



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
INVESTMENT COUNCIL – INVESTMENT OFFICE
A COMPONENT UNIT OF THE STATE OF NEW MEXICO**

June 30, 2022

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State Of New Mexico Investment Council – Investment Office
Official Roster
June 30, 2022

GOVERNING BOARD

The Hon. Michelle Lujan Grisham, Governor	Ex Officio Member, Chair
The Hon. Stephanie Garcia Richard, State Land Commissioner	Ex Officio Member, Vice-Chair
Deborah Romero, DFA Cabinet Secretary	Ex Officio Member
The Hon. Tim Eichenberg, State Treasurer	Ex Officio Member
Nick Telles, Vice President of Finance, Santa Fe Community College	Public Member, Governor's Appointment
John Bingaman	Public Member, Legislative Council Appointment
Leonard Lee Rawson	Public Member, Legislative Council Appointment
Harold W. Lavender	Public Member, Legislative Council Appointment
Catherine Allen	Public Member, Governor's Appointment
L. Michael Messina	Public Member, Governor's Appointment
Tim Z. Jennings	Public Member, Legislative Council Appointment

Report of Independent Auditors

The Honorable Michelle Lujan Grisham, Chair
State of New Mexico Investment Council – Investment Office

Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of State of New Mexico Investment Council – Investment Office (the Office), a component unit of the State of New Mexico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Office’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office as of June 30, 2022, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Office present the financial position and changes in financial position of only that portion of governmental activities, each major fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the State of New Mexico that are attributable to the transactions of the Office. The financial statements do not present fairly the financial position of the entire State of New Mexico as of June 30, 2022, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, the Office adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* during the year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. The combining balance sheet – governmental nonmajor funds, combining statement of revenues, expenditures, and changes in fund balance – governmental nonmajor funds, changes in land grant permanent fund held for beneficiaries, detail of interagency transfers, external investment trust funds, schedule of deposit and investment accounts, and schedule of investment management fees (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 21, 2022

State of New Mexico Investment Council – Investment Office

Management’s Discussion and Analysis

June 30, 2022

The State of New Mexico Investment Council – Investment Office’s (the Office) mission is to protect and grow the State’s permanent endowment funds for current and future generations through prudent, professional investment management. It currently has \$33.3 billion in investments under management, which includes investments managed on behalf of other governmental entities through joint power agreements.

The Office complies with the required financial statement presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This discussion and analysis of the Office provides a summary of the financial position and results of operations as of and for the year ended June 30, 2022, with highlights and comparisons. The reader should review the actual financial statements, including the notes and supplementary information, for a more complete picture of the Office's financial activities.

The financial statements include the sections described below.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Office's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Office's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Office is improving or deteriorating. The statement of activities presents information showing how the Office's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is on major funds, rather than fund types.

The financial statements also include notes, which explain the history and purpose of the Office, significant accounting policies, investment details, statutory disclosures, and other required information regarding the financial position of the funds.

The governmental major fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed.

The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the financial statements allow the demonstration of sources and uses and/or budgeting compliance associated with the funds.

State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022

Condensed Financial Information

The Office’s condensed statement of net position is summarized as follows:

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,337,671,465	\$ 1,969,681,443
Other assets	2,681,681,846	1,047,198,448
Investments	33,281,239,447	33,519,952,260
Total assets	<u>\$ 40,300,592,758</u>	<u>\$ 36,536,832,151</u>
LIABILITIES		
Accounts payable and other liabilities	\$ 37,267,741	\$ 28,191,315
Due to brokers	490,528,754	697,325,879
Total liabilities	<u>527,796,495</u>	<u>725,517,194</u>
NET POSITION		
Net investment in capital assets	(895)	24,667
Unrestricted deficit	(314,174)	(303,855)
Restricted by enabling legislation	39,773,111,332	35,811,594,145
Total net position	<u>39,772,796,263</u>	<u>35,811,314,957</u>
Total liabilities and net position	<u>\$ 40,300,592,758</u>	<u>\$ 36,536,832,151</u>

All expenses of the General Administrative Fund are related to investment management of the permanent funds and of external, governmental clients; however, only external investment management expenses for publicly traded assets are allocated to the funds and clients based on relative market values managed.

The increase in cash and cash equivalents is consistent with the increases in inflows from royalties and land sales and from the Severance tax bonding fund and other general revenues and decrease in investments. The increase in other assets is largely due to increased amounts due from brokers and from other state entities at year-end. The decrease in investments is due a weaker investment return environment for the fiscal year offset by markedly higher inflows.

The increase in accounts payable and other liabilities is largely attributed to the timing of the payment of quarterly investment management expenses, amounts due to other state entities, and to an increase in vacation and sick pay and leases. Due to brokers have decreased as a result of a decrease in purchasing activity at the end of the year.

State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022

The unrestricted net position includes the amount of accrued vacation and sick pay liability, which is not a reimbursable expense of the funds until the compensated leave time is used. The net investment in capital assets and leases is \$1,931,024 as of June 30, 2022.

Asset classes authorized under the investment policy include:

- Small, mid, and large capitalization U.S. stocks
- Non-U.S. developed markets and emerging markets stocks
- U.S. debt obligations
- Private equity limited partnerships
- Real assets, including real estate
- Absolute return funds
- Derivative instruments
- Structured credit instruments
- New Mexico direct equity investments
- Government guaranteed New Mexico home and farm loans
- Certificates of deposit in New Mexico financial institutions

The Office’s condensed statement of activities is summarized as follows:

	Year Ended June 30,	
	2022	2021
EXPENSES		
General government	\$ 51,632,258	\$ 50,685,811
REVENUES		
Program revenues		
Tobacco settlement proceeds	34,971,274	35,276,972
Contributions from external investment trust funds	218,952,796	252,275,400
Federal revenues (Taylor Grazing Act)	123,216	113,455
Total program revenues	254,047,286	287,665,827
General revenues and distributions		
Income from investments	(1,554,186,477)	6,980,618,774
Severance tax bonding fund and other general revenues	4,345,787,559	766,512,510
Royalties and land sales	2,320,087,575	1,184,422,711
Distributions to external investment trust funds	(128,794,264)	(186,868,006)
Distributions to beneficiaries	(1,223,828,115)	(1,109,726,820)
Total general revenues and distributions	3,759,066,278	7,634,959,169
CHANGE IN NET POSITION	3,961,481,306	7,871,939,185
NET POSITION		
Beginning of year	35,811,314,957	26,603,364,492
Restatement of beginning net position - GASB No. 84 Implementation	-	1,336,011,280
End of year	\$ 39,772,796,263	\$ 35,811,314,957

**State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022**

The statement of activities focuses on the cost of various activities, which are funded by the Office's general and program revenues. This is intended to summarize and simplify the users' analysis of the cost of services.

Change in Accounting – The change in net position increased in the prior year due to the adoption of GASB No. 84, *Fiduciary Activities*. Contributions and distributions related to the External Investment Trust Funds and distributions to the Water Permanent Fund are included in the condensed statement of activities. Fees from these two funds to the General Administrative Fund are now accounted for as interfund transfers and are eliminated in the presentation above.

Increases in Expenses – The increase in expenses for fiscal year 2022 has been due to increases in contractual services and custody fees.

Increases in Revenues – Royalties and land sales increases have been driven by price and volume increases. The decrease in income from investments is impacted by worsening investment performance over the prior fiscal year. Severance tax bonding fund and other revenues have increased in the current fiscal year due largely to a significant increase in severance tax inflows from the Severance Tax Bonding Fund whose bonding capacity is limited to the lesser of prior year or current year deposits. Also, rapidly rising production volumes by oil and gas producers and elevated prices similarly have resulted in quickly expanding collections of the oil and gas emergency school tax resulting in unexpectedly high deposits to the Early Childhood and Care Fund and to the Tax Stabilization Reserve Fund.

Financial Highlights

General Administrative Fund

The other financing sources and expenditures for the General Administrative Fund compared to the prior year are as follows:

	Year Ended June 30,	
	2022	2021
OTHER FINANCING SOURCES		
Interfund transfers	\$ 51,596,370	\$ 50,648,176
EXPENDITURES		
Personnel services and benefits	\$ 3,719,941	\$ 3,713,639
Contractual services and custody fees	47,357,094	46,407,419
Other - operating expenses and capital outlay	519,342	527,175
Total expenditures	\$ 51,596,377	\$ 50,648,233

State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022

The Office’s expenditures for fiscal year 2022 increased in total due to increased contractual services and custody fees as explained above. The Office budgeted, but did not spend, approximately \$8.1 million.

Financial Highlights – Other Funds

The primary governmental activity for the Office is the administration and management of seven State of New Mexico permanent funds: Land Grant Permanent Fund (LGPF), Severance Tax Permanent Fund (STPF), Tobacco Settlement Permanent Fund (TSPF), Tax Stabilization Reserve Fund (TSRF), Water Trust Fund (WTF), Early Childhood Education and Care Fund (ECE&CF) and Rural Libraries Endowment Fund (RLEF). The State Investment Office, which is responsible for carrying out the investment management policies of the State Investment Council, also provides similar services to 24 state agencies and political subdivisions of New Mexico.

The purpose of the permanent funds is to contribute recurring revenues for the operating budget of the State of New Mexico and the beneficiaries of the permanent funds. The Office's mission is to protect and grow the State's permanent (endowment) funds for current and future generations through prudent, professional investment management – with a vision of becoming one of the best performing, most respected sovereign wealth funds worldwide. The amount of annual distributions for the Severance Tax Permanent Fund, per statute, is 4.7% of the average of the calendar year-end market values of the funds for the immediately preceding five years. The LGPF, TSPF and TSRF distribution formulas are detailed below. Administrative costs are projected and added to the distribution formula to arrive at the total spending policy.

In September 2003, New Mexico voters approved Constitutional Amendment No. 2, increasing the LGPF distribution formula to its beneficiaries, the public schools and 20 other specifically identified state institutions. The amendment provides for suspension of distributions greater than 5.0% under certain circumstances. Distributions changed as follows:

- Beginning October 2003, distributions increased to 5.0%.
- For fiscal years 2005-2012, distributions increased to 5.8%.
- For fiscal years 2013-2016, distributions decreased to 5.5%.
- Beginning fiscal year 2017, distributions decreased to 5.0%.

State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022

The Tobacco Settlement Permanent Fund distribution was originally established at 50% of the prior year's contributions from legal settlements with certain tobacco companies. In April 2003, the New Mexico State Legislature changed the Tobacco Settlement Permanent Fund distribution. Based on this change, in fiscal years 2003 through 2006 the distribution was increased to 100% of the current year contributions, and the distribution went to the State General Fund rather than to the Tobacco Settlement Permanent Fund. Beginning in fiscal year 2007, the distribution for the Tobacco Settlement Permanent Fund returned to 50% of the prior year's contributions. In 2009, the Legislature, by passing Senate Bill 79, increased the percentage of distribution from the Tobacco Settlement Permanent Fund to the Tobacco Settlement Program Fund for fiscal years 2009 through 2011 to 100% of the prior year's contribution received. In 2011, the Legislature passed House Bill 79, which extended this period of 100% distributions of the prior year's contribution received through fiscal year 2013. For fiscal years 2014 through 2020, the distributions have varied by fiscal year compared to the contributions. In fiscal years 2022 and 2021, 100% of the contribution was distributed.

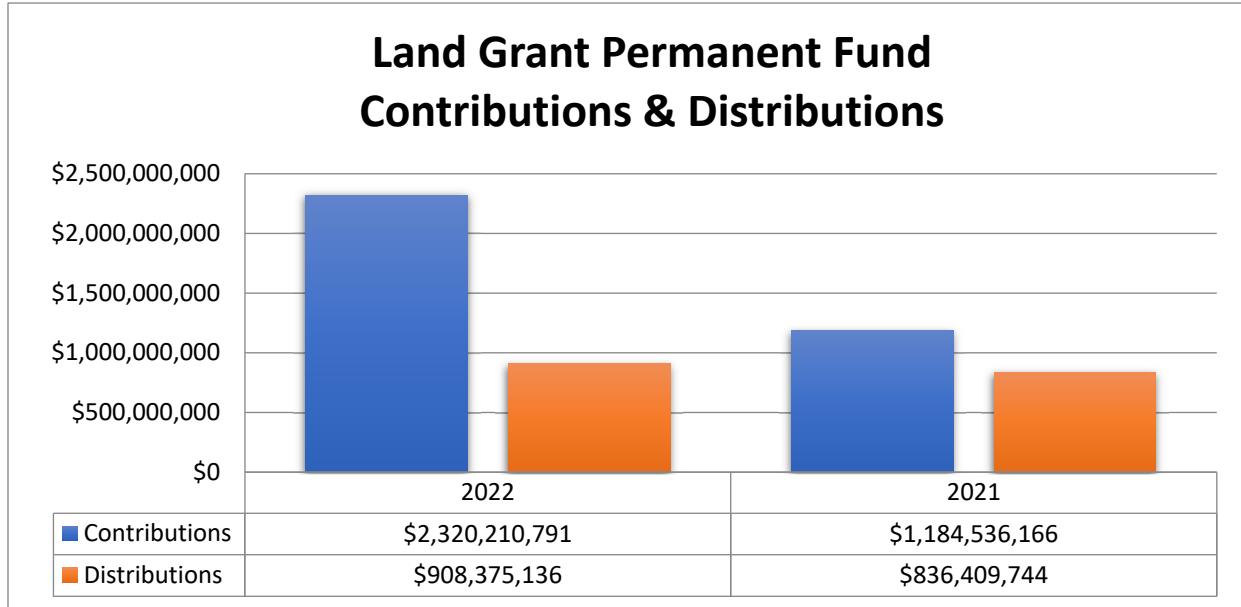
In April 2004, GASB issued Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues* (GASB TB 2004-1), which became effective for financial statements for periods ending after June 15, 2004. GASB TB 2004-1 clarifies recognition guidance for payments received under the Master Settlement Agreement (MSA) with the settling tobacco companies. Since annual tobacco settlement reimbursements are based on cigarette sales from the preceding calendar year, governments should estimate accrued tobacco settlement reimbursements that derive from tobacco sales from January 1 to their respective fiscal year-ends. Accordingly, the Tobacco Settlement Permanent Fund recognized \$14 million and \$15.5 million in tobacco reimbursement receivables for the years ended June 30, 2022 and 2021, respectively.

The purpose of the Tax Stabilization Reserve Fund is to provide monies to cover budget shortfalls in the general fund. Accordingly, the funds may be appropriated by the legislature to meet the level of appropriations authorized by law from the general fund that are projected to be insufficient for a given year and for the following fiscal year. The appropriation must be approved by two-thirds' majority vote of both houses following the receipt of a declaration of the governor that the appropriation is necessary for public peace, health and safety.

Land Grant Permanent Fund – Land Grant Permanent Fund contributions from the State Land Office for fiscal year 2022 increased 95.8% from fiscal year 2021, impacted largely by price and volume increases. The change is inclusive of a Federal Taylor Grazing Act transfer of \$123,216. Distributions to the beneficiaries of the fund increased 8.6% from the prior year due primarily to an increasing rolling five calendar year average asset base.

**State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022**

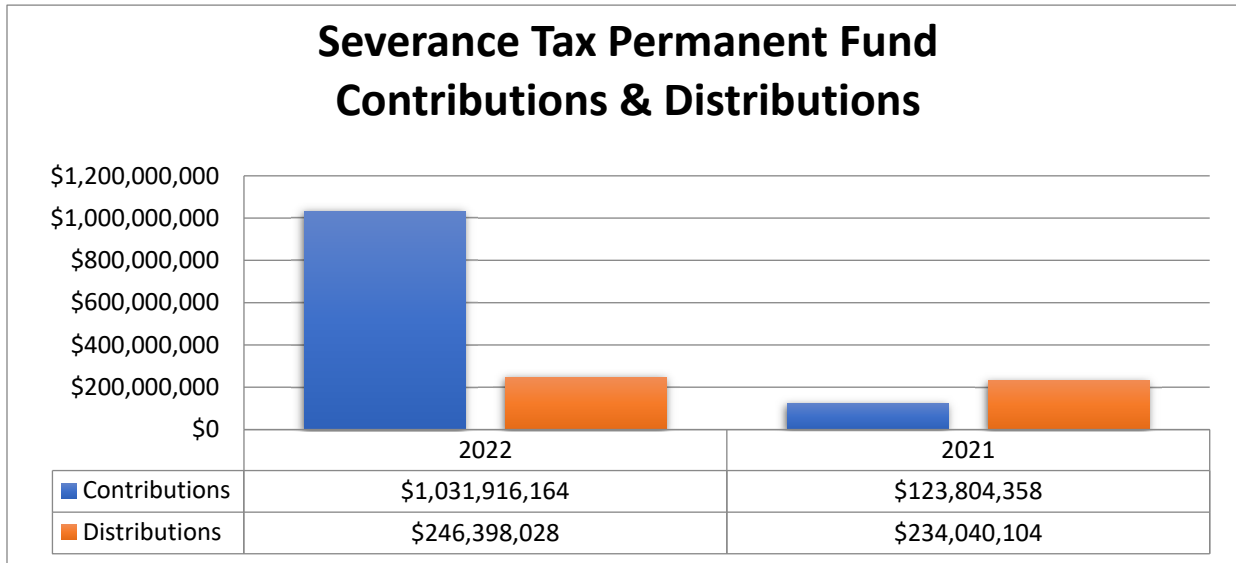
The chart below details the changes in contributions and distributions from the LGPF.



Severance Tax Permanent Fund – Severance Tax Permanent Fund contributions are received from the Severance Tax Bonding Fund. Severance tax revenues first pay the required debt service on severance tax bonds issued by the State. Amounts transferred from the Severance Tax Bonding Fund to the Severance Tax Permanent Fund increased from \$123.8 million in fiscal year 2021 to \$1.031 billion in fiscal year 2022. While as recently as the 1990s, the Severance Tax Permanent Fund received half of the state’s annual severance taxes (for a 50/50 split), a court ruling in 1999 and subsequent legislative actions during the past decade have resulted in changes allowing for up to 95% of severance taxes to be used for New Mexico’s school and infrastructure bonding capacity. Supplemental or sponge bonds may also be deployed based on previous year’s revenues, allowing the remaining 5% to be used for bonding as well. In 2015, legislators passed a measure to slowly reduce the percentage of targeted severance tax bonding every year, thereby increasing inflows to the Severance Tax Permanent Fund over time. The legislation will be fully implemented in fiscal year 2022, whereupon the bonding percentage target will be capped at 86.2% of the severance taxes collected for the year, down from its previous target of 95%

Distributions to the State General Fund in fiscal year 2022 increased 5.2% from the previous year due primarily to an increasing rolling five calendar year average asset base.

**State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022**



Tobacco Settlement Permanent Fund – The Tobacco Settlement Permanent Fund distribution was \$36.4 million to the State General Fund in fiscal year 2022, which was 100% of the amount of contributions recorded to the tobacco settlement trust funds in fiscal year 2022.

The amounts presented below are from the total contributions and distributions for fiscal year 2022 shown in the Statement of Net Position because of the presentation requirements of GASB Technical Bulletin 2004-1 and differ from the actual contributions and distributions.

