### ACTION SUMMARY

**STATE INVESTMENT COUNCIL**

**March 24, 2015**

<table>
<thead>
<tr>
<th>Item</th>
<th>Action</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APPROVAL OF AGENDA</strong></td>
<td>Approved</td>
<td>2</td>
</tr>
<tr>
<td><strong>APPROVAL OF MINUTES</strong></td>
<td>Approved</td>
<td>2</td>
</tr>
<tr>
<td>February 24, 2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INVESTMENT MATTERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEIAC Committee Report</td>
<td>Reported</td>
<td>2</td>
</tr>
<tr>
<td>Private Equity: TA XII, L.P.</td>
<td>Approved</td>
<td>2</td>
</tr>
<tr>
<td>Investment Committee Report</td>
<td>Reported</td>
<td>3</td>
</tr>
<tr>
<td>Macquarie Asia Infrastructure Fund L.P.</td>
<td>Approved</td>
<td>4</td>
</tr>
<tr>
<td>Co-Investments in the National Private Equity Program</td>
<td>Tabled</td>
<td>5</td>
</tr>
<tr>
<td>Domestic Equity Contract Renewals</td>
<td>Approved</td>
<td>7</td>
</tr>
<tr>
<td><strong>OTHER INVESTMENT MATTERS: Investment Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Report</td>
<td>Reported</td>
<td>8</td>
</tr>
<tr>
<td>New Mexico PE Program Reporting Items</td>
<td>Informational</td>
<td>9</td>
</tr>
<tr>
<td><strong>STATE INVESTMENT OFFICER’S REPORT</strong></td>
<td>Reported by Steve Moise</td>
<td>9</td>
</tr>
<tr>
<td><strong>FINANCE MATTERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFO Report</td>
<td>Reported</td>
<td>10</td>
</tr>
<tr>
<td>External Auditor contract renewal</td>
<td>Approved</td>
<td>10</td>
</tr>
<tr>
<td>Internal Auditor contract renewal</td>
<td>Approved</td>
<td></td>
</tr>
<tr>
<td><strong>GOVERNANCE MATTERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance Committee report</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td><strong>CLOSING MATTERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old or New Business</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Next meeting date: 4/28/15 at 9:00 am</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PUBLIC COMMENT</strong></td>
<td></td>
<td>11</td>
</tr>
</tbody>
</table>
MINUTES OF THE

NEW MEXICO STATE INVESTMENT COUNCIL MEETING

Santa Fe, New Mexico

March 24, 2015

1. OPENING MATTERS

   a. Roll call and introduction of guests: quorum present

A regular meeting of the New Mexico State Investment Council was called to order by Peter Frank, Vice-Chair on this date at 9:00 a.m. in the Governor’s Cabinet Room of the State Capitol Building, Santa Fe, New Mexico. A quorum was declared:

   Members Present:
   Mr. Peter Frank, Public Member
   Ms. Linda Eitzen, Public Member
   Mr. Harold Lavender, Public Member
   Mr. Tim Eichenberg, State Treasurer
   Dr. Thomas E. Clifford, Secretary of Finance & Administration [leaving at 11:20 a.m.]
   Mr. Leonard Lee Rawson, Public Member
   Mr. Scott Smart, Public Member [leaving at 12:00 p.m.]
   Mr. John Young, Public Member

   Members Absent:
   Governor Susana Martinez
   Mr. Tim Jennings, Public Member
   Mr. Aubrey Dunn, Commissioner of Public Lands

   Staff and Committee Members Present:
   Mr. Steven K. Moise, State Investment Officer
   Mr. Vince Smith, Deputy State Investment Officer
   Mr. Evan Land, General Counsel
   Mr. Brent Shipp, Chief Financial Officer
   Mr. Charles Wollmann, Director of Communications
   Mr. Wade Franks, Stable Value Director
   Ms. Geraldine Barlow, Real Return Director
   Mr. Greg Kulka, Director of Private Equity
   Ms. Starla Bennett, Director of Public Equity
   Mr. Bruce Brown, Deputy General Counsel
   Ms. Kerri Segell, Executive Assistant, Recorder

   Guests Present:
   [See Sign-in Sheet.]
b. **Approval of agenda**

Ms. Eitzen moved approval of the Agenda. She was seconded by Treasurer Eichenberg who requested that voting on domestic equity manager contract renewals (Item 2f) on the agenda be done on an individual basis.

