



# New Mexico State Investment Council

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## **INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE**

### **STATE INVESTMENT COUNCIL**

#### **INVESTMENT PERFORMANCE & ACCOMPLISHMENTS AND REFORMS**

**JUNE 6, 2013**



# STATE INVESTMENT COUNCIL

## Overview

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- Council hired Steve Moise in April 2010
- Council Committee structure implemented
- Asset allocation study completed summer 2011
  - Shift from historically high-risk, stock-heavy portfolio
  - Balanced approach mixes stocks, bonds, and private investments with focus on stable, income-producing assets
- On target to complete 3-year asset & mgr. transition
- \$10 billion moved in last three years
- New advisors, investment managers
- New management team, other staff changes



# STATE INVESTMENT COUNCIL

## Ongoing Restructuring

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- **Shifting assets away from internal management**
  - In 2009, 40% managed internally
  - By end of FY13, 100% external management
  - Significant benefits to stock & bond portfolios
- **Internal portfolio managers/staff repurposed for strategic benefit**
- **Focus now on asset allocation, systems & strategy**
  - Analyst Contact Network
  - Global Heat Map
  - Risk Analysis System



# STATE INVESTMENT COUNCIL

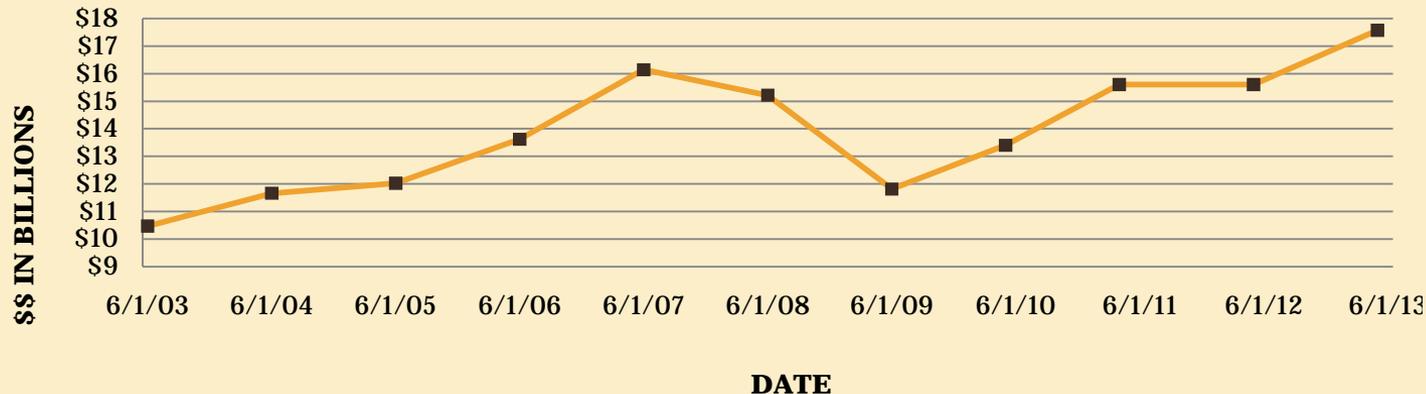
## Permanent Fund Growth

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- **Growth of Fund**

- More than \$3.9 billion for 3-years ending 5/31/13

### Net Asset Value



- Significant distributions, three years trailing:
  - ✦ Distributions/outflow: \$2.280 billion
  - ✦ Contributions/inflow: \$1.601 billion
  - ✦ Difference: \$680 million more in distributions