	Year Ended June 30,	
	2022	2021
Contributions	\$ 34,971,274	\$ 35,276,972
Distributions	\$ 34,971,274	\$ 35,276,972

Tax Stabilization Reserve Fund – The Tax Stabilization Reserve Fund (TSRF) was created in July 2019. The State Treasury contributed \$1.08 billion in fiscal year 2020 to create a reserve for future budget shortfalls should they occur. There were no declarations provided by the governor to appropriate any funds in the TSRF for the year ended June 30, 2022. In fiscal year 2022, there was a contribution of \$459.1 million to the TSRF.

Water Trust Fund – The Water Trust Fund (WTF) was created in 2003 but not funded by the Legislature until 2007. On July 1 of each fiscal year, the WTF distributes \$4 million to water projects. When 4.7% of the WTF is greater than \$4 million, annual distributions will be 4.7% of a five-year rolling average of the WTF.

**State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022**

Rural Libraries Endowment Fund – The Rural Libraries Endowment Fund was created in July 2019 to provide funding for the Rural Libraries Grant Program. The state librarian annually disburses the funds for the establishment of developing rural libraries in cities, towns, and villages without libraries beginning in fiscal year 2022. On July 1, 2019, \$1 million was contributed to the fund with an additional \$2 million contributed in fiscal year 2021. All fund investment income yielded during the preceding calendar year net of all fund distributions will be distributed beginning in fiscal year 2022 through 2026 up to 5% of the yearend market of the fund from the preceding calendar year. Beginning in fiscal year 2028 and each subsequent fiscal year, the average fund investment income yielded in the immediately preceding five calendar years will be distributed up to 5% of the year-end market value for the preceding calendar year. The distributions will consist of 95% to the Rural Libraries Grant Program and 5% to the Cultural Affairs Department.

External Investment Trust Funds – Participants in the External Investment Trust Funds contributed \$218 million to the Office to increase their assets under management. This is an increase from the prior year of \$252 million. The participants also redeemed \$128 million of their investments during fiscal year 2022 compared to \$187 million in fiscal year 2021. Contributions and distribution decisions are made by the participants in accordance with the joint powers agreement set up with each participant.

Budgetary Comparisons

As required by the Office of the State Auditor under Section 2.2.2.10 P. (2) of 2.2.2 NMAC, the Budget Comparison-Statement for the General Administrative Fund is presented as part of the basic financial statements. This information is provided at the approved budget level to demonstrate compliance with legal requirements. The budgetary comparison schedule presents both the original and the final appropriated budget for the reporting period as well as the actual inflows, outflows, and balances, stated on the government's budgetary basis. The only significant budgetary variation was approximately \$8.1 million in contractual services that was not expended, inclusive of \$1.21 million in legal fees.

Economic Outlook

For the two largest permanent funds, the LGPF finished fiscal year 2022 with a net return of -2.22% and the STPF finished at -4.39%. The investment strategy of the permanent funds is one that seeks to gain from the long-term performance of the financial markets and underlying economy. The funds are presently in the process of further diversification, particularly in moving from publicly-traded assets (primarily stocks and bonds) to privately held assets (such as real estate, private equity and real assets), and from publicly-traded equity investments (the stock market) to a more diversified mix of income-producing and less volatile investments.

Due to the uncertainty of the ultimate world-wide economic impact of the COVID-19 pandemic, the impact to future investment returns is unknown.

The oil and gas production hit an all-time high in New Mexico during 2022. The Office anticipates receiving comparable royalty sources in 2023 over 2022 as the demand for New Mexico oil continues to be strong even as prices rise. Tobacco sales continue to decrease globally, and the Office expects the revenue from the tobacco settlement to likewise decrease in 2022.

State of New Mexico Investment Council – Investment Office
Management’s Discussion and Analysis (continued)
June 30, 2022

Similar to fiscal year 2022, fiscal year 2023 is expected to have sufficient budget in the General Administrative Fund for the operations of the Office. The funding of the General Administrative Fund is from the LGPF and the STPF. Any unused budget is reverted back to these funds in conjunction with the completion of the external audit. At the start of fiscal year 2021, the Early Childhood Education and Care Fund was created with an initial transfer of \$300 million.

Financial Contact

Any questions regarding the financial statements of the Office should be directed to the Chief Financial Officer, State of New Mexico Investment Council, 41 Plaza la Prensa, Santa Fe, NM 87507.

State of New Mexico Investment Council – Investment Office
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,523,185,334
Investment in State Treasurer General Fund Investment Pool	2,814,486,131
Due from brokers	259,129,643
Due from other state entities	2,318,733,648
Accrued investment income	87,887,531
Accrued tobacco settlement income	14,000,000
Investments	33,281,239,447
Capital assets, net	1,931,024
Total assets	\$ 40,300,592,758
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	\$ 10,900,580
Accrued payroll	121,068
Due to brokers	490,528,754
Receipts held for the benefit of others	14,000,000
Due to other state entities	10,000,000
Accrued vacation and sick pay, due within one year	163,838
Lease liabilities, due within one year	304,562
Accrued vacation and sick pay, due after one year	150,336
Lease liabilities, due after one year	1,627,357
Total liabilities	527,796,495
NET POSITION (DEFICIT)	
Net investment in capital assets and leases	(895)
Unrestricted	(314,174)
Restricted by enabling legislation	39,773,111,332
Total net position	39,772,796,263
Total liabilities and net position	\$ 40,300,592,758

See accompanying notes to these financial statements.

State of New Mexico Investment Council – Investment Office
Statement of Activities
Year Ended June 30, 2022

	<u>Governmental Activities</u>
EXPENSES	
General government	<u>\$ 51,632,258</u>
REVENUES	
Program revenues	
Tobacco settlement proceeds	34,971,274
Contributions from external investment trust funds	218,952,796
Federal revenues (Taylor Grazing Act)	123,216
Total program revenues	<u>254,047,286</u>
General revenues	
Investment earnings	
Interest and dividends	839,278,413
Net decrease in fair value of investments	(2,393,464,890)
Distributions to beneficiaries of the Water Permanent Fund	(4,000,000)
Severance tax bonding fund	1,031,916,164
Royalties and land sales (State Land Office)	2,320,087,575
Contribution from State General Fund to Tax Stabilization Reserve Fund	459,181,571
Contribution from State General Fund to Early Childhood Education and Care Fund	2,841,689,824
Contribution from Public Education Department to Early Childhood Education and Care Fund	3,000,000
Contribution from Department of Cultural Affairs to Rural Libraries Endowment Fund	10,000,000
Distributions to external investment trust funds	(128,794,264)
Distributions to beneficiaries	(1,219,828,115)
Total general revenues	<u>3,759,066,278</u>
CHANGE IN NET POSITION	3,961,481,306
NET POSITION	
Beginning of year	<u>35,811,314,957</u>
End of year	<u><u>\$ 39,772,796,263</u></u>

See accompanying notes to these financial statements.

State of New Mexico Investment Council – Investment Office
Balance Sheet – Governmental Funds
June 30, 2022

	Major Funds						Nonmajor Funds	Total Governmental Funds
	Fund 17300 General Administrative Fund	Fund 60100 Land Grant Permanent Fund	Fund 60200 Severance Tax Permanent Fund	Fund 20950 Tax Stabilization Reserve Fund	Fund 43240 Early Childhood Education and Care Fund			
ASSETS								
Investment in State General Fund Investment Pool	\$ 11,021,648	\$ 516,700,908	\$ 785,386,720	\$ -	\$ 1,501,376,855	\$ -	\$ 2,814,486,131	
Cash and cash equivalents	-	1,154,174,816	275,370,224	31,292,445	24,402,998	37,944,851	1,523,185,334	
Due from brokers	-	147,625,497	37,955,501	41,535,670	9,751,859	22,261,116	259,129,643	
Due from other funds	-	831,108	220,927	-	-	-	1,052,035	
Due from other state entities	-	519,239,108	-	459,181,571	1,340,312,969	-	2,318,733,648	
Accrued investment income	-	57,834,674	15,922,200	7,182,057	1,674,521	5,274,079	87,887,531	
Accrued tobacco settlement income	-	-	-	-	-	14,000,000	14,000,000	
	<u>11,021,648</u>	<u>2,396,406,111</u>	<u>1,114,855,572</u>	<u>539,191,743</u>	<u>2,877,519,202</u>	<u>79,480,046</u>	<u>7,018,474,322</u>	
Investments								
Government-Sponsored Enterprise and Agency Issues (GSE)	-	-	264,045,382	-	-	-	264,045,382	
Beta Overlay	-	1,051,512,053	113,110,704	-	-	-	1,164,622,757	
Investment pools								
Core Plus Bonds	-	1,057,918,022	276,724,515	198,601,691	111,147,362	188,306,918	1,832,698,508	
U.S. Large Cap Active	-	1,243,798,743	168,731,933	-	10,577,799	62,815,638	1,485,924,113	
U.S. Large Cap Index	-	3,091,981,940	970,120,360	-	41,958,153	328,066,947	4,432,127,400	
U.S. Small/Mid Cap Active	-	309,214,631	44,778,900	-	2,957,529	49,135,764	406,086,824	
Non-U.S. Developed Markets Index	-	501,616,458	211,928,229	-	5,713,476	194,341,356	913,599,519	
Non-U.S. Emerging Markets Index	-	-	-	-	-	10,900,947	10,900,947	
Non-U.S. Developed Markets Active	-	2,190,682,608	490,234,325	-	31,385,148	2,399,428	2,714,701,509	
Non-U.S. Emerging Markets Active	-	662,595,209	206,745,465	-	6,772,187	100,985,540	977,098,401	
Non-U.S. Developed Alternative Weighted Index	-	796,352,437	196,763,243	-	9,797,265	21,811,061	1,024,724,006	
Unconstrained Fixed Income	-	697,424,058	177,526,062	160,841,957	17,166,422	14,286,821	1,067,245,320	
Short-term Duration Fixed Income	-	593,791,663	30,650,278	501,705,791	-	1,508,695	1,127,656,427	
Absolute Return	-	18,070,590	-	-	-	-	18,070,590	
National Private Equity	-	3,195,053,880	232,250,493	-	88,679,783	190,560,308	3,706,544,464	
Credit and Structured Finance	-	1,799,856,087	280,268,492	268,238,724	135,150,324	211,513,881	2,695,027,508	
Real Estate	-	2,613,381,079	577,504,960	447,699,577	65,466,820	226,303,085	3,930,355,521	
Real Return	-	2,188,087,279	650,883,365	-	61,552,379	139,528,983	3,040,052,006	
Core Bonds	-	949,585,985	416,410,128	259,233,158	35,288,378	221,362,729	1,881,880,378	
US SMID Cap Alternative Weighted Index	-	95,113,111	7,700,117	-	-	24,893,472	127,706,700	
Bank Loans	-	35,109	-	-	-	-	35,109	
Common Stock - Public	-	-	12,217,413	-	-	-	12,217,413	
New Mexico Private Equity	-	-	447,918,645	-	-	-	447,918,645	
Total investments	-	<u>23,056,070,942</u>	<u>5,776,513,009</u>	<u>1,836,320,898</u>	<u>623,613,025</u>	<u>1,988,721,573</u>	<u>33,281,239,447</u>	
Total assets	<u>\$ 11,021,648</u>	<u>\$ 25,452,477,053</u>	<u>\$ 6,891,368,581</u>	<u>\$ 2,375,512,641</u>	<u>\$ 3,501,132,227</u>	<u>\$ 2,068,201,619</u>	<u>\$ 40,299,713,769</u>	
LIABILITIES								
Accounts payable	\$ 10,900,580	-	-	-	-	-	10,900,580	
Accrued payroll	121,068	-	-	-	-	-	121,068	
Due to brokers	-	279,721,575	73,374,197	71,779,990	21,092,608	44,560,384	490,528,754	
Due to other funds	-	-	-	401,613	150,049	500,373	1,052,035	
Due to other state entities	-	-	-	-	-	10,000,000	10,000,000	
Receipts held for the benefit of others	-	-	-	-	-	14,000,000	14,000,000	
Total liabilities	<u>11,021,648</u>	<u>279,721,575</u>	<u>73,374,197</u>	<u>72,181,603</u>	<u>21,242,657</u>	<u>69,060,757</u>	<u>526,602,437</u>	
RESTRICTED FUND BALANCE	-	<u>25,172,755,478</u>	<u>6,817,994,384</u>	<u>2,303,331,038</u>	<u>3,479,889,570</u>	<u>1,999,140,862</u>	<u>39,773,111,332</u>	
TOTAL LIABILITIES AND RESTRICTED FUND BALANCE	<u>\$ 11,021,648</u>	<u>\$ 25,452,477,053</u>	<u>\$ 6,891,368,581</u>	<u>\$ 2,375,512,641</u>	<u>\$ 3,501,132,227</u>	<u>\$ 2,068,201,619</u>	<u>\$ 40,299,713,769</u>	

See accompanying notes to these financial statements.

State of New Mexico Investment Council – Investment Office
Reconciliation of Balance Sheet to
Statement of Net Position – Governmental Funds
June 30, 2022

RESTRICTED FUND BALANCE - GOVERNMENTAL FUNDS \$ 39,773,111,332
(Government Fund Balance Sheet)

Amounts reported for governmental activities in the statement of net position are different because of:

Capital assets and leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net	1,931,024
Lease liability	(1,931,919)

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund.

Accrued vacation and sick pay	<u>(314,174)</u>
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TOTAL NET POSITION (Statement of Net Position)	<u><u>\$ 39,772,796,263</u></u>
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State of New Mexico Investment Council – Investment Office
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Funds
Year Ended June 30, 2022

	Major Funds					Nonmajor Funds	Total Governmental Funds
	Fund 17300 General Administrative Fund	Fund 60100 Land Grant Permanent Fund	Fund 60200 Severance Tax Permanent Fund	Fund 20950 Tax Stabilization Reserve Fund	Fund 43240 Early Childhood Education and Care Fund		
REVENUES							
Tobacco settlement proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,971,274	\$ 34,971,274
Federal revenue (Taylor Grazing Act)	-	123,216	-	-	-	-	123,216
Contributions from external investment trust funds	-	-	-	-	-	218,952,796	218,952,796
Investment earnings							
Interest and dividends	7	584,959,302	147,952,923	47,815,555	11,200,351	47,350,275	839,278,413
Net change in fair value of investments	-	(1,656,809,610)	(527,389,311)	(14,612,473)	(20,761,637)	(173,891,859)	(2,393,464,890)
Total revenues	<u>7</u>	<u>(1,071,727,092)</u>	<u>(379,436,388)</u>	<u>33,203,082</u>	<u>(9,561,286)</u>	<u>127,382,486</u>	<u>(1,300,139,191)</u>
EXPENDITURES							
Current							
Personnel services and benefits	3,719,941	-	-	-	-	-	3,719,941
Contractual services and custody fees	47,357,094	-	-	-	-	-	47,357,094
Other - operating expenditures	519,342	-	-	-	-	-	519,342
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>51,596,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,596,377</u>
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	<u>(51,596,370)</u>	<u>(1,071,727,092)</u>	<u>(379,436,388)</u>	<u>33,203,082</u>	<u>(9,561,286)</u>	<u>127,382,486</u>	<u>(1,351,735,568)</u>
OTHER FINANCING SOURCES (USES)							
Royalties and land sales (State Land Office Fund 26400)	-	2,320,087,575	-	-	-	-	2,320,087,575
Distributions to beneficiaries of the Land Grant Permanent Fund	-	(908,375,136)	-	-	-	-	(908,375,136)
Distributions to State General Fund from Severance Tax Permanent Fund	-	-	(246,398,028)	-	-	-	(246,398,028)
Tobacco Settlement Permanent Fund	-	-	-	-	-	(34,971,274)	(34,971,274)
Distributions to beneficiaries of the Water Permanent Fund	-	-	-	-	-	(4,000,000)	(4,000,000)
Distributions to beneficiaries of Rural Libraries Endowment Fund	-	-	-	-	-	(10,083,677)	(10,083,677)
Contribution from State General Fund to Tax Stabilization Reserve Fund	-	-	-	459,181,571	-	-	459,181,571
Severance-Tax Bonding Fund	-	-	1,031,916,164	-	-	-	1,031,916,164
Distributions to beneficiaries of the Early Childhood Education and Care Fund	-	-	-	-	(20,000,000)	-	(20,000,000)
Contribution from State General Fund to Early Childhood Education and Care Fund	-	-	-	-	2,841,689,824	-	2,841,689,824
Contribution from Public Education Department to Early Childhood Education and Care Fund	-	-	-	-	3,000,000	-	3,000,000
Contribution from Department of Cultural Affairs to Rural Libraries Endowment Fund	-	-	-	-	-	10,000,000	10,000,000
Distributions to external investment trust funds	-	-	-	-	-	(128,794,264)	(128,794,264)
Interfund transfers in (out)	51,596,370	(37,450,305)	(9,955,139)	(1,621,152)	(514,034)	(2,055,740)	-
Total other financing sources (uses)	<u>51,596,370</u>	<u>1,374,262,134</u>	<u>775,562,997</u>	<u>457,560,419</u>	<u>2,824,175,790</u>	<u>(169,904,955)</u>	<u>5,313,252,755</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>302,535,042</u>	<u>396,126,609</u>	<u>490,763,501</u>	<u>2,814,614,504</u>	<u>(42,522,469)</u>	<u>3,961,517,187</u>
FUND BALANCE							
Beginning of year	-	24,870,220,436	6,421,867,775	1,812,567,537	665,275,066	2,041,663,331	35,811,594,145
End of year	<u>\$ -</u>	<u>\$ 25,172,755,478</u>	<u>\$ 6,817,994,384</u>	<u>\$ 2,303,331,038</u>	<u>\$ 3,479,889,570</u>	<u>\$ 1,999,140,862</u>	<u>\$ 39,773,111,332</u>

See accompanying notes to these financial statements.

State of New Mexico Investment Council – Investment Office
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balance to Statement of Activities – Governmental Funds
Year Ended June 30, 2022

CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 3,961,517,187
(Statement of Revenues, Expenditures, and Changes in Fund Balances)	

Amounts reported for governmental activities in the statement of activities are different because:

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Increase in accrued vacation and sick pay liability	(10,319)
Lease liability net of lease payments	(1,931,919)

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay including right-to-use assets	2,225,979
Depreciation and amortization expense	<u>(319,622)</u>

CHANGE IN NET POSITION (Statement of Activities)	<u><u>\$ 3,961,481,306</u></u>
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State of New Mexico Investment Council – Investment Office
Statement of Revenues and Expenditures – General Administrative Fund –
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget
	Original	Final		
EXPENDITURES				
Personnel services and benefits	\$ 4,126,800	\$ 4,126,800	\$ 3,719,941	\$ 406,859
Contractual services	50,923,800	54,923,800	47,357,094	7,566,706
Other - operating expenses	676,600	676,600	519,335	157,265
Total expenditures	<u>55,727,200</u>	<u>59,727,200</u>	<u>51,596,370</u>	<u>8,130,830</u>
EXPENDITURES IN EXCESS OF REVENUES				
	<u>(55,727,200)</u>	<u>(59,727,200)</u>	<u>(51,596,370)</u>	<u>(8,130,830)</u>
TRANSFERS				
Interfund transfers in	55,727,200	59,727,200	51,596,370	8,130,830
Total transfers	<u>55,727,200</u>	<u>59,727,200</u>	<u>51,596,370</u>	<u>8,130,830</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to these financial statements.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 1 – Organization and Background

The State of New Mexico Investment Council (the Council) is responsible for the investment activities of certain State of New Mexico governmental funds. The Council is composed of eleven members: the Governor; the State Treasurer, the Commissioner of Public Lands; the Secretary of the Department of Finance and Administration (DFA); four public members appointed by the Legislative Council; and three public members appointed by the Governor, one of whom must be the Chief Financial Officer of a State institution of higher education. The Governor is designated as Chairman of the Council, which is required to meet ten times a year.

