



NEW MEXICO STATE INVESTMENT COUNCIL



INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

REP. JIM TRUJILLO, CHAIR

JUNE 17, 2014

STATE INVESTMENT OFFICER STEVE MOISE
DEPUTY SIO ROBERT "VINCE" SMITH



STATE INVESTMENT COUNCIL

SIC Overview



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- **State Investment Council**
 - Eleven members: 3 elected, 4 appointed by Governor, 4 appointed by legislature
- **Reforms since 2010**
 - Council reconstituted & restructured
 - SIO appointed by Council
 - Committees established: Investment, Private Equity, Governance, Audit, & Legal
- **Agency, operational & staff changes**
- **Portfolio reforms: advisors, managers & investments replaced**



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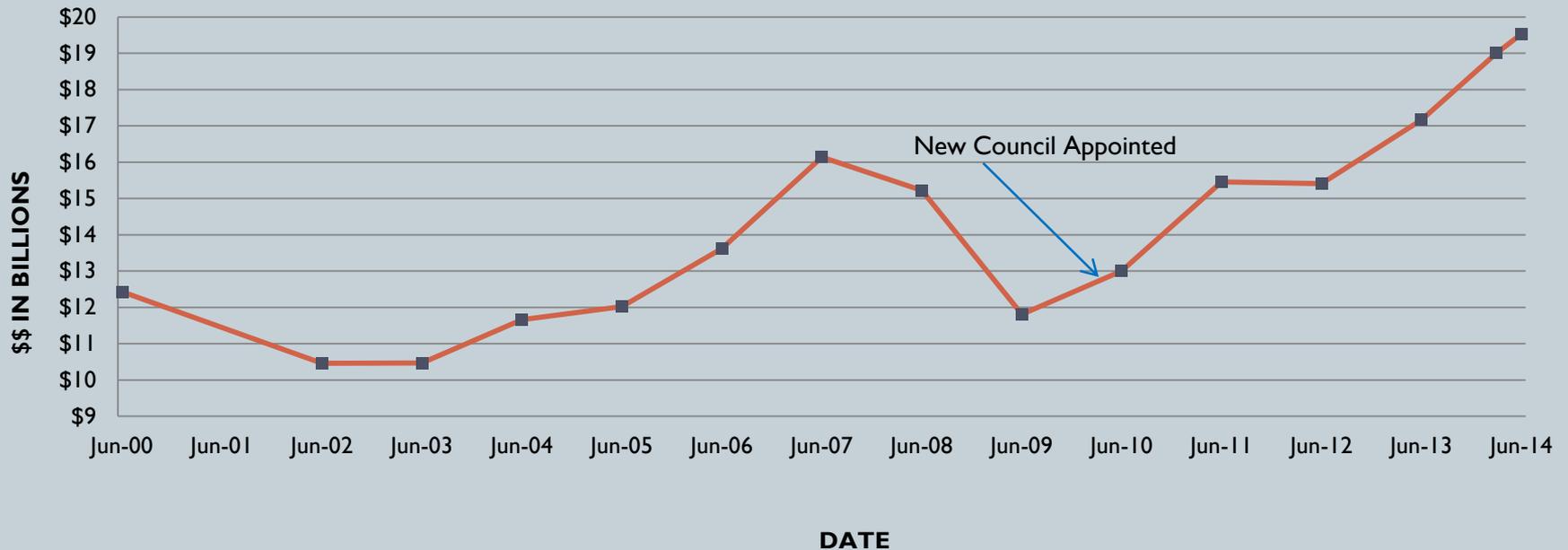
Permanent Fund Growth



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- Growth of assets under management
 - From \$14 billion (April 2010) to more than \$19 billion today

Net Asset Value 2000 - 2014





STATE INVESTMENT COUNCIL

Permanent Funds



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- **Land Grant Permanent Fund**
 - \$13.7 billion in assets, diversified portfolio
 - Distributions: \$596 million in FY15
 - ✦ 83% to public schools
 - ✦ 11% to universities, colleges & specialty schools
 - ✦ 6% other
- Distribution rate: 5.5% of 5-year LGPF average
- Distribution rate becomes 5.0% in FY17
- Conservative distribution estimate for FY 17: \$642 million
- Distribution estimate FY2025: \$1 billion
- Growing the Fund = Growing the benefits



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Permanent Funds



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- **Severance Tax Permanent Fund**
 - \$4.5 billion in assets
 - Distributions: \$183 million in FY15
 - ✦ 4.7% of 5-year STPF average
 - ✦ General Fund
 - Fund still below 2007 highs of \$4.8 billion
 - Contributions (in-flows) are irregular due to bonding
- **1990s Contributions: 50% bonding & 50% STPF**
- **2000s Contributions: 85/15 (10-year average)**
- **Today: 95/5**



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Permanent Funds



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- **Tobacco Settlement Permanent Fund**
 - \$194 million in assets
 - \$40 million average contributions
 - ✦ Appropriated 100% since FY 2008
 - 2013 contribution lowered from \$39M to \$21M
 - Similar reduction possible for future years
- **Water Trust Permanent Fund**
 - \$48 million in assets
 - No contributions
 - \$4 million/year for water projects approved by WTB
 - Projections: 50% chance this fund will be at \$0 by FY2034