Secretary Clifford voiced his concerns on voting on that many manager contract extensions at one time, citing the long-term commitment of the contracts and performance among managers that was not uniform, as reasons for his concern. Vice-Chair Frank acknowledged his concerns and stated that the matter would be discussed when that point in the agenda is reached, and voting would be done on an individual basis.

A vote was taken, and the motion to approve the agenda, as slightly amended, passed unanimously by voice vote.

c. **Approval of minutes: February 24, 2015**

Mr. Young moved approval of the minutes of the February 24, 2015 meeting. Mr. Rawson seconded the motion.

Secretary Clifford asked for additional language indicating that a vote had been taken, and recorded, under Item 2d, LP Capital contract renewal, in the minutes. He also asked for clarification of the word “underwritten” in the first paragraph of Item 3b, real asset performance report, questioning the dual role of our advisors implied by the word. Mr. Land replied that in this context, the term underwriting is synonymous with due diligence.

A vote was taken, and the motion to approve the minutes, as amended, passed unanimously by voice vote.

2. **INVESTMENT MATTERS: INVESTMENTS REQUIRING VOTE**

a. **PEIAC report (Linda Eitzen)**

Ms. Eitzen reported that PEIAC had met on March 12 and she gave a brief review of the matters discussed. PEIAC was recommending two items to the Council, an investment in TA XII, and after considerable discussion and evaluation, a co-investment policy for the national private equity program. The committee also discussed the pros and cons of various private equity benchmarks and discussed possible changes in the NM private equity program threshold.

b. **Vote: TA XII, L.P (Vince Smith & LP Capital)**

LP Capital adviser Richard Pugmire reviewed LP Capital's recommendation of a $100 million commitment to TA XII as part of the SIC's growth equity strategy in the private equity allocation. Mr. Pugmire reminded the Council that CY to date the Council has already approved $200 million of private equity investments. Today's commitment to TA XII would bring that figure to $300 million, or half way to the $550-$650 million target for 2015.

TA is one of the oldest private equity firms in the U.S. and the SIC has previous commitments to TA in vintage years 1997-2000. In addition to the strong top quartile performance of TA's previous funds, Mr. Pugmire cited several other factors about TA worthy of mention. The firm, which has a large and experienced investment team, is led by seventeen Managing Directors, suggesting there is not a reliance on any one person. Institutionalized investment
practices, a flexible approach to transactions taking both minority and control positions, and diversity of industries and geographies are also strengths of the firm. TA has developed and executed a proactive process of sourcing investments. The fund’s size target is $4 billion and it will be well diversified across sectors with approximately fifty portfolio companies.

Kurt Jaggers and Jennifer Mulloy, TA Managing Directors, appeared before the Council and delivered their presentation, beginning with a high-level overview of TA. Ms. Mulloy spoke about TA’s growth strategy and the firm’s approach seeking to partner with growing, profitable businesses in a select group of industries. Key elements of TA’s strategy were articulated as decades of industry expertise in specific sectors, focus on high growth and profitable companies in targeted industries, origination of their own investment opportunities, and focus on dedicated industry teams.

Mr. Jaggers stated that one of the hallmarks of TA is the stability and continuity of the firm. He described for the Council the firm’s core values, merit system, and broad ownership characteristics. He reiterated the refined, but labor intensive, sourcing process that brings forward opportunities.

Secretary Clifford requested a point of clarification on the roughly 32% of the investment that is slated for outside the U.S. He asked whether it would or would not count towards the SIC’s international portfolio allocation. Mr. Smith answered that within the private structure, this capital was expected to be invested overseas. Secretary Clifford suggests that a good way to report on private investments would be to break out international and domestic investments.

