



New Mexico State Investment Council

Position Specification State Investment Officer

New Mexico State Investment Council (SIC or Council), located in Santa Fe is searching for a *State Investment Officer* (serving as the Chief Executive Officer) to lead this independent state investment agency managing nearly \$45 billion in assets. The SIC is the third largest U.S. Sovereign Wealth Fund and ranks in the Top 30 globally. Their assets are expected to grow to around \$100 billion in the next 10 years.

The current SIO has announced his retirement after over 13 years where he oversaw a period of tremendous asset growth; assets values have tripled from \$14 billion, April 2010, to almost \$45 billion in June 2023. This is an exceptional opportunity to work with a highly regarded board and lead an organization with a long history of delivering strong investment performance.

Council Overview

SIC, a sovereign wealth fund established in 1958, manages investments for New Mexico's permanent funds. Their mission is to *"To protect and grow the state's permanent endowment funds for current and future generations, through prudent, professional investment management."*

The SIC is an institutional investor, receiving public dollars, in the form of royalties and taxes from natural resources and income from sales and leases of public lands and minerals, which are invested on behalf of the people of New Mexico.

These assets provide substantial benefits to the taxpayers of New Mexico in various ways, most significantly being the distribution of more than \$1 billion in public school funding and tax savings delivered to New Mexicans every year.

The SIC is governed by 11 members, chaired by the Governor, and includes the State Treasurer, Commissioner of Public Lands, Secretary for the New Mexico Department of Finance and Administration, Chief Financial Officer for a state university, four public members appointed by the Legislative Council, and two public members appointed by the Governor.

The state funds currently under the SIC's management are the Land Grant Permanent Fund (LGPF), Severance Tax Permanent Fund (STPF), Early Childhood Education and Care Fund (ECECF), Tax Stabilization Reserve Fund (TSRF), Tobacco Settlement Permanent Fund (TSPF), Water Trust Fund (WTF), and the Rural Libraries Endowment Fund (RLEF).

A newly created Conservation Legacy Permanent Fund (CLPF), seeded with a \$50 million appropriation by the Legislature, will also be managed by the SIC. Another new fund to be invested by the Council is the Opioid Settlement Restricted Fund (OSRF) is expected to receive \$300 to \$350 million in one-time settlement revenues.

In addition to the management of the permanent funds' assets, the SIC also manages approximately \$1.9 billion of assets for 23 government related clients. These clients determine their asset allocation and are provided access to invest in the SIC's funds.

For additional information visit <https://www.sic.state.nm.us>.

Investment Overview

The SIC's assets under management by client are reported in the table below. The FY2024 Annual Investment Plan projects significant inflows into the funds for the next decade, increasing assets under management around \$100 billion.

Summary of SIC Assets, 6/30/23

	Assets \$
Land Grant Permanent Fund	28.0B
Severance Tax Permanent Fund	8.4B
Early Childhood Education and Care Fund	3.6B
Tax Stabilization Reserve	2.3B
Tobacco Settlement Permanent Fund	330M
Water Trust Fund	43M
Rural Libraries Endowment Fund	13M
Government Clients	1.9B

Contributions to the funds managed by the SIC topped \$8 billion in 2022, far exceeding the previous all-time high of about \$2.4 billion in 2020. Inflows to the largest funds, LGPF, STPF and ECECF were mainly from tax and royalty collections on oil and natural gas production in the state. With some of the most profitable acreage in the country, oil and natural gas production in New Mexico is expected to continue growing over the next decade peaking in early 2030s.

Although the record inflows of \$8 billion experienced in 2022 is an anomaly, inflows appear poised to continue above historical norms. Contributions exceeded \$2.7 billion from the State Land Office into the LGPF which was their largest in the LGPF's history and more than double the \$1.3 billion 2021 contribution. Contributions to the STPF in 2022 totaled about \$1.6 billion which was more in one year than was deposited over the prior 20 years. Also, the ECECF is expected to continue to receive large inflows over the next several years.

The LGPF and STPF, with assets of over \$27 billion and nearly \$8 billion, respectively, represent over 80% of the SIC's total assets under management. The Council approved a new asset allocation model in April 2023. The following are the asset allocation for these two largest clients as of June 2023.

