



NEW MEXICO STATE INVESTMENT COUNCIL



PUBLIC SCHOOL CAPITAL OUTLAY TASK FORCE

IMPACT OF CONTRIBUTIONS &
DISTRIBUTIONS ON PERMANENT FUNDS

SEPTEMBER 3, 2014

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



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SIC Overview



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- **Total Fund:**
 - Record high close for fiscal year: **\$19,814,031,173**
 - FY 14 total assets investment returns: **15.9%**
- **Fund distributions for FY15:**
 - LGPF: \$596.0 million
 - STPF: \$182.7 million
 - Total: \$778.7 million
- **Projected FY16 total distributions: \$845 million**
- **Fund growth = greater benefits**



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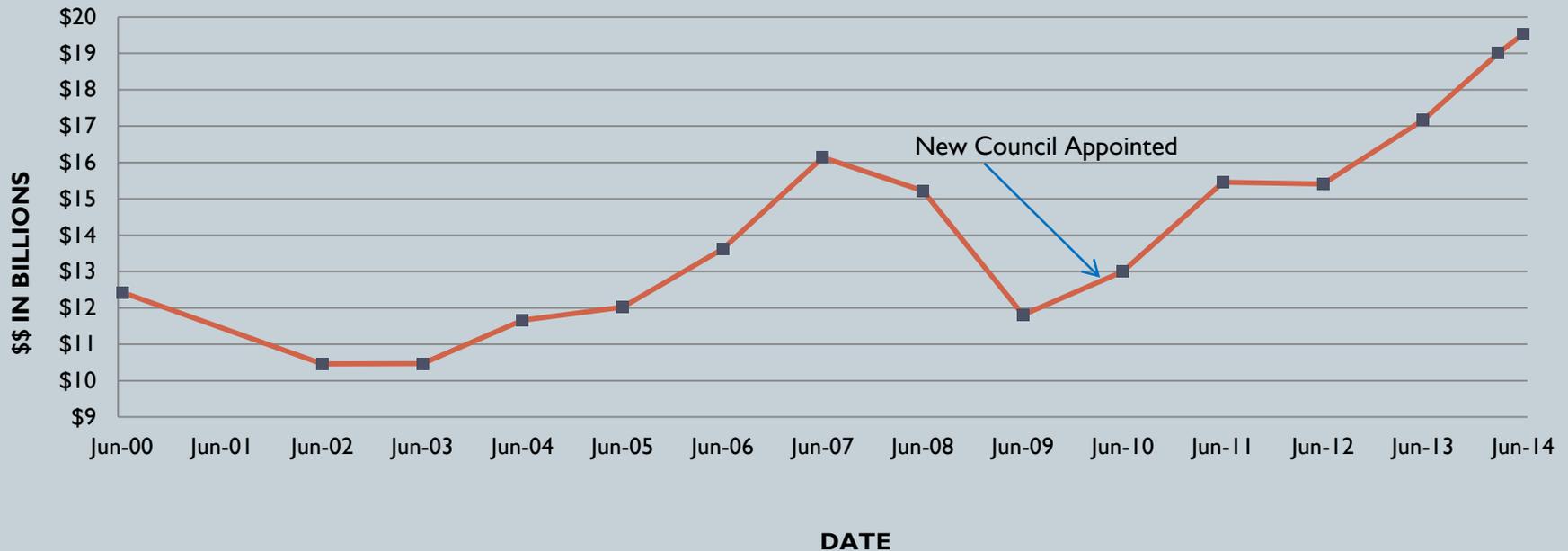
Permanent Fund Growth



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- Growth of assets under management
 - From \$14 billion (April 2010) to \$19.8 billion (July 2014)

Assets Under Management 2000 - 2014





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Investment Performance Summary: 6/30/14



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- Gain since January: \$1 billion+

NMSIC Total Fund - Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
CYTD	18,751,981,477	21,316,780	1,040,732,916	19,814,031,173	5.54

- Strong short-term investment returns

	Market Value (\$)	%	MTD	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years
NMSIC Total Fund Composite	19,814,031,173	100.00	1.71	3.45	5.54	15.87	15.87	9.67	12.95	6.96
Land Grant Total Fund Composite	14,194,883,068	71.64	1.72	3.35	5.43	15.67	15.67	9.70	13.08	7.07
Severance Tax Total Fund Composite	4,627,111,497	23.35	1.61	3.48	5.52	15.75	15.75	9.16	12.34	6.41