Mr. Frank asked about fund terms, specifically the absence of a hurdle, and the resulting implications for the SIC. Mr. Pugmire responded that TA XII does not have a preferred return in the distribution waterfall, and that this is common in growth equity/venture capital firms, especially older firms, to not have a preferred return. TA offers protection in a value test: the portfolio must be 125% of value before a G.P. can take carried interest. Mr. Pugmire remarked that this is not the same as a preferred return but does not allow carry if the portfolio is at a loss. Taken as a whole, LP Capital is satisfied with the terms.

Based upon the recommendation of the Private Equity Investment Advisory Committee, LP Capital and SIC Staff, Ms. Eitzen moved that the SIC approve a commitment of $100 million to TA XII, L.P., subject to and contingent upon New Mexico state law, New Mexico State Investment Council policies, negotiation of final terms and conditions and completion of appropriate paperwork. She was seconded by Mr. Lavender, a vote was taken, and the motion passed unanimously by voice vote.

c. **Investment Committee report (Harold Lavender)**

Mr. Lavender reported that a lengthy CIC meeting was held on March 12. He particularly found value in a presentation on real estate trends and outlooks by Mike Acton of AEW and commended staff on its inclusion in the meeting.

Mr. Smith added that looking forward the CIC would be reviewing new return assumptions and performance expectations, as provided by RVK, at its April meeting. In May, the Committee will review a draft of the annual investment plan, which will subsequently be presented to the Council in June.

Secretary Clifford asked Mr. Smith to revisit regime analysis, stating that we are not currently in an inflationary regime, and as he understood it, inflation was part of the logic of today’s asset allocation. Mr. Smith replied that the SIC’s previous allocation was unbalanced and weighted towards a growth environment. The asset allocation analysis was not specifically based on expectations for inflation, but rather a need to diversify the portfolio further so that it will perform in a variety of environments. While the SIC does have investments with inflation...
protection, for example in the real return and real estate sectors, no specific inflation-only investments have been brought to the Council.

Secretary Clifford remarked that this was not his understanding; he believed the real return portfolio was specifically designed to perform well in an inflationary environment. Mr. Smith stated that this portfolio is primarily designed to perform above the rate of inflation, which is ultimately what a permanent fund needs to protect its economic value. Real return investments are keyed to an inflation metric, as compared to a growth metric, or equity risk premium, and they seem well-suited for our needs.

Mr. Lavender observed that the portfolio has been built to take advantage of any scenario that develops, with the goal of maintaining our target return. Mr. Frank suggests that Mr. Smith review regimes and portfolio construction in conjunction with the annual investment plan.

d. **Vote: Macquarie Asia Infrastructure Fund L.P. (Smith & Townsend)**

The Townsend Group recommends an additional commitment of $40 million to Macquarie Asia Infrastructure Fund L.P. (MAIF) for the SIC's real return portfolio. Martin Rosenberg and Seth Marcus with the Townsend Group were present and summarized Townsend's recommendation.

MAIF is a pan Asia infrastructure fund focusing on the acquisition and management of a diversified portfolio of infrastructure assets and asset backed companies in investment grade Asian countries. Mr. Rosenberg explained that this is an add-on investment to a $60 million commitment that was made in September 2014 to MAIF. Townsend believes that the infrastructure opportunities in this region remain attractive, and less competitive than the developed markets in North America and Europe, and an additional commitment to MAIF offers an appropriate return, relative to risk.

Since this initial commitment to MAIF was approved, the SIC's long term target for Real Return was increased from 10% to 12%, creating additional capacity for investment. Furthermore, an added commitment to MAIF will bring more balance between emerging and OECD exposure in the real return portfolio. There will be a small fee break associated with the additional commitment.

The Council discussed investment sourcing, the reasoning behind the additional commitment to MAIF, and the strategic fit of the investment in the real return portfolio.