Within the constraints of State of New Mexico law, the Council establishes policies for the investment of the governmental funds. Policies established by the Council are carried out by personnel of the State Investment Office (the Office) under the direction of the State Investment Officer. The Office is a department of the State of New Mexico, and its financial statements are included in the financial statements of the State. The Office currently manages certain assets identified as the Land Grant Permanent Fund (LGPF), the Severance Tax Permanent Fund (STPF), the Tobacco Settlement Permanent Fund (TSPF), the Tax Stabilization Reserve Fund (TSRF), the Early Childhood Education and Care Fund (ECE&CF), the Water Trust Fund (WTF), the Rural Libraries Endowment Fund (RLEF), and External Investment Trust Funds (EITF). The following is a brief description of the purpose and sources of these eight funds:

Land Grant Permanent Fund

The Fergusson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants, it was stipulated that such lands, totaling 13.0 million acres, were to be held in trust for the benefit of the public schools and other specific public institutions. Royalties and principal from land sales are transferred by the State Land Office to the Investment Office, which adds these amounts to the LGPF. Gains and losses on investment transactions are credited or charged to the LGPF and do not directly affect distributions to the beneficiaries. As of June 30, 2022, the Office had \$519,239,108 due from the State Land Office (Business Unit: 53900; Fund: 09800).

On September 23, 2003, New Mexico voters approved Constitutional Amendment No. 2 that changed the LGPF distributions. Beginning with the October 2003 distribution, the annual distributions from the LGPF are five percent (5.0%) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years. In addition to the five percent (5.0%) annual distribution made, an additional annual distribution shall be made pursuant to the following schedule: in fiscal years 2005 through 2012, an amount equal to eight-tenths percent (0.8%) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years; and in fiscal years 2013 through 2016, an amount equal to one-half percent (0.5%) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years.

The legislature, by a three-fifths vote of the members elected to each house, may suspend any additional distributions noted above. No additional distribution shall be made in any fiscal year if the average of the year-end market values of the LGPF for the immediately preceding five calendar years is less than \$5.8 billion. The fund is classified as a governmental fund in the Office's financial statements.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 1 – Organization and Background (continued)

Severance Tax Permanent Fund

The State of New Mexico levies a severance tax on certain natural resources extracted from land within the State. Severance tax revenues are first applied to pay the required debt service on Severance Tax Bonds issued by the State. Remaining severance tax revenues are then transferred to the Investment Office, which adds these amounts to the STPF. Other state agencies are responsible for administering the severance tax and determining the amounts required to service the outstanding Severance Tax Bonds. The current annual distributions equal four and seven-tenths percent (4.7%) of the average of the year-end market values of the fund for the immediately preceding five years. The fund is classified as a governmental fund in the Office's financial statements.

Tobacco Settlement Permanent Fund

The State of New Mexico receives funds into the TSPF pursuant to the master settlement agreement entered into between the tobacco product manufacturers and various states, including New Mexico, which was executed on November 23, 1998. Money in this fund is invested pursuant to Chapter 6, Article 8 NMSA 1978. Income from investment of the fund is credited to the fund.

In 2011, House Bill 79 amended Section 6-4-9 NMSA 1978 related to the TSPF. This legislation temporarily changes the distribution of this fund as follows: in fiscal years 2011 through 2013, a distribution shall be made from the TSPF to the general fund in an amount equal to one hundred percent (100%) of the total amount of money distributed to the TSPF in that fiscal year. In fiscal year 2014 and in each fiscal year thereafter, an annual distribution will be made from the TSPF to the Tobacco Settlement Program Fund of an amount equal to fifty percent (50%) of the total amount of money distributed to the TSPF in the immediately preceding fiscal year until that amount is less than an amount equal to four and seven-tenths percent (4.7%) of the average of the year-end market values of the TSPF for the immediately preceding five calendar years. Thereafter, the amount of the annual distribution shall be four and seven-tenths percent (4.7%) of the average of the year-end market values of the TSPF for the immediately preceding five calendar years.

Chapter 312, Laws of 2003 mandates that the TSPF shall be considered a reserve fund of the State. The fund is classified as a governmental fund in the Office's financial statements. To avoid an unconstitutional deficit, the legislature may authorize a transfer from the TSPF to the State of New Mexico General Fund but only in an amount necessary to meet the General Fund appropriations as provided in Laws 2016 (2nd S.S.), Chapter 4, Section 2 and in Section 7 of the 2017 act.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 1 – Organization and Background (continued)

Tax Stabilization Reserve Fund

The TSRF was created in July 2019 upon receipt of \$1.08 billion general fund appropriation pursuant to Chapter 347, Section 3, Laws of 1987. The fund was created as a reserve fund for the State. Any money appropriated to the reserve fund shall be invested pursuant to Chapter 6, Article 8 NMSA 1978. Earnings from investment of the fund shall be credited to the fund to create a reserve for future budget shortfalls should they occur. Distributions from the fund are appropriated by two-thirds' majority vote of both houses following the receipt of a declaration of the governor that the appropriation is necessary for the public peace, health, and safety. The fund is classified as a governmental fund in the Office's financial statements.

Early Childhood Education and Care Fund

The ECE&CF was created in July 2020 and funded pursuant to Chapter 3, Sections 1 and 3, Laws of 2020. The fund was created with an initial contribution of \$300 million to provide annual distributions to the Early Childhood Education and Care Program Fund (ECECPF) and as a reserve fund for the State. Pursuant to Chapter 9, Article 29A-1(D), a \$20 million distribution will be made to ECECPF on July 1, and subsequently distributions to the ECECPF will be made annually on July 1 in an amount equal to the greater of five percent of the average of the year-end market values of the fund for the immediately preceding three calendar years or thirty million dollars (\$30,000,000). Pursuant to Chapter 9, Article 29A-1(E), the Legislature may appropriate money from the fund to pay for appropriations that could not otherwise be paid from the general fund and after payments from appropriations authorized by the Legislature from the contingency fund, the general fund operating reserve, the tax stabilization reserve fund and the tobacco settlement permanent fund that exhaust those fund balances. At June 30, 2022 the fund has a receivable of \$1.34 billion (Business Unit: 34100; Fund: 20730) from the excess extraction tax fund. The fund is classified as a governmental fund in the Office's financial statements.

Water Trust Fund

The State Investment Council established the Water Trust Fund in August 2006 upon receiving a \$40,000,000 general fund appropriation per Chapter 109, Section 12, Laws of 2006. The fund consists of money appropriated, donated, or otherwise accrued to the fund. Money in the WTF is invested as in the LGPF by the state investment officer pursuant to Chapter 6, Article 8 NMSA 1978. Earnings from investment of the fund are credited to the fund. On July 1 of each fiscal year, an annual distribution is made from the WTF to the Water Project Fund in the amount of \$4.0 million until that amount is less than an amount equal to four and seven-tenths percent (4.7%) of the average of the year-end market values of the WTF for the immediately preceding five calendar years. Thereafter, the amount of the annual distribution shall be four and seven-tenths percent (4.7%) of the average of the year-end market values of the Water Trust Fund for the immediately preceding five calendar years. The fund is classified as a governmental fund in the Office's financial statements.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 1 – Organization and Background (continued)

Rural Libraries Endowment Fund

The RLEF was created in July 2019 to support the preservation, development, and establishment of rural libraries throughout the State through the Rural Libraries Grant Program. The Council received a \$1 million appropriation and invested the funds in accordance with Article 12, Section 7 of the constitution of New Mexico. All fund investment income yielded during the preceding calendar year net of all fund distributions will be distributed beginning in fiscal year 2022 through 2026 up to 5% of the year-end market of the fund from the preceding calendar year. Beginning in fiscal year 2028 and each subsequent fiscal year, the average fund investment income yielded in the immediately preceding five calendar years will be distributed up to 5% of the year end market value for the preceding calendar year. The distributions will consist of 95% to the Rural Libraries Grant Program and 5% to the cultural affairs department. The fund is classified as a governmental fund in the Office's financial statements.

External Investment Trust Funds

Pursuant to New Mexico law Section 6-8-71 of NMSA 1978, as amended, the Office manages several equity, bond, and alternative asset investment pools to provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year. The participating state agencies and designated institutions enter into a joint power agreement with Office for managing the investments on their behalf. The EITF is classified as a government fund in the Office's financial statements since the majority of the fund balance is owned by state agencies that are included in the State of New Mexico annual comprehensive financial report.

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the Office conform to generally accepted accounting principles for state governmental units. The more significant of these accounting policies are summarized below:

Financial Reporting Entity

For financial reporting purposes, the financial statements include all funds controlled by the Office. Control by the Office was determined on the basis of oversight responsibility derived from the ability to significantly influence operations and accountability for fiscal matters. The Office is a department of the State of New Mexico. The Office's financial statements contain no component units.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. The government-wide presentation is focused more on the sustainability of the Office as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of activities presents a comparison between direct expenses and revenues for the governmental activities. All expenses of the Office are considered direct expenses and are clearly identifiable to the investment function of the Office. Program revenues include external fees, royalties and land sales, and tobacco settlement proceeds and other revenues include investment earnings.

Governmental Fund Financial Statements

The fund financial statements are similar to the government-wide financial statements. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the government-wide presentation.

Basis of Accounting

The government-wide financial statements are reported using the economic financial resources measurement focus. The government-wide financial statements are presented on the accrual basis of accounting. The governmental funds are reported under the modified accrual basis of accounting, using the current financial resources measurement focus. Under this method, revenues are recognized when measurable and available. The Office considers all revenues reported in both the government-wide and governmental funds to be measurable and available since they are collected from the permanent funds and investment pools under the management of the Office.

The Office considers revenues to be available if they are collected within 60 days of the current fiscal year end. Revenues are recognized as soon as they are both measurable and available. On the government-wide financial statements, expenditures are recorded when the related fund liability is incurred, except for accrued vacation and sick pay, which are recognized as an expenditure to the extent they have been earned. General capital asset acquisitions are reported as expenditures in governmental funds and are capitalized and depreciated over the estimated useful life in the government-wide financial statements.

Governmental Funds

Governmental funds consist of the General Administrative Fund and the state permanent funds as follows:

General Administrative Fund (Fund 17300) – The General Administrative Fund accounts for all the administrative activities of the Office. The financing sources for the General Administrative Fund are transfers of revenue from the LGPF, STPF, TSPF, ECE&CF, WTF, RLEF, EITF and other sources as authorized by the Budget Division of DFA.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Land Grant Permanent Fund (Fund 60100), Severance Tax Permanent Fund (Fund 60200), Tax Stabilization Reserve Fund (Fund 20950), Tobacco Settlement Permanent Fund (Fund 95200), Early Childhood Education and Care Fund (Fund 43240), Water Trust Fund (Fund 10120) and Rural Libraries Endowment Fund (Fund 20940) and External Investment Trust Funds (40240) – These funds are accounted for under the modified accrual basis of accounting and use a current measurement focus. The funds are restricted and operate under legal constraints that specify distributions to ensure that an income stream will be available in future years to designated beneficiaries.

Budgetary Accounting

The State Legislature annually approves transfers from the state permanent funds to the Office's General Administrative Fund. These transfers are made to fund the operating costs of the Office. These transfers are reflected as interfund transfers in these financial statements. Any transfers made in excess of the actual accrued costs of the Office are reverted back to the state permanent funds.

Budgetary Matters

The Office is required to submit an appropriation request for the General Fund to DFA and the Legislative Finance Committee by September 1 of each year for the upcoming fiscal year. Consistent with the General Appropriations Act of 2004, the Office prepares the request using the modified accrual budgetary basis of accounting. The expenditures reported in the budget report agree to the amounts reported in the accompanying general administrative fund statement of revenues, expenditures, and changes in net position.

The DFA makes recommendations and adjustments to the appropriation request which becomes the Governor's proposal to the Legislature. The Legislative Finance Committee holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the State Legislature.

Both the DFA and the Legislative Finance Committee's recommended appropriation proposals are presented to the State Legislature for approval of the final appropriation. All subsequent transfers and increases must be authorized by the Director of the State Budget Division. Legal budget control for expenditures and encumbrances is by appropriation unit. In applying the *susceptible to accrual* concept to intergovernmental revenues pursuant to GASB No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Budgetary Data

The State Legislature makes annual appropriations to the Office. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Administrative Fund.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Expenditures may not legally exceed appropriations at the object expenditure classification level. Budget amendments require approval by the State's Budget Division of the DFA. Unexpended and unencumbered amounts in the General Fund lapse at year-end.

The Office is required to submit a budget for the General Administrative Fund to the DFA and the Legislative Finance Committee by May 1 of each year for the upcoming fiscal year. The budget corresponds to the final approved appropriation. The report submitted by the Office also details revenues and expenditures or expenses for the preceding year. The budget for the General Administrative Fund is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Office has not included such reconciliation for fiscal year 2022 as all payables were paid by the statutory deadline.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Interest in the pooled investments on deposit with the State Treasurer's Office and the J.P. Morgan Short-Term Investment Fund are considered cash and cash equivalents.

Investments

Basis of Accounting – Investments are stated at fair value in accordance with GASB No. 72, *Fair Value Measurement and Application* (GASB No. 72), with increases or decreases in fair value recognized in the statement of changes in net position at the end of each month. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared. Current fair value of investments may fluctuate markedly from what is recorded at June 30 of each year.

Investment Pools – The Office's investments are reported in the governmental funds.

The governmental funds are invested in the following pools: U.S. Large Cap Active Pool, U.S. Large Cap Index Pool, U.S. Small/Mid Cap Active Pool, U.S. SMID Cap Alternative Weighted Index Pool, Short-Term Duration Fixed Income Pool, Core Bonds Pool, Bank Loans Pool, Credit & Structured Finance Pool, Unconstrained Fixed Income Pool, Core Plus Bonds Pool, Non-U.S. Developed Markets Index Pool, Non-U.S. Emerging Markets Index Pool, Non-U.S. Developed Markets Active Pool, Non-U.S. Emerging Markets Active Pool, Non-U.S. Developed Alternative Weighted Index Pool, Absolute Return Pool, National Private Equity Pool, Real Estate Pool, and Real Return Pool.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

External trust funds are invested in the following pools: Core Bonds Pool, U.S. Core Plus Bonds Pool, U.S. Large Cap Active Pool, U.S. Large Cap Index Pool, U.S. Small/Mid Cap Active Pool, Non-U.S. Developed Markets Index Pool, Non-U.S. Developed Markets Active Pool, and Non-U.S. Emerging Markets Index Pool, Non-U.S. Emerging Markets Active Pool, and alternative asset pools provided minimum size requirements are met.

The pools are detailed as follows:

Domestic Equity Pools

- *U.S. Large Cap Active Pool* – Two portfolios. One actively managed growth portfolio which uses fundamental, bottom-up analysis. One passively managed fundamental portfolio.
- *U.S. Large Cap Index Pool* – One passively managed market-cap weighted portfolio.
- *U.S. Small/Mid Cap Active Pool* – One actively managed small-cap core portfolio which uses quantitative analysis.
- *U.S. SMID Cap Alternative Weighted Index Pool* – One passively managed fundamental portfolio.

Fixed Income Pools

- *U.S. Core Plus Bonds Pool* – Managed externally by two managers and invests in all major segments of the broad investment-grade debt obligation markets. The primary objective of the Core Plus Bonds Pool is to achieve the rate of return of the Barclay's Capital Universal Bond Index, plus a small premium from active management. The role of this pool is to provide preservation of capital and income generation.
- *Credit & Structured Finance Pool* – Managed externally, investing in various classes of fixed income securities oriented toward credit. The role of this pool is to provide growth of capital and income generation.
- *Core Bonds Pool* – Two portfolios (passively and actively managed) benchmarked against the Barclays U.S. Aggregate Bond Index.
- *Unconstrained Fixed Income Pool* – Managed externally by two managers and invests in various classes of fixed income securities and derivatives. The role of this pool in the asset mixes of the SIC's portfolio is to provide optimized sources of total return in fixed income while providing the flexibility to adjust sector allocations as the markets dictate.
- *Short-Term Duration Fixed Income Pool* – Managed externally by one manager and invests in all major segments of the broad investment-grade debt obligation markets with a mandate to keep the overall duration of the portfolio within 1-2 years. The role of this pool is to provide preservation of capital, interest income generation, and to provide a hedge against rate risk.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

- *Bank Loans Pool* – Managed by two managers investing in syndicated bank loans. The role of this pool is to provide income generation through corporate credit exposure.

International Equity Pools

- *Non-U.S. Developed Markets Index Pool* – Two passively managed portfolios. One strategy is benchmarked against the MSCI World ex-US IM Index, and one strategy is benchmarked against the MSCI ACWI ex-US Small-cap Index (both indices are market cap weighted).
- *Non-U.S. Emerging Markets Index Pool* – One passively managed portfolio benchmarked against the MSCI Emerging Markets Index.
- *Non-U.S. Developed Markets Active Pool* – Four actively managed portfolios (1 all-cap core, 1 large-cap value, 1 large-cap core, and 1 large-cap growth). Three strategies use fundamental, bottom-up analysis, and one strategy uses quantitative analysis.
- *Non-U.S. Emerging Markets Active Pool* – Two actively managed portfolios. One strategy uses quantitative analysis, and one strategy uses fundamental bottom-up analysis.
- *Non-U.S. Developed Alternative-Weighted Index Pool* – Two passively managed portfolios (multi-factor and minimum variance).

Alternative Asset Pools

- *Absolute Return Pool* – Contains direct investments in a pool of hedge fund managers. These hedge fund strategies may be either equity market oriented or fixed income oriented. The objective of the pool is to outperform the Credit Suisse Hedge Fund Index. The role of the pool in the asset mixes of SIC portfolios is to provide long-term risk-adjusted returns and to reduce the plan's beta profile to the public equity markets.
- *Real Estate Pool* – Contains primarily open and closed-end comingled real estate funds, dominated by stable, core real estate properties. The objective of the pool is to match the rate of return on the NCREIF-ODCE index, plus a small premium from active management. The role of the pool in the asset mixes of SIC portfolios is to provide modest growth of capital, income generation, and to diversify the investment risk of the equity pools.
- *Real Return Pool* – Contains a diversified mix of assets which are held to meet or exceed their custom index. The role of the pool in the asset mixes of SIC portfolios is to provide modest growth of capital, income generation, and to diversify the investment risk of the equity pools.
- *National Private Equity Pool* – Contains more than 136 private equity funds diversified across the sectors of private equity – buyout, growth, special situations and venture capital strategies. The role of the pool is to provide growth of capital and the objective of the pool is to provide a higher rate of return than the Cambridge U.S. Private Equity Index.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Investments in the Alternative Asset Pools are recorded at estimated fair value as reported by the general partner fund managers. Income is recognized when the investees report distributions received in excess of the capital invested.