- Long-term returns still lag 7.5% annual target



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Growth of the Funds



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Severance Tax Permanent Fund 2007-2014 assets

2007: \$4.7 billion
 2014: \$4.6 billion
 Growth: **-\$100 million**



Land Grant Permanent Fund 2007-2014 assets

2007: \$10.7 billion
 2014: **\$14.2 billion**
 Growth: **\$3.5 billion**





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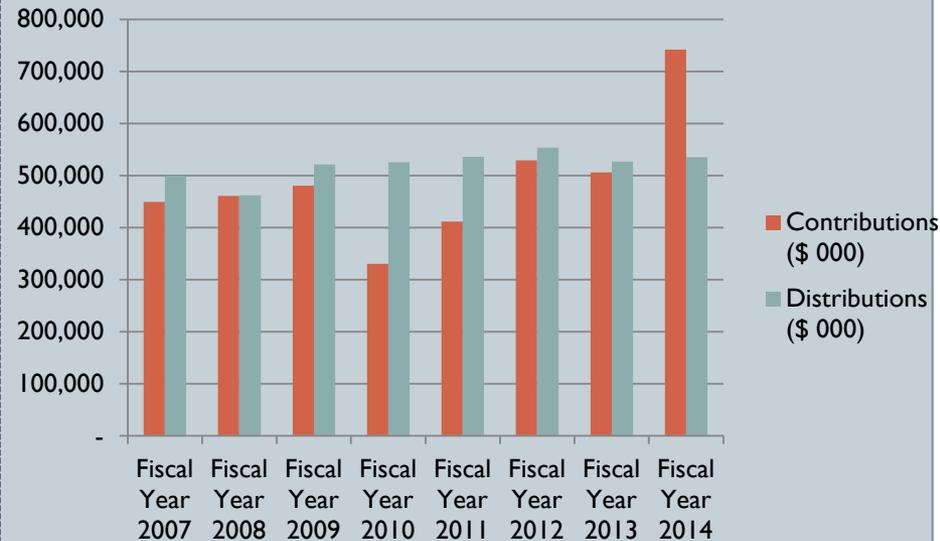
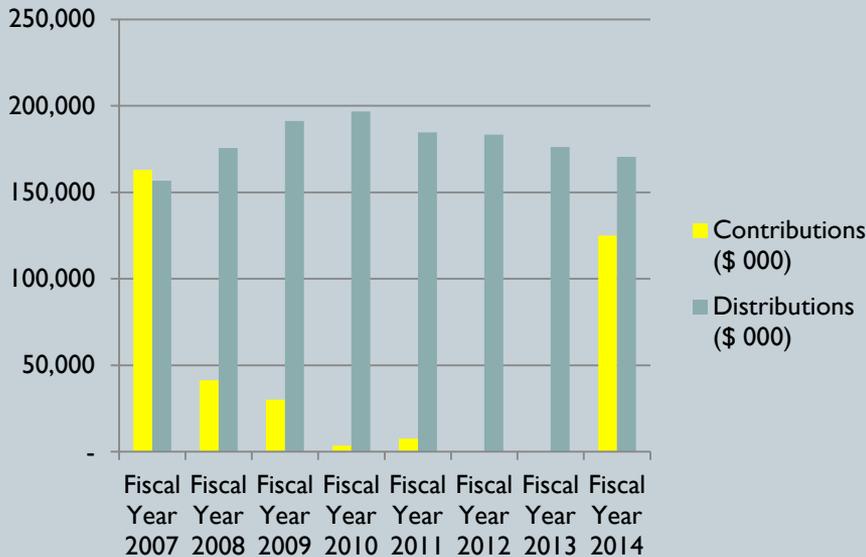


