

**STATE OF NEW MEXICO INVESTMENT COUNCIL –  
INVESTMENT OFFICE  
A DEPARTMENT OF THE STATE OF NEW MEXICO**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2015**

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
A DEPARTMENT OF THE STATE OF NEW MEXICO  
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**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
OFFICIAL ROSTER  
JUNE 30, 2015**

**GOVERNING BOARD**

The Hon. Susana Martinez, Governor	<i>Ex officio</i> member, Chair
Tom Clifford, Secretary of the Department of Finance and Administration	<i>Ex officio</i> member
The Hon. Tim Eichenberg, State Treasurer	<i>Ex officio</i> member
The Hon. Aubrey Dunn, State Land Commissioner	<i>Ex officio</i> member
Scott Smart, V.P. of Business Affairs, Eastern New Mexico University	Public Member, Governor's Appointment
Peter B. Frank, Vice Chair	Public Member, Legislative Council Appointment
Leonard Lee Rawson	Public Member, Legislative Council Appointment
Harold W. Lavender	Public Member, Legislative Council Appointment
Linda N. Eitzen	Public Member, Governor's Appointment
John E. Young	Public Member, Governor's Appointment
Tim Z. Jennings	Public Member, Legislative Council Appointment



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## INDEPENDENT AUDITORS' REPORT

The Honorable Susana Martinez, Chair and  
State of New Mexico Investment Council - Investment Office and  
Mr. Timothy Keller, New Mexico State Auditor

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, each fiduciary fund, and the budgetary comparison for the general fund of the State of New Mexico Investment Council - Investment Office (the Office), a department of the State of New Mexico, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Susana Martinez, Chair and  
State of New Mexico Investment Council – Investment Office and  
Mr. Timothy Keller, New Mexico State Auditor

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and each fiduciary fund of the Office as of June 30, 2015, and the respective changes in financial position and, respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2, the financial statements of the Office are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the general fund, each fiduciary fund and the budgetary comparison for the general fund of the State of New Mexico attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2015, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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.

### *Other 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 Changes in Land Grant Permanent Trust Fund Held for Beneficiaries, the Detail of Interagency Transfers, the External Investment Trust Funds, and the Schedule of Deposit and Investment Accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Changes in Land Grant Permanent Trust Fund Held for Beneficiaries, the Detail of Interagency Transfers, the External Investment Trust Funds, and the Schedule of Deposit and Investment Accounts are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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

The Honorable Susana Martinez, Chair and  
State of New Mexico Investment Council – Investment Office and  
Mr. Timothy Keller, New Mexico State Auditor

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Changes in Land Grant Permanent Trust Fund Held for Beneficiaries, the Detail of Interagency Transfers, the External Investment Trust Funds, and the Schedule of Deposit and Investment Accounts are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The vendor schedule required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic and combining and individual fund financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 25, 2015

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

This discussion and analysis of the State of New Mexico Investment Council - Investment Office (the Office) provides a summary of the financial position and results of operations for the year ended June 30, 2015, with highlights and comparisons. The reader should review the actual financial statements, including the notes and supplemental schedules, for a more complete picture of the Office's financial activities.

**Financial Position**

*Net Position*

All expenses of the Office are related to investment management of the permanent funds and of external, governmental clients. As a result, these amounts are paid by the funds and clients based on relative market values managed. Accordingly, there tends to be little change in the net position of the Office.

The assets for the primary agency unit consist of cash and capital assets consisting of furniture and equipment. The unrestricted net position is equal to 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. Except for the decreases in due to/due from balances and in accounts payable attributed to decreased external investment management expenses, and related effect in the General Fund Investment Pool, and decrease in other funds held, which relate to legal settlements now approved by the courts and distributed to the Land Grant Permanent Fund (LGPF) and Severance Tax Permanent Fund (STPF), there have not been significant changes to assets, liabilities and net position as compared to the prior year.

