



Tobacco Settlement Revenue Oversight Committee Update

State Investment Council
State Investment Officer Steve Moise
Deputy SIO Vince Smith
Charles Wollmann, Dir. Communications
July 13, 2011

Tobacco Settlement Permanent Fund

- Created May 2000 with market value of \$49.0 million
- Last committee update (Sept 2010): Fund value \$138.8 million
- Value as of 5/31/2011: \$188.6 million
- Distribution June 2011: \$38.6 million
- Approximate value today: \$150 million

- No new contributions since FY 2008

- HB 79 – Requires 100% distribution of tobacco settlement payments
- Funds are to be ‘swept’ to general fund for FY12 & FY13

Tobacco Settlement Permanent Fund

- HB 52 – Tobacco Fund Investment Practices (Rep. Varela / SIC bill)
- Previously TSPF to be invested “as land grant permanent funds” (identical investment strategy)
- New language: TSPF to be invested “in accordance with limitations” of land grant fund investments (same care, different strategies)
- Fund still to be invested under Uniform Prudent Investor Act
 - No/limited exposure to private equity, real estate, hedge funds, or other long-term horizon investments
 - More conservative strategies, with shorter durations and more liquidity

Tobacco Settlement Permanent Fund

- HB 2 - Unemployment Trust Fund loan from Tobacco Settlement Permanent Fund:
- “Up to thirty million dollars (\$30,000,000) may be transferred during fiscal year 2012 from the tobacco settlement permanent fund to the benefit account of the unemployment compensation fund. The transfer is contingent upon certification by the secretary of workforce solutions that there will be insufficient amounts to pay benefits and that the workforce solutions department can repay the loan by June 30, 2012. Further, the transfer is contingent on review by the legislative finance committee and approval by the state board of finance.”
(HAFC/H 2, 3, 4, 5 and 6, aa – Page 131)
- SIC was not asked for an opinion

Tobacco Settlement Permanent Fund

- SB 397 – Cigarette Stamp to Determine Escrow Payments (vetoed)
- Question of whether NM is in compliance with Tobacco Master Settlement escrow requirements
- AG King: worst case scenario is that veto:
“could result in a claim against New Mexico that calls for refunding tobacco payments for 2007, 2008, 2009, and 2010. New Mexico could be found liable for our entire payments for those years (roughly \$160 million), and would then have to forfeit our payments for the next four years.”
- Interpreted as funds being repaid through forfeiture of 4 years of future tobacco settlement payments
- Unclear whether existing Fund also at risk

Tobacco Settlement Permanent Fund

- Fund is a state 'reserve fund'
- Fund requires liquidity
- Fund requires high cash balance

- Lower equity (stocks) exposure
- More conservatively invested
- Above average cash/fixed income components

- Constructed defensively
- Less loss in down markets
- Less profit in up markets

- New SIC advisor: RV Kuhns
- New asset allocation study underway

Tobacco Settlement Permanent Fund

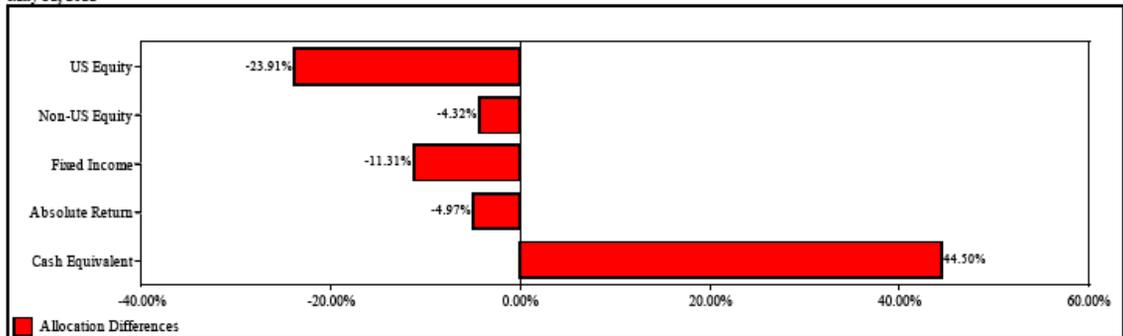
New Mexico State Investment Council
Tobacco Settlement Permanent Fund
As of May 31, 2011

	MTD	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years
Tobacco Settlement Total Fund Composite	-0.45	0.65	3.39	13.32	11.62	1.93	4.05	5.85	4.48
Total Fund Benchmark (TSPF)	-0.51	1.86	5.89	22.14	19.17	3.68	5.45	6.51	5.41
Difference	0.06	-1.21	-2.50	-8.82	-7.55	-1.75	-1.40	-0.66	-0.93

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Tobacco Settlement Total Fund Composite	9.93	-13.64	-1.60	14.92	11.14	9.02	12.84	0.22	-6.16	-7.29
Total Fund Benchmark (TSPF)	13.24	-15.13	-4.30	15.95	7.96	8.86	15.40	4.16	-6.73	-5.90
Difference	-3.31	1.49	2.70	-1.03	3.18	0.16	-2.56	-3.94	0.57	-1.39

New Mexico State Investment Council
Tobacco Settlement Permanent Fund
Asset Allocation vs. Target Allocation
As of May 31, 2011

May 31, 2011



May 31, 2011

	Market Value (\$)	Allocation (%)	Target (%)
US Equity	51,109,620	27.09	51.00
Non-US Equity	10,709,482	5.68	10.00
Fixed Income	33,379,486	17.69	29.00
Absolute Return	9,490,929	5.03	10.00
Cash Equivalent	83,952,131	44.50	-
Total Fund	188,641,648	100.00	100.00

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

RVKuhns
▶ ▶ ▶ & ASSOCIATES, INC.

