

NEW MEXICO STATE
**INVESTMENT
COUNCIL**

FY 2021 Appropriation Request Summary
Legislative Finance Committee
October 30, 2019



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GOVERNOR

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October 30, 2019

Honorable John Arthur Smith, Chair
Honorable Patricia A. Lundstrom, Vice Chair
Legislative Finance Committee

Re: FY21 Appropriation Request –State Investment Council (33700)

Ladies and Gentlemen:

The State Investment Council (SIC) appears before the Legislative Finance Committee to present its FY21 Appropriation Request. A summary of the request follows:

<u>FY21 Budget Request</u>	<u>Other State Funds</u>
Base	\$58.454 million
Expansion	<u>0.0 million</u>
Total Request	\$58.454 million

As the attached summaries show, our request reflects a net decrease of \$2.885 million in comparison to FY20. Per the attached summary, \$3.123 million of the decrease 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, 2019, shows that the permanent funds have increased \$1.51 billion during the past fiscal year, largely due to investment returns and increased contributions. We have estimated potential fund growth for FY21 as shown in our appropriation request submission. Growth in assets is estimated based upon historical returns. Any unused appropriations are reverted to the Land Grant Permanent Fund and the Severance Tax Permanent Fund at fiscal year-end. Personal services shows an increase of \$0.220 million, largely due to needed increases in staffing. Currently the SIC is sourcing for a financial analyst. Soon, we will be sourcing up to three additional positions, which will leave three of our 31 authorized positions unfilled.

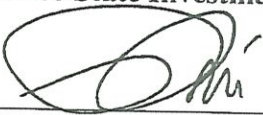
The SIC continues to build a best-in-class institutional investment management organization. During the past several years, the Council has embarked on an ambitious schedule of requests for proposals for investment management services. This process has resulted in the selection of several new managers, funds and consultants which have helped us to achieve solid performance.

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We are committed to “protecting and growing the state’s permanent endowment funds for current and future generations, through prudent, professional investment management.” 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
FY21 Appropriation Request Summary
(Millions)

	FY21	FY20	Difference
General Fund	\$	\$	\$
Federal Funds	\$	\$	\$
Other State Funds	\$ 58.454	\$ 61.339	\$ (2.885)
Total Sources	\$ 58.454	\$ 61.339	\$ (2.885)
Personal Services & Employee Benefits	\$ 4.522	\$ 4.302	\$ 0.220
Contractual Services	\$ 53.249	\$ 56.372	\$ (3.123)
Other	\$ 0.683	\$ 0.665	\$ (0.018)
TOTAL REQUEST	\$ 58.454	\$ 61.339	\$ (2.885)

State Investment Council FY 21 Appropriation Request Summary

- FY21 request: \$58.454 million
- FY20 budget: \$61.339 million
- Proposed decrease: \$ 2.885 million (4.7 percent)

Justification for request:

- Decreased investment management fees (within contractual services) are spread across all publicly-traded asset classes;
- Continued outsourcing of investment management to improve returns;
- Decreased investment management fees result from a lower forecast of the potential growth of assets through FY21, since fees are based on a percentage of assets under management;
- 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
- Increase in personal services of \$220,000 for three positions.