**Table A-1  
Statement of Net Position**

	FY2015	FY2014
Assets:		
Interest in State Treasurer		
General Fund Investment Pool	\$ 15,610,211	\$ 18,673,268
Capital Assets, Net	9,004	16,725
Total Assets	\$ 15,619,215	\$ 18,689,993
Liabilities:		
Due to Land Grant Permanent Fund	\$ 4,692,821	\$ 5,214,352
Due to Severance Tax Permanent Fund	1,564,274	1,738,117
Accounts Payable	9,267,606	10,587,832
Accrued Payroll	85,510	69,967
Accrued Vacation and Sick Pay	194,045	167,428
Other Funds Held	-	1,063,000
Total Liabilities	15,804,256	18,840,696
Net Position:		
Net Investment in Capital Assets	9,004	16,725
Unrestricted (Deficit)	(194,045)	(167,428)
Total Net Position (Deficit)	(185,041)	(150,703)
Total Liabilities and Net Position	\$ 15,619,215	\$ 18,689,993



**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

*Statement of Activities*

The Statement of Activities focuses on the cost of various activities, which are funded by the Office's general and other revenues. This is intended to summarize and simplify the users' analysis of the cost of services. The governmental activities reflect the Office's basic service of collecting and optimizing revenues for fund beneficiaries and clients are also lower.

*Increase in Expenses and Revenues*

The primary decrease in expenditures for fiscal year 2015 has been in external investment management expenses. Expenses are paid by the permanent funds and clients and, correspondingly, revenues recorded from the funds and clients.

**Table A-2  
Statement of Activities**

	FY2015	FY2014
Expenses:		
General Government	\$ 43,877,273	\$ 44,689,613
Revenues:		
Program Revenues:		
Fees from External Investment Trust Participants	1,586,114	1,798,003
Transfers:		
Interfund Services Provided:		
Land Grant Permanent Fund	31,957,109	31,870,597
Severance Tax Permanent Fund	10,299,712	11,005,597
Total Program Revenues and Transfers	43,842,935	44,674,197
Change in Net Position	(34,338)	(15,416)
Net Position (Deficit) - Beginning of Year	(150,703)	(135,287)
Net Position (Deficit) - End of Year	\$ (185,041)	\$ (150,703)

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Financial Highlights – General Administrative Fund**

The total revenues and expenditures for the General Administrative Fund compared to the prior year are as follows:

**Table A-3  
Total Revenues and Expenditures**

	2015	2014	Increase (Decrease)
Revenues from External Trust Participants	\$ 1,586,114	\$ 1,798,003	-11.8%
Expenditures:			
Personnel Services and Benefits	\$ 3,918,968	\$ 3,762,485	4.2%
Contractual Services and Custody Fees	39,392,621	40,255,908	-2.1%
Other - Operating Expenses	531,346	655,804	-19.0%
Total Expenditures	\$ 43,842,935	\$ 44,674,197	-1.9%

Revenues from external trust participants decreased due mainly to changes in allocations among the available pools.

The Office's expenditures for fiscal year 2015 decreased in total, primarily due to decreased external investment management expenses. Personnel costs increased over fiscal year 2014, as certain positions were more fully staffed in fiscal year 2015, while the other operating expenses decreased. The expenses of the Office are paid by the funds and then allocated back through the pools to appropriately associate costs to the funds and clients for services provided by the Office. The Office budgeted, but did not spend, approximately \$6.3 million.

**Financial Highlights - Fiduciary Funds**

The primary governmental activity for the Office is the administration and management of four State of New Mexico permanent funds: the Land Grant Permanent Fund (LGPF), the Severance Tax Permanent Fund (STPF), the Tobacco Settlement Permanent Fund (TSPF) and the Water Trust Fund (WTF). The State Investment Office, which is responsible for carrying out the investment management policies of the State Investment Council, also provides similar services to 18 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 year-end market values of the funds for the immediately preceding five years. The Land Grant Permanent Fund and Tobacco Settlement Permanent Fund distribution formulas are detailed below. Administrative costs are projected and added to the distribution formula to arrive at the total spending policy.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

In September 2003, New Mexico voters approved Constitutional Amendment No.2, increasing the Land Grant Permanent Fund distribution formula to its beneficiaries, the public schools and 19 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, the distribution increased to 5.0%.
- For fiscal years 2005-2012, distributions increased to 5.8%.
- For fiscal years 2013-2016, distributions decrease to 5.5%.
- Beginning fiscal year 2017, distributions decrease to 5.0%.

