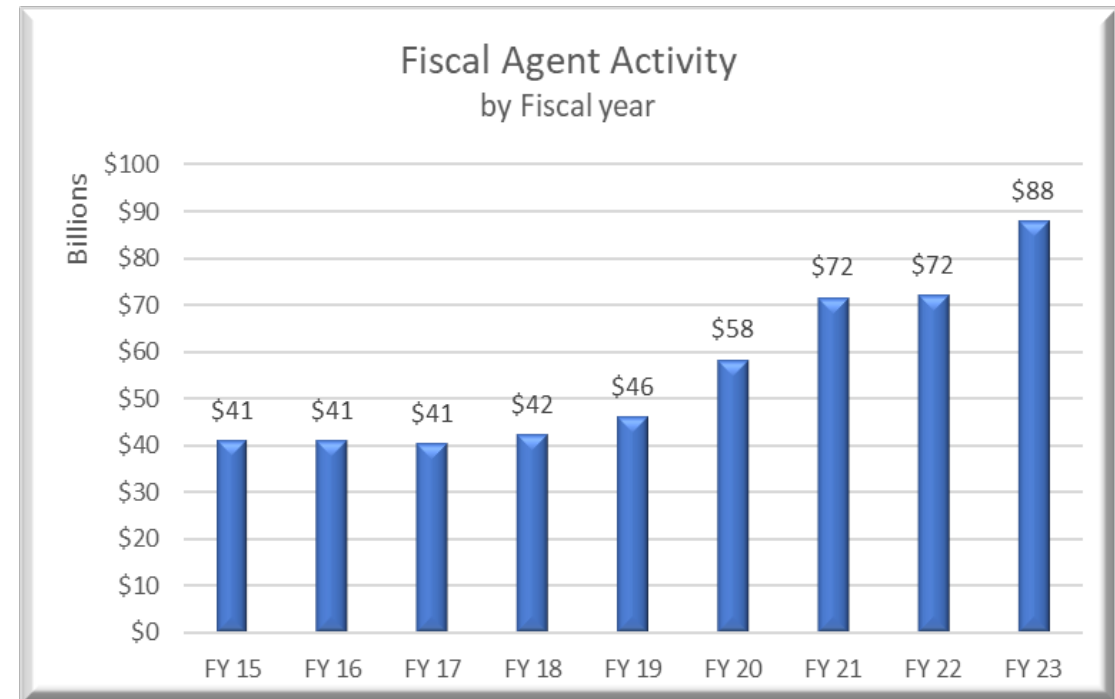


- STO is the banker for the state government
- STO executes by contracting with our fiscal agent bank Wells Fargo Bank
 - We serve 140 state agencies and 1,040 accounts to ensure banking needs
- Funds not immediately needed are invested – safety, liquidity and yield
- STO is the paying agent for debt service
- Securities are held by our custody bank JP Morgan Chase
- Offer and manage investments on behalf of local governments through separately managed pool
- Programs and Outreach Initiatives
 - NM State Treasurer’s Achieving a Better Life Experience (NM STABLE)
 - Financial literacy
 - Partner with banks for community investment opportunities

CASH MANAGEMENT & BANKING DIVISION



- The Division serves 140 agencies and has over 1,040 bank accounts totaling \$88 billion of cash flow activity. This fiscal year we are projected to oversee roughly \$93 billion dollars of inflows and outflows. That equates to an increase of over \$16 billion in FY23 transactions compared to FY22.
- Software upgrades and staffing will enable STO's Investment Division and Cash Management Division to minimize financial risks and strengthen internal controls effectively and efficiently.



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**

ALLOWABLE INVESTMENTS



- **Maximum maturity of five years**
 - US Treasuries
 - US Government Agencies
 - Corporate bonds rated AA or better
 - Supranationals
- **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