The Macquarie representatives, David Luboff and Cynthia Johnson, led the Committee through their prepared materials opening with remarks on the firm's background, team, and operational expertise within the infrastructure investment group. Mr. Luboff addressed Macquarie's track record in Asia. Of the nineteen asset and two fund exits, a money-multiple of 2.1x has been delivered at an IRR of 21%.

Macquarie's strategy will be to focus on the countries they know well, in the sectors where they have employees, and where they already made investments. Mr. Luboff stressed the importance of having experience with and understanding the regulatory regimes of the region. He reiterated Mr. Rosenberg's comments about return compression in OECD markets, the plentiful supply of capital available to OECD markets, and the increased number of transactions in the sector. Asian infrastructure markets have not yet developed to this stage, and Mr. Luboff commented that there are more transaction opportunities than organized capital targeting these assets, therefore making the risk premium attractive.

Mr. Luboff detailed the fund's activities and current status since the initial SIC commitment. MAIF held a first close with investors (including New Mexico SIC) in October raising $1.7B. As of February 2015, MAIF made two investments totaling $155 million of Fund equity in India. A number of other transactions are currently in the pipeline.
and under due diligence. The second close is anticipated by the end of May. Mr. Luboff further elucidated Macquarie’s India toll road strategy, and last mile financing strategy, among other regional investment approaches.

Ms. Johnson concluded that Macquarie’s strength lay in the country specific predecessor teams on the ground built around a realistic executable pipeline of investments.

Mr. Lavender stated, for the record, that he was part of a clearing firm that sold itself to Macquarie over twenty years ago. He was also a part of the group that bought back the firm from Macquarie approximately ten years ago. Mr. Lavender currently has no interest in Macquarie.

Mr. Rawson voiced his concerns regarding investing in China and asked Mr. Luboff for more details on their experience in China. He responded that Macquarie has had success in China. They have learned to invest and target sectors where the funding gap is the greatest, and where capital is most required. No more than 33% of the fund will be invested in China. Mr. Luboff discussed with the Council the security of assets and sovereign risk found in infrastructure.

Based upon the recommendation of the Council Investment Committee, the Townsend Group, and SIC Staff, Mr. Lavender moved that the SIC approve a commitment of $40 million to Macquarie Asia Infrastructure Fund, L.P., subject to and contingent upon New Mexico state law, New Mexico State Investment Council policies, negotiation of final terms and conditions and completion of appropriate paperwork.

Mr. Young seconded the motion, which passed by voice vote, with Secretary Clifford voting against the investment stating that he felt the investment was contingent on government policy, and he was not comfortable that there was a good understanding of those policies.

e. **Vote: Co-Investments in the National Private Equity Program (Smith & LP Capital)**

Mr. Smith began by stating that for quite some time staff and consultant LP Capital have been considering recommending the Council pursue direct investments in portfolio companies alongside general partners - “co-investments”. Co-investments have become a significant portion of private equity investments and many of the SIC’s peers are involved in this type of program. Allan Waldrop and Richard Pugmire, of LP Capital, along with staff member Greg Kulka were present to discuss therecommended policy changes and benefits of a co-investment program within the SIC’s private equity portfolio.

Mr. Kulka reviewed, from the provided materials, the advantages of a co-investment program. These advantages included greater control over capital deployment, lower fees, more in-depth relationships with G.P.s, and greater investment selection flexibility and control versus blind pool funds.

SIO Staff recommended managing the program internally using SIO Staff along with our National Private Equity Program Advisor to implement the co-investment program. LP Capital has extensive experience sourcing, screening, executing and monitoring co-Investments on behalf of their clients. A fixed annual fee of $250,000 would be added to LP Capital’s annual contract, covering all work related to strategy, sourcing, screening, and due diligence of these investments.

Mr. Kulka explained the proposed language changes that would be necessary to the current NM Private Equity Program Policies and Procedures to allow for co-investments. He also reviewed additional co-investment guidelines and restrictions that would be set forth in the policy.