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 the Tobacco Settlement Permanent Fund. Beginning in fiscal year 2007, the distribution for the Tobacco Settlement Permanent Fund returned to 50% of 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. In fiscal year 2015, the contributions exceeded the distributions by \$15.7 million.

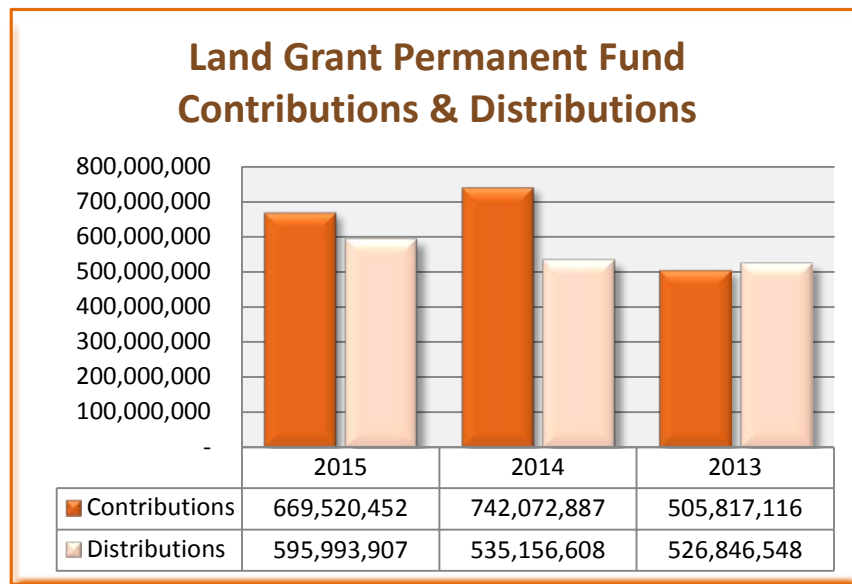
In April 2004, the Governmental Accounting Standards Board issued Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues (GASB TB 2004-1), which became effective for financial statements for periods ending after June 15, 2004. GASB TB 2004-1 clarifies recognition 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 \$16,617,515 and \$18,673,249 for the years ended June 30, 2015 and 2014, respectively.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**The Land Grant Permanent Fund**

The Land Grant Permanent Fund contributions from the State Land Office for fiscal year 2015 decreased 9.8% from fiscal year 2014. The change is inclusive of a Federal Taylor Grazing Act transfer of \$154,123. Distributions to the beneficiaries of the fund increased 11.4% from the prior year.

The chart below details the changes in contributions and distributions from the Land Grant Permanent Fund.