Tobacco Settlement Permanent Fund

New Mexico State Investment Council Tobacco Settlement Permanent Fund Portfolio Returns

	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002	Fiscal Year 2001
Total Fund	9.9%	-13.6%	-1.6%	14.9%	11.1%	9.0%	14.1%	0.2%	-6.2%	-7.3%
<i>Total Fund Benchmark¹</i>	13.4%	-15.1%	-4.1%	16.0%	7.8%	9.2%	15.5%	4.1%	-6.7%	-5.9%
<i>CPI</i>	1.1%	-1.4%	5.0%	2.7%	4.3%	2.5%	3.3%	2.1%	1.1%	3.2%
U.S. Large Cap Active Pool	15.1%	-23.7%	-5.7%	20.5%	11.9%	7.2%	16.2%	-1.6%	-22.0%	-19.1%
<i>U.S. Large Cap Index Pool</i>	18.0%	-25.2%	-7.8%	20.8%	8.4%	6.3%	20.7%	1.2%	-17.9%	-14.0%
Total U.S. Large Cap Equity Composite	15.7%	-24.0%	-6.2%	20.6%	11.0%	7.0%	18.0%	0.0%	-21.0%	-18.1%
<i>S&P 500</i>	14.4%	-26.2%	-13.1%	20.6%	8.6%	6.3%	19.1%	0.3%	-18.0%	-14.8%
<i>ICC Large Cap Equity Median</i>	14.4%	-26.2%	-3.1%	-12.9%	20.3%	9.0%	7.5%	19.4%	0.0%	-17.1%
U.S. Small/Mid Cap Pool	20.3%	-33.5%	-7.0%	18.0%	12.3%	19.0%	29.8%	-2.9%	-5.7%	4.0%
<i>S&P Mid Cap 400</i>	24.9%	-28.0%	-7.3%	18.5%	13.0%	14.0%	28.0%	-0.7%	-4.7%	8.9%
<i>ICC Mid Cap Equity Median</i>	22.6%	-27.6%	-27.6%	-8.3%	23.2%	13.1%	11.0%	27.3%	0.4%	-14.1%
Total U.S. Equity Composite	16.9%	-26.7%	-6.4%	20.0%	11.3%	9.3%	20.3%	-0.8%	-17.7%	-14.0%
<i>Russell 3000</i>	15.7%	-26.6%	-12.7%	20.1%	9.6%	8.1%	20.5%	0.8%	-17.2%	-13.9%
Non-U.S. Developed Markets Equity Pool	7.9%	-32.9%	-8.7%	27.0%	20.8%	10.6%	28.7%	-7.2%	-7.2%	-19.3%
<i>FTSE Developed ex-U.S.</i>	7.8%	-30.6%	-8.2%	28.4%	27.5%	15.5%	31.9%	-4.5%	-9.3%	-22.0%
<i>MSCI EAFE</i>	5.9%	-31.4%	-10.6%	27.0%	26.6%	13.7%	32.4%	-6.5%	-9.5%	-23.5%
<i>ICC Int'l Developed Markets Equity Median</i>	9.1%	-29.7%	-29.7%	-9.7%	28.4%	27.8%	15.2%	31.7%	-6.3%	-8.1%
Non-U.S. Emerging Markets Equity Pool	23.2%	-31.3%	2.9%	47.3%	35.1%	49.2%	45.6%	12.8%	-0.6%	-26.3%
<i>MSCI Emerging Markets</i>	23.2%	-28.1%	4.6%	45.0%	35.5%	34.5%	33.2%	6.7%	1.3%	-25.9%
<i>ICC Emerging Markets Equity Median</i>	23.3%	-26.3%	-26.3%	2.8%	46.3%	34.8%	34.3%	33.1%	6.5%	1.3%
Total Non-U.S. Equity Composite	14.4%	-32.3%	-3.6%	35.3%	24.3%	18.7%	32.2%	-3.5%	-6.2%	-20.2%
U.S. Core Bonds Pool	15.6%	-2.8%	5.0%	6.1%	1.8%	6.9%	0.5%	12.3%	7.8%	11.2%
<i>BC Aggregate</i>	9.5%	6.1%	7.1%	6.1%	-0.8%	6.8%	0.3%	10.4%	8.6%	11.2%
<i>ICC Bond Fund Median</i>	13.0%	4.6%	4.6%	6.4%	6.1%	0.0%	7.0%	1.2%	10.8%	8.0%
Absolute Return Pool²	6.4%	-14.5%	0.0%	10.2%						
<i>HFRI Fund of Funds - Composite²</i>	2.2%	3.1%	5.9%	7.3%						
Cash Equivalents	0.2%	1.0%	4.2%	6.0%	4.0%	2.2%	0.4%	1.8%	2.8%	5.8%
<i>90 day t-bill</i>	0.2%	1.0%	3.6%	5.2%	4.0%	2.2%	1.0%	1.5%	2.6%	5.9%

¹ Total Fund Benchmark reflects the historical target asset allocation of the fund.

² Absolute Return Pool and HFRI Fund of Funds index performance is lagged by 1 month