Secretary Clifford asked for clarification on what the Council was being asked to vote on. Mr. Kulka clarified that the Council was being asked to approve the proposed changes to policy language allowing the national private equity program to make co-investments, and also allowing staff to have the authority to execute these investments.
The Council was reminded that the SIC will have already approved an investment with the G.P. and have an existing relationship. No investments will come from outside sources.

Mr. Waldrop reminded the Council the NM private equity program currently allows co-investments in NM based companies, and today's recommendation would permit similar capabilities in the national program.

Secretary Clifford stated that he felt the presentation was for the most part on the benefits of a co-investment program, and expressed his need for more pros and cons when making important portfolio decisions.

Mr. Waldrop directed the Council's attention to the second page of the memo, where risks are summarized. He gave the Council a very thorough explanation of the difference between fund investing, describing it as a blind pool investment, and co-investing, where the investment is focused on a particular manager and their track record in a particular sector with similar deals. Leveraging existing manager relationships is critical to the sourcing and screening process and ultimate success of the investment.

Secretary Clifford stated that NM's confidentiality statutes are comprehensive in their reach, and inquired where this kind of information would fall within our IPRA statute. Mr. Land replied that there is likely a trade secret exemption to the IPRA statutes, and there is some reference to it in the A.G's compliance guide and the SIC has never been challenged on this premise.

The discussion turned to the matter of delegation of critical decisions to staff. Secretary Clifford expressed his reservations and suggested a sub-committee structure for investment approval. Ms. Eltzen, PEIAC chairperson, replied that PEIAC initially had similar reservations but after going through several policy iterations, reviewing the proposed reporting standards, and giving careful consideration to the need for expedited decisions, the Committee is comfortable with the policy as brought forth today to the Council. Mr. Waldrop clarified that although the timeframe is different for co-investing, LP Capital and staff will never be rushed in their decision making.

The Council discussed the sourcing processes of these types of investments: manager selection, investment criteria/characteristics, opportunities in the pipeline, etc.

Chairman Frank expressed his concern with the proposed policy changes, remarking that the SIC's strength lay in asset allocation and manager selection. Mr. Smith discussed with the Council the skill sets of staff, allocation of staff resources, portfolio management, and manager assessment in relation to co-investing.

The Council reviewed the co-investment fee schedule, with the advisory retainer fee approach recommended. The mechanics of reporting was also discussed.

Mr. Lavender asked Mr. Pugmire about other LP Capital clients that have a similar program and staff parameters; and what their experiences and results have been. Mr. Pugmire responded that this is an area where LP Capital has experience and currently has eight clients that co-invest. Six of the eight clients have given staff authority, either fully, or leveraging LP Capital as advisors. Investment parameters differ among clients. The experience for clients who approach co-investing with portfolio and programmatic methods has gone well, returns have been at least as consistent as the broad private equity program, and has allowed clients to take advantage of lower fees and opportunistic capital deployment.

The Council continued the discussion, focusing on the matter of company selection, LP Capital's capacity to perform that role, and solicited further details on other LP Capital clients that co-invest. Mr. Young questioned, given the evident reluctance of the Council, if the program is worth pursuing. Mr. Smith replied that for the overall portfolio, increased returns would be nominal, but there are several benefits to the program beyond increased returns, including increased liquidity and a better view of managers.
Within the staff private equity group, there is an open FTE to lead the co-invest strategy and a professional staff person would be sourced.

The Council discussed the item in proposed policy changes that references that there must be at least two other institutional investors participating in the co-investment opportunity. Mr. Pugmire explained that this was a protection/control mechanism so that the SIC could be assured of like-minded investors and broad-based institutional support.

The Council continued to discuss their concerns over several issues including delegation to staff and consultants, governance matters, reporting structures and public perception risks. Mr. Rawson also pointed out that three Council members were absent at the meeting to voice their opinions.