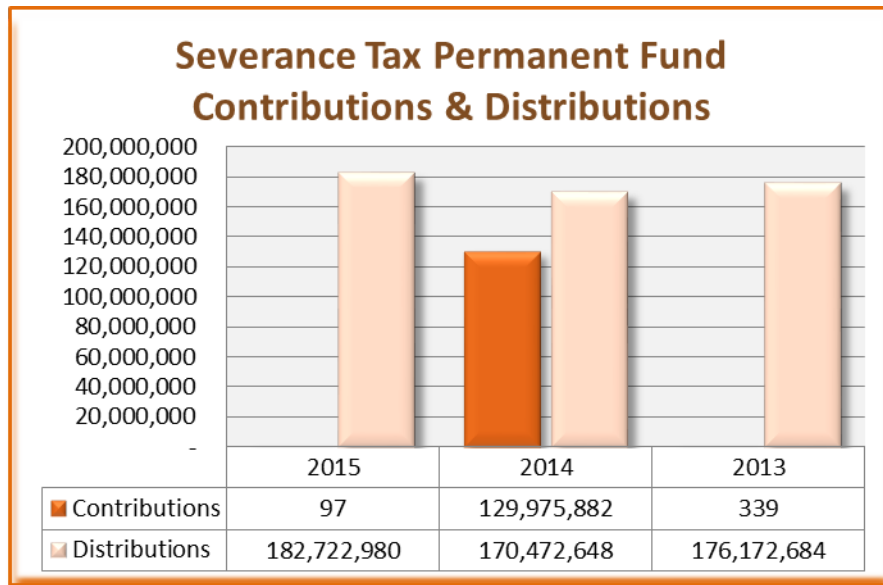


**The Severance Tax Permanent Fund**

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 decreased from \$129.9 million in fiscal year 2014 to \$97 million in fiscal year 2015. 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, which is what resulted in the record low contribution to the Severance Tax Permanent Fund in FY 2015.

Distributions to the State General Fund in fiscal year 2015 increased 7.2% from the previous year.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**



**The Tobacco Settlement Permanent Fund**

The Tobacco Settlement Permanent Fund distribution was \$16.1 million to the State General Fund in fiscal year 2015, which was 55% of the amount of contributions to the tobacco settlement trust funds received in fiscal year 2015 as discussed on page 8.

The amounts presented below for fiscal year 2015 indicate actual receipts and differ from the total contributions and distributions for fiscal year 2015 shown in the Fiduciary Funds Statement of Net Position because of the presentation requirements of GASB Technical Bulletin 2004-1 as discussed on page 8.

**Table A-4  
Tobacco Settlement Permanent Fund**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contributions	<u>\$ 32,980,062</u>	<u>\$ 29,515,645</u>	<u>\$ 29,778,930</u>
Distributions	<u>\$ 17,226,967</u>	<u>\$ 37,746,083</u>	<u>\$ 29,778,930</u>

**The 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 5-year rolling average of the WTF. At June 30, 2015, the balance of the WTF was \$47.8 million.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The net position of the fiduciary funds managed by the Office increased or decreased during the fiscal year by the following percentages:

**Table A-5  
Fiduciary Funds Net Position**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land Grant Permanent Fund	\$ 14,882,171,355	\$ 14,345,328,609	3.7%
Severance Tax Permanent Fund	4,730,349,593	4,768,257,251	-0.8%
Tobacco Settlement Permanent Fund	216,144,137	193,603,862	11.6%
Water Trust Fund	<u>47,822,365</u>	<u>50,151,098</u>	-4.6%
Total Private Purpose Trust Funds	19,876,487,450	19,357,340,820	2.7%
External Client Trust Funds	<u>790,366,763</u>	<u>749,417,600</u>	5.5%
Total Net Fiduciary Funds	<u><u>\$ 20,666,854,213</u></u>	<u><u>\$ 20,106,758,420</u></u>	2.8%

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

Fund assets are managed using external advisors.

**Using the Annual Report**

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*. The financial report includes the sections described below.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

*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 now 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.

The fund financial statements also allow the government to present its fiduciary funds. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

*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 \$5.4 million in contractual services that was not expended, inclusive of \$2.1 million in legal fees. The legal fees will be incurred as trial dates approach.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Statutory Changes to the Council and its Powers**

Effective June 19, 2015, several changes were made to the State Investment Council's enabling statute, as follows:

- Providing indemnification of Council Members and staff for actions taken within the scope of their duties;
- Eliminating the Private Equity Investment Advisory Committee (responsibilities will be assumed by Council Investment Committee);
- Permitting the Council to delegate investment-related functions to the State Investment Officer;
- Authorizing the Council's use of committees;
- Requiring Council committee members and firms hired by the Council to disclose political contributions made to Council members;
- Providing that outside managers and consultants, as well as State Investment Office staff, are fiduciaries;
- Amending qualifications of Council Members to require ten years' experience in the field of investment management, investment risk management, corporate governance, investment accounting, or finance;
- Amending the required qualification of the State Investment Officer to include at least 10 years of investment and executive experience;
- Providing that the State Investment Officer serves at the will of the Council;
- Requiring the appointment of a Deputy State Investment Officer who must have seven years' professional experience in institutional investment management;
- Reducing the number of required annual Council meetings from 12 to 10; and
- Revising monthly reporting requirements to require monthly reporting 20 (rather than 10) days after the end of each month and reducing the information the reports must contain.