INVESTMENT POOLS UNDER MANAGEMENT

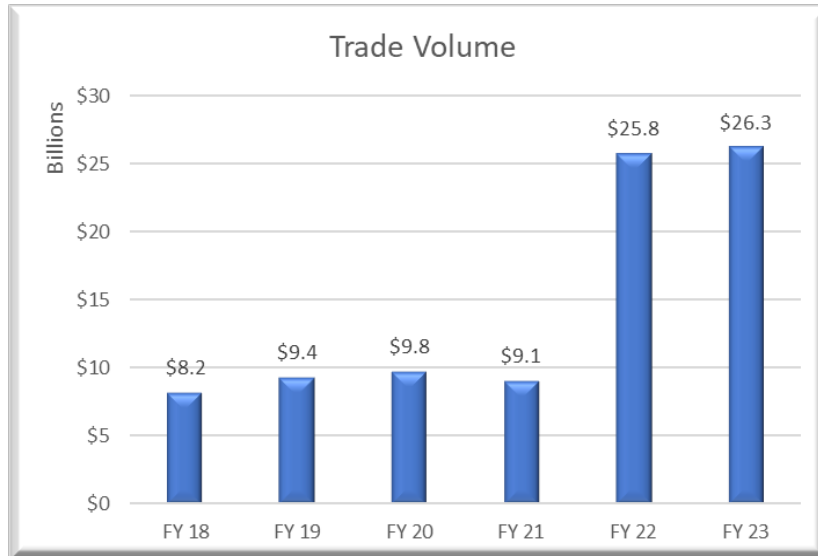


- STO's investment strategy is specific to each fund based on the fund's objectives. The four primary investment funds are:
 - General Fund Core
 - Local Government Investment Pool (LGIP)
 - Bond Proceeds Investment Pool (BPIP) Taxable
 - Bond Proceeds Investment Pool (BPIP) Tax Exempt
- The remaining funds provide for liquidity and specific cash requirements. Those funds are:
 - General Fund Liquidity
 - Severance Tax Bonding Fund (STBF)
 - Overnight Repo Pool

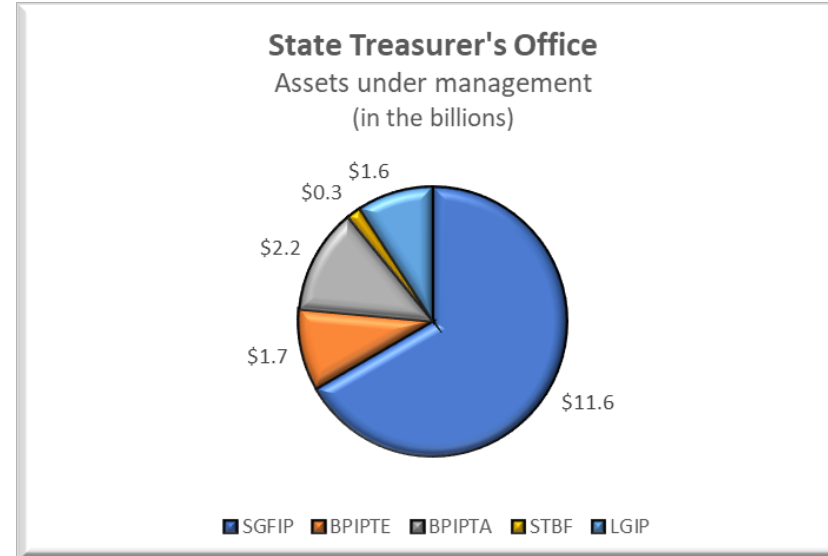
INVESTMENT DIVISION



- In FY23 STO managed over \$17 billion in assets.
- The Local Government Investment Pool (LGIP) has over \$1.5 billion in assets, and we provide investment expertise to over 123 local governments and manage 243 accounts.
- STO's investment trade and money management processes need to be modernized to keep pace with the growing portfolio size and higher transaction volume.