Portfolio Restrictions

The Constitution or the laws of the State of New Mexico require a prudent investor standard for all investments of the LGPF, STPF, TSPF, TSRF, ECE&CF, WTF, RLEF, and EITF.

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives with no salvage value. Additions, improvements and other capital outlays greater than \$5,000 that significantly extend the useful life of assets are capitalized. The Office includes software in capital assets as required by the General Services Department Rule. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the estimated useful lives of 3 to 7 years for furniture and equipment.

Vacation and Sick Pay

Certain amounts of vacation and sick pay earned and not taken are obligations of the Office and recorded as payables. Sick leave accumulated in excess of 600 hours, not to exceed 120 hours, is payable semiannually at a rate equal to 50% of the employee's hourly wage. Upon termination, vacation pay up to 240 hours becomes immediately payable. Vacation in excess of 240 hours and the first 600 hours of sick leave are forfeited upon termination. Upon retirement, sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. Accrued vacation and sick pay is expected to be paid by the General Administrative Fund.

Interfund Receivables and Payables

The Office has numerous transactions between funds, including interfund transfers for services provided and used for all administrative activities of the Office, transfers of investment income and transfers of resources for investment. At June 30, 2022, the following balances were due to the LGPF and STPF from the other funds:

	Due to LGPF	Due to STPF
TSRF	\$ 317,274	\$ 84,339
EITF	345,273	91,781
TSPF	43,379	11,531
ECE&CF	118,539	31,510
WTF	6,190	1,645
RLEF	453	121
	\$ 831,108	\$ 220,927

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

The government-wide statements utilize a net position presentation categorized as follows:

- *Net Investment in Capital Assets* – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.
- *Restricted Net Position* – For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation. All amounts are restricted by enabling legislation.
- *Unrestricted Net Position* – This category reflects net position of the Office not restricted for any project or other purpose.

Reservations and Designations

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action or legislation of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the State Investment Council intent to be used for specific purposes.

The Office's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes but are neither restricted or committed; and 4) Unassigned, which includes all other spendable amounts. As of June 30, 2022, the Office's fund balance was all restricted.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, any restricted fund balance must be spent first. When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position may report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will be recognized as an outflow of resources and expense then. Deferred inflows of resources represent future inflows of resources and revenues that will be recognized in future periods. The Office did not have any items that qualified for reporting in these categories as of June 30, 2022.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Office did not have any items that were required to be reported in this category as of June 30, 2022.

External Trust Fund Accounting Policies

Units of Participation – Each pool is composed of units of participation of unlimited quantity. Each unit of participation represents an equal beneficial interest in the respective pool and no unit has priority or preference over any other. Each purchase or sale of units requires written authorization as defined in the joint powers agreements executed between the Office and each participant. All units are purchased by cash payment. Each unit participation is recorded in book entry form by the Office and consists of an account for each participant that maintains the following information:

- Name of participant;
- Date of all unit purchases and sales;
- Number of units purchased or sold;
- Valuation of each unit owned; and
- Total valuation of all units owned.

Initial Valuation – At the inception of each pool, all initial purchases were made by the participants for a valuation price of \$1,000 per unit.

Method of Valuation – The Office uses the following method of determining the value of each investment held in the pools:

- For purposes of this procedure, the recorded closing price for each investment is provided by a recognized pricing service and/or the custodian.
- In the case of a stock where a dividend has been declared and not yet paid, then the amount of such dividend accrual is included in the per unit value.
- An investment purchased and awaiting payment against delivery is included for valuation purposes as a security held, and the cost thereof, recorded as an account payable.
- For the purposes of valuation of an investment, with the exception of investments sold but not delivered, ascertained brokers' commissions or other expenses which would be incurred on a sale are not deducted.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Valuation of Units – With respect to the valuation of investments determined as provided above, there is added the following:

- All uninvested cash;
- The value of any rights or stock dividends which may have been declared but not received as of the valuation date; and
- All cash dividends and interest that are determined to be earned but not received.

All expenses, including management fees, chargeable to the respective pool as due or accrued are deducted from the valuation as determined above. The net per unit value is then determined by dividing the number of existing units into the total valuation calculated above.

Purchases and Sales – A written notice of intent to purchase or sell units must be received by the Office on or before the fifth business day preceding the valuation date. All notices must be signed by an authorized representative as specified in the applicable joint power agreements. The Office reserves the right to limit a participant's sale to the participant's proportional interest in the current net cash position of the respective pooled investment fund, unless the Office receives a written notice of intent thirty (30) days prior to the effective date of the sale. All purchases or sales of units are effective as of the first day following the valuation date.

Cash payment for all additions must be received by the Office in the form of a wire transfer or by interagency cash transfer through the DFA, on or before the third business day following the valuation date. The Office reserves the right to return funds received after this date and cancel that participant's Notice of Intent to purchase units.

Expenses and Management Fee – The Office assesses each pool a management fee that will at least cover the costs of the management services provided and the costs related to maintaining each pool and the individual participant's related account. The amount of the management fee is based on each participant's proportionate ownership of the net assets managed by the Office. The Office reviews the management fee periodically and adjusts the fee, if necessary.

Reporting – The Office provides each participant with a monthly statement that contains net asset value, units owned and change in net asset value from the previous month's transactions. The Office provides each participant with a statement that details the respective participant's total investment.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Pensions

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds plan net position resulting in a net pension liability. The State has determined the State’s share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the annual comprehensive financial report of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the annual comprehensive financial report and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Note 3 – Implementation of GASB No. 87 Leases

The Office has recorded intangible right-to-use lease assets as a result of implementing GASB No. 87 Leases (GASB 87). The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability (plus any lease payments made prior to the lease term and ancillary charges necessary to place the lease into service, less lease incentives). Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

Lease activity for the Office for the year ended June 30, 2022, was as follows:

	Beginning Balance	GASB 87 Implementation	Principal Decreases	Ending Balance	Portion Due Within One Year
Lease liability	\$ -	\$ 2,225,979	\$ (294,060)	\$ 1,931,919	\$ 304,562

Leases

The Office has entered into agreements to lease a building and equipment. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021.

An agreement was in effect on July 1, 2021 to lease a building through July 2023 with a 5-year renewal option thereafter requiring 85 monthly payments averaging \$26,154. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of .75%. The IBR is an estimation made by the state of New Mexico based on current borrowing rates. As a result of the lease, the Office has a lease asset with a net book value of \$1,864,711 and a lease liability of \$1,880,543 at June 30, 2022.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 3 – Implementation of GASB No. 87 (continued)

Another agreement was in effect on July 1, 2021, to lease equipment requiring 54 monthly payments averaging \$1,149. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of 0.5%. As a result of the lease, the Office has a lease asset with a net book value of \$47,816 and a lease liability of \$51,376 at June 30, 2022.

The future minimum payments on those leases as of June 30, 2022 by principal and interest, were as follows:

	Principal Payments	Interest Payments	Total
2023	\$ 304,562	\$ 13,334	\$ 317,896
2024	311,989	11,060	323,049
2025	319,558	8,731	328,289
2026	319,860	7,103	326,963
2027	320,255	3,972	324,227
2028-2032	355,695	1,561	357,256
	\$ 1,931,919	\$ 45,761	\$ 1,977,680

Note 4 – Cash and Cash Equivalents

State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer’s Office. Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP. The comprehensive cash reconciliation model compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer’s Office. As of June 30, 2022, the DFA provides the following assertions:

- 1) Resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- 2) All claims as recorded in SHARE shall be honored at face value.

The Office has established daily and monthly procedures that mitigate the risk of misstatement of the Office’s balances within the Pool. In addition, as required by Section 6- 5-2.1 (J) NMSA 1978, DFA is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the State Treasurer’s Office and adopt and promulgate rules regarding reconciliation for state agencies.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 4 – Cash and Cash Equivalents (continued)

Investment in the State General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the agency's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the agency consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2022, the Office had the following invested in the General Fund Investment Pool:

General Fund Investment Pool	
General Administrative Fund	\$ 11,021,648
Land Grant Permanent Fund	516,700,908
Severance Tax Permanent Fund	785,386,720
Early Childhood Education and Care Fund	1,501,376,855
	<u>\$ 2,814,486,131</u>

Interest Rate Risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk – The New Mexico State Treasurer pools are not rated.

For additional GASB No. 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the year ended June 30, 2022.

Deposits

Cash and cash equivalents totaling \$1,523,185,334 are held by the custodian, J.P. Morgan. The Office's cash held by J.P. Morgan is invested in a short-term investment fund. This J.P. Morgan U.S. Government Money Market Fund consists primarily of short-term securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities and repurchase agreements collateralized by such obligations. The security ratings are primarily AAA and AA with an average maturity of less than 30 days.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Investments are held in the name of the Council, and the Council does not have a policy to address custodial credit risk.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 4 – Cash and Cash Equivalents (continued)

Investments in the State Treasurer Investment Pool (STIP) and cash and cash equivalents balances are as follows:

	Share Fund	State Treasurer's Office Funds	J.P. Morgan	Total June 30, 2022
General Administrative Fund	17300	\$ 11,021,648	\$ -	\$ 11,021,648
Land Grant Permanent Fund	60100	516,700,908	783,663,925	1,300,364,833
Severance Tax Permanent Fund	60200	785,386,720	196,405,231	981,791,951
Tobacco Settlement Permanent Fund	95200	-	648,790	648,790
Water Trust Fund	10120	-	240,495	240,495
Tax Stabilization Reserve Fund	20950	-	901,079	901,079
Rural Libraries Endowment Fund	20940	-	10,031,496	10,031,496
Early Childhood Education and Care Fund	43240	1,501,376,855	13,407,381	1,514,784,236
Large Cap Active Pool	09400	-	17,645,270	17,645,270
Large Cap Index Pool	62800	-	37,339,601	37,339,601
Core Bonds Pool	30870	-	6,375,895	6,375,895
Core Plus Bonds Pool	35150	-	51,119,453	51,119,453
Short Term Duration Fixed Income Pool	50360	-	17,845,627	17,845,627
Small/Mid Cap Active Pool	22000	-	1,198,537	1,198,537
Non-U.S. Developed Markets Index Pool	21800	-	3,664,478	3,664,478
Non-U.S. Developed Markets Active Pool	11950	-	54,405,100	54,405,100
Non-U.S. Emerging Markets Index Pool	61100	-	7,141	7,141
Non-U.S. Emerging Markets Active Pool	11930	-	18,624,444	18,624,444
Non-U.S. Developed Weighted Index Pool	50320	-	4,488,157	4,488,157
Private Equity Pool	11380	-	69,972,190	69,972,190
Real Estate Pool	11390	-	76,823,732	76,823,732
Real Asset Pool	11540	-	93,239,235	93,239,235
Unconstrained Pool	11940	-	34,201,731	34,201,731
Absolute Return Pool	72100	-	8,773,123	8,773,123
Credit and Structured Finance Pool	20140	-	21,384,959	21,384,959
Bank Loans Pool	20690	-	514,561	514,561
SMID Cap Alternative Weighted Index Pool	20590	-	263,703	263,703
		<u>\$ 2,814,486,131</u>	<u>\$ 1,523,185,334</u>	<u>\$ 4,337,671,465</u>
Total				

Note 5 – Investments

In accordance with NMSA 6-8, the Council is authorized to invest in domestic and international stocks; debt obligations of the U.S. government, its agencies or instrumentalities; debt obligations of any U.S. or foreign corporation, partnerships or trusts with an investment-grade rating from a national rating service; real estate investments; real return; national private equity investments; repurchase agreements secured by U.S. obligations or other securities backed by the U.S. and absolute return funds. In addition, the Council is authorized to invest in other investments as specified in statute, including New Mexico private equity, SBAs, certificates of deposit, film projects and various other loan guarantees.

Numerous restrictions, either statutorily or policy in origin, define various elements of the investments. Examples include investment size, limitation of percentage ownership of a particular fund or investment, the percentage the investment type comprises the entire fund, and requiring guarantees or other forms of assurance of repayment. The investment policy has been structured in accordance with the Uniform Prudent Investor Act, NMSA 45-7 (600-612).

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 5 – Investments (continued)

Credit Risk – Debt Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to assess credit risk, the Office is required to disclose credit ratings of its debt investments. U.S. government obligations and obligations guaranteed by the U.S. government are not considered to have credit risk and, accordingly, do not require disclosure. Currently, the Council does not have a policy that restricts purchases of securities to those above a certain rating as rated by one or more national rating agencies.

The Office's investments and their exposure to credit risk are as follows:

Investments Subject to Credit Risk - S&P Ratings	Rating	Fair Value June 30, 2022
Asset Backed	AAA	\$ 34,541,221
CDO/Collateralized Debt Obligation	AAA	75,185,696
CMO/REMIC	AAA	597,282
Commercial Mortgage Backed Securities	AAA	30,608,149
Corporate Bonds	AAA	5,843,724
Government Bonds	AAA	1,249,676
Municipal Bonds	AAA	2,947,379
Asset Backed	AA+	6,007,718
CMO/REMIC	AA+	150,215,714
Commercial Mortgage Backed Securities	AA+	43,315,816
Corporate Bonds	AA+	899,580
Government Bonds	AA+	2,359,614,814
Mortgage Backed Securities	AA+	235,738,368
Asset Backed	AA	26,126,029
CDO/Collateralized Debt Obligation	AA	2,581,948
CMO/REMIC	AA	22,036
Commercial Mortgage Backed Securities	AA	2,402,862
Government Bonds	AA	185,640
Municipal Bonds	AA	8,586,453
Asset Backed	AA-	9,018,320
Commercial Mortgage Backed Securities	AA-	1,349,914
Corporate Bonds	AA-	15,996,823
Government Bonds	AA-	4,733,907
Municipal Bonds	AA-	3,637,379
Asset Backed	A+	13,020,784
CMO/REMIC	A+	83,450
Commercial Mortgage Backed Securities	A+	179,610
Corporate Bonds	A+	69,719,498
Government Bonds	A+	2,404,333
Asset Backed	A	56,245,443

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 5 – Investments (continued)

CDO/Collateralized Debt Obligation	A	4,519,302
CMO/REMIC	A	451,004
Commercial Mortgage Backed Securities	A	336,982
Corporate Bonds	A	51,969,503
Municipal Bonds	A	2,159,268
Asset Backed	A-	4,656,945
CMO/REMIC	A-	2,077,794
Commercial Mortgage Backed Securities	A-	702,889
Corporate Bonds	A-	309,458,138
Government Bonds	A-	3,382,551
Treasury Bills	A-1+	211,948,942
Asset Backed	BBB+	8,330,276
CDO/Collateralized Debt Obligation	BBB+	237,894
CMO/REMIC	BBB+	602,610
Corporate Bonds	BBB+	327,177,053
Government Bonds	BBB+	8,578,387
Municipal Bonds	BBB+	1,553,952
Asset Backed	BBB	20,620,830
CDO/Collateralized Debt Obligation	BBB	347,397
CMO/REMIC	BBB	545,216
Commercial Mortgage Backed Securities	BBB	955,609
Corporate Bonds	BBB	328,583,621
Government Bonds	BBB	21,697,643
Preferred Stock	BBB	249,000
Asset Backed	BBB-	8,565,291
CDO/Collateralized Debt Obligation	BBB-	9,849,788
CMO/REMIC	BBB-	728,687
Commercial Mortgage Backed Securities	BBB-	768,660
Corporate Bonds	BBB-	413,212,866
Government Bonds	BBB-	11,297,081
Preferred Stock	BBB-	595,800
Asset Backed	BB+	448,773
Corporate Bonds	BB+	185,193,461
Government Bonds	BB+	5,866,091
Preferred Stock	BB+	23,411
Asset Backed	BB	631,258
CMO/REMIC	BB	1,507,067
Corporate Bonds	BB	197,503,448
Government Bonds	BB	8,188,110
CDO/Collateralized Debt Obligation	BB-	1,241,851
CMO/REMIC	BB-	6,073,992
Commercial Mortgage Backed Securities	BB-	184,677
Corporate Bonds	BB-	226,197,287
Government Bonds	BB-	12,751,622
CMO/REMIC	B+	3,871,151

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 5 – Investments (continued)

Corporate Bonds	B+	172,886,117
Government Bonds	B+	330,179
Asset Backed	B	536,395
Commercial Mortgage Backed Securities	B	801,515
Corporate Bonds	B	97,402,339
Government Bonds	B	1,184,923
Asset Backed	B-	821,267
CMO/REMIC	B-	1,424,298
Commercial Mortgage Backed Securities	B-	1,517,986
Corporate Bonds	B-	101,385,047
Government Bonds	B-	5,007,907
Asset Backed	CCC+	95,214
Corporate Bonds	CCC+	34,786,799
Government Bonds	CCC+	2,752,782
Asset Backed	CCC	4,412,285
CMO/REMIC	CCC	620,499
Corporate Bonds	CCC	10,784,355
Asset Backed	CC	2,446,042
Government Bonds	CC	226,760
Commercial Mortgage Backed Securities	CCC-	170,525
Corporate Bonds	CCC-	825,970
Asset Backed	D	98,722
CMO/REMIC	D	296,031
Corporate Bonds	D	61,837
Total investments subject to Credit Risk - S&P Ratings		6,009,778,538
 <u>Investments Subject to Credit Risk - Not Rated</u>		
Asset Backed		163,993,986
CDO/Collateralized Debt Obligation		113,722,354
CMO/REMIC		59,656,842
Commercial Mortgage Backed Securities		106,077,455
Corporate Bonds		162,255,376
Government Bonds		8,764,640
Municipal Bonds		649,747
Mutual Funds		32,416,216
Preferred Stock		16,494,773
Total investments subject to credit risk - not rated		664,031,389

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 5 – Investments (continued)

Investments Not Subject to Ratings	
Absolute Return Pool	18,070,590
Credit & Structured Finance Pool	2,695,027,507
Real Estate Pool	3,930,355,521
Real Return Pool	2,593,022,965
Private Equity	3,704,548,889
Equity Securities, MLPs, Bank Loans, other excluded investments	12,954,440,021
New Mexico Private Equity	447,918,645
Government-Sponsored Enterprise & Agency Issues (GSEs)	264,045,382
Total investments not subject to ratings	26,607,429,520
Total investments	\$ 33,281,239,447

Interest Rate Risk – Debt Investments

Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. The Office does not have a policy for interest rate risk management, but its practice is to address interest rate risk through the management of debt investment duration.