**Economic Outlook**

The Land Grant Permanent Fund finished fiscal year 2015 with a return of 3.56%. The Severance Tax Permanent Fund finished at 3.35%.

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.

**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, 2015**

	Governmental Activities
<b>ASSETS</b>	
Investment in State Treasurer General Fund Investment Pool	\$ 15,610,211
Capital Assets, Net	9,004
Total Assets	\$ 15,619,215
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Due to Land Grant Permanent Fund	\$ 4,692,821
Due to Severance Tax Permanent Fund	1,564,274
Accounts Payable	9,267,606
Accrued Payroll	85,510
Accrued Vacation and Sick Pay, Current	194,045
Total Liabilities	15,804,256
<b>NET POSITION (DEFICIT)</b>	
Net Investment in Capital Assets	9,004
Unrestricted (Deficit)	(194,045)
Total Net Position (Deficit)	(185,041)
Total Liabilities and Net Position	\$ 15,619,215

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Governmental Activities
<b>EXPENSES</b>	
General Government	\$ 43,877,273
<b>REVENUES</b>	
Program Revenues:	
Fees from External Investment Trust Participants and Other Revenue	1,586,114
Transfers:	
Land Grant Permanent Fund	31,957,109
Severance Tax Permanent Fund	10,299,712
Total Program Revenues and Transfers	43,842,935
<b>CHANGE IN NET POSITION</b>	(34,338)
Net Position (Deficit) - Beginning of Year	(150,703)
<b>NET POSITION (DEFICIT), END OF YEAR</b>	\$ (185,041)

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
BALANCE SHEET – GENERAL ADMINISTRATIVE FUND  
JUNE 30, 2015**

**ASSETS**

Investment in State Treasurer General Fund Investment Pool	\$ 15,610,211
	<hr/>
Total Assets	\$ 15,610,211
	<hr/> <hr/>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Due to Land Grant Permanent Fund	\$ 4,692,821
Due to Severance Tax Permanent Fund	1,564,274
Accounts Payable	9,267,606
Accrued Payroll	85,510
	<hr/>
Total Liabilities	15,610,211

**FUND BALANCE**

Unassigned	<hr/> -
	<hr/>
Total Liabilities and Fund Balance	\$ 15,610,211
	<hr/> <hr/>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
RECONCILIATION OF THE BALANCE SHEET – GENERAL ADMINISTRATIVE FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

<b>Total Fund Balance - General Administrative Fund (General Administrative Fund Balance Sheet)</b>	\$	-
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets, Net		9,004
 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>(194,045)</u>
<b>Net Position (Deficit) of Governmental Activities (Statement of Net Position)</b>	<b>\$</b>	<b><u><u>(185,041)</u></u></b>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GENERAL ADMINISTRATIVE FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>REVENUES FROM EXTERNAL INVESTMENT TRUST PARTICIPANTS AND OTHER REVENUE</b>	\$ 1,586,114
<b>EXPENDITURES</b>	
Current	43,842,935
General Government:	
Capital Outlay	-
Total Expenditures	<u>43,842,935</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(42,256,821)
<b>OTHER FINANCING SOURCES</b>	
Interfund Services Provided:	
Land Grant Permanent Fund	31,957,109
Severance Tax Permanent Fund	<u>10,299,712</u>
Net Other Financing Sources	<u>42,256,821</u>
<b>NET CHANGE IN FUND BALANCE</b>	-
Fund Balance - Beginning of Year	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GENERAL ADMINISTRATIVE FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

<b>Net Change in Fund Balance - General Administrative Fund (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	\$	-
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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:

Decrease in Accrued Vacation and Sick Pay Liability		(26,617)
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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	\$	-	
Depreciation Expense		(7,721)	
Excess of Capital Outlay over Depreciation Expense		(7,721)	(7,721)