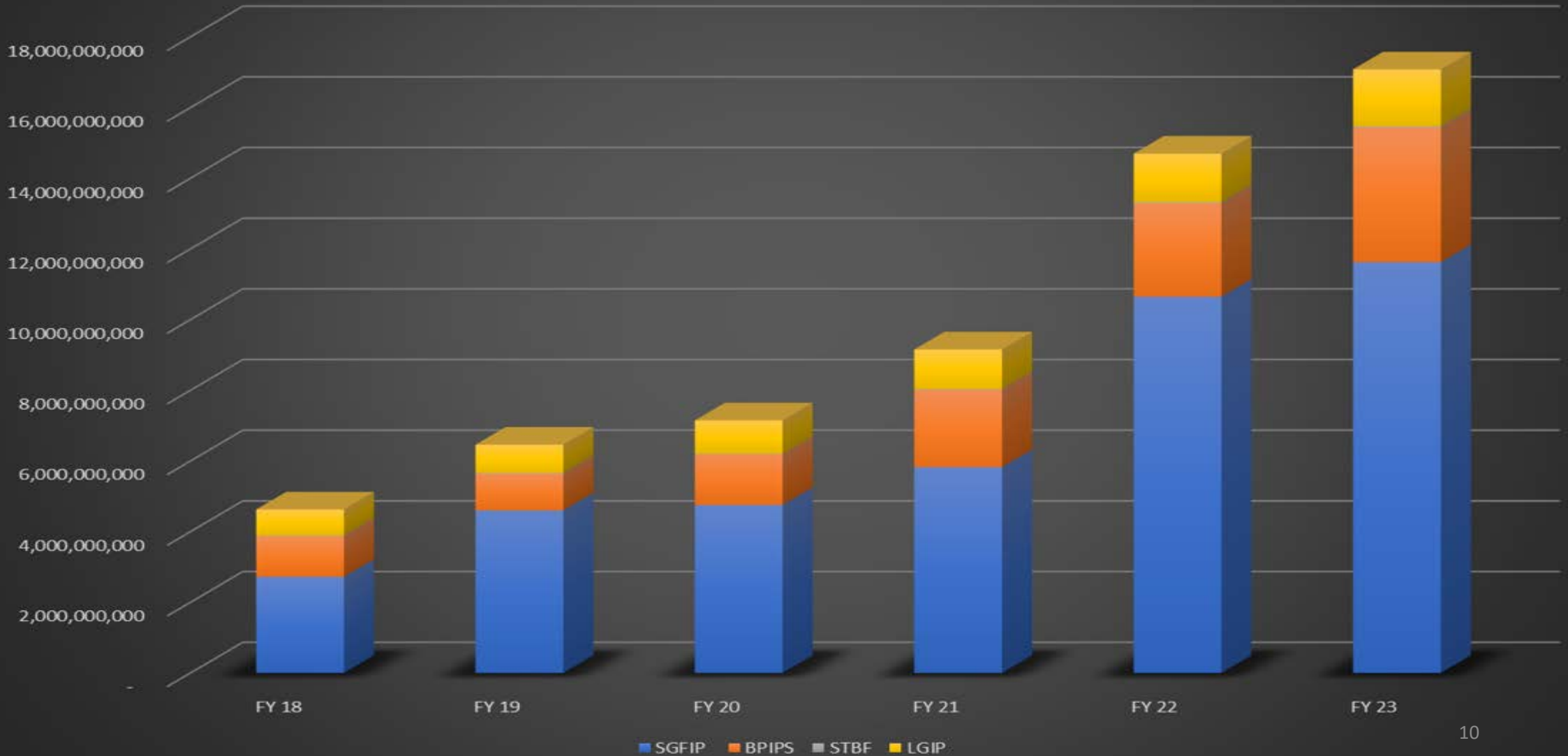


From FY18 to FY23, trade volume increased by \$18 billion.



- SGFIP**-State General Investment Pool
- STBF**-Severance Tax Bonding Fund
- BPIPE**-Bond Proceeds Investment Pool (Tax Exempt)
- BPIPTA**-Bond Proceeds Investment Pool (Taxable)
- STBF**-Severance Tax Bonding Fund
- LGIP**-Local Government Investment Pool

State Treasurer's Office Total Assets \$ (000)



