



# New Mexico State Investment Council



## **WATER & NATURAL RESOURCES COMMITTEE**

**WATER TRUST PERMANENT FUND  
STATUS UPDATE**

**STATE INVESTMENT OFFICER  
STEVE MOISE**

**OCTOBER 15, 2013**



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## Water Trust Permanent Fund: History

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- Water Trust Permanent Fund created in statute in 2003
- In 2006, voters approved Constitutional protections identical to those of the Land Grant Permanent Fund
- Funded by legislature with \$40 million in 2007, another \$15 million in 2008
- No subsequent legislative appropriations
- \$4 million/year distributed to Water Project Fund for water infrastructure projects
- Current fund value: \$43.2 million

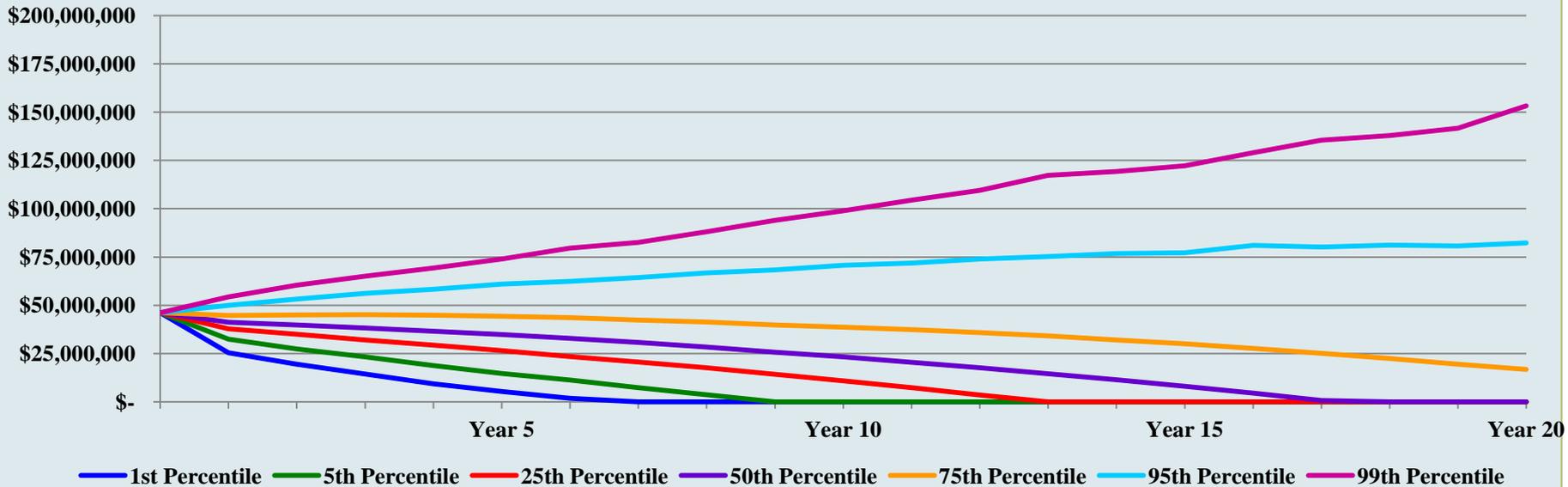


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## Water Trust Fund Projections: 6/30/13 Allocation

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<u>Potential return rankings</u>	<u>20 year projected nominal market value</u>
1st Percentile	\$0
5th Percentile	\$0
25th Percentile	\$0
50th Percentile	\$0
75th Percentile	\$16,767,743
95th Percentile	\$82,345,508
99th Percentile	\$153,264,365





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## Asset Allocation

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### Asset study led to revision of investment targets

- Council approved in August
- Seeks additional diversification
- Reduces volatility, improves performance

### New allocation targets

Investment Strategies	6/30/13 Allocation	Revised Portfolio
Broad US Equity	55	20
Broad International Equity	10	15
Int. Duration Fixed Income	25	15
Core Real Estate	0	15
Absolute Return Mult Strat Fund of Fund	10	15
Private Equity	0	15
Diversified Infl Strat	0	5
Total	100	100