<b>Change in Net Position of Governmental Activities (Statement of Activities)</b>	\$	<u>(34,338)</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, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES FROM EXTERNAL INVESTMENT TRUST PARTICIPANTS AND OTHER REVENUE</b>	\$ 69,300	\$ 69,300	\$ 1,586,114	\$ 1,516,814
<b>EXPENDITURES</b>				
Personnel Services and Benefits	4,466,100	4,466,100	3,918,968	547,132
Contractual Services	44,840,400	44,840,400	39,392,621	5,447,779
Other -Operating Expenses	862,800	862,800	531,346	331,454
Total Expenditures	<u>50,169,300</u>	<u>50,169,300</u>	<u>43,842,935</u>	<u>6,326,365</u>
Expenditures in Excess of Revenues	<u>(50,100,000)</u>	<u>(50,100,000)</u>	<u>(42,256,821)</u>	<u>7,843,179</u>
<b>TRANSFERS</b>				
Interfund Transfers in:				
Land Grant Permanent Fund	37,800,000	37,800,000	31,957,109	(5,842,891)
Severance Tax Permanent Fund	12,300,000	12,300,000	10,299,712	(2,000,288)
Total Transfers	<u>50,100,000</u>	<u>50,100,000</u>	<u>42,256,821</u>	<u>(7,843,179)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Private-Purpose		
	Land Grant Permanent Fund	Severance Tax Permanent Fund	Tobacco Settlement Permanent Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 615,198,510	\$ 221,212,600	\$ 20,582,924
Investment in State Treasurer General Fund Investment Pool	42,581,256	710	-
Due from Brokers	381,285,880	101,327,072	5,952,194
Due from General Administrative Fund	4,692,821	1,564,273	-
Due from Other Funds	3,525,841	1,168,041	-
Due from Other State Agencies	-	-	-
Accrued Investment Income	31,100,018	9,551,214	494,921
Accrued Tobacco Settlement Income	-	-	16,617,515
Total Assets	<u>1,078,384,326</u>	<u>334,823,910</u>	<u>43,647,554</u>
<b>INVESTMENTS</b>			
Government-Sponsored Enterprise and Agency Issues (GSE)	-	37,302,051	-
Investment Pools:			
Core Plus Bonds	1,582,394,376	425,771,450	45,035,410
Large Cap Active	1,559,151,714	508,106,531	-
Unconstrained Fixed Income	569,729,736	140,512,282	-
Large Cap Index	2,176,589,875	675,033,983	115,588,451
Small/Mid Cap Active	271,293,174	95,173,740	1,235,736
Non-U.S. Emerging Markets Active	938,626,752	312,900,561	-
Non-U.S. Developed Markets Active	339,524,767	137,378,866	-
Non-U.S. Emerging Markets Index	444,660,999	118,662,760	6,718,223
Non-U.S. Developed Markets Index	110,974,951	72,565,742	11,326,431
Absolute Return Pool	1,030,568,706	313,248,375	18,564,765
National Private Equity Pool	1,142,164,833	266,116,369	-
Credit and Structured Finance Pool	608,934,208	189,147,075	-
Real Estate Pool	1,077,374,950	240,204,401	-
Real Return Pool	970,324,904	265,765,602	-
Small/Mid Cap Index Pool	45,220,746	14,246,969	307,853
Small/Mid Cap Enhanced Index Pool	134,611,723	38,083,742	-
Core Bonds Pool	646,534,307	225,440,710	-
Large Cap Alternative Weighted Index	857,178,826	278,804,263	-
Common Stock - Public	-	3,103,080	-
Private Equity	-	243,121,143	-
Total Investments	<u>14,505,859,547</u>	<u>4,600,689,695</u>	<u>198,776,869</u>
Total Assets	15,584,243,873	4,935,513,605	242,424,423
<b>LIABILITIES</b>			
Due to Brokers	649,085,379	188,895,558	9,626,586
Due to Other Funds	3,320,980	1,041,539	36,185
Receipts Held for the Benefit of Others	-	-	16,617,515
Distributions Payable to Beneficiaries	49,666,159	15,226,915	-
Total Liabilities	<u>702,072,518</u>	<u>205,164,012</u>	<u>26,280,286</u>
<b>NET POSITION HELD IN TRUST</b>	<u>\$ 14,882,171,355</u>	<u>\$ 4,730,349,593</u>	<u>\$ 216,144,137</u>