Mr. Rawson moved to table the co-investment vote. Secretary Clifford and Chairman Frank agreed, and the Council postponed consideration of the national private equity co-invest program.

f. **Vote: Domestic Equity Contract Renewals (Smith & Starla Bennett)**

Ms. Starla Bennett presented RV Kuhns, the Council Investment Committee, and staff’s recommendation of three-year contract extensions for the SIC’s eight domestic equity managers. Each manager’s contract will be voted on individually, as requested. Ms. Bennett informed the Council that as requested by the CIC, RV Kuhns had approached Cortina about a fee reduction. The request was not granted on the basis that the SIC’s fees are currently lower than Cortina’s standard fee.

Addressing the Council, Mr. Smith explained that in the SIC’s publicly traded portfolios, the approach of manager selection and construction is from a portfolio context. Individual managers are not hired separately, but rather as a package satisfying established portfolio characteristics.

Ms. Eitzen, clarified for the Council that what was being voted on today was approval of the continuation of contractual arrangements and fee schedules for each manager for another three years. She reminded the Council of the SIC’s ability to terminate any contract with a 30-day notice. Mr. Smith added that a manager’s trading can be halted the day they are notified.

Secretary Clifford voiced his concerns over the number of contract extensions being requested at one time. Citing uneven manager performance he suggested further evaluation of each manager was necessary, and indicated more information on performance was needed than what the Council had been provided.

Mr. Lavender responded that the CIC continually reviews and pays close attention to the performance of each manager, and was recommending today that all eight be retained. He reminded the Council evaluation is an ongoing process and that managers in the past have been terminated for poor execution. Minimum return expectations were described as index plus 2x fees. Ms. Eitzen concurred regarding the ongoing evaluation and review of performance.

The Council discussed the diversity of managers within the domestic equity portfolio, various managers’ performance, and how it was appropriate each manager should be performing differently in any given snapshot of time.

Mr. Young stated that the Council agreed on the domestic equity managers as a package because of correlations of returns and different styles and they must rely on staff to bring to the Council’s attention poor performance by a manager, as they are the ones looking at managers on a daily basis.
The Council continued the prolonged dialogue over portfolio performance as compared to the benchmark, up-market capture, downside protection, alpha generation, and anchors versus diversifiers within the portfolio. The topic of active management versus passive was broached and deliberated within the context of the current macro-economic environment.

Chairman Frank summarized the discussion by stating except for the mechanics of having to renew these manager’s contracts, the Council would not be discussing these managers because staff is not bringing forward allocation or portfolio changes at this time. He suggested that the Council accept the recommendation as presented – as a total portfolio – with the caveat that in the near future Mr. Smith review with the Council allocation and portfolio considerations.

Based upon the recommendation of the Council Investment Committee, RVK & SIC Staff, Mr. Lavender moved that the State Investment Council approve individually the renewal of each domestic equity manager contract below, under terms and conditions reviewed and discussed by the Council today, subject to and contingent upon New Mexico state law, New Mexico State Investment Council policies, negotiation of final terms and conditions and completion of appropriate paperwork.

Mr. Young seconded the motion. The vote was clarified to signify approval for the portfolio as it stands, with individual votes on each manager to follow. The motion passed by voice vote, with Secretary Clifford voting against the motion.

Chairman Frank then asked for votes on individual managers:

1. Blackrock Institutional Trust Co: Eight for/none opposed
2. Brown Brothers Harriman & Co.: Six for/two opposed, Clifford, Eichenberg
3. Cortina Asset Management LLC: Six for/two opposed, Clifford, Rawson
4. Donald Smith & Co., Inc.: Seven for/one opposed, Clifford
5. J.P. Morgan Investment Management Inc.: Eight for/none opposed
7. T. Rowe Price Associates, Inc.: Eight for/none opposed
8. Wellington Management Company, LLP: Six for/two opposed, Clifford, Eichenberg

3. OTHER INVESTMENT MATTERS: REPORTING, INVESTMENT PERFORMANCE & MARKET UPDATES

a. SIC performance report & monthly activity summary (Smith & RV Kuhns)

The report was for an intra-quarter month and staff and RV Kuhns were available for questions.