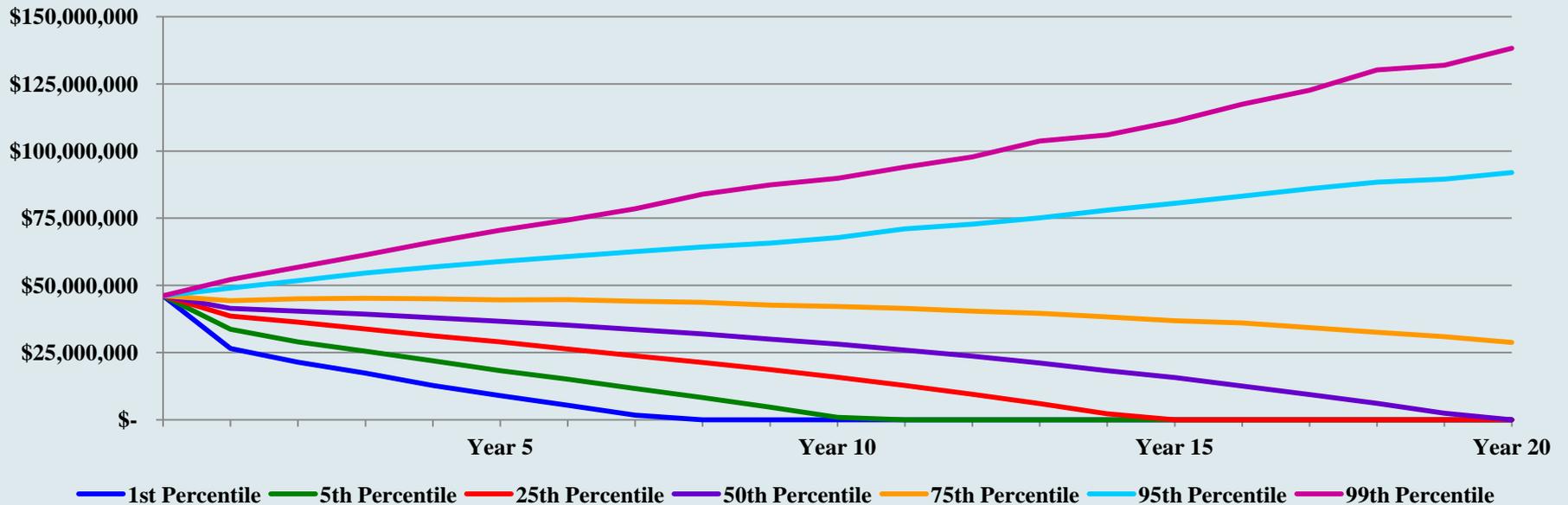


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## Projections under SIC-Approved Allocation for FY14

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<u>Potential return rankings</u>	<u>20 year projected nominal market value</u>
1st Percentile	\$0
5th Percentile	\$0
25th Percentile	\$0
50th Percentile	\$0
75th Percentile	\$28,816,828
95th Percentile	\$91,953,285
99th Percentile	\$138,225,134





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## Summary & Conclusions

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- New asset allocation improves outlook, reduces volatility, but does not “fix” long-term WTPF problem
- **Assuming average investment returns & no inflows:**
  - Better than 50% chance the fund will shrink to \$0 by 2033
- **Assuming poor market returns:**
  - Fund could be \$0 by 2027
- **Assuming above average returns:**
  - Fund could survive 30 years, but likely not self-sustaining



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## Possible Fund Fixes: Appropriate or Reduce Benefits

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- Additional legislative appropriations into the fund
  - One time “basic” appropriation estimated at \$9M
  - Adjusted for inflation, approximately \$18M needed
  - Annual legislative appropriations should be considered
- Reduction of annual distributions

- Alter NMSA 72-4A-8B:
  - ✦ **\$4M/year**
  - or**
  - 4.7% of 5-year average =
  - \$2,187,032/year**

<u>June 30 WTPF</u>		<u>Fund Value</u>
2007	\$	46,082,127
2008	\$	56,850,310
2009	\$	45,340,308
2010	\$	46,211,485
2011	\$	49,666,496
2012	\$	44,886,463
2013	\$	46,558,192
		<b>4.7% x 5yr avg.= \$2,187,032</b>