A summary of the investments and their exposure to interest rate risk are as follows:

Investment	Fair Value June 30, 2022	Life Not Available	Less than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Asset Backed	\$ 360,616,794	\$ -	\$ 36,431,579	\$ 166,785,344	\$ 94,382,663	\$ 63,017,208
Cash Collateral	(274,788)	(274,788)	-	-	-	-
CDO/Collateralized Debt Obligation	207,686,230	-	207,686,230	-	-	-
CMO/REMIC	228,773,675	-	152,465,525	7,295,289	5,656,710	63,356,151
Commercial Mortgage Backed Securities	189,372,650	-	97,894,461	-	436,146	91,042,043
Corporate Bonds	2,712,142,844	16,913	634,192,963	1,345,518,363	519,004,810	213,409,795
Futures	(4,696,837)	-	(4,879,579)	182,742	-	-
Government Bonds	2,460,376,314	-	124,785,305	1,181,807,224	532,323,902	621,459,883
Mortgage Backed Securities	235,738,368	-	559,637	210,605	13,093,502	221,874,624
Municipal Bonds	17,374,910	-	1,553,952	6,824,390	-	8,996,568
Mutual Funds	32,416,216	32,416,216	-	-	-	-
Preferred Stock	17,362,984	17,362,984	-	-	-	-
Swaps	4,920,098	-	-	3,418,497	(567,788)	2,069,389
Swaptions	(1,853,223)	-	(1,132,471)	(720,752)	-	-
Treasury Bills	211,948,942	-	211,948,942	-	-	-
Total	6,671,905,177	\$ 49,521,325	\$ 1,461,506,544	\$ 2,711,321,702	\$ 1,164,329,945	\$ 1,285,225,661
Investments not subject to interest rate risk						
Securities, Equity and Real Estate Investments	26,609,334,270					
Total investments	\$ 33,281,239,447					

Concentration of Credit Risk – Investments

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2022, the Council was not exposed to concentration of credit risk as no single issuer represented 5% of total investments.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 5 – Investments (continued)

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's or deposit's fair value. This risk is eliminated by adhering to the Council's policy that all securities be denominated in U.S. dollars, and is managed in the equity funds by limiting the size of the internationally-invested funds.

A summary of the investments and cash and cash equivalents and their exposure to foreign currency risk are as follows:

Currency	Cash	Derivatives	Equity	Fixed Income	Limited Partnership	Total Foreign Currency Risk
Argentine Peso	\$ 631,221	\$ -	\$ -	\$ 121,288	\$ -	\$ 752,509
Australian Dollar	572,706	70,106	186,260,271	1,249,676	-	188,152,759
Brazilian Real	650,353	1,126	71,860,804	2,039,793	-	74,552,076
Canadian Dollar	1,734,720	(616,747)	321,510,772	-	-	322,628,745
Chilean Peso	19,892	-	672,911	-	-	692,803
Colombia Peso	-	39,909	-	338,342	-	378,251
Czech Koruna	-	-	1,424,123	-	-	1,424,123
Danish Krone	252,405	13,694	68,888,335	253,909	-	69,408,343
Euro	13,293,519	1,185,620	1,228,880,528	11,889,387	641,512,366	1,896,761,420
Hong Kong Dollar	3,717,712	-	452,880,501	-	-	456,598,213
Hungarian Forint	58,920	10,747	2,736,987	-	-	2,806,654
Indonesian Rupiah	209,053	(16,359)	51,701,471	-	-	51,894,165
Israel Shekel	192,107	-	20,318,776	-	-	20,510,883
Japanese Yen	6,051,825	(24,302)	871,028,406	-	-	877,055,929
Malaysian Ringgit	76,507	-	11,154,836	-	-	11,231,343
Mexican Peso	1,215,453	(674,098)	53,849,632	2,824,477	-	57,215,464
New Taiwan Dollar	1,960,397	-	210,765,312	-	-	212,725,709
New Turkish Lira	30,114	-	6,202,318	-	-	6,232,432
New Zealand Dollar	63,828	-	7,757,223	-	-	7,821,051
Norwegian Krone	272,778	(41,346)	55,529,461	-	-	55,760,893
Peruvian Nuevo Sol	148,894	(603,118)	-	5,825,974	-	5,371,750
Philippine Peso	18,816	-	3,915,666	-	-	3,934,482
Polish Zloty	5,347	52	7,923,800	-	-	7,929,199
Pound Sterling	3,260,477	1,036,328	646,506,275	4,448,322	44,864,482	700,115,884
Qatari Rial	-	-	5,588,060	-	-	5,588,060
Saudi Riyal	1,360	-	22,324,754	-	-	22,326,114
Singapore Dollar	285,600	-	59,552,324	-	-	59,837,924
South African Rand	445,327	539,837	51,101,165	8,188,110	-	60,274,439
South Korean Won	1,351,389	-	141,572,027	-	-	142,923,416
Swedish Krona	699,944	-	117,511,027	-	-	118,210,971
Swiss Franc	322,711	63,636	433,087,095	-	-	433,473,442
Thai Baht	(200)	-	33,219,923	-	-	33,219,723
Uae Dirham	-	-	4,982,175	-	-	4,982,175
Yuan Renminbi	121,260	-	118,000,954	-	-	118,122,214
	<u>\$ 37,664,435</u>	<u>\$ 985,085</u>	<u>\$ 5,268,707,912</u>	<u>\$ 37,179,278</u>	<u>\$ 686,376,848</u>	<u>6,030,913,558</u>
Non-foreign currency investments and cash and cash equivalents						<u>28,773,511,223</u>
Total investments and cash and cash equivalents						<u>\$ 34,804,424,781</u>

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 6 – Fair Value Measurements

Investments are recorded at fair value in accordance with GASB No. 72. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments measured at the net asset value (NAV) are those whose underlying positions are not evident and thus the market value of the investment is priced at a price per share in a fund or by another pricing methodology.

The Council utilizes its custody bank, J.P. Morgan, to assist with classification of its investments per the fair value hierarchy.

The Office has the following recurring fair value measurements:

Investments by Fair Value Level	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value June 30, 2022
Debt and equity securities				
Agency bonds	\$ -	\$ 6,205,033	\$ -	\$ 6,205,033
Corporate bonds	-	2,658,006,602	-	2,658,006,602
Government bonds	-	97,596,401	-	97,596,401
Municipal bonds	-	17,374,911	-	17,374,911
CDO/CLO	-	207,686,230	-	207,686,230
Cash Collateral	-	(274,788)	-	(274,788)
Treasuries	-	2,562,367,071	-	2,562,367,071
Asset backed securities	-	360,311,794	305,000	360,616,794
Mortgage backed securities	-	653,884,693	-	653,884,693
Pooled funds - mutual funds	-	1,726,971	-	1,726,971
Equities	12,741,774,812	862,603	2,911,489	12,745,548,904
Bank loans	-	54,136,242	-	54,136,242
Sovereign debt	-	5,688,721	-	5,688,721
Govt Sponsored Enterprise & Agency Issues	-	-	264,045,382	264,045,382
Total debt and equity securities	<u>12,741,774,812</u>	<u>6,625,572,484</u>	<u>267,261,871</u>	<u>19,634,609,167</u>
Alternative investments				
Master limited partnerships	<u>256,827,286</u>	<u>-</u>	<u>-</u>	<u>256,827,286</u>
Investment in derivative instruments				
Derivatives - credit	-	(1,103,755)	-	(1,103,755)
Derivatives - equity	(2,613,369)	-	-	(2,613,369)
Derivatives - interest rate	1,509,127	3,066,875	-	4,576,002
Total derivative instruments	<u>(1,104,242)</u>	<u>1,963,120</u>	<u>-</u>	<u>858,878</u>
Total investments, fair value levels	<u>\$ 12,997,497,856</u>	<u>\$ 6,627,535,604</u>	<u>\$ 267,261,871</u>	<u>\$ 19,892,295,331</u>

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 6 – Fair Value Measurements (continued)

Investments Measured at NAV Practical Expedient	Fair Value June 30, 2022
Private equity partnerships	\$ 3,704,548,889
Regional private equity partnerships	447,918,645
Real estate partnerships	1,203,210,589
Open-ended real estate partnerships	2,727,144,932
Real asset funds (excluding MLPs)	2,217,543,702
Open ended real asset partnerships	375,479,262
Absolute return (hedge) funds	18,070,590
Credit and structured finance	2,695,027,507
Total investments, NAV practical expedient	13,388,944,116
Total investments, fair value levels	19,892,295,331
Total investments	\$ 33,281,239,447

Valuation and liquidity information for investments measured at the net asset value (NAV) per share, or equivalent, is presented below:

Investment Type	Fair Value June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity partnerships	\$ 3,704,548,889	\$ 1,245,717,227	Not redeemable	Not redeemable
Regional private equity partnerships	447,918,645	77,567,944	Not redeemable	Not redeemable
Real estate partnerships	1,203,210,589	911,746,051	Not redeemable	Not redeemable
Open-ended real estate partnerships	2,727,144,932	11,869,996	Quarterly	45-90 days
Real asset funds	2,217,543,702	672,058,158	Not redeemable	Not redeemable
Open-ended real asset partnerships	375,479,262	60,019,116	Quarterly-Biannual	90-180 days
Absolute return (hedge) funds	18,070,590	-	Quarterly	30-65 days
Credit and structured finance	2,695,027,507	1,068,517,161	Not redeemable	Not redeemable
Total investments measured at NAV	\$ 13,388,944,116	\$ 4,047,495,653		

Note 7 – Pension Plan – New Mexico Public Employees Retirement Association

Plan Description

Substantially all of the Office's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The New Mexico Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 9.92% of their gross salary. The Office is required to contribute 18.24% of the gross covered salary. The contribution requirements of plan members and the Office are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ended June 30, 2022, 2021, and 2020 were \$502,402, \$488,947, and \$479,518, respectively, equal to the amount of the required contributions for each fiscal year.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 7 – Pension Plan – New Mexico Public Employees Retirement Association (continued)

There are employees who are making contributions to a deferred compensation plan funded through salary reductions in accordance with the provisions of Section 457 of the Internal Revenue Code. Neither the Office nor the State of New Mexico makes any contributions to this plan. All contributions withheld from the participants by the Office have been remitted to PERA, which administers the plan.

Note 8 – Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico (RHCA). Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the annual comprehensive financial report of the State of New Mexico for the year ended June 30, 2022. This report will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee, and retiree contributions are required to be remitted to RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the RHCA Board.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 8 – Post-Employment Benefits – State Retiree Health Care Plan (continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2022, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2022, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2018, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Office’s contributions to RHCA for the years ended June 30, 2022, 2021, and 2020 were \$55,127, \$55,171, and \$55,628, respectively, which equal the required contributions for each year.

Note 9 – Changes in Capital Assets

A summary of changes in capital assets is as follows:

<u>Capital Assets</u>	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Furniture and equipment	\$ 115,590	\$ -	\$ -	\$ 115,590
Right-to-use assets	-	2,225,979	-	2,225,979
Accumulated depreciation and amortization	(90,923)	(319,622)	-	(410,545)
Total capital assets	<u>\$ 24,667</u>	<u>\$ 1,906,357</u>	<u>\$ -</u>	<u>\$ 1,931,024</u>

Depreciation expense recorded for the year ended June 30, 2022 totaled \$6,170. Amortization expense recorded for the year ended June 30, 2022 totaled \$313,452.

Note 10 – Changes in Accrued Vacation and Sick Pay

A summary of changes in accrued vacation and sick pay is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Portion Due Within One Year</u>
Compensated Absences	<u>\$ 303,855</u>	<u>\$ 178,429</u>	<u>\$ (168,110)</u>	<u>\$ 314,174</u>	<u>\$ 163,838</u>

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 11 – Commitments

The Office has commitments for capital contributions to various private equity partnerships and real estate investments. As of June 30, 2022, the Office was an investor in approximately 220 private equity limited partnerships and various real estate or real asset investments. When making an investment in a limited partnership, the Office commits to a capital commitment that will be drawn down by the limited partnership over the life of the partnership, typically 12 to 15 years. As of June 30, 2022, unfunded commitments to private equity partnerships were approximately \$1.32 billion, unfunded commitments to real estate and real asset investments were approximately \$1.65 billion, and unfunded commitment to the Credit & Structure Finance Pool was \$1.06 billion. Due to the nature of these investments, the Office cannot predict when these capital contributions will be called. Subsequent to June 30, 2022, the Office approved an additional \$985 million of commitments to private equity, real estate, and real asset partnerships.

Note 12 – Joint Powers Agreements

The Office manages investments for several governmental entities under joint powers agreements that may be terminated by either party upon thirty days' notice to the other party. The revenues and expenditures of the investment pools are recorded in the accompanying financial statements. In addition, each participant reports their net position in their individual financial statements. At June 30, 2022, the Office had joint powers agreements with the following entities:

- a. *New Mexico Retiree Healthcare Authority (NMRHCA)* dated June 25, 1992, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMRHCA in accordance with guidelines established in NMRHCA's investment policy. At June 30, 2022, the NMRHCA had total net assets held in trust of \$1,091,313,522.
- b. *New Mexico Institute of Mining & Technology (NMIMT)* dated November 24, 1992, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMIMT in accordance with guidelines established in NMIMT's investment policy. At June 30, 2022, the NMIMT had total net assets held in trust of \$109,333,719.
- c. *New Mexico School for the Blind and Visually Impaired (NMSBVI)* dated March 25, 1993, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMSBVI in accordance with guidelines established in NMSBVI's investment policy. At June 30, 2022, the NMSBVI had total net assets held in trust of \$15,157,458.
- d. *Commissioner of Public Lands (the Commissioner)* dated March 11, 1994, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Commissioner in accordance with guidelines established in the Commissioner's investment policy. At June 30, 2022, the Commissioner had total net assets held in trust of \$20,230,036.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 12 – Joint Powers Agreements (continued)

- e. *New Mexico Interstate Stream Commission* (Commission) dated March 11, 1994, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Commission in accordance with guidelines established in the Commission's investment policy. At June 30, 2022, the Commission had total net assets held in trust of \$83,944,747.
- f. *New Mexico Military Institute* (NMMI) dated July 1, 1997, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMMI in accordance with guidelines established in NMMI's investment policy. At June 30, 2022, the NMMI had total net assets held in trust of \$50,548,814.
- g. *Eastern New Mexico University* (ENMU) dated December 4, 1998, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to ENMU in accordance with guidelines established in ENMU's investment policy. At June 30, 2022, the ENMU had total net assets held in trust of \$18,730,126.
- h. *Springer Municipal School District* (SMSD) dated February 5, 1999, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to SMSD in accordance with guidelines established in SMSD's investment policy. At June 30, 2022, the SMSD had total net assets held in trust of \$242,593.
- i. *New Mexico Public Regulation Commission, Superintendent of Insurance* (the Agency) dated September 18, 2000, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Agency in accordance with guidelines established in the Agency's investment policy. At June 30, 2022, the Agency had total net assets held in trust of \$39,680,489.
- j. *County of Los Alamos* (County) dated October 4, 2000, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the County in accordance with guidelines established in the County's investment policy. At June 30, 2022, the County had total net assets held in trust of \$53,326,538.
- k. *New Mexico Public School Insurance Authority* (NMPSIA) dated April 30, 2004, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMPSIA in accordance with guidelines established in NMPSIA's investment policy. At June 30, 2022, the NMPSIA had total net assets held in trust of \$39,961,962.
- l. *New Mexico Highlands University* (NMHU) dated December 10, 2004, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMHU in accordance with guidelines established in NMHU's investment policy. At June 30, 2022, the NMHU had total net assets held in trust of \$5,955,425.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 12 – Joint Powers Agreements (continued)

- m. *Children, Youth, and Family Department (CYFD)* dated January 1, 2006, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to CYFD in accordance with guidelines established in CYFD's investment policy. At June 30, 2022, the CYFD had total net assets held in trust of \$9,412,648.
- n. *New Mexico Mortgage Finance Authority (NMMFA)* dated November 16, 2005, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMMFA in accordance with guidelines established in NMMFA's investment policy. At June 30, 2022, the NMMFA had total net assets held in trust of \$32,744,593.
- o. *New Mexico Higher Education Department (NMHED)* dated April 3, 2007, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMHED in accordance with guidelines established in NMHED's investment policy. At June 30, 2022, the NMHED had total net assets held in trust of \$2,699,548.
- p. *New Mexico Highlands University Foundation (NMHUF)* dated June 1, 2020, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to NMHUF in accordance with guidelines established in NMHU's investment policy. At June 30, 2022, the NMHUF had total net assets held in trust of \$9,111,266.
- q. *City of Las Cruces (Client)* dated September 28, 2007, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Client in accordance with guidelines established in the Client's investment policy. At June 30, 2022, the Client had total net assets held in trust of \$27,517,414.
- r. *San Juan College (Client)* dated October 1, 2014, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain investment policy. At June 30, 2022, the Client had total net assets held in trust of \$11,524,577.
- s. *John R. Carver Testamentary Trust (Client)* dated November 5, 2015, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Client in accordance with guidelines established in the Client's investment policy. At June 30, 2022, the Client had total net assets held in trust of \$807,153.
- t. *Clovis Community College (Client)* dated September 28, 2015, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Client in accordance with guidelines established in the Client's investment policy. At June 30, 2022, the Client had total net assets held in trust of \$4,002,613.

State of New Mexico Investment Council – Investment Office

Notes to Financial Statements

Note 12 – Joint Powers Agreements (continued)

- v. *New Mexico Small Business Investment Corporation (SBIC)* dated May 6, 2016, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the SBIC in accordance with guidelines established in the SBIC's investment policy. At June 30, 2022, SBIC had total net assets held in trust of \$9,457,679.

- w. *Central New Mexico Community College (CNMCC)* dated March 30, 2018, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the CNMCC in accordance with guidelines established in the CNMCC's investment policy. At June 30, 2022, the CNMCC had total net assets held in trust of \$14,625,280.

- x. *City of Albuquerque (Client)* dated August 1, 2018, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement, the Office invests certain monies belonging to the Client in accordance with guidelines established in the Client's investment policy. At June 30, 2022, the Client had total net assets held in trust of \$583,268.

Note 13 – Risk Management

The Office, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The Office pays annual premiums to the Risk Management Division for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico and the members of the Council;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

As of June 30, 2022, the Office had no claims that the Risk Management Division had determined not to cover. Denial of coverage by the Risk Management Division would result in the responsibility for coverage reverting to the Office. There were no significant reductions in insurance coverage from prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

Note 14 – Non-Reverting Fund

Section 6-8-5(B), NMSA 1978, authorizes the Office to prepare an operating budget as follows: "The state investment officer shall annually prepare a budget for administering and investing all funds managed by the investment office, which shall be reviewed by the council. Any funds provided for the operating budget of the investment office shall be appropriated from the assets of the Permanent Fund, the Severance Tax Permanent Fund, funds available for investment pursuant to Subsection G of Section 6-8-7 NMSA 1978 or any other funds managed by the investment office, as authorized by law." The state constitution has vested sole authority for appropriation to the state legislature; therefore, the legislature annually appropriates funds for the SIC operating budget from the sources specified in this statute.

State of New Mexico Investment Council – Investment Office
Notes to Financial Statements

Note 14 – Non-Reverting Fund (continued)

Unexpended/unencumbered funds at fiscal year-end subsequently revert back to their original funding source. The following represents the interfund transfers that occurred during the year:

	General Administrative Fund From (To)	Land Grant Permanent Fund From (To)	Severance tax Permanent Fund From (To)	Tax Stabilization Reserve Fund From (To)	Early Childhood Education and Care Fund From (To)	Nonmajor Funds From (To)
Administration appropriation	\$ 51,596,370	\$ (37,450,305)	\$ (9,955,139)	\$ (1,621,152)	\$ (514,034)	\$ (2,055,740)

Note 15 – Upcoming Accounting Pronouncement

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to increase the usefulness of governments' financial statements by requiring recognition of certain subscription-based agreements to be recognized as an intangible asset with a corresponding liability that previously were classified as administration expenses and recognized as outflows of resources based on the payment provisions of the contract. The Office is currently examining the impact of their custodian agreement and investment analysis subscriptions for applicability of this statement. This statement is effective for the year ending June 30, 2023 for the Office.