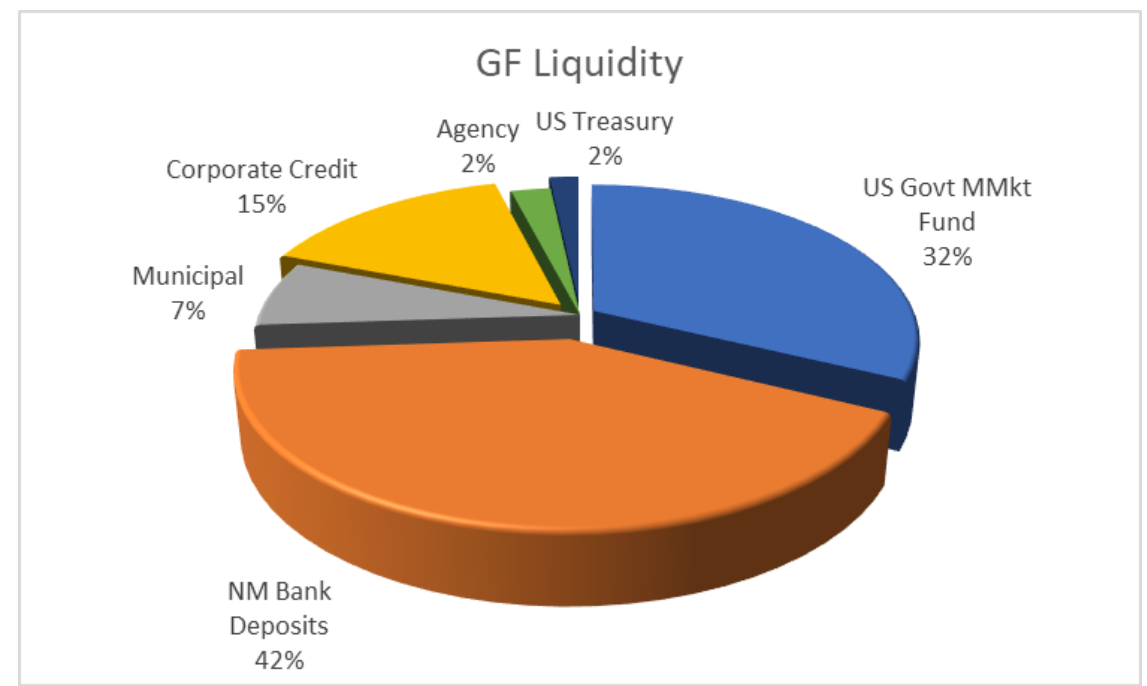
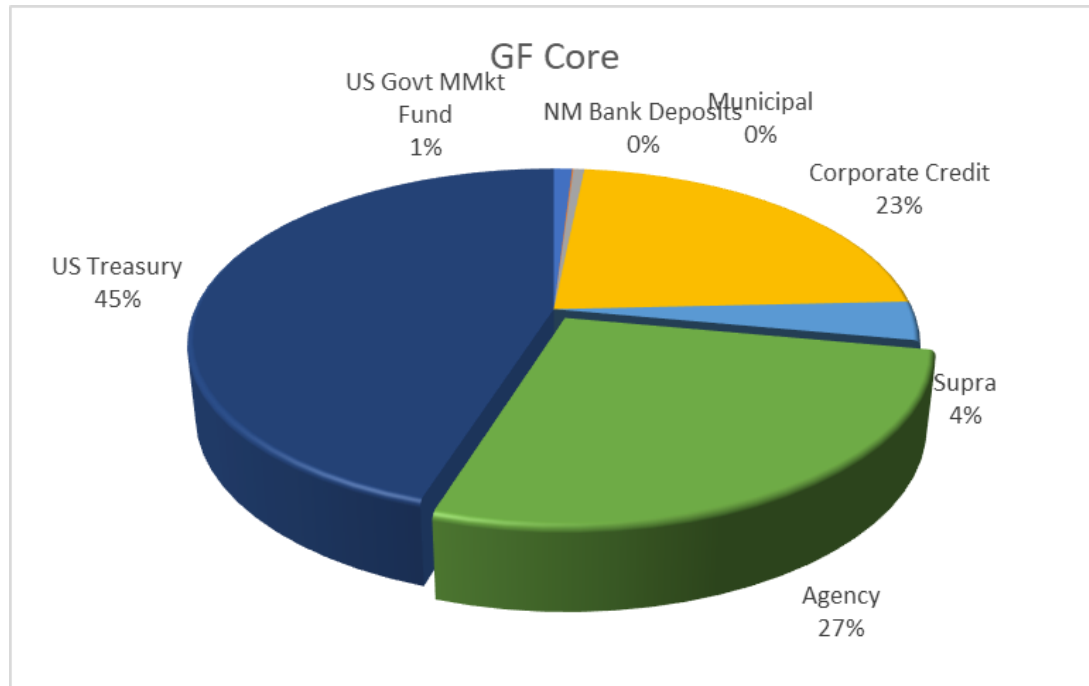
STO FUND PERFORMANCE

