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# INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE: LONG-TERM INVESTMENT OPTIONS FOR STATE AGENCIES & OTHER GOVERNMENT ENTITIES

Senator Roberto “Bobby” J. Gonzales, Chairman  
Representative Patricia Roybal Caballero, Vice-Chair

Charles Wollmann, Interim SIO for Administration  
October 2, 2023



# HOW GOVERNMENT ENTITIES CAN INVEST THEIR LONG-TERM RESERVES WITH SIC



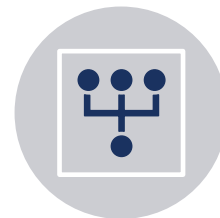
State law allows **state agencies** to invest public dollars



Short-term investments (less than one-year horizon) should be placed with the **State Treasurer's Office** (NMSA Section 6-10-10)



Assets not in need of liquidity and that can afford an investment horizon of one-year or longer, may be placed with the SIC (NMSA Section 6-8-7)



**State agency** as defined in 6-8-7 (I): "...means any branch, agency, department, board, instrumentality, institution, political subdivision of the state, the New Mexico finance authority, the New Mexico mortgage finance authority and any tax-exempt private endowment entity whose sole beneficiary is a state agency or whose beneficiaries are students attending a public educational institution in the state."



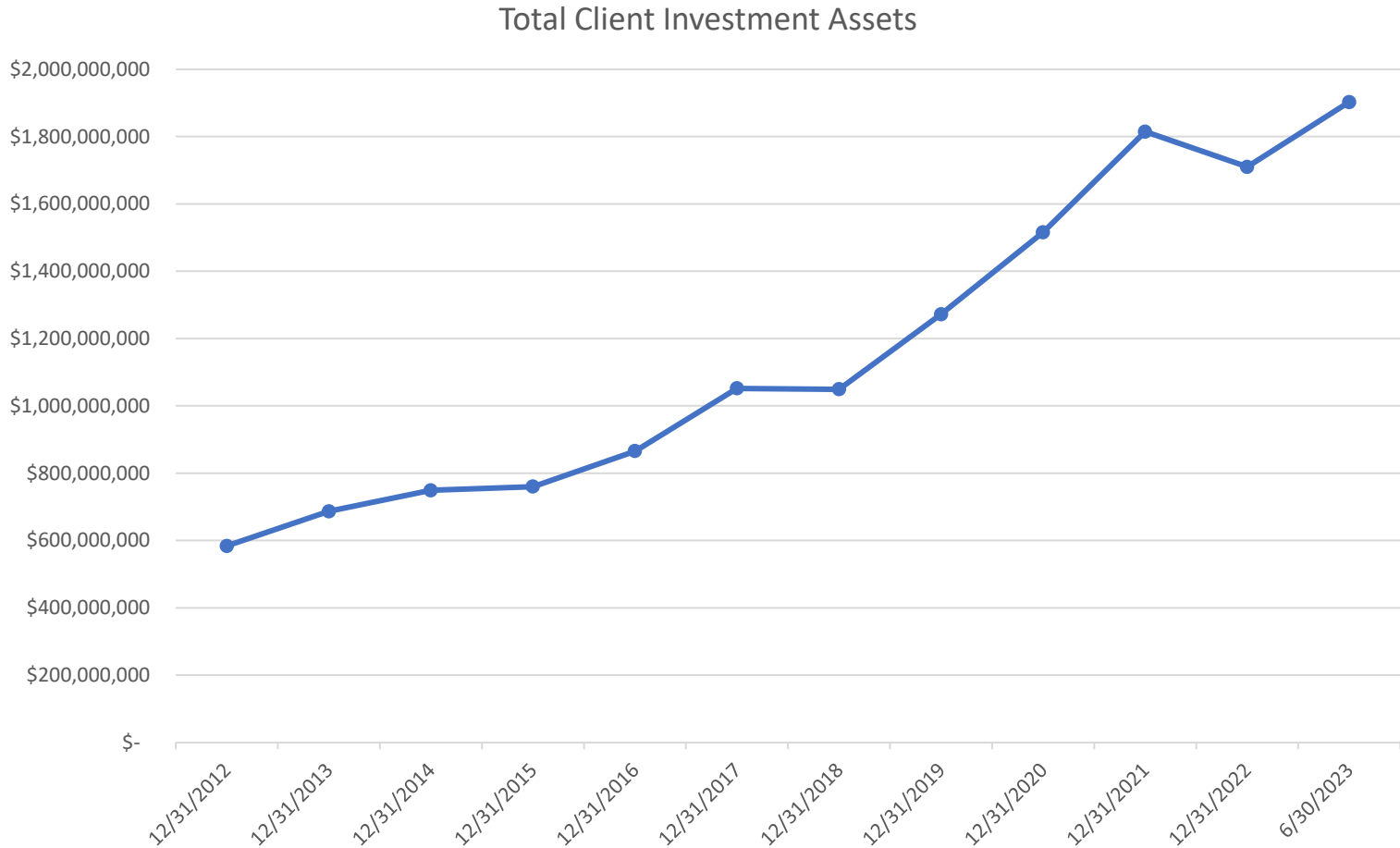
The law allows the Council to invest on agencies' behalf "...provided that the state agency enters into a joint powers agreement with the council and that the state agency pays at least the direct costs of such services."