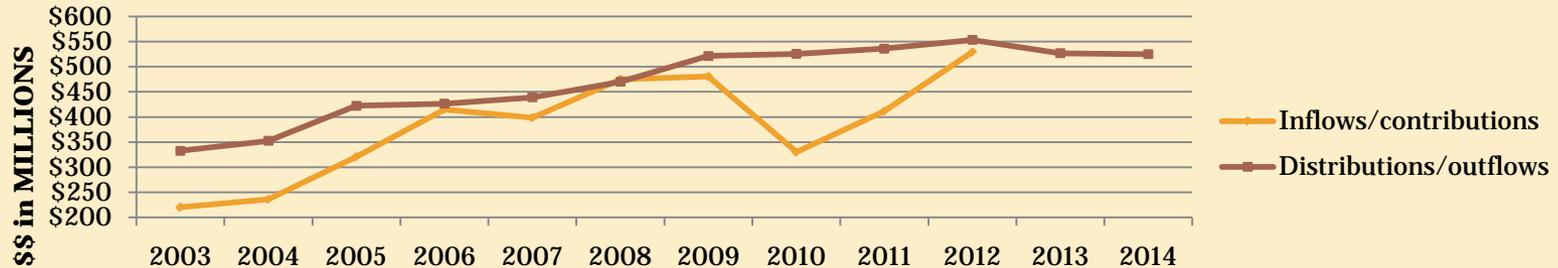
# STATE INVESTMENT COUNCIL

## Contributions vs. Distributions

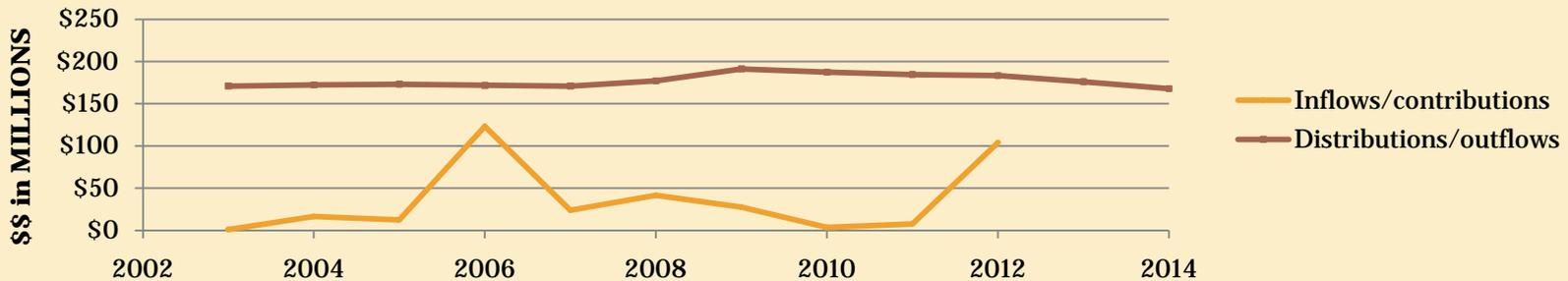
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- Permanent Fund: FY inflows vs. outflows

### Land Grant Permanent Fund Inflows & Distributions



### Severance Tax Permanent Fund Inflows & Distributions





# STATE INVESTMENT COUNCIL

## Power of the Permanent Funds

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- **Distribution rates from the funds in FY14:**
  - LGPF: 5.5% of 5 year average
  - STPF: 4.7% of 5 year average
  - Tobacco: 100% of new contributions (about \$40M/yr)
  - Water: \$4M (statutory \$4M/yr)
- **Permanent Fund peer distribution rates:**
  - Alaska (formula based on income/earnings, but about 5%)
  - Texas Permanent School Fund: 3.3% (determined by board)
  - Wyoming: 5% of 5-year average
  - Arizona: 2.5% of 5-year average
- **University endowments: average of 4.5%-5%**



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## Investment Performance

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- Long-term investment returns improved since 2009
- Restructuring/transition ongoing

	<u>QTD</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Land Grant Total Fund Composite	<b>4.98%</b>	<b>12.20%</b>	<b>9.77%</b>	<b>9.00%</b>	<b>4.53%</b>	<b>7.98%</b>
Median TUCS Public Plans > \$1 Billion	4.77%	12.22%	10.42%	9.58%	5.08%	8.62%
LGPF Policy Index	5.18%	12.12%	10.40%	10.41%	5.02%	8.13%
Severance Tax Total Fund Composite	<b>4.55%</b>	<b>11.26%</b>	<b>9.20%</b>	<b>8.33%</b>	<b>3.44%</b>	<b>7.31%</b>
Median TUCS Public Plans > \$1 Billion	4.77%	12.22%	10.42%	9.58%	5.08%	8.62%
STPF Policy Index	5.18%	12.12%	10.40%	10.50%	4.85%	8.21%



# STATE INVESTMENT COUNCIL

## Council Update

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- **Council fully engaged, 11 members strong**
- **New Council members:**
  - Tim Jennings
  - Harold Lavender
  - John Young
- **Advisory SIC committee members:**
  - Fred Nathan (Governance)
  - Lynn Hoffman (Investment)
  - Gene Sanger (Investment)
  - Jim Goodwin (Audit)



# STATE INVESTMENT COUNCIL

## Legislative needs

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- **Council Legislative priorities**
  - Constitutional amendment
    - ✦ Improves standard of care with which the Council must manage to Uniform Prudent Investor Act from “ordinary prudence”
    - ✦ Removes dated restriction capping international investments at 15%
- **Remove private equity committee from statute**
  - Should be overseen by Investment Committee populated by Council & appointees
- **Clean up language in SIC governing statute**