Period Ended 9/30/23



| | 1 Mo | 3 Mo | YTD | 1Y | 2Y | 3Y | 5Y |
|---|--------|-------|-------|-------|--------|--------|-------|
| General Fund | | | | | | | |
| Liquidity | 0.44% | 1.34% | 3.80% | 4.73% | 2.71% | 1.84% | 1.79% |
| ICE 1-Month US Treasury Bill Index | 0.46% | 1.31% | 3.57% | 4.47% | 2.52% | 1.69% | 1.65% |
| Core | -0.12% | 0.57% | 1.99% | 2.97% | -0.92% | -0.63% | 1.32% |
| ICE 0 to 5 Year US Treasury Index | -0.15% | 0.50% | 1.73% | 2.67% | -1.41% | -1.04% | 1.13% |
| Bond Proceeds Pools | | | | | | | |
| Tax Exempt | 0.30% | 1.20% | 3.02% | 3.86% | 1.17% | 0.82% | 1.54% |
| ICE 0 to 2 Year US Treasury Index | 0.29% | 1.16% | 2.79% | 3.54% | 0.71% | 0.52% | 1.54% |
| Taxable | 0.17% | 1.01% | 2.65% | 3.48% | 0.35% | 0.27% | 1.39% |
| ICE 0 to 3 Year US Treasury Index | 0.15% | 0.94% | 2.33% | 3.13% | -0.19% | -0.11% | 1.28% |
| Local Gov't Investment Pool | | | | | | | |
| LGIP | 0.45% | 1.33% | 3.78% | 4.74% | 2.68% | 1.83% | 1.78% |
| S&P LGIP Gross of Fees | 0.45% | 1.36% | 3.79% | 4.68% | 2.67% | 1.81% | 1.78% |
| Severance Tax Bonding Fund | | | | | | | |
| STBF | 0.45% | 1.39% | 3.87% | 4.82% | 2.83% | 1.92% | 1.86% |
| S&P LGIP Gross of Fees | 0.45% | 1.36% | 3.79% | 4.68% | 2.67% | 1.81% | 1.78% |