Treasurer Eichenberg requested an explanation for STPF underperformance relative to its index. Mr. Smith answered that this was primarily due to several factors:

- The underperformance of private equity portfolio relative to its benchmark (more of a benchmark problem than a portfolio problem, and the benchmark is being addressed);
- The underperformance of the domestic equity portfolio relative to its benchmark;
- The underperformance of NM private equity; and
- The asset allocation mix is slightly different than the interim target allocation – allocations are still moving to their targets as portfolios are built.

b. New Mexico PE Program Reporting Items (informational)
4. **STATE INVESTMENT OFFICER’S REPORT (Steve Moise)**

**Investment Matters:** The current NAV, as reported by JP Morgan, is $20.602B. Distributions to the State over the past twelve months from LGPF and STPF have been $760M.

**Council Matters:** The April meeting schedule was included in the Council’s materials. Mr. Young requested that the CIC meeting time be moved to 9am, since there was no PEIAC meeting that day. Mr. Moise stated the meeting time will be changed. PEIAC functions will be assumed by the CIC beginning June 19 and the Governance Committee and Council will discuss how that will be accomplished.

**Legislative Matters:** Mr. Moise described the legislative working group as having done yeoman’s work over the past two months with the legislature. The group consists of Mr. Rawson, Mr. Jennings, and Mr. Lavender. Mr. Moise stated their work has been important in achieving the Council goals and he thanked them wholeheartedly. He had also made a list of the many people who helped, advocated on the Council’s behalf, and had otherwise been meaningfully involved in the legislative process and successful legislative outcome - the list numbered over 28. All would be thanked. Mr. Moise stated that, in particular, he wanted to thank Representative Harper and Senator Wirth, for sponsoring the two SIC bills.

Mr. Lavender commented on Mr. Rawson’s and Mr. Jennings work on behalf of the Council, remarking on their knowledge and skill in working with the legislative bodies and he wanted to make sure the record reflected their important work. Mr. Lavender was also complimentary of staff, in particular Mr. Moise and Mr. Wollmann. Mr. Frank echoed the sentiments.

Mr. Moise gave details on the staff’s efforts during the legislative session. He thanked Mr. Wollmann for his work and understanding of legislative detail. Mr. Moise announced that Mr. Wollmann has a new title, approved by SPO - Director of Communications and Legislative Affairs.

A legislative update document had been prepared by Mr. Wollmann and Mr. Moise called the Council’s attention to the number of Fiscal Impact Reports (FIR) for SIC-related bills that SIC staff had been asked to prepare. All were prepared very well. Mr. Moise thanked Bruce Brown in addition to Mr. Wollmann who had assisted in FIR preparation.

Mr. Wollmann reviewed with the Council the efforts and timeline of the two SIC supported bills. Both had been amended during the legislative process. The changes to SB 174 were characterized as minor. Mr. Wollmann explained in more detail the mechanisms of HB 236, which seeks to change the current severance tax bonding structure of 95/5% (bonded and inflows to STPF respectfully). HB236/a, if signed by the Governor, would increase the current 5% of severance taxes to the STPF, to 13.8% over the next ten years. The amendment minimized tribal and colonias cuts.

Mr. Rawson educated Council and staff about tacit legislative rules regarding final vote numbers, from either chamber. Voting outcome numbers are not to be presented in materials or dialogue.

The effects of the failure of passage of the capital outlay bill on STPF inflows are uncertain at this point, and staff was working with the Board of Finance to determine any benefit to the STPF.

**Policies:** A legislative policy will be evaluated by the Governance Committee next month, and following their review and recommendation, the policy will be brought to the full Council. A new gift policy for SIO staff has been updated, signed, and implemented. A copy had been provided to the Council. The existing policy was outdated.
The annual accomplishments and goals memo from staff will be presented to the Council in April. A recap of the past five years will be included, as it has now been five years since the new Council and staff were put in place.

Office Administration: Offers are imminent for two staff positions, a real return asset analyst and a paralegal/administrative assistant, after a thorough sourcing process.