# CURRENT GOVERNMENTAL CLIENTS INVESTED IN SIC POOLS

List of clients invested in SIC pools, June 2023

City of Albuquerque	NM Highlands University Foundation
City of Las Cruces	NM Military Institute (NMMI)
City of Rio Rancho	NM Retiree Health Care Authority (RHCA)
Clovis Community College Foundation	NM School for the Blind/Visually Impaired
Central NM Community College (CNM)	NM Small Business Investment Corporation (SBIC)
Children Youth & Families Dept. (CYFD)	NM Institute of Mining & Technology (NM Tech)
Eastern New Mexico University	NM Mortgage Finance Authority (MFA)
Interstate Stream Commission	NM Public School Insurance Authority (PSIA)
John R. Carver Testamentary Trust	Office of Superintendent of Insurance (OSI)
Los Alamos County	San Juan College Foundation
Commissioner of Public Lands (SLO)	Springer Municipal School District
North Central Regional Transit District	Western New Mexico University
NM Highlands University (NMHU)	Mid Rio Grande Conservancy District

# SIC EXTERNAL CLIENT INVESTMENT GROWTH 2012-CURRENT



# PUBLIC AND PRIVATE MARKET CLIENT POOLS – OPTIONS AND COSTS

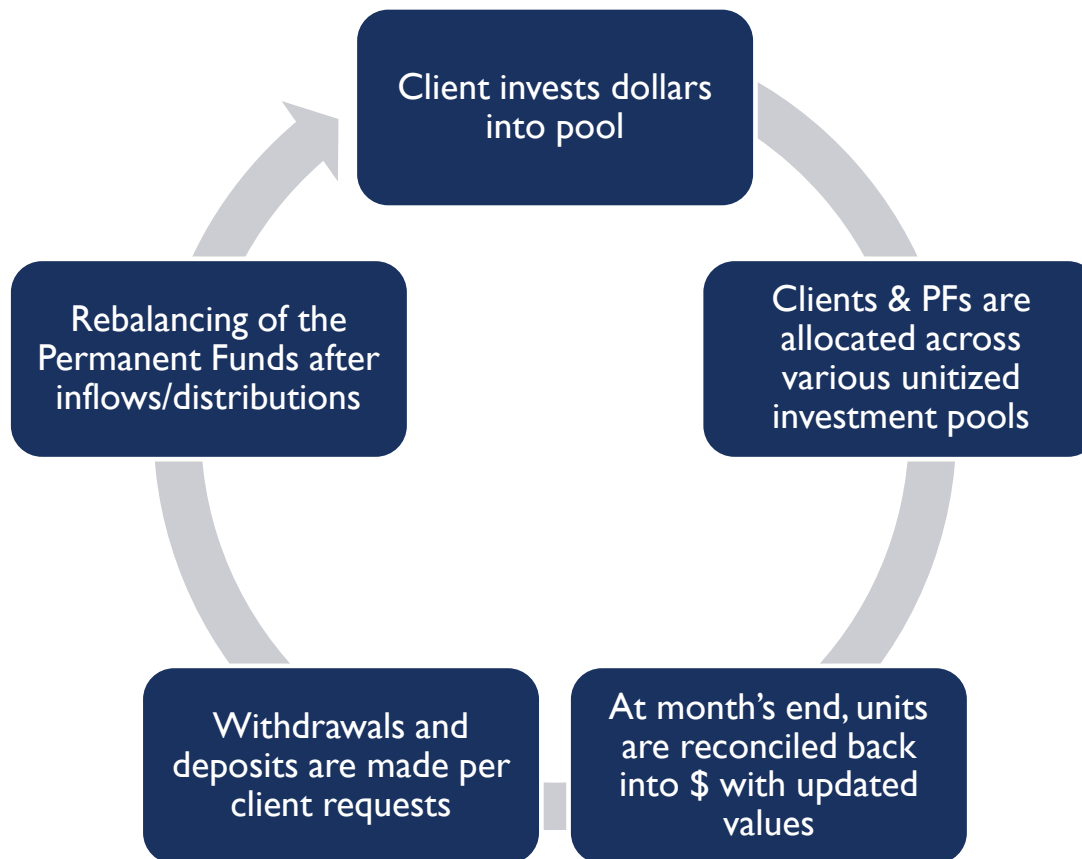
Market Cap/Style	Management	Benchmark	Annual Management Fee (est.)	Underlying investment managers
Large Cap US Equity Active	Active	Russel 1000 Index	0.18%	T.Rowe Price, Northern Trust
Large Cap US Equity Index	Passive	Russel 1000 Index	0.004%	Northern Trust
Small/Mid Cap US Equity Active	Active	US Small/Mid Custom Index	0.42%	BlackRock
Small/Mid Cap US Equity Index	Passive	S&P Small Cap 600 Index	0.04%	Northern Trust
Non-US Developed Markets Active	Active	Non-US Developed Custom Index	0.41%	LSV, T.Rowe, Neuberger Berman, MFS & Templeton
Non-US Developed Markets Index	Passive	Non-US Developed Custom Index	0.04%	AllianceBernstein
Non-US Emerging Markets Active	Active	MSCI Emerging Index	0.55%	BlackRock & Wm. Blair
Non-US Emerging Markets Index	Passive	MSCI Emerging Index	0.12%	AllianceBernstein
Credit Plus Pool	Active	Bloomberg US Universal	0.15%	PGIM, Loomis Sayles, Shenkman
US Core Bonds	Blend	Bloomberg US Agg Bond Index	0.09%	BlackRock & PIMCO
Private Market Debt	Active	Non-Core Fixed Custom Index	0.72%	US Mid-market Lending, Credit, Distressed
Real Estate	Active	NCREIF ODCE Index (Net)	0.79%	Core & Non-Core Real Estate
Real Return	Active	Real Return Custom Index	0.88%	Infrastructure, Private Energy, Agriculture, Timber
Private Equity	Active	Cambridge US PE Index	0.72%	Buyout, Venture, Growth Equity, Special Situations