LGPF Asset Allocation, 6/30/23

	Actual %	Long-Term Target %
US Equity	18.90	20
Int'l Equity	16.11	20
Core Fixed Income	13.57	10
Non-Core Fixed Income	10.56	15
Real Return	7.77	10
Real Estate	8.89	12
Private Equity	10.76	13
Beta Overlay	5.87	
Cash	7.58	0

STPF Asset Allocation, 6/30/23

	Actual %	Long-Term Target %
US Equity	16.38	20
Int'l Equity	14.72	20
Core Fixed Income	10.28	12
Non-Core Fixed Income	7.70	12
Real Return	8.44	10
Real Estate	6.61	12
Private Equity	3.52	5
Private Equity New Mexico	5.36	9
Beta Overlay	8.41	
Cash	15.28	0

The actual cash allocation is higher than normal due to the inflows of \$8 billion in new assets in 2022 that is taking time to invest in private markets.

The SIC's Total Fund performance, net of fees, as reported by RVK, at June 30, 2023 is 6.39%, FYTD; 8.67%, 3-Years; 6.36%, 5-Years; 7.56%, 7-Years; and 7.15%, 10-Years. Investment from LGPF, the largest SIC client, earned 7.40% over the last 10 years, above its long-term target return of 7.0%. The returns for the LGPF and STPF at June 30, 2023, net of fees, are:

Returns, Net of Fees, 6/30/23

	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years
LGPF						
Actual	7.07	7.07	9.59	6.88	7.94	7.40
Policy Index	6.58	6.58	9.49	7.03	7.84	7.56
STPF						
Actual	5.86	5.86	7.39	5.34	6.82	6.61
Policy Index	5.68	5.68	8.03	6.20	7.29	7.17

The SIC annually contributes, through its distributions, on average, 15% of the state's budget for the benefit of the taxpayers. The state constitution requires the distribution of 5% of the five-year average market value of the LGPF be made annually. Of the LGPF's FY22 annual distribution, 86%, or more than \$1 billion, was allocated to public education. The remaining 14%

was divided among other designated beneficiaries. The STPF's distributions are to the state's general fund.

In addition to the SIC's annual distributions to the state, the SIC is committed to further capital investment in New Mexico to grow and keep businesses in state. Through the New Mexico Private Equity Investment Program (NMPEIP) investments are made in startups and new businesses to help bring in funding from out-of-state venture capital firms.

As of 2022, venture investment in 117 New Mexico companies totaled nearly \$515 million. The SIC, through the STPF, is authorized by the Legislature to invest in regional private equity firms. Currently, over \$445 million is committed to 39 private equity funds and co-investment funds.

In response to the pandemic and the lockdown on New Mexico businesses, the SIC stepped in and approved \$100 million to assist New Mexico business with low-cost loans to companies that were not being served by other federal and state programs. For additional information on the SIC investment program, review the FY2024 Annual Investment Plan at <https://www.sic.state.nm.us/investments/fy-2024-annual-investment-plan>

Position Responsibilities

The Council is the governing fiduciary over all aspects of the SIC setting the investment policy and the strategic asset allocation. The Council retains all investment authority and appoints all external managers and investment consultants.

The SIO is appointed by the Council and has responsibility and authority, as delegated by the Council, for the management and administration of the investment program within regulatory statutes and investment policies established by the Council and the State of New Mexico.

Serving functionally as the chief executive officer, the SIO is responsible and accountable for the financial performance and operational effectiveness of the organization. A significant portion of the SIO's responsibilities are external facing and outreach to continue the positive relationships with the Legislature, Governor's Office, Treasurer's Office, clients, and other stakeholders.

Leading a team of ~25, the SIO has four direct reports – Deputy State Investment Officer & Chief Investment Officer, Chief Counsel, Director of Communication, Legislative & Client Affairs, and the Chief Financial Officer & Administrative Services Director. The SIO's major responsibilities are further set forth in the New Mexico statute and in Council policies. Some of the key responsibilities and duties include:

- Ensure the financial stability and long-term viability of the SIC.
- Ensure operation of the SIC in accordance with its mission, vision and core values, and state and federal law.
- Oversee planning, organization, and administration of all program areas for which the SIC is statutorily responsible.
- Monitor performance of the investment portfolio, ensure assets are invested in accordance with the SIC's policies, and that proper controls are in place to safeguard assets.