External relations: Staff will be presenting to the Santa Fe City Different Petroleum Club, for the second time, on April 23. Mr. Smith informed the Council that the Mountain States Investor Forum has expressed interest in holding their conference in Santa Fe in 2016. The conference involves CIOs, executive directors, staff, and consultants of similar funds to the SIC from the mountain west states. One of the larger sponsors of the conference, Perella Weinberg, is an SIC investment manager. Mr. Smith will be a keynote speaker at the New Mexico Bankers Association Lenders Conference on March 27.

Treasurer Eichenberg, in reference to the dashboard document, asked for a copy of the SIC’s budget and inquired about the total dollar amount budgeted for staff salaries. Mr. Shipp indicated that budget-to-actual reports were provided on a monthly basis in the Council’s materials, under the finance matters tab.

Mr. Rawson suggested that the Council consider sending thank you letters to all legislators for their support, similar to last year. He suggested including the most recent dashboard with the letters.

5. FINANCE MATTERS: AUDIT COMMITTEE & INFORMATIONAL REPORTS: DISCUSSION

a. CFO report (Brent Shipp)

Mr. Shipp and staff were requesting approval for both the external audit services contract, to be renewed with CLA, and the internal audit services contract, to be renewed with REDW. Mr. Shipp gave background details on the issuance of the RFPs and proposal submissions. As per Council policy, because the contracts were over $50,000, Council approval is sought.

Based upon the recommendation of the Council Audit Committee & SIC Staff, Mr. Smart moved that the State Investment Council approve the renewal of the external auditor contract with CliftonLarsonAllen under terms and conditions reviewed and discussed by the Council today, subject to and contingent upon New Mexico state law, New Mexico State Investment Council policies, negotiation of final terms and conditions and completion of appropriate paperwork. He was seconded by Mr. Lavender. A vote was taken, and the motion passed unanimously by voice vote.

Based upon the recommendation of the Council Audit Committee & SIC Staff, Mr. Smart moved that the State Investment Council approve the renewal of the contract with outsourced internal auditor REDW, under terms and conditions reviewed and discussed by the Council today, subject to and contingent upon New Mexico state law, New Mexico State Investment Council policies, negotiation of final terms and conditions and completion of appropriate paperwork. He was seconded by Mr. Lavender. A vote was taken, and the motion passed unanimously by voice vote.

6. GOVERNANCE MATTERS: COMMITTEE REPORTS: DISCUSSION

a. Governance Committee report (Scott Smart)

The Governance Committee had not met this month due to legislative conflicts.

State Investment Council Meeting: March 24, 2015
7. **CLOSING MATTERS**

a. Old or new business

Mr. Rawson suggests that before June (and the start of interim committee work) the Council should formulate their position on Council composition. Staff, taking into consideration SB 174, should also look at the calendar for the December and January time period and 2016 session dates to determine an appropriate meeting schedule.

b. Next SIC meeting date: Tuesday, April 28, 9:00 am, Santa Fe, NM

8. **PUBLIC COMMENT PERIOD**

Kay Linde Grotbeck made comments regarding the percentage of SIC investments that are made out of the U.S. She stated that investing in our own country has many positive effects, including job creation. Ms. Grotbeck also commented on the various entities’ conflicting totals of jobs created in New Mexico.

Kenneth Knoll spoke to the Council about investnewmexico.us, a crowdfunding portal for investments in New Mexico businesses, entrepreneurs and nonprofits. Mr. Knoll described the crowdfunding movement across the country that is creating jobs by getting the “crowd” to invest in small businesses. Mr. Knoll further spoke about intrastate crowdfunding exemption legislation and states that have enacted crowdfunding exemptions. He encouraged the Council to consider the economic benefits to New Mexico and the critical need for small business development in New Mexico when making investments, as an alternative to investing in other country’s infrastructure and their development.

9. **ADJOURNMENT**

As SIC business was completed, Mr. Lavender moved to adjourn. Treasurer Eichenberg seconded the motion and the meeting was adjourned at 12:13 p.m.

Approved: [Signature]

Peter Frank, Vice-Chair