Severance Tax Permanent Fund in & outflows 2007-2014

Land Grant Permanent Fund in & outflows 2007-2014

- Inconsistent contributions for extended market cycles

- Strong contributions every month





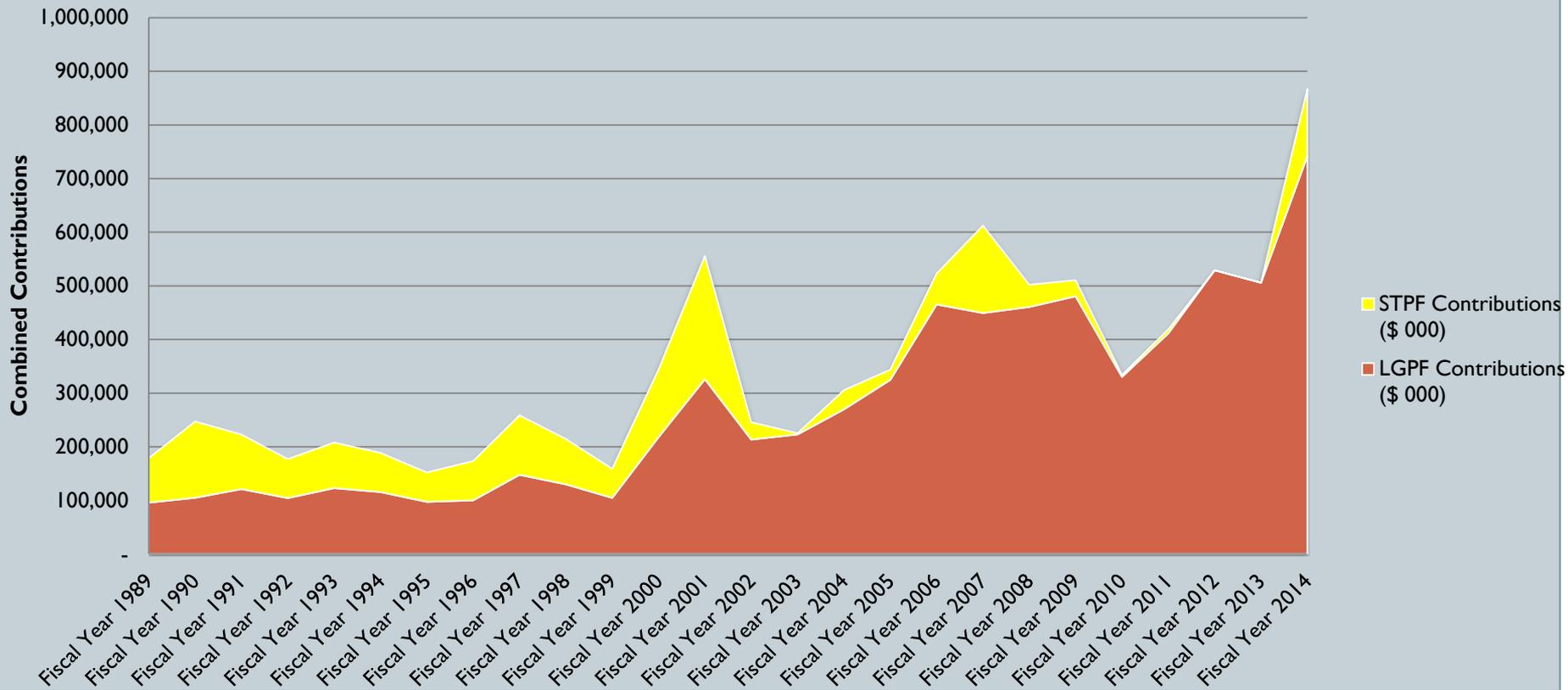
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- Annual inflows to the permanent funds since 1989





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STPF Outlook



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- **Council projections:**
 - Severance Tax Permanent Fund has 28.7% chance of growing real dollar value of assets over 50 years.
- **Imbalance in current statute:**
 - Current statutory intent: issue bonds using 95% of previous year's severance taxes
 - Inconsistent contributions to STPF
 - ✦ FY13: \$339 vs. FY14: \$124,995,685
 - ✦ 10-year average of \$47 million, but \$132 million less than typical distribution
- **Legislation**



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STPF Legislation



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- **Legislative discussion draft**
 - Working group includes LFC, DFA, LCS & SIC
 - Seeks common sense solutions
- **Bill summary**
 - Lowers senior severance bonding capacity from 50% to 49%
 - Stepped increase of 2.5% in STPF inflows over three years from supplemental bonding
 - Smooths year-over-year contributions to capture windfall
 - Restores spending/saving balance to 2004 levels
 - Old split 95/5, new split 86.5/13.5