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Investment Returns



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- Investment performance improving long-term
- Stock market rally allowing for orderly portfolio transition
 - Lowering equity holdings, volatility, risk exposure
 - Growing investments in diversified income-producing assets
- Consistent returns our goal

	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years
Land Grant Total Fund Composite	2.01	2.01	11.92	12.99	8.63	13.15	5.15	6.73
Severance Tax Total Fund Composite	1.98	1.98	11.86	12.76	8.11	12.50	4.32	6.07
All Public Plans > \$10B (Custom Peer Group) Median	2.07	2.07	12.30	12.53	8.99	13.94	5.42	7.07
<i>SIC Composite TUCS Rank Public Funds >\$1B</i>	57	57	55	38	63	76	70	71

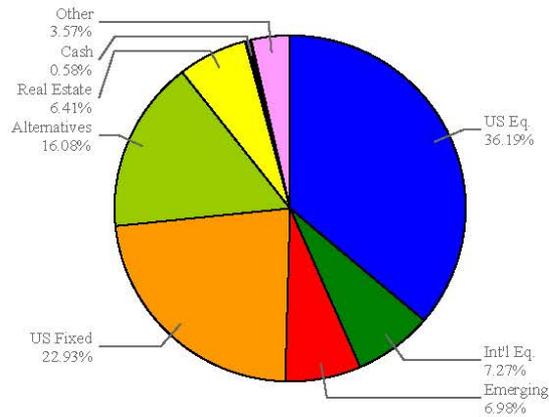


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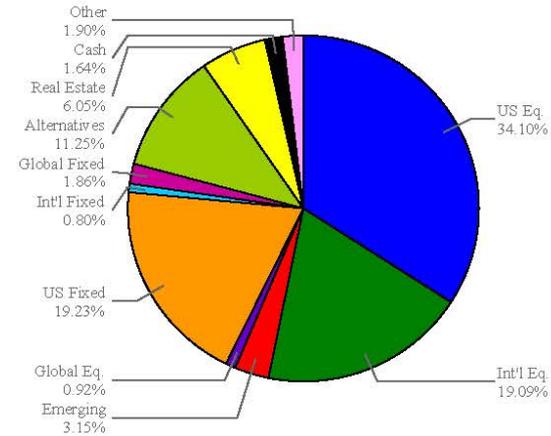
Current Asset Allocation