# SIC MONTHLY ASSET SUMMARY FOR GOVERNMENTAL CLIENTS (EXAMPLE)

## New Mexico Retiree Health Care Authority (CP) Change in Market Value For the Month of Jun 2023 (Report as of July 14, 2023)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized	Gains - Unrealized	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	194,243,483.27	6,000,000.00	-	(34,127.58)	728,979.83	(434,988.96)	(874,972.44)	(1,309,961.40)	199,628,374.12
Credit & Structured Finance	177,537,446.78	4,500,000.00	-	-	243,435.29	(27,542.40)	1,841,459.01	1,813,916.61	184,094,798.68
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	151,699,258.77	4,200,000.00	-	(19,725.35)	354,689.49	(82,215.79)	6,225,097.89	6,142,882.10	162,377,105.01
Non-US Emerging Markets Active Pool	88,952,898.23	3,000,000.00	-	(130,143.03)	453,674.49	(195,809.09)	3,896,875.26	3,701,066.17	95,977,495.86
Private Equity Pool	177,912,531.15	3,000,000.00	-	-	111,085.22	589,339.98	3,437,201.00	4,026,540.98	185,050,157.35
Real Estate Pool	134,419,749.36	3,000,000.00	-	-	405,462.60	144,982.38	(4,449,975.43)	(4,304,993.05)	133,520,218.91
Real Return Pool	59,832,055.68	1,500,000.00	-	(9,463.66)	249,902.82	260,654.29	82,538.40	343,192.69	61,915,687.53
US Large Cap Index Pool	190,362,334.10	4,200,000.00	-	(4,653.00)	261,852.35	164,071.37	12,709,297.25	12,873,368.62	207,692,902.07
US SMID Cap Alternative Weighted Index Pool	23,440,864.81	600,000.00	-	(2,548.53)	47,717.39	(219,020.26)	2,149,313.52	1,930,293.26	26,016,326.93
Sub - Total New Mexico Retiree Health Care	1,198,400,622.15	30,000,000.00	-	(200,661.15)	2,856,799.48	199,471.52	25,016,834.46	25,216,305.98	1,256,273,066.46
<b>Total New Mexico Retiree Health Care</b>	<b>1,198,400,622.15</b>	<b>30,000,000.00</b>	<b>-</b>	<b>(200,661.15)</b>	<b>2,856,799.48</b>	<b>199,471.52</b>	<b>25,016,834.46</b>	<b>25,216,305.98</b>	<b>1,256,273,066.46</b>

# THE MONTHLY INVESTMENT CYCLE ACROSS NMSIC INVESTMENT POOLS



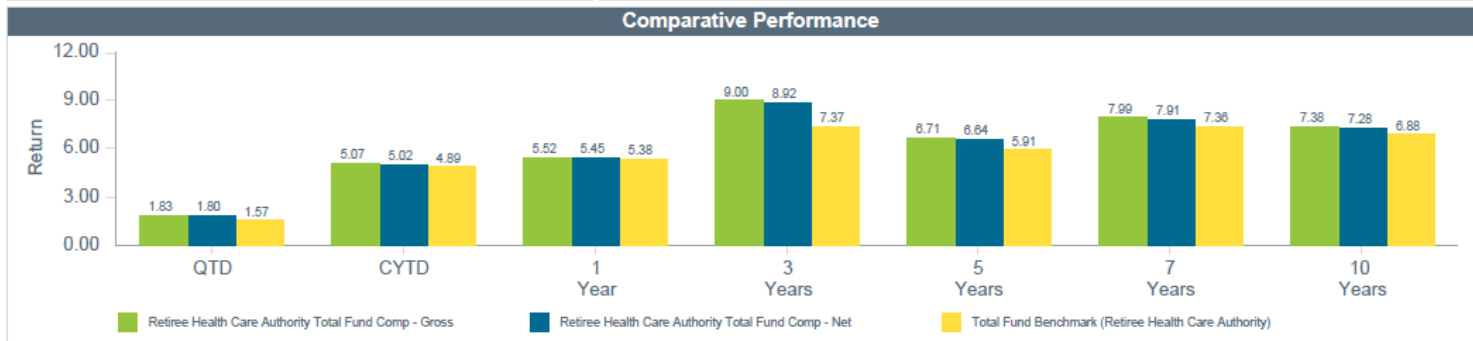
# SIC QUARTERLY PERFORMANCE REPORTING

New Mexico State Investment Council

As of June 30, 2023

## Retiree Health Care Authority Total Fund Comp

Overview	Asset Allocation vs. Target Allocation				
The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	US Large Cap Index	207,692,902	16.53	14.00	2.53
	US Small/Mid Cap Alt Wtd Index	26,016,328	2.07	2.00	0.07
	Non-US Developed Markets Index	162,377,106	12.93	14.00	-1.07
	Non-US Emerging Markets Active	95,977,495	7.64	10.00	-2.36
	US Core Bonds	199,628,363	15.89	20.00	-4.11
	Credit & Structured Finance	184,094,797	14.65	15.00	-0.35
	Real Return	61,915,687	4.93	5.00	-0.07
	Real Estate	133,520,220	10.63	10.00	0.63
	Private Equity	185,050,156	14.73	10.00	4.73
<b>Total Fund</b>	<b>1,256,273,052</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	