GASB Statement No. 99, *Omnibus 2022*. This statement makes amendments to various GASB Statements. Amendments made to Statement Nos. 87 and 96 will impact the Office. Management is currently assessing the applicability of the statement to their lease contract and subscription agreements. This statement is effective for the year ending June 30, 2023 for the Office.

GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences should be considered. This statement is effective for the year ending June 30, 2025 for the Office. Management does not expect a significant impact to their reporting of compensated absences.

Supplementary Information

State of New Mexico Investment Council – Investment Office
Combining Balance Sheet – Governmental Nonmajor Funds
June 30, 2022

	Nonmajor Funds				Total Nonmajor Funds
	Fund 95200 Tobacco Settlement Permanent Fund	Fund 40240 External Investment Trust Funds	Fund 10120 Water Trust Fund	Fund 20940 Rural Libraries Endowment Fund	
ASSETS					
Cash and cash equivalents	\$ 6,120,310	\$ 20,633,249	\$ 1,108,954	\$ 10,082,338	\$ 37,944,851
Due from brokers	1,380,233	20,611,348	204,434	65,101	22,261,116
Accrued investment income	573,517	4,624,284	57,298	18,980	5,274,079
Accrued tobacco settlement income	14,000,000	-	-	-	14,000,000
	<u>22,074,060</u>	<u>45,868,881</u>	<u>1,370,686</u>	<u>10,166,419</u>	<u>79,480,046</u>
Investments					
Investment pools					
Core Plus Bonds	10,329,200	175,872,516	1,821,374	283,828	188,306,918
U.S. Large Cap Active	-	61,975,716	839,922	-	62,815,638
U.S. Large Cap Index	29,729,106	295,748,867	2,588,974	-	328,066,947
U.S. Small/Mid Cap Active	1,272,304	47,665,578	197,882	-	49,135,764
Non-U.S. Developed Markets Index	-	193,837,383	503,973	-	194,341,356
Non-U.S. Emerging Markets Index	-	10,900,947	-	-	10,900,947
Non-U.S. Developed Markets Active	-	744,553	1,654,875	-	2,399,428
Non-U.S. Emerging Markets Active	4,130,756	96,269,246	585,538	-	100,985,540
Non-U.S. Developed Alternative Weighted Index	20,993,975	-	817,086	-	21,811,061
Unconstrained Fixed Income	13,309,621	-	783,038	194,162	14,286,821
Short-term Duration Fixed Income	-	-	646,467	862,228	1,508,695
National Private Equity	-	179,966,815	10,593,493	-	190,560,308
Credit and Structured Finance	40,469,281	168,161,801	2,277,296	605,503	211,513,881
Real Estate	75,865,951	138,240,948	11,327,516	868,670	226,303,085
Real Return	80,379,378	50,733,580	8,416,025	-	139,528,983
Core Bonds	18,506,151	201,757,915	722,653	376,010	221,362,729
US SMID Cap Alternative Weighted Index	-	24,893,472	-	-	24,893,472
	<u>294,985,723</u>	<u>1,646,769,337</u>	<u>43,776,112</u>	<u>3,190,401</u>	<u>1,988,721,573</u>
Total investments	<u>294,985,723</u>	<u>1,646,769,337</u>	<u>43,776,112</u>	<u>3,190,401</u>	<u>1,988,721,573</u>
Total assets	<u>\$ 317,059,783</u>	<u>\$ 1,692,638,218</u>	<u>\$ 45,146,798</u>	<u>\$ 13,356,820</u>	<u>\$ 2,068,201,619</u>
LIABILITIES					
Due to brokers	\$ 2,759,003	\$ 41,289,690	\$ 401,772	\$ 109,919	\$ 44,560,384
Due to other funds	54,910	437,054	7,835	574	500,373
Due to other state entities	-	-	-	10,000,000	10,000,000
Receipts held for the benefit of others	14,000,000	-	-	-	14,000,000
Total liabilities	<u>16,813,913</u>	<u>41,726,744</u>	<u>409,607</u>	<u>10,110,493</u>	<u>69,060,757</u>
RESTRICTED FUND BALANCE	<u>300,245,870</u>	<u>1,650,911,474</u>	<u>44,737,191</u>	<u>3,246,327</u>	<u>1,999,140,862</u>
Total liabilities and restricted fund balance	<u>\$ 317,059,783</u>	<u>\$ 1,692,638,218</u>	<u>\$ 45,146,798</u>	<u>\$ 13,356,820</u>	<u>\$ 2,068,201,619</u>

State of New Mexico Investment Council – Investment Office
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Nonmajor Funds
Year Ended June 30, 2022

	Nonmajor Funds				Total Nonmajor Funds
	Fund 95200 Tobacco Settlement Permanent Fund	Fund 40240 External Investment Trust Funds	Fund 10120 Water Trust Fund	Fund 20940 Rural Libraries Endowment Fund	
REVENUES					
Tobacco settlement proceeds	\$ 34,971,274	\$ -	\$ -	\$ -	\$ 34,971,274
Contributions from external investment trust funds	-	218,952,796	-	-	218,952,796
Investment earnings					
Interest and dividends	9,257,226	36,859,760	1,144,924	88,365	47,350,275
Net change in fair value of investments	5,889,419	(181,559,305)	1,747,030	30,997	(173,891,859)
Total revenues	<u>50,117,919</u>	<u>74,253,251</u>	<u>2,891,954</u>	<u>119,362</u>	<u>127,382,486</u>
OTHER FINANCING SOURCES (USES)					
Distributions to State General Fund from					
Tobacco Settlement Permanent Fund	(34,971,274)	-	-	-	(34,971,274)
Distributions to beneficiaries of the Water Permanent Fund	-	-	(4,000,000)	-	(4,000,000)
Distributions to beneficiaries of Rural Library Endowment Fund	-	-	-	(10,083,677)	(10,083,677)
Contribution from Department of Cultural Affairs to					
Rural Library Endowment Fund	-	-	-	10,000,000	10,000,000
Distributions to external investment trust funds	-	(128,794,264)	-	-	(128,794,264)
Interfund transfers out	(218,833)	(1,803,048)	(31,544)	(2,315)	(2,055,740)
Total other financing sources (uses)	<u>(35,190,107)</u>	<u>(130,597,312)</u>	<u>(4,031,544)</u>	<u>(85,992)</u>	<u>(169,904,955)</u>
CHANGE IN FUND BALANCE	14,927,812	(56,344,061)	(1,139,590)	33,370	(42,522,469)
FUND BALANCE					
Beginning of year	<u>285,318,058</u>	<u>1,707,255,535</u>	<u>45,876,781</u>	<u>3,212,957</u>	<u>2,041,663,331</u>
End of year	<u>\$ 300,245,870</u>	<u>\$ 1,650,911,474</u>	<u>\$ 44,737,191</u>	<u>\$ 3,246,327</u>	<u>\$ 1,999,140,862</u>

State of New Mexico Investment Council – Investment Office
Changes in Land Grant Permanent Fund Held for Beneficiaries – Exhibit 1
Year Ended June 30, 2022

Beneficiary	Balance June 30, 2021	State Land Office Transfers	Distributions to Beneficiaries	Other Increases In Capital Accounts, Net	Balance June 30, 2022	Participation Percentage June 30, 2022
Carrie Tingley Hospital	\$ 278,193	\$ -	\$ (9,964)	\$ (11,144)	\$ 257,085	0.00102%
Charitable, Penal and Reform	162,982,980	1,371,678	(5,853,903)	(6,603,109)	151,897,646	0.60342%
Public Schools	21,536,728,343	2,170,072,075	(787,846,682)	(968,109,651)	21,950,844,085	87.20080%
Eastern New Mexico University	15,940,995	112,592	(572,574)	(644,991)	14,836,022	0.05894%
Improvements to the Rio Grande	45,517,809	160,166	(1,632,786)	(1,833,469)	42,211,720	0.16769%
Miners' Colfax Medical Center	183,718,270	1,484,948	(6,602,178)	(7,445,717)	171,155,323	0.67992%
New Mexico Boys School	1,103,322	-	(39,519)	(44,199)	1,019,604	0.00405%
New Mexico Highlands University	5,158,210	20,994	(185,264)	(208,090)	4,785,850	0.01901%
New Mexico Institute of Mining and Technology	39,785,648	234,177	(1,429,848)	(1,609,182)	36,980,795	0.14691%
New Mexico Military Institute	687,810,133	24,756,308	(24,813,259)	(28,788,409)	658,964,773	2.61777%
New Mexico School for the Deaf	407,083,147	9,629,221	(14,675,343)	(16,808,798)	385,228,227	1.53034%
New Mexico School for the Blind and Visually Impaired	406,292,827	9,634,312	(14,647,076)	(16,777,510)	384,502,553	1.52746%
New Mexico State Hospital	80,831,287	3,507,350	(2,933,735)	(3,425,149)	77,979,753	0.30978%
New Mexico State University	87,391,629	8,144,223	(3,202,253)	(4,092,011)	88,241,588	0.35054%
Northern New Mexico Community College	4,216,340	21,046	(151,529)	(170,363)	3,915,494	0.01555%
Penitentiary of New Mexico	413,185,472	20,923,830	(14,935,637)	(17,498,630)	401,675,035	1.59567%
Public Buildings-Capitol	286,328,797	63,053,950	(10,658,563)	(14,486,264)	324,237,920	1.28805%
The University of New Mexico	287,061,659	5,691,017	(10,330,774)	(11,786,260)	270,635,642	1.07511%
The University of New Mexico Saline Lands	9,804,224	78,000	(353,777)	(399,080)	9,129,367	0.03627%
Water Reservoirs	203,817,128	1,170,694	(7,314,283)	(8,226,247)	189,447,292	0.75259%
Western New Mexico University	5,184,023	20,994	(186,189)	(209,124)	4,809,704	0.01911%
Total Beneficiaries	\$ 24,870,220,436	\$ 2,320,087,575	\$ (908,375,136)	\$ (1,109,177,397)	\$ 25,172,755,478	100.00000%

**State of New Mexico Investment Council – Investment Office
Detail of Interagency Transfers – Exhibit 2
Year Ended June 30, 2022**

Agency Initiating Transfer/Fund	Transferring Business Unit/Fund	Agency Receiving Transfer/Fund	Receiving Business Unit/Fund
State Land Office	53900/09800	State Investment Office/ Land Grant Permanent Fund	33700/60100
A total of \$2,320,087,575 was received from the State Land Office for fiscal year 2022. Funds transferred are from royalties and principal from land sales generated by the State Land Office (see Note 1).			
State Treasurer's Office/ Severance Tax Bonding Fund	39400/41000	State Investment Council Severance Tax Permanent Fund	33700/60200
A total of \$1,031,916,164 was transferred from the Severance Tax Bonding Fund during 2022. Funds transferred are remaining severance tax revenues after paying Severance Tax Bonding debt service (see Note 1).			
State Investment Office/ Land Grant Permanent Fund	33700/60100	Land Grant Permanent Fund LGPF Beneficiaries	Various
A total of \$908,375,136 was distributed for fiscal year 2022 to the beneficiaries of the Land Grant Permanent Fund (see Note 1).			
State Treasurer's Office/ Severance Tax Permanent Fund	33700/60200	Department of Finance and Administration/ State General Fund	34101/85300
A total of \$246,398,028 was distributed for fiscal year 2022 to the beneficiaries of the Severance Tax Permanent Fund (see Note 1).			
New Mexico Attorney General Tobacco Settlement Proceeds	Wire Received	State Investment Office/ Tobacco Settlement Permanent Fund	33700/95200
A total of \$36,471,274 was received in fiscal year 2022 for the Tobacco Settlement Permanent Fund's portion of the Tobacco Settlement proceeds (see Note 1).			
State Investment Office/ Tobacco Settlement Permanent Fund	33700/95200	Department of Finance and Administration Tobacco Settlement Program Fund	34100/69700
A total of \$36,471,274 was distributed for fiscal year 2022 to the Tobacco Settlement Program Fund (see Note 1).			
Department of Finance and Administration Federal Taylor Grazing	34100/73800	State Investment Office/ Land Grant Permanent Fund	33700/60100
A total of \$123,216 was received from the Department of Finance and Administration for fiscal year 2021. Funds transferred are a distribution from the Federal Taylor Grazing Act.			
Public Education Department	92400/51300	State Investment Office/ Early Childhood Education and Care Fund	33700/43240
A total of \$3,000,000 was received from the Public Education Department in fiscal year 2022 per Laws of 2021 1st Section Chapter 137, Section 10 Item 4.			
State Investment Office/ Early Childhood Education and Care Fund	33700/43240	Early Childhood Education and Care Dept	61100/20790
Transfer \$20,000,000 from the Early Childhood Education and Care Fund to the Early Childhood Education and Care Department per HB83 Act.			
Department of Finance and Administration State General Fund	34101/85100	State Investment Office/ Early Childhood Education and Care Fund	33700/43240
A total of \$1,501,549,447 was received from the Department of Finance and Administration per 6-4-27 NMSA 1978 which requires DFA to transfer Federal Mineral Leasing receipts that exceed the 5-year average.			
Department of Finance and Administration State General Fund	34101/85100	State Investment Office/ Early Childhood Education and Care Fund	33700/43240
A total of \$1,340,140,377 was received from the Department of Finance and Administration per 6-4-27 NMSA 1978 which requires excess emergency oil & gas revenues to be transferred to the Early childhood education and care fund when state reserves exceed 25%.			
Department of Finance and Administration State General Fund	34101/85100	State Investment Office/ Tax Stabilization Reserve Fund	33700/20950
A total of \$459,181,571 was received from the Department of Finance and Administration per 6-4-27 NMSA 1978 which requires excess revenues be transferred to the reserve fund.			
State Investment Office/ Water Trust Fund	Via wire transfer	New Mexico Finance Authority Water Projects Fund	Via wire transfer
A total of \$4,000,000 was distributed for fiscal year 2022 to New Mexico Finance Authority's Water Projects Fund.			
State Investment Office/ Rural Library Endowment Fund	33700/20940	Department of Cultural Affairs	50500/59100
A total of \$83,677 was distributed for fiscal year 2022 to Department of Cultural Affairs per SB 264.			
Department of Cultural Affairs	50500/19300	State Investment Office/ Rural Library Endowment Fund	33700/20940
Department of Cultural Affairs transferred \$10,000,000 to the Rural Library Endowment Fund per Chapter 54, Section 11 Laws 2022.			
State Investment Office/ Rural Library Endowment Fund	33700/20940	Department of Cultural Affairs	50500/19300
Transfer back \$10,000,000 from Rural Libraries Endowment Fund to Department of Cultural Affairs per DCA's auditor recommendation. DCA did not meet the eligibly requirements to classify grant revenue that was transferred as earned therefore the revenue was unearned and would be transferred back to DCA.			

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (1 of 14)
Year Ended June 30, 2022

Participants - Core Plus Bonds Pool	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Loss	Balance June 30, 2022
Clovis Community College Foundation Fund	\$ 795,473	\$ -	\$ 140,018	\$ (107,910)	\$ 827,581
CNM Endowment Funds	634,350	-	342,134	(113,753)	862,731
CNM General Funds	-	-	5,697,160	(710,867)	4,986,293
CYFD - Next Generation Fund	1,588,142	-	-	(184,882)	1,403,260
CYFD - Trust Fund Non-Expendable	4,163,500	-	-	(484,690)	3,678,810
Eastern New Mexico University	2,943,904	-	-	(342,711)	2,601,193
Interstate Stream Commission - Improvement to the Rio Grande	1,061,156	-	-	(123,533)	937,623
Interstate Stream Commission - Improvement Works Construction	7,505,971	-	-	(873,800)	6,632,171
Interstate Stream Commission-NM Unit Fund	26,978,860	-	1,350,000	(3,176,132)	25,152,728
John R. Carver Testamentary Trust	116,727	(5,000)	-	(13,458)	98,269
Los Alamos County - Cemetery	295,021	(29,883)	8,208	(33,356)	239,990
Los Alamos County - General Fund	5,365,689	(541,397)	149,282	(606,807)	4,366,767
Los Alamos County - Permanent	8,175,063	(824,826)	227,478	(924,526)	6,653,189
New Mexico Commissioner of Public Lands-O&G	4,680,725	-	-	(544,902)	4,135,823
New Mexico Higher Education Department	878,844	-	-	(102,311)	776,533
New Mexico Highlands University - Endowment Fund	1,368,331	-	-	(159,293)	1,209,038
New Mexico Highlands University Foundation	1,280,987	(35,272)	90,833	(155,736)	1,180,812
New Mexico Military Institute - Capital Operations	900,311	-	10,240	(105,088)	805,463
New Mexico Military Institute - Capital Outlay	1,130,354	-	12,859	(131,940)	1,011,273
New Mexico Military Institute - Legislative Scholarship	8,466,639	(144,000)	96,073	(984,325)	7,434,387
New Mexico Military Institute - LFC/VC	3,717,916	(28,800)	42,297	(433,186)	3,298,227
New Mexico Military Institute - Patterson Account	3,144,763	-	35,775	(367,072)	2,813,466
New Mexico Military Institute - Trust Scholarship	3,974,590	-	45,375	(463,937)	3,556,028
New Mexico School for the Blind and Visually Impaired	3,371,247	-	1,306,259	(547,661)	4,129,845
New Mexico Small Business Investment Corporation	10,703,745	-	-	(1,246,066)	9,457,679
New Mexico Tech - Employee Benefit Trust	398,131	(376,255)	14,995	(36,871)	-
New Mexico Tech - Endowment Fund	18,170,300	(17,241,307)	760,411	(1,689,404)	-
New Mexico Tech - Foundation Enhanced	52,252	(10,000)	-	(5,810)	36,442
New Mexico Tech - Foundation Fund	6,695,468	(2,272,164)	96,576	(532,432)	3,987,448
New Mexico Tech - Foundation Restricted	3,497,607	(1,364,419)	351,746	(279,809)	2,205,125
New Mexico Tech - Plant/Debt/Allocated Fund	19,503,717	(18,432,070)	734,580	(1,806,227)	-
New Mexico Tech - Proceeds from ABQ Building Sale	861,370	(814,041)	32,442	(79,771)	-
NMMFA - IFT Housing	15,973,640	(3,527,804)	2,487,994	(1,623,589)	13,310,241
NMMFA General Fund	8,485,923	(2,796,062)	1,412,452	(856,600)	6,245,713
NMPSIA - Benefits	10,126,482	(2,475,000)	-	(965,615)	6,685,867
NMPSIA - Risk	4,356,249	-	1,400,000	(627,754)	5,128,495
Office of the Superintendent of Insurance	30,778,258	-	-	(3,583,019)	27,195,239
San Juan College Foundation	2,323,019	-	-	(270,433)	2,052,586
Springer Municipal School District	35,184	-	-	(4,096)	31,088
Total Participants - Core Plus Bonds Pool	\$ 224,499,908	\$ (50,918,300)	\$ 16,845,187	\$ (25,299,372)	\$ 165,127,423

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (2 of 14)
Year Ended June 30, 2022