- Advise and confer with the Council on financial, economic, and political trends and developments affecting the management of the SIC's assets.
- Represent the SIC as a subject matter expert and, as necessary, interact with legislators and testify on proposed legislation affecting the SIC.
- Ensure budget resources are sufficient and properly aligned to accomplish the SIC's goals.
- Implement and institutionalize best-in-class operational practices including controls, systems, and risk management.
- Maintain relationships with other U.S. sovereign wealth funds to keep informed of trends affecting these plans.

Key Objectives

The Council has identified some of the key objectives to measure, in part, the SIO's performance.

1. Work with the Council, Legislature, and others as necessary, to identify possible changes in current policies related to budget approval, staff hiring and compensation to provide greater flexibility to the SIO and Council in managing the SIC's affairs.
2. Lead the development of a strategic plan to prepare the organization for the significant growth in assets expected in the next 10 years and to scale the organization to effectively manage this growth.
3. Engage with clients, Legislature, Governor's Office, and other key stakeholders to build upon the SIC's positive relationships to further strengthen its brand and reputation.
4. Continue the SIC's efforts of exploring investment opportunities in New Mexico to identify investments that may be appropriate.
5. Work with the Governance Committee to evaluate the delegation of investment authority to the SIO to determine if such a change is appropriate.
6. Evaluate operational processes and the technology infrastructure and, if necessary, make changes to incorporate best practices and improve efficiency.
7. Develop succession plans for key executive positions and implement programs to identify and develop future leaders.

Qualifications and Experience

The Council desires a strategic executive with a respected level of investment knowledge and an understanding of the basic tenets of institutional asset management, experience overseeing related administrative and investment functions, and experience managing external stakeholder relations. Additional requirements and preferences include:

Requirements

- An undergraduate degree, preferably in finance, economics, or related field.
- At least 10 years of investment and executive management experience.
- Establish and maintain permanent New Mexico residence (if not currently a resident).
- Excellent interpersonal, communication and management skills.

Preferences

- Advanced degree.
- Experience with legislative processes at the state level and interacting with elected officials.

- Experience as an institutional investor across different economic cycles.
- Experience hiring, coaching, mentoring, and retaining staff.
- Experience working in New Mexico.
- Experience stewarding a sovereign wealth fund, public pension fund, state investment agency, or endowment.

Leadership Competencies and Characteristics

An executive, who is confident, inspiring, and passionate about SIC's mission, is desired. The SIO must have uncompromised ethics, an impeccable reputation, and excellent judgment. As the chief executive, the SIO must also be willing to have candid conversations and the courage to make tough decisions with the emotional intelligence to affect positive change.

The SIC staff works well together and are highly regarded and respected by the Council. Continuation of a work environment where there is open communication, teamwork and recognition for contributions are essential to continuing the culture of excellence and accomplishments. Other attributes include:

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| ▪ Fortright | ▪ Diplomatic |
| ▪ Transparent | ▪ Patience |
| ▪ Humble & Unselfish | ▪ Respectful |

The ideal candidate must be a leader who values strong governance and has the social and interpersonal skills to engage and build positive relationships with Council members to effectively guide and advise them. In addition to being visible, approachable and a good listener, other important skills and attributes include:

- Confidence to put forward ideas and recommendations while being willing to adjust them based on input from others.
- Interpersonal skills to build consensus and effectively negotiate compromise.
- Confident and calm under pressure.
- Poise and executive presence to expertly represent the SIC.
- Ability to communicate complex, financial, and investment information in a clear and simple manner tailored to the audience.

This is a highly visible position and the SIO must respect the requirements of operating in a public environment.

Compensation

Compensation includes a base salary and is competitive to attract top chief executives. Health care, retirement benefits, and relocation assistance are also provided.

For additional information or to apply, please contact Hudepohl & Associates at info@hudepohl.com or 614-854-7300.