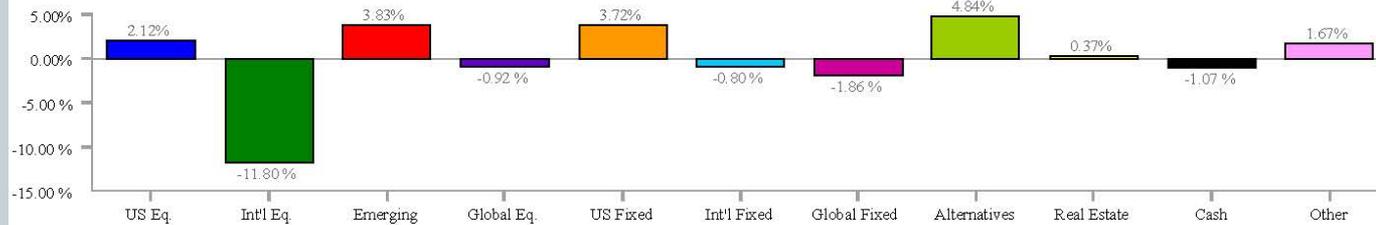
New Mexico State Investment Council



\$10-\$20 Billion



Variance

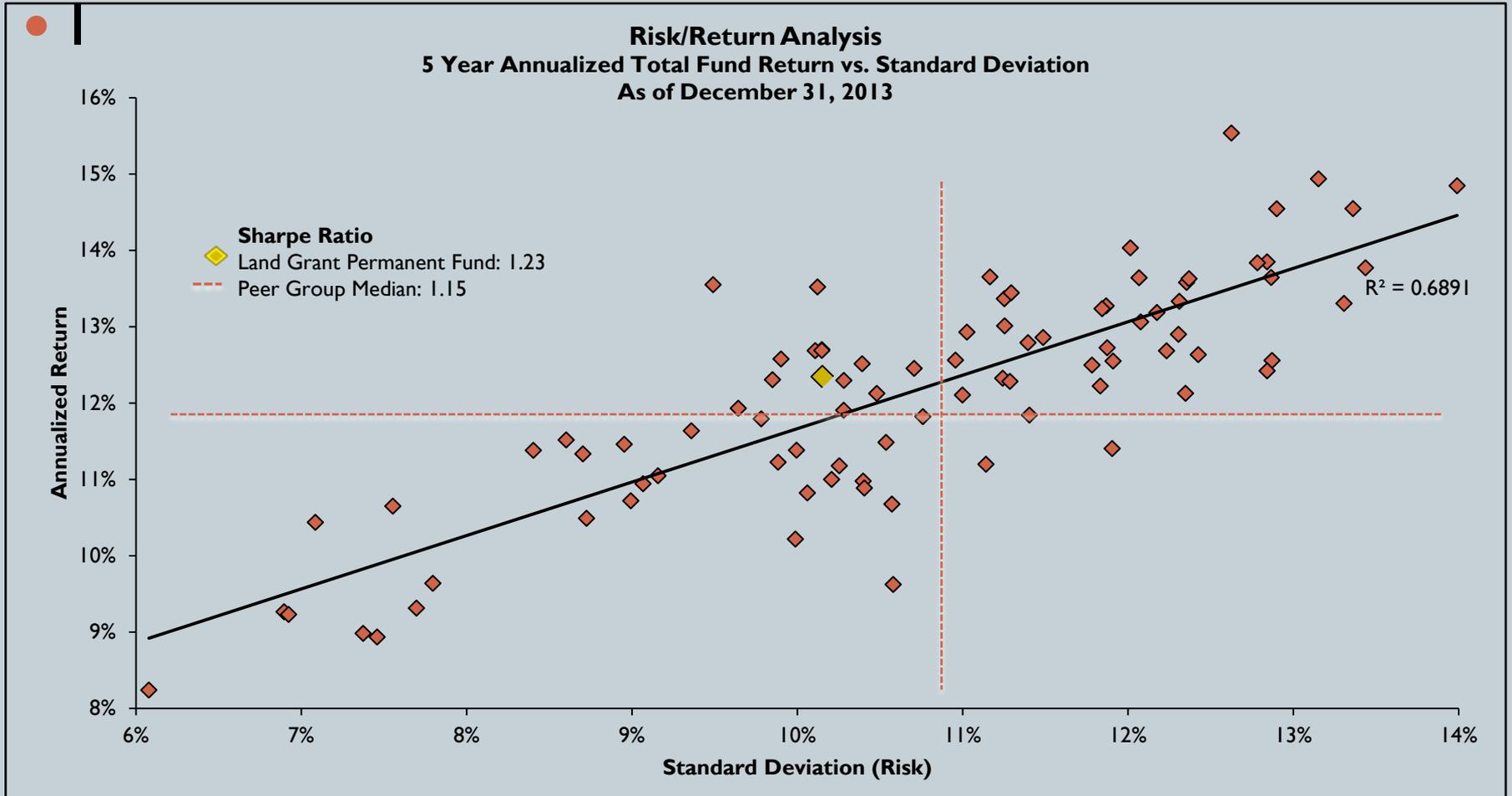


Allocations shown may not sum up to 100% exactly due to rounding.



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Risk/Return Analysis





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Allocation Risk



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- **9/30/2007 assets under management: \$16.3 billion**
 - 64.7% Public equity
 - 11.9% Core bonds & cash
 - 23.4% Alternatives
 - ✦ Private equity (100+ funds, 80 managers)
 - ✦ Hedge fund of funds (16 managers, 400+ underlying funds)
 - ✦ Real estate (joint ventures/opportunistic focus)
 - ✦ CDO equity (lowest quality/highest risk tiers)
 - ✦ Economically targeted investments (ETIs)
 - Peer rankings 1/3/5 year: 26/34/53
 - Risk?



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18 months later



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SIC Assets	9/30/2007 Values	3/31/2009 Values	Value Change
Domestic Equity	\$ 8,503,558,284	\$ 4,820,713,318	\$ (3,682,844,966)
Non-US Equity	\$ 2,058,163,083	\$ 778,825,806	\$ (1,279,337,277)
Total Equity	\$ 10,561,721,367	\$ 5,559,539,124	\$ (5,002,182,243)
Core Bonds	\$ 1,806,840,167	\$ 1,686,156,955	\$ (120,683,212)
Credit/Structured Debt CDOs	\$ 638,342,000	\$ 217,458,559	\$ (420,883,441)
Total Fixed Income	\$ 2,445,182,167	\$ 1,903,615,514	\$ (541,566,653)
Absolute Return/Hedge	\$ 1,444,708,115	\$ 1,438,982,917	\$ (5,725,198)
Private Equity	\$ 1,063,183,908	\$ 1,406,890,060	\$ 343,706,152
Real Estate	\$ 444,802,676	\$ 565,453,478	\$ 120,650,802
Econ. Targeted (ETIs)	\$ 235,132,505	\$ 171,205,705	\$ (63,926,800)
Total Alternatives	\$ 3,187,827,204	\$ 3,582,532,160	\$ 394,704,956
Cash	\$ 131,315,681	\$ 374,455,422	\$ 243,139,741
Total Assets	\$ 16,326,046,418	\$ 11,460,142,221	\$ (4,865,904,197)



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Closing Thoughts



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- **Legislation in 2015**
 - STPF funding formula adjustment
 - SIC enabling statute updates
 - Additional flexibility relative to staffing
 - Other contribution formula adjustments
- **For additional consideration by IPOC:**
 - Accomplishments & Goals 2014
 - Amendment 5 facts (HJR 16)