Participants - U.S. Large Cap. Active Pool	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Loss	Balance June 30, 2022
City of Las Cruces	\$ 12,293,583	\$ -	\$ -	\$ (2,851,516)	\$ 9,442,067
CNM Endowment Funds	-	-	521,169	(139,738)	381,431
CNM General Funds	-	-	2,929,595	(735,103)	2,194,492
CYFD - Next Generation Fund	691,616	-	255,124	(199,845)	746,895
CYFD - Trust Fund Non-Expendable	1,782,966	-	2,229,959	(758,163)	3,254,762
Interstate Stream Commission - Improvement to the Rio Grande	2,447,343	-	-	(567,665)	1,879,678
Interstate Stream Commission - Improvement Works Construction	17,699,152	-	-	(4,105,346)	13,593,806
Los Alamos County - Cemetery	366,417	(3,990)	-	(84,133)	278,294
Los Alamos County - General Fund	6,671,157	(76,220)	-	(1,531,176)	5,063,761
Los Alamos County - Permanent	10,157,022	(109,700)	-	(2,332,327)	7,714,995
New Mexico Commissioner of Public Lands-O&G	10,572,267	-	-	(2,452,254)	8,120,013
New Mexico Higher Education Department	794,498	-	-	(184,285)	610,213
New Mexico Tech - Foundation Fund	-	(343,522)	5,865,037	(1,546,960)	3,974,555
New Mexico Tech - Foundation Restricted	-	(102,898)	3,130,203	(810,101)	2,217,204
San Juan College Foundation	4,232,540	-	-	(981,744)	3,250,796
Total Participants - U.S. Large Cap. Active Pool	<u>\$ 67,708,561</u>	<u>\$ (636,330)</u>	<u>\$ 14,931,087</u>	<u>\$ (19,280,356)</u>	<u>\$ 62,722,962</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (3 of 14)
Year Ended June 30, 2022

Participants - U.S. Large Cap. Index Fund	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Loss	Balance June 30, 2022
City of Las Cruces	\$ 7,880,033	\$ -	\$ -	\$ (1,024,306)	\$ 6,855,727
Clovis Community College Foundation Fund	3,756,977	(850,742)	-	(351,857)	2,554,378
CNM Endowment Funds	1,066,961	(641,980)	-	(19,692)	405,289
CNM General Funds	-	(166,179)	2,925,000	(405,108)	2,353,713
Eastern New Mexico University	14,277,409	-	-	(1,855,887)	12,421,522
Interstate Stream Commission-NM Unit Fund	19,753,478	-	750,000	(2,631,538)	17,871,940
John R. Carver Testamentary Trust	830,571	(15,000)	-	(106,687)	708,884
Los Alamos County - Cemetery	329,961	(4,791)	829	(42,405)	283,594
Los Alamos County - General Fund	6,002,209	(87,335)	16,846	(771,663)	5,160,057
Los Alamos County - Permanent	9,150,387	(132,725)	19,828	(1,175,485)	7,862,005
New Mexico Commissioner of Public Lands-O&G	9,165,617	-	-	(1,191,417)	7,974,200
New Mexico Higher Education Department	1,180,651	-	-	(153,470)	1,027,181
New Mexico Highlands University - Endowment Fund	4,187,904	-	-	(544,376)	3,643,528
New Mexico Highlands University Foundation	4,095,187	(35,272)	90,834	(542,466)	3,608,283
New Mexico Military Institute - Capital Operations	964,770	(44,314)	-	(121,698)	798,758
New Mexico Military Institute - Capital Outlay	1,211,278	(55,631)	-	(152,792)	1,002,855
New Mexico Military Institute - Legislative Scholarship	9,072,689	(568,848)	-	(1,131,704)	7,372,137
New Mexico Military Institute - LFC/VC	3,984,102	(213,386)	-	(500,015)	3,270,701
New Mexico Military Institute - Patterson Account	3,369,907	(154,772)	-	(425,086)	2,790,049
New Mexico Military Institute - Trust Scholarship	4,259,206	(195,501)	-	(537,274)	3,526,431
New Mexico Retiree Health Care Authority	176,755,163	-	8,400,000	(24,346,821)	160,808,342
New Mexico School for the Blind and Visually Impaired	2,029,455	(332,936)	390,000	(274,537)	1,811,982
New Mexico Tech - Employee Benefit Trust	1,719,144	(1,177,529)	109,641	(132,584)	518,672
New Mexico Tech - Endowment Fund	46,246,011	(33,313,828)	3,512,271	(3,484,234)	12,960,220
New Mexico Tech - Foundation Fund	16,823,450	(17,669,813)	-	846,363	-
New Mexico Tech - Foundation Restricted	7,583,464	(8,005,167)	39,060	382,643	-
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	305,881	(26,032)	279,849
New Mexico Tech - Plant/Debt/Allocated Fund	-	(176,299)	4,423,697	(361,480)	3,885,918
New Mexico Tech - Proceeds from ABQ Building Sale	-	(7,786)	195,370	(15,965)	171,619
NMMFA General Fund	7,288,854	(2,620,239)	2,341,222	(815,886)	6,193,951
NMPSIA - Benefits	8,205,900	-	525,000	(1,139,271)	7,591,629
NMPSIA - Risk	3,503,914	-	3,350,000	(918,756)	5,935,158
Office of the Superintendent of Insurance	7,745,909	-	-	(1,006,873)	6,739,036
Springer Municipal School District	64,492	-	-	(8,384)	56,108
Total Participants - U.S. Large Cap. Index Fund	<u>\$ 382,505,053</u>	<u>\$ (66,470,073)</u>	<u>\$ 27,395,479</u>	<u>\$ (44,986,743)</u>	<u>\$ 298,443,716</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (4 of 14)
Year Ended June 30, 2022

Participants - U.S. Small/Mid Cap. Active Pool	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Loss	Balance June 30, 2022
City of Las Cruces	\$ 10,336,361	\$ -	\$ -	\$ (2,547,899)	\$ 7,788,462
CNM Endowment Funds	415,421	(277,752)	-	(32,287)	105,382
CNM General Funds	-	-	791,108	(176,639)	614,469
Eastern New Mexico University	3,232,162	-	-	(796,724)	2,435,438
Interstate Stream Commission-NM Unit Fund	6,226,919	-	240,000	(1,555,491)	4,911,428
Los Alamos County - Cemetery	199,521	-	17,039	(52,386)	164,174
Los Alamos County - General Fund	3,630,356	-	310,058	(953,178)	2,987,236
Los Alamos County - Permanent	5,531,139	-	472,455	(1,452,255)	4,551,339
New Mexico Higher Education Department	334,646	-	-	(82,490)	252,156
New Mexico Highlands University - Endowment Fund	905,107	-	-	(223,108)	681,999
New Mexico Highlands University Foundation	1,528,821	(35,272)	100,283	(388,228)	1,205,604
New Mexico Military Institute - Capital Operations	274,810	-	26,274	(69,926)	231,158
New Mexico Military Institute - Capital Outlay	345,028	-	32,988	(87,794)	290,222
New Mexico Military Institute - Legislative Scholarship	2,584,441	(44,000)	246,932	(653,946)	2,133,427
New Mexico Military Institute - LFC/VC	1,134,852	(8,800)	108,501	(288,034)	946,519
New Mexico Military Institute - Patterson Account	959,903	-	91,775	(244,250)	807,428
New Mexico Military Institute - Trust Scholarship	1,213,133	-	116,094	(308,694)	1,020,533
New Mexico School for the Blind and Visually Impaired	1,278,545	(300,095)	210,000	(292,072)	896,378
New Mexico Tech - Employee Benefit Trust	276,256	(97,258)	11,322	(60,734)	129,586
New Mexico Tech - Endowment Fund	-	(469,341)	4,011,050	(303,878)	3,237,831
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	76,470	(6,552)	69,918
New Mexico Tech - Plant/Debt/Allocated Fund	-	(44,075)	1,105,924	(90,980)	970,869
New Mexico Tech - Proceeds from ABQ Building Sale	-	(1,947)	48,842	(4,018)	42,877
NMMFA General Fund	3,272,396	(595,370)	972,974	(865,653)	2,784,347
NMPSIA - Benefits	2,441,043	-	775,000	(732,221)	2,483,822
NMPSIA - Risk	1,048,341	-	1,400,000	(494,170)	1,954,171
Office of the Superintendent of Insurance	2,851,554	-	-	(702,904)	2,148,650
San Juan College Foundation	2,464,835	-	-	(607,578)	1,857,257
Springer Municipal School District	78,694	-	-	(19,398)	59,296
Total Participants - U.S. Small/Mid Cap. Active Pool	\$ 52,564,284	\$ (1,873,910)	\$ 11,165,089	\$ (14,093,487)	\$ 47,761,976

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (5 of 14)
Year Ended June 30, 2022

	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Loss	Balance June 30, 2022
Participants - Non U.S. Developed Markets Index Pool					
City of Las Cruces	\$ 4,129,356	\$ -	\$ -	\$ (698,197)	\$ 3,431,159
CNM Endowment Funds	-	-	139,023	(25,964)	113,059
CNM General Funds	-	-	791,418	(138,895)	652,523
CYFD - Next Generation Fund	85,210	-	-	(14,408)	70,802
CYFD - Trust Fund Non-Expendable	237,373	-	-	(40,135)	197,238
Eastern New Mexico University	1,413,219	-	-	(238,948)	1,174,271
Interstate Stream Commission-NM Unit Fund	11,607,642	-	510,000	(2,007,826)	10,109,816
Los Alamos County - Cemetery	155,204	(4,644)	12,923	(27,357)	136,126
Los Alamos County - General Fund	2,824,886	(84,487)	234,308	(497,810)	2,476,897
Los Alamos County - Permanent	4,304,219	(128,690)	356,732	(758,469)	3,773,792
New Mexico Higher Education Department	40,274	-	-	(6,810)	33,464
New Mexico Highlands University - Endowment Fund	332,565	-	-	(56,231)	276,334
New Mexico Highlands University Foundation	663,625	(35,272)	90,834	(121,557)	597,630
New Mexico Military Institute - Capital Operations	302,802	(342)	-	(51,166)	251,294
New Mexico Military Institute - Capital Outlay	380,182	(437)	-	(64,240)	315,505
New Mexico Military Institute - Legislative Scholarship	2,846,997	(50,746)	-	(476,575)	2,319,676
New Mexico Military Institute - LFC/VC	1,250,478	(11,034)	-	(210,389)	1,029,055
New Mexico Military Institute - Patterson Account	1,057,705	(1,214)	-	(178,723)	877,768
New Mexico Military Institute - Trust Scholarship	1,337,254	(1,886)	-	(225,926)	1,109,442
New Mexico Retiree Health Care Authority	146,223,309	-	8,400,000	(26,092,629)	128,530,680
New Mexico School for the Blind and Visually Impaired	1,965,743	(215,744)	390,000	(365,197)	1,774,802
New Mexico Tech - Employee Benefit Trust	151,844	(32,067)	366,065	(55,269)	430,573
New Mexico Tech - Endowment Fund	-	(1,564,469)	13,370,166	(1,042,727)	10,762,970
New Mexico Tech - Foundation Fund	-	(295,277)	4,887,531	(894,147)	3,698,107
New Mexico Tech - Foundation Restricted	-	(85,749)	2,608,503	(474,270)	2,048,484
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	254,901	(22,587)	232,314
New Mexico Tech - Plant/Debt/Allocated Fund	-	(146,916)	3,686,414	(313,632)	3,225,866
New Mexico Tech - Proceeds from ABQ Building Sale	-	(6,488)	162,808	(13,851)	142,469
NMMFA General Fund	4,141,844	(1,362,364)	1,183,376	(694,113)	3,268,743
NMPSIA - Benefits	4,560,374	-	575,000	(850,181)	4,285,193
NMPSIA - Risk	1,901,080	-	2,000,000	(596,591)	3,304,489
Office of the Superintendent of Insurance	2,488,568	-	-	(420,770)	2,067,798
San Juan College Foundation	3,475,691	-	-	(587,674)	2,888,017
Springer Municipal School District	61,406	-	-	(10,383)	51,023
Total Participants - Non U.S. Developed Markets Index Pool	\$ 197,938,850	\$ (4,027,826)	\$ 40,020,002	\$ (38,273,647)	\$ 195,657,379

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (6 of 14)
Year Ended June 30, 2022

	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Loss	Balance June 30, 2022
Participants - Non U.S. Emerging Markets Index Pool					
CYFD - Next Generation Fund	\$ 18,981	\$ -	\$ -	\$ (4,574)	\$ 14,407
CYFD - Trust Fund Non-Expendable	61,234	-	-	(14,757)	46,477
Eastern New Mexico University	128,725	-	-	(31,021)	97,704
Los Alamos County - Cemetery	40,331	-	4,311	(10,235)	34,407
Los Alamos County - General Fund	733,265	-	78,945	(186,143)	626,067
Los Alamos County - Permanent	1,118,157	-	119,448	(283,753)	953,852
New Mexico Highlands University - Endowment Fund	190,412	-	-	(45,887)	144,525
New Mexico Highlands University Foundation	1,082,177	(35,272)	90,833	(272,190)	865,548
New Mexico Military Institute - Capital Operations	76,082	-	8,141	(18,788)	65,435
New Mexico Military Institute - Capital Outlay	95,522	-	10,221	(23,588)	82,155
New Mexico Military Institute - Legislative Scholarship	715,421	(12,000)	76,589	(175,999)	604,011
New Mexico Military Institute - LFC/VC	314,185	(2,400)	33,621	(77,451)	267,955
New Mexico Military Institute - Patterson Account	265,752	-	28,436	(65,624)	228,564
New Mexico Military Institute - Trust Scholarship	335,922	-	35,918	(82,950)	288,890
NMMFA General Fund	1,266,473	(354,504)	318,514	(288,885)	941,598
NMPSIA - Benefits	1,236,165	-	600,000	(376,672)	1,459,493
NMPSIA - Risk	520,722	-	850,000	(237,078)	1,133,644
Office of the Superintendent of Insurance	2,015,477	-	-	(485,710)	1,529,767
San Juan College Foundation	1,944,539	-	-	(468,616)	1,475,923
Springer Municipal School District	59,388	-	-	(14,312)	45,076
Total Participants - Non U.S. Emerging Markets Index Pool	<u>\$ 12,218,930</u>	<u>\$ (404,176)</u>	<u>\$ 2,254,977</u>	<u>\$ (3,164,233)</u>	<u>\$ 10,905,498</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (7 of 14)
Year Ended June 30, 2022

<u>Participant - Credit and Structured Finance Pool</u>	<u>Balance June 30, 2021</u>	<u>Withdrawals</u>	<u>Contributions</u>	<u>Net Investment Income (Loss)</u>	<u>Balance June 30, 2022</u>
New Mexico Retiree Health Care Authority	\$ 145,759,581	\$ -	\$ 9,000,000	\$ 6,835,184	\$ 161,594,765
New Mexico School for the Blind and Visually Impaired	1,370,464	-	326,561	72,523	1,769,548
New Mexico Tech - Employee Benefit Trust	-	(10,389)	128,498	(931)	117,178
New Mexico Tech - Endowment Fund	-	(249,413)	3,342,542	(24,386)	3,068,743
New Mexico Tech - Foundation Fund	-	(6,250)	1,221,883	68,462	1,284,095
New Mexico Tech - Foundation Restricted	-	-	652,126	33,479	685,605
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	63,725	(503)	63,222
New Mexico Tech - Plant/Debt/Allocated Fund	-	(36,729)	921,603	(6,976)	877,898
New Mexico Tech - Proceeds from ABQ Building Sale	-	(1,622)	40,702	(308)	38,772
 Total Participant - Credit and Structured Finance Pool	 <u>\$ 147,130,045</u>	 <u>\$ (304,403)</u>	 <u>\$ 15,697,640</u>	 <u>\$ 6,976,544</u>	 <u>\$ 169,499,826</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (8 of 14)
Year Ended June 30, 2022

<u>Participant - Real Return Pool</u>	<u>Balance June 30, 2021</u>	<u>Withdrawals</u>	<u>Contributions</u>	<u>Net Investment Income</u>	<u>Balance June 30, 2022</u>
NM Retiree Health Care Authority	\$ 43,039,502	\$ -	\$ 3,000,000	\$ 6,259,083	\$ 52,298,585
Total Participant - Real Return Pool	<u>\$ 43,039,502</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 6,259,083</u>	<u>\$ 52,298,585</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (9 of 14)
Year Ended June 30, 2022

Participant - National Private Equity Pool	Balance June 30, 2021	Withdrawals	Contributions	Net Investment Income	Balance June 30, 2022
New Mexico Retiree Health Care Authority	\$ 146,382,737	\$ -	\$ 6,000,000	\$ 18,081,081	\$ 170,463,818
New Mexico Tech - Employee Benefit Trust	-	(20,778)	256,995	(5,145)	231,072
New Mexico Tech - Endowment Fund	-	(498,827)	6,685,083	(134,743)	6,051,513
New Mexico Tech - Foundation Fund	-	(12,500)	2,443,766	641,035	3,072,301
New Mexico Tech - Foundation Restricted	-	-	1,304,251	310,968	1,615,219
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	127,451	(2,776)	124,675
New Mexico Tech - Plant/Debt/Allocated Fund	-	(73,458)	1,843,207	(38,547)	1,731,202
New Mexico Tech - Proceeds from ABQ Building Sale	-	(3,244)	81,404	(1,702)	76,458
Total Participant - National Private Equity Pool	<u>\$ 146,382,737</u>	<u>\$ (608,807)</u>	<u>\$ 18,742,157</u>	<u>\$ 18,850,171</u>	<u>\$ 183,366,258</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (10 of 14)
Year Ended June 30, 2022

<u>Participant - Real Estate Pool</u>	<u>Balance June 30, 2021</u>	<u>Withdrawals</u>	<u>Contributions</u>	<u>Net Investment Income</u>	<u>Balance June 30, 2022</u>
New Mexico Retiree Health Care Authority	\$ 95,738,180	\$ -	\$ 6,000,000	\$ 30,228,756	\$ 131,966,936
New Mexico School for the Blind and Visually Impaired	1,058,536	-	338,597	420,019	1,817,152
New Mexico Tech - Employee Benefit Trust	-	(10,389)	128,498	11,905	130,014
New Mexico Tech - Endowment Fund	-	(249,413)	3,342,542	311,783	3,404,912
New Mexico Tech - Foundation Fund	-	(6,250)	1,221,883	444,375	1,660,008
New Mexico Tech - Foundation Restricted	-	-	652,126	226,253	878,379
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	63,725	6,423	70,148
New Mexico Tech - Plant/Debt/Allocated Fund	-	(36,729)	921,603	89,194	974,068
New Mexico Tech - Proceeds from ABQ Building Sale	-	(1,622)	40,702	3,939	43,019
Total Participant - Real Estate Pool	<u>\$ 96,796,716</u>	<u>\$ (304,403)</u>	<u>\$ 12,709,676</u>	<u>\$ 31,742,647</u>	<u>\$ 140,944,636</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (11 of 14)
Year Ended June 30, 2022