	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2022	2021	2020
Retiree Health Care Authority Total Fund Comp - Gross	1.83	5.07	5.52	9.00	6.71	7.99	7.38	-6.98	15.61	9.88
Total Fund Benchmark (Retiree Health Care Authority)	1.57	4.89	5.38	7.37	5.91	7.36	6.88	-8.53	12.79	10.21
Difference	0.26	0.18	0.14	1.63	0.80	0.63	0.50	1.55	2.82	-0.33
Retiree Health Care Authority Total Fund Comp - Net	1.80	5.02	5.45	8.92	6.64	7.91	7.28	-7.05	15.51	9.83
Total Fund Benchmark (Retiree Health Care Authority)	1.57	4.89	5.38	7.37	5.91	7.36	6.88	-8.53	12.79	10.21
Difference	0.23	0.13	0.07	1.55	0.73	0.55	0.40	1.48	2.72	-0.38

Schedule of Investable Assets					
Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	1,127,761,495	70,000,000	58,511,556	1,256,273,052	5.02

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise. Performance includes receipt of additional units of the US Large Cap Index Pool effective July 1, 2020.

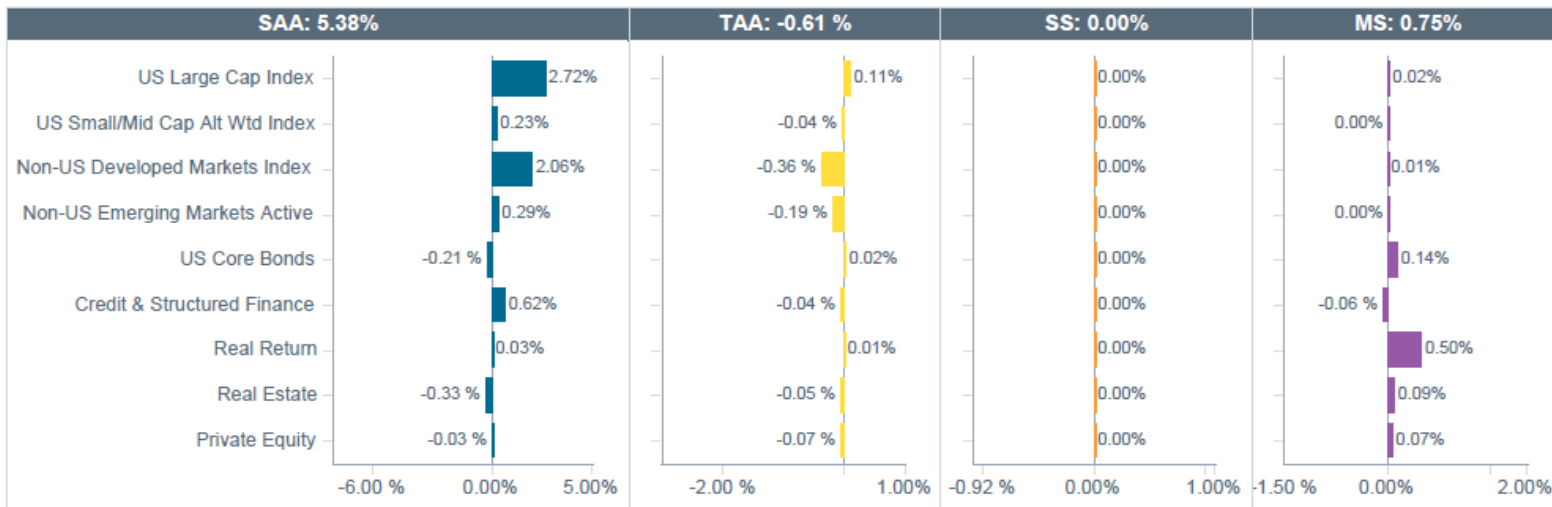
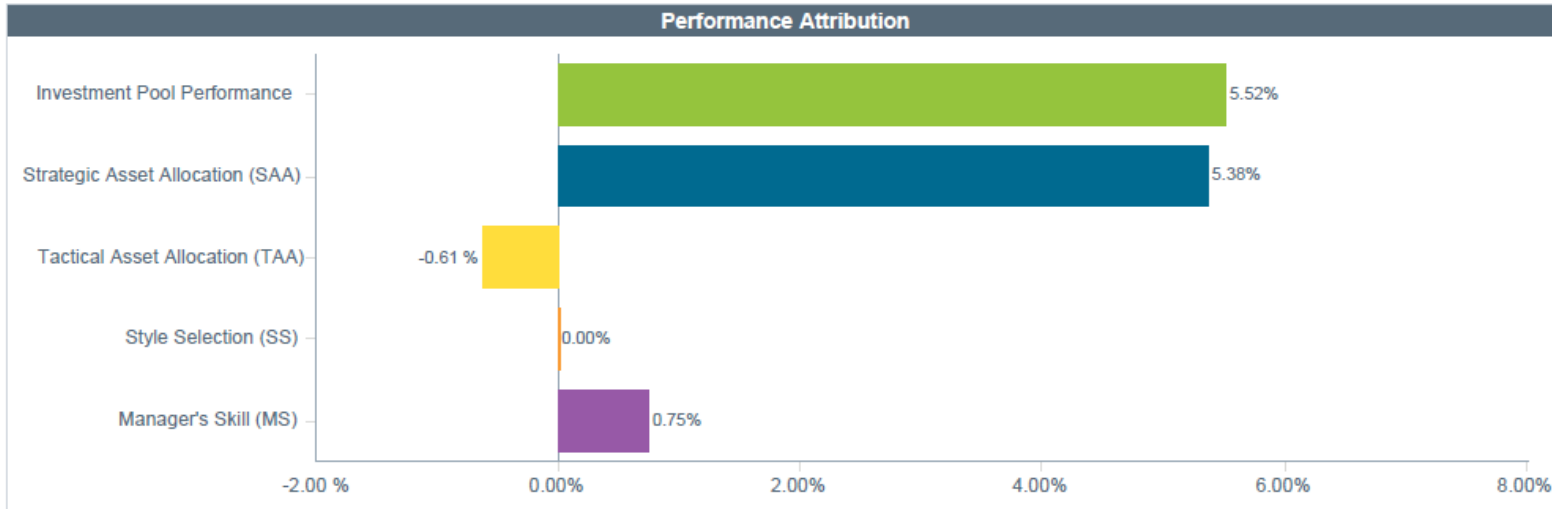