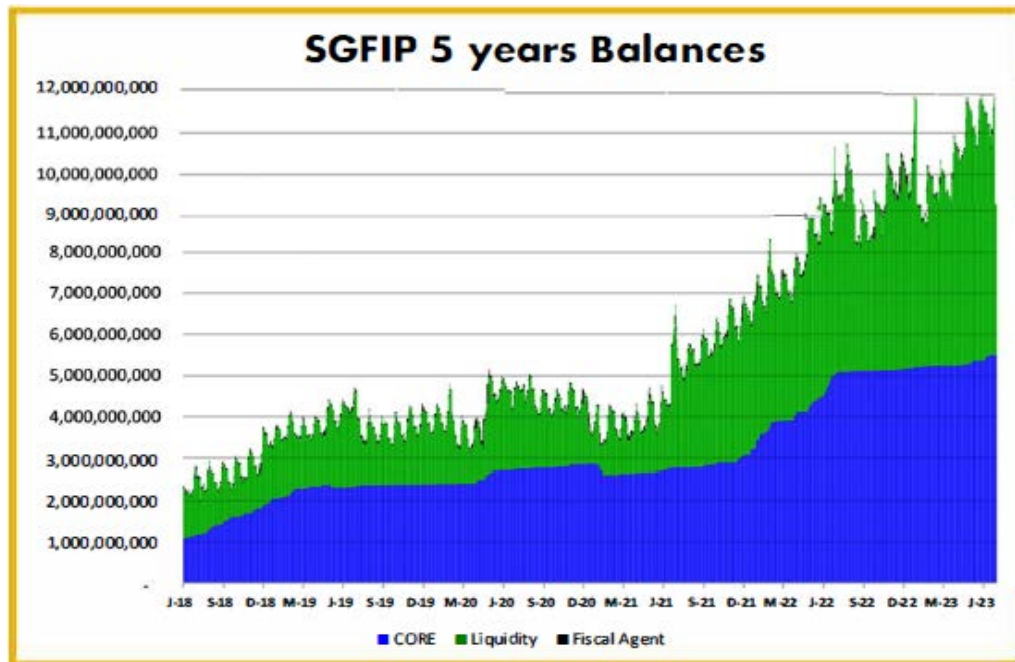
GENERAL FUND PORTFOLIO SECTORS



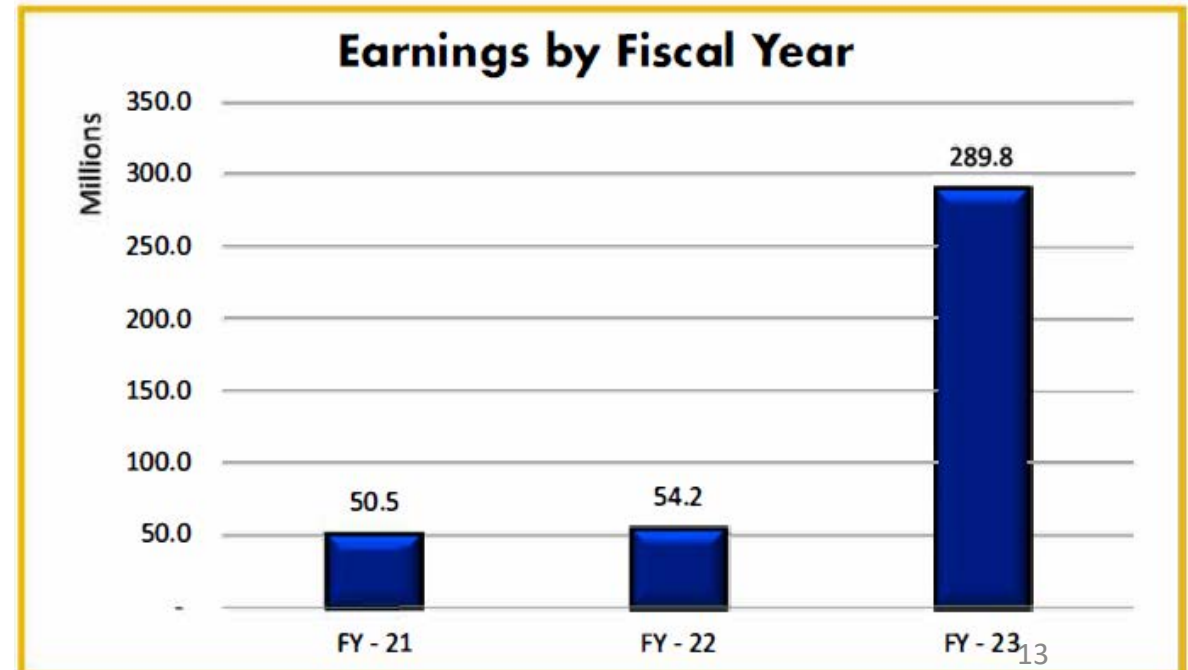
BALANCES & EARNINGS



FY23 revenues show continued strength after a record-breaking FY22. The strength is shared across revenues-income tax, gross receipts tax, selective sales tax, and investment income are all above FY22 levels. This has led to higher balances in the SGFIP, which is depicted in the chart below.



SGFIP earnings for FY23 totaled approximately \$290 million. This total is an increase of 434.2% from FY22 where the SGFIP earned \$54 million. Higher balances and higher interest rates were big factors in this fiscal year's earnings.