Participant - Core Bonds Pool	Balance June 30, 2021	Withdrawals	Contributions	Net Investment (Loss)	Balance June 30, 2022
City of Albuquerque	\$ 657,978	\$ -	\$ -	\$ (74,710)	\$ 583,268
Clovis Community College Foundation Fund	-	-	452,515	(26,113)	426,402
New Mexico Highlands University Foundation	1,809,671	(35,272)	90,833	(211,841)	1,653,391
New Mexico Retiree Health Care Authority	190,451,542	-	12,000,000	(22,818,031)	179,633,511
New Mexico School for the Blind and Visually Impaired	1,649,105	-	686,196	(265,748)	2,069,553
New Mexico Tech - Employee Benefit Trust	-	(41,556)	513,991	(9,050)	463,385
New Mexico Tech - Endowment Fund	-	(1,564,469)	13,370,166	(225,765)	11,579,932
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	254,901	(4,883)	250,018
New Mexico Tech - Plant/Debt/Allocated Fund	-	(146,916)	3,686,414	(67,803)	3,471,695
New Mexico Tech - Proceeds from ABQ Building Sale	-	(6,488)	162,808	(2,994)	153,326
Total Participant - Core Bonds Pools	<u>\$ 194,568,296</u>	<u>\$ (1,794,701)</u>	<u>\$ 31,217,824</u>	<u>\$ (23,706,938)</u>	<u>\$ 200,284,481</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (12 of 14)
Year Ended June 30, 2022

<u>Participant - Non-U.S. Emerging Active Pool</u>	<u>Balance June 30, 2021</u>	<u>Withdrawals</u>	<u>Contributions</u>	<u>Net Investment Loss</u>	<u>Balance June 30, 2022</u>
CNM Endowment Funds	\$ 119,066	\$ (32,500)	\$ 4,558	\$ (27,806)	\$ 63,318
CNM General Funds	-	-	476,179	(110,095)	366,084
NM Interstate Stream Comm. - Unit Fund	3,820,337	-	150,000	(1,114,779)	2,855,558
New Mexico Retiree Health Care Authority	111,487,413	-	6,000,000	(33,358,629)	84,128,784
New Mexico School for the Blind and Visually Impaired	1,031,267	(8,839)	210,000	(344,232)	888,196
New Mexico Tech - Employee Benefit Trust	-	(20,778)	256,995	(15,649)	220,568
New Mexico Tech - Endowment Fund	-	(782,234)	6,685,083	(391,890)	5,510,959
New Mexico Tech - Foundation Fund	-	(153,044)	2,443,766	(599,116)	1,691,606
New Mexico Tech - Foundation Restricted	-	(42,874)	1,304,251	(312,468)	948,909
New Mexico Tech - NMTURPC- Operating Growth Investment	-	-	127,451	(8,443)	119,008
New Mexico Tech - Plant/Debt/Allocated Fund	-	(73,458)	1,843,207	(117,240)	1,652,509
New Mexico Tech - Proceeds from ABQ Building Sale	-	(3,244)	81,404	(5,178)	72,982
Total Participant - Non-U.S. Emerging Active Pool	<u>\$ 116,458,083</u>	<u>\$ (1,116,971)</u>	<u>\$ 19,582,894</u>	<u>\$ (36,405,525)</u>	<u>\$ 98,518,481</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (13 of 14)
Year Ended June 30, 2022

<u>Participant - Non-U.S. Developed Active Pool</u>	<u>Balance June 30, 2021</u>	<u>Withdrawals</u>	<u>Contributions</u>	<u>Net Investment Loss</u>	<u>Balance June 30, 2022</u>
Central NM Community College	\$ 325,588	\$ (190,911)	\$ -	\$ (22,152)	\$ 112,525
CNM General Funds	-	-	791,958	(140,699)	651,259
Total Participant - Non-U.S. Developed Active Pool	<u>\$ 325,588</u>	<u>\$ (190,911)</u>	<u>\$ 791,958</u>	<u>\$ (162,851)</u>	<u>\$ 763,784</u>

State of New Mexico Investment Council – Investment Office
External Investment Trust Funds – Exhibit 3 (14 of 14)
Year Ended June 30, 2022

<u>Participant -US SMID Cap Alt Weighted Index</u>	<u>Balance June 30, 2021</u>	<u>Withdrawals</u>	<u>Contributions</u>	<u>Net Investment Loss</u>	<u>Balance June 30, 2022</u>
Clovis Community College Foundation Fund	\$ -	\$ -	\$ 226,257	\$ (32,005)	\$ 194,252
CNM Endowment Funds	-	-	136,259	(23,406)	112,853
CNM General Funds	-	(23,739)	787,500	(113,902)	649,859
New Mexico Retiree Health Care Authority	25,118,982	-	1,200,000	(4,430,881)	21,888,101
New Mexico Tech - Foundation Fund	-	(93,989)	1,466,259	(233,642)	1,138,628
New Mexico Tech - Foundation Restricted	-	(25,725)	782,551	(124,050)	632,776
Total Participant - US SMID Cap Alt Weighted Index	<u>\$ 25,118,982</u>	<u>\$ (143,453)</u>	<u>\$ 4,598,826</u>	<u>\$ (4,957,886)</u>	<u>\$ 24,616,469</u>

State of New Mexico Investment Council – Investment Office
Schedule of Deposit and Investment Accounts – Exhibit 4 (1 of 3)
June 30, 2022

Depository Institution	Account Name	Deposit Type	Balance per Books	Balance per Statement
Interest in State General Fund Investment Pool				
NM State Treasurer's Office	Fund 17300-General Administrative Fund	Interest in SGFIP	\$ 11,021,648	\$ 11,021,648
NM State Treasurer's Office	Fund 60100-Land Grant Permanent Fund	Interest in SGFIP	516,700,908	516,700,908
NM State Treasurer's Office	Fund 60200-Severance Tax Permanent Fund	Interest in SGFIP	785,386,720	785,386,720
NM State Treasurer's Office	Fund 43240 - Early Childhood Education and Care Fund	Interest in SGFIP	1,501,376,855	1,501,376,855
Total Interest in State General Fund Investment Pool			<u>2,814,486,131</u>	<u>2,814,486,131</u>
Cash and Cash Equivalents				
JP Morgan	Land Grant Permanent Fund	Money Market	783,663,925	783,663,925
JP Morgan	Severance Tax Permanent Fund	Money Market	196,405,231	196,405,231
JP Morgan	Tobacco Settlement Permanent Fund	Money Market	648,790	648,790
JP Morgan	Water Trust Fund	Money Market	240,495	240,495
JP Morgan	Tax Stabilization Reserve Fund	Money Market	901,079	901,079
JP Morgan	Rural Libraries Endowment Fund	Money Market	10,031,496	10,031,496
JP Morgan	Early Childhood Education and Care Fund	Money Market	13,407,381	13,407,381
JP Morgan	Alliance Bernstein (Developed)	Money Market	3,585,525	3,585,525
JP Morgan	Alliance Bernstein (Emerging)	Money Market	6,968	6,968
JP Morgan	Blackrock (Small Mid Cap)	Money Market	1,198,518	1,198,518
JP Morgan	Blackrock (Core Bonds Pool)	Money Market	631,858	631,858
JP Morgan	Blackrock EMG MKT OPP FD	Money Market	11,890,911	11,890,911
JP Morgan	BLK FTSE Developed Ex-US Min Variance	Money Market	1,005,329	1,005,329
JP Morgan	BLK MSCI WORLD EX-USA IMI CUSTOM FACTOR INDEX	Money Market	3,481,082	3,481,082
JP Morgan	Cash - Core Bonds Pool	Money Market	1,743	1,743
JP Morgan	Cash - Bank Loans	Money Market	306,145	306,145
JP Morgan	Cash - Non US Developed Active	Money Market	52,372	52,372
JP Morgan	Cash - Non US Developed Index	Money Market	2,616	2,616
JP Morgan	Cash - Non US Emg Active	Money Market	24,499	24,499
JP Morgan	Cash Non US Emg Index	Money Market	174	174
JP Morgan	Cash - Unconstrained	Money Market	14,791	14,791
JP Morgan	Cash - US Alt Weighed index	Money Market	2,568	2,568
JP Morgan	Cash- Large Cap Active	Money Market	1,620	1,620
JP Morgan	Cash - US Small Mid Cap	Money Market	19	19
JP Morgan	Credit & Structured Finance Cash	Money Market	21,384,959	21,384,959
JP Morgan	Credit Suisse	Money Market	196,232	196,232
JP Morgan	Harvest MLP	Money Market	10,718,298	10,718,298
JP Morgan	Fixed Income - US Core Plus Bonds	Money Market	9,680	9,680
JP Morgan	Absolute Return Cash	Money Market	8,773,123	8,773,123
JP Morgan	ING	Money Market	12,184	12,184
JP Morgan	JP Morgan Asset Management	Money Market	17,845,627	17,845,627
JP Morgan	Loomis (Unconstrained)	Money Market	18,403,183	18,403,183
JP Morgan	Loomis Sayles (Core Plus Bonds)	Money Market	32,292,799	32,292,799
JP Morgan	LSV Intl Large Cap Value Equity	Money Market	15,218,140	15,218,140
JP Morgan	MFS Intl Growth Equity	Money Market	13,430,796	13,430,796
JP Morgan	Neuberger Berman	Money Market	12,522,018	12,522,018
JP Morgan	Northern Trust S&P	Money Market	261,135	261,135
JP Morgan	NT Russell Fundamental LC	Money Market	9,536,486	9,536,486
JP Morgan	NT S&P 500	Money Market	37,339,601	37,339,601
JP Morgan	Pimco (Core Bonds)	Money Market	5,742,294	5,742,294
JP Morgan	Prudential	Money Market	18,816,974	18,816,974
JP Morgan	Private Equity Cash	Money Market	69,972,190	69,972,190

State of New Mexico Investment Council – Investment Office
Schedule of Deposit and Investment Accounts – Exhibit 4 (2 of 3)
June 30, 2022

Depository Institution	Account Name	Deposit Type	Balance per Books	Balance per Statement
Cash and Cash Equivalents (continued)				
JP Morgan	Real Asset Cash	Money Market	\$ 82,520,937	\$ 82,520,937
JP Morgan	Real Estate Cash	Money Market	76,823,732	76,823,732
JP Morgan	Shenkman	Money Market	15,783,757	15,783,757
JP Morgan	SIC Tax Reclaims	Money Market	76,337	76,337
JP Morgan	T. Rowe Price (Large Cap Active)	Money Market	8,107,164	8,107,164
JP Morgan	T. Rowe Price Associate Inc. (Non US Dev Active)	Money Market	4,268,428	4,268,428
JP Morgan	Templeton Intl Small Cap Equity	Money Market	8,913,345	8,913,345
JP Morgan	Transition accounts	Money Market	1,746	1,746
JP Morgan	William Blair	Money Market	6,709,034	6,709,034
Total Cash and Cash Equivalents			<u>1,523,185,334</u>	<u>1,523,185,334</u>
Investment on Deposits				
JP Morgan	Alliance Bernstein (Developed)	Equity	913,599,207	913,599,207
JP Morgan	Alliance Bernstein (Emerging)	Equity	10,900,947	10,900,947
JP Morgan	Beta Overlay - LGPF	Beta Overlay	1,051,512,053	1,051,512,053
JP Morgan	Beta Overlay - STPF	Beta Overlay	113,110,704	113,110,704
JP Morgan	Blackrock (Small Mid Cap)	Equity	406,086,825	406,086,825
JP Morgan	Blackrock (Core Bonds Pool)	Core Bonds	1,025,918,872	1,025,918,872
JP Morgan	Blackrock EMG MKT OPP FD	Equity	495,354,702	495,354,702
JP Morgan	BLK FTSE Developed Ex-US Min Variance	Equity	236,901,664	236,901,664
JP Morgan	BLK MSCI WORLD EX-USA IMI CUSTOM INDEX	Equity	787,736,725	787,736,725
JP Morgan	BLK TRANSITION	Equity	85,620	85,620
JP Morgan	CREDIT SUISSE	Floating Rate	33,219	33,219
JP Morgan	Harvest MLP	MLP	447,029,042	447,029,042
JP Morgan	ING	Floating Rate	1,890	1,890
JP Morgan	JPMorgan Asset Management	Short Term	1,127,656,427	1,127,656,427
JP Morgan	Loomis	Core Plus Bonds	1,027,858,179	1,027,858,179
JP Morgan	Loomis Sayles (Unconstrained)	Fixed Income	338,434,936	338,434,936
JP Morgan	LSV Intl Large Cap Value Equity	Equity	720,857,920	720,857,920
JP Morgan	MFS Intl Growth Equity	Equity	681,045,542	681,045,542
JP Morgan	Neuberger Berman	Equity	302,420,581	302,420,581
JP Morgan	Northern Trust S&P 1000	Equity	4,432,127,398	4,432,127,398
JP Morgan	NT Russell Fundamental LC	Equity	814,684,052	814,684,052
JP Morgan	NT S&P 600	Equity	127,706,700	127,706,700
JP Morgan	Pimco (Core Bonds)	Core Bonds	855,961,504	855,961,504
JP Morgan	Prudential	Core Plus Bonds	804,840,330	804,840,330
JP Morgan	Shenkman	Equity	728,810,383	728,810,383
JP Morgan	Tax Reclaims	Equity	312	312
JP Morgan	T. Rowe Price (Large Cap Active)	Equity	671,240,061	671,240,061
JP Morgan	T. Rowe Price Associate Inc. (Developed Active)	Equity	764,452,964	764,452,964
JP Morgan	Templeton Intl Small Cap Equity	Equity	245,924,500	245,924,500
JP Morgan	Transition	Equity	2	2
JP Morgan	William Blair	Equity	481,743,699	481,743,699
Total Investments on Deposit			<u>\$ 19,614,036,960</u>	<u>\$ 19,614,036,960</u>

State of New Mexico Investment Council – Investment Office
Schedule of Deposit and Investment Accounts – Exhibit 4 (3 of 3)
June 30, 2022

Depository Institution	Account Name	Deposit Type	Balance per Books	Balance per Statement
Other Investments				
JP Morgan	Private Equity Pool	Private Equity	\$ 3,704,548,889	\$ 3,704,548,889
JP Morgan	Regional Private Equity	Private Equity	447,918,645	447,918,645
JP Morgan	Real Asset Pool	Real Asset Investments	2,593,022,965	2,593,022,965
JP Morgan	Real Estate Pool	Real Estate Investments	3,930,355,521	3,930,355,521
JP Morgan	Economically Targeted Investments	Gov't Sponsored Entities	264,045,382	264,045,382
JP Morgan	Private Equity Stock Distribution-Regional	Direct Equity & Bond Inv	12,217,413	12,217,413
JP Morgan	Private Equity - Stock Distribution - National	Direct Equity & Bond Inv	1,995,575	1,995,575
JP Morgan	Credit & Structured Finance Pool	Structured Credit	2,695,027,507	2,695,027,507
JP Morgan	Absolute Return Fund	Hedge Investments	18,070,590	18,070,590
Total Other Investments			<u>13,667,202,487</u>	<u>13,667,202,487</u>
Total Investments			<u>33,281,239,447</u>	<u>33,281,239,447</u>
Total Cash, Cash Equivalents and Investments			<u>\$ 37,618,910,912</u>	<u>\$ 37,618,910,912</u>

Reconciliation to Statement of Net Position

Governmental Activities			
	Investment in State General Fund Investment Pool		\$ 2,814,486,131
	Cash and Cash Equivalents		1,523,185,334
	Investments		<u>33,281,239,447</u>
Total Governmental Activities Cash, Cash Equivalents, and Investments			<u>\$ 37,618,910,912</u>

State of New Mexico Investment Council – Investment Office
Schedule of Investment Management Fees – Exhibit 5
June 30, 2022

2.2.2.12(G)(1)

For all asset classes except private asset classes and alternative investment classes:

Consultant	Location	Description of Investments Subject to the Agreement	Fees
RVK	Portland, OR	General Consultant	\$ 537,788

Third-party marketers	Location	Description of Investments Subject to the Agreement	Fees, Commissions or Retainers
N/A			

Name of Investment	Asset Class	Value of the Investment at June 20, 2022	Management Fees	Performance Fees
U.S. Active and Index Pools	Domestic Equity	\$ 6,464,062,450	\$ 5,922,576	\$ -
Non-U.S. Active and Index Pools	Global & International Equity	5,641,024,382	21,611,661	-
Core Plus, Core, & Short Duration Pools	Fixed Income	5,909,480,633	9,959,016	-

2.2.2.12(G) (2)

For private asset classes and alternative investment classes:

Consultant	Location	Description of Investments Subject to the Agreement by Asset Class	Fees
Aksia	New York, NY	Hedge, Credit & Structured	\$ 500,000
Mercer	Norwood, MA	Private Equity	975,000
AON	Cleveland, OH	Real Estate, Real Assets	582,078
Colmore	Dallas, TX	Fee Compliance	284,310
Burgiss	Hoboken, NJ	Private Asset Data Services	17,605

Third-party marketers	Location	Description of Investments Subject to the Agreement	Fees, Commissions or Retainers
N/A			

Asset Class	Brief Description of Investments	Management Fees	Carried Interest
Hedge Funds & Fund of Funds	Absolute Return	\$ 240,586	\$ 338,928
Illiquid Credit & Structured	Credit & Structured Finance	27,155,571	37,010,946
Private Equity	Private Equity	39,563,026	60,374,554
Real Return & Real Assets	Real Return & Real Assets	33,218,906	26,095,517
Real Estate	Real Estate	38,350,173	95,697,876
Beta Overlay	Derivatives	536,753	-

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Michelle Lujan Grisham, Chair
State of New Mexico Investment Council – Investment Office

Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of State of New Mexico Investment Council – Investment Office (the Office), a component unit of the State of New Mexico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated November 21, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
November 21, 2022

State of New Mexico Investment Council – Investment Office
Summary of Auditor’s Results (As Required by 2.2.2.10 NMAC (L)(1)(f))
June 30, 2022

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Compliance and other matters noted? Yes No

State of New Mexico Investment Council – Investment Office
Schedule of Findings and Responses
June 30, 2022

Section II – Financial Statements Findings

No matters reported for the year ended June 30, 2022.

State of New Mexico Investment Council – Investment Office
Summary Schedule of Prior Year Findings
June 30, 2022

No matters reported for year ended June 30, 2021.

State of New Mexico Investment Council – Investment Office
Exit Conference
June 30, 2022

An exit conference was held remotely with the Office on November 18, 2022. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

New Mexico State Investment Council

Nick Telles, Audit Committee Member
Mike Everett, Audit Committee Member
Leonard Lee Rawson, Audit Committee Member
Steven K. Moise, State Investment Officer
Brent H. Shipp, Chief Financial Officer
Andee Dunick, Executive Assistant
Nicole Gallegos, Investment Accounting Manager
Rita Scheett, Administrative Accountant
Thu Sanchez, Financial Coordinator
Andrea Cohen, Investment Accounting Analyst
Norma Perra, Investment Accounting Analyst
Bruce Brown, Counsel and Compliance Officer
Charles Wollman, Director, Communications, Legislative & Client Relations

Moss Adams LLP

Aaron Hamilton, Senior Manager
Lauren Casias, Assurance Senior

Preparation of Financial Statements

The financial statements presented in this report have been prepared by the accounting staff with editing input from independent auditors. The management of the Office is responsible for the financial statements.