# SIC QUARTERLY PERFORMANCE REPORTING

New Mexico State Investment Council  
 Retiree Health Care Authority Total Fund Comp  
 Total Fund Attribution - IDP

1 Year Ending June 30, 2023



Performance shown is gross of fees. Calculation is based on monthly periodicity. See Glossary for additional information regarding the Total Fund Attribution - IDP calculation.



# PUBLIC AND PRIVATE MARKET INVESTMENT RESTRICTIONS

- Third-party governmental clients invested in stocks and bonds may only make deposits or withdrawals **on a monthly basis (no lock-up)**
- For clients invested in private market pools, there are additional restrictions, requiring the following:
  - Private Market Debt: 12-month lock-up & three-month redemption requirement
  - Real Estate: 18-month lock-up & six-month redemption requirement
  - Real Return: 18-month lock-up & six-month redemption requirement
  - Private Equity: 24-month lock-up & nine-month redemption requirement
- While the lock-ups may seem excessive, when the SIC makes a commitment to private investment funds, it often takes 10-12 years (or more) between first money in and last money out.
- Private equity, institutional real estate, infrastructure and private credit funds are often otherwise inaccessible to small investors

# CLIENT SERVICES SUMMARY: PROS & CONS

## NMSIC can:

- Provide access to high quality investment managers via pools
- Achieve institutional-level low pricing and management fees due to economies of scale
- Provide exposure to private market strategies often hard to access for smaller investors

## NMSIC cannot:

- Tell Clients how we think they should invest or provide asset-allocation studies
- Provide daily valuation & performance reporting
- Allow for intra-month contributions/withdrawals
- Provide manager-specific investments

## FAQ AROUND SIC CLIENT INVESTMENTS

- Can the SIC manage a cash account for us?
- Are there any other options that would allow us to customize our investments, like ESG options or requesting specific strategies?
- What if an emergency arises and we need to make a withdrawal mid-month?
- The delay in reporting on assets and performance seems lengthy. Is there any way to speed up the process?
- How secure is the investment and transfer process?
- Are any other investment options in the works?