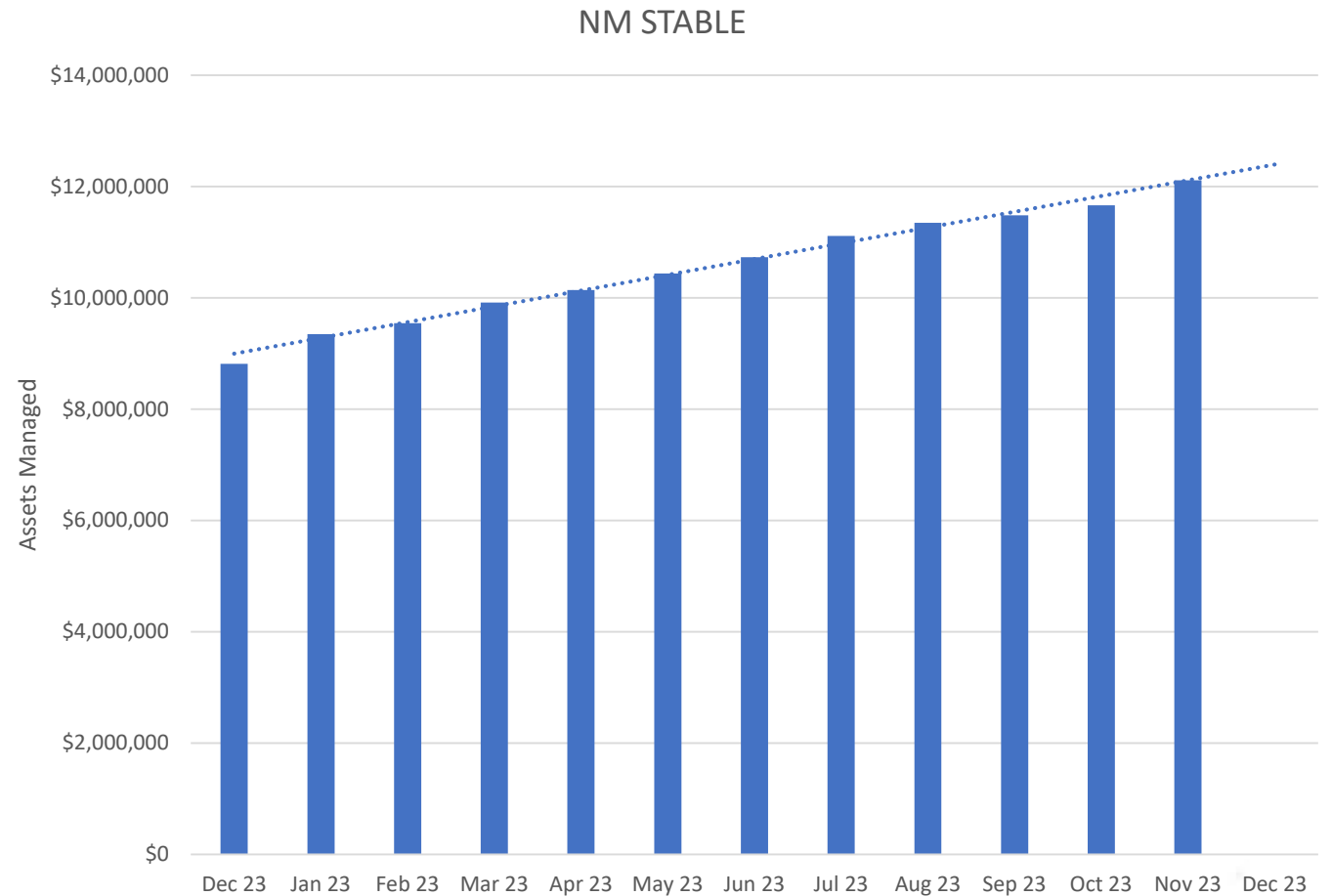


PROGRAMS & OUTREACH



NM STABLE

- Assets Under Management have increased \$3.4 million since taking office
- Account annual contribution limit
 - \$18,000 for 2024
- ABLE to Work annual contribution limit
 - \$14,580 for 2024
- Proposed legislation to align NM law with the federal ABLE Age Adjustment Act (2022)
 - raising the age of onset of disability from age 26 to age 46



FY25 REQUESTS



| | FY24 Budget | FY25 Request | \$ Change | % Change | Description |
|------------------------------------|-------------|--------------|------------|----------|---|
| 200 - Personnel | \$3,644.20 | \$4,330.00 | \$685.80 | 18.8% | Fully funding all authorized vacant FTEs, legislative salary increases for personnel, and annual leave & comp leave for upcoming retirements |
| 300 - Professional Services | \$522.50 | \$612.90 | \$90.40 | 17.3% | IT Services & Document Management, STABLE, Financial Literacy, Women Empowerment Programs, Forfeiture Program |
| 400 - Other | \$717.20 | \$1,255.40 | \$538.20 | 75.0% | 1) Investment Accounting Software, Portfolio Management Software (Increase licenses & services) 2) Cash Flow Software 3) Risk Management Software 4) Employee Training |
| | \$4,883.90 | \$6,198.30 | \$1,314.40 | 26.9% | |

STRATEGIC PARTNERSHIP



- Investment in STO and approval of FY25 budget request
- Spread the word! Local Government Investment Pool
 - Local Governments include
 - Qualifying State Agencies
 - Tribal governments
 - Counties
 - Municipalities
 - School districts
 - Quasi-governmental entities
- State Treasurer's Achieving a Better Life (STABLE) – 2024 Legislative Session
- Baby Bonds
- Financial Literacy

CONTACT INFORMATION



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