Trust Funds		External Investment Trust Funds		Total
Water Trust Fund	Total Private-Purpose Trust Funds	External Investment Trust Funds		Total
\$ 5,592,242	\$ 862,586,276	\$ 12,377,573		\$ 874,963,849
-	42,581,966	-		42,581,966
794,615	489,359,761	34,163,103		523,522,864
-	6,257,094	-		6,257,094
-	4,693,882	-		4,693,882
-	-	-		-
91,329	41,237,482	3,151,338		44,388,820
-	16,617,515	-		16,617,515
<u>6,478,186</u>	<u>1,463,333,976</u>	<u>49,692,014</u>		<u>1,513,025,990</u>
-	37,302,051	-		37,302,051
5,642,375	2,058,843,611	259,652,691		2,318,496,302
110,523	2,067,368,768	34,502,531		2,101,871,299
-	710,242,018	-		710,242,018
7,475,332	2,974,687,641	186,941,533		3,161,629,174
-	367,702,650	40,534,382		408,237,032
-	1,251,527,313	-		1,251,527,313
-	476,903,633	-		476,903,633
2,682,132	572,724,114	73,686,859		646,410,973
3,306,582	198,173,706	71,901,248		270,074,954
6,688,685	1,369,070,531	21,193,057		1,390,263,588
7,166,146	1,415,447,348	43,068,397		1,458,515,745
-	798,081,283	43,663,875		841,745,158
7,384,556	1,324,963,907	21,515,644		1,346,479,551
2,109,200	1,238,199,706	-		1,238,199,706
26,058	59,801,626	-		59,801,626
-	172,695,465	-		172,695,465
-	871,975,017	-		871,975,017
-	1,135,983,089	-		1,135,983,089
-	3,103,080	-		3,103,080
-	243,121,143	-		243,121,143
<u>42,591,589</u>	<u>19,347,917,700</u>	<u>796,660,217</u>		<u>20,144,577,917</u>
49,069,775	20,811,251,676	846,352,231		21,657,603,907
1,242,687	848,850,210	55,695,024		904,545,234
4,723	4,403,427	290,444		4,693,871
-	16,617,515	-		16,617,515
-	64,893,074	-		64,893,074
<u>1,247,410</u>	<u>934,764,226</u>	<u>55,985,468</u>		<u>990,749,694</u>
<u>\$ 47,822,365</u>	<u>\$ 19,876,487,450</u>	<u>\$ 790,366,763</u>		<u>\$ 20,666,854,213</u>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Private-Purpose		
	Land Grant Permanent Fund	Severance Tax Permanent Fund	Tobacco Settlement Permanent Fund
<b>REVENUES</b>			
Investment Earnings:			
Interest and Dividends	\$ 286,657,027	\$ 89,787,261	\$ 2,078,613
Net Increase in Fair Value of Investments	208,616,283	65,327,675	4,848,621
Total Investment Income (Loss)	<u>495,273,310</u>	<u>155,114,936</u>	<u>6,927,234</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interagency Transfers In (Out):			
State Land Office	669,366,329	-	-
Severance Tax Bonding Fund	-	97	-
Tobacco Settlement Proceeds	-	-	32,980,062
Distributions to Beneficiaries of the Land Grant Permanent Fund	(595,993,907)	-	-
Distributions to State General Fund by the Severance Tax Permanent Fund	-	(182,722,980)	-
Distribution to Beneficiary of the Tobacco Settlement Permanent Fund	-	-	(17,226,967)
Distribution to Beneficiary of the Water Trust Fund	-	-	-
Contributions to External Investment Trust Funds	-	-	-
Distributions from External Investment Trust Funds	-	-	-
Federal Taylor Grazing Act Transfer (Dept. of the Interior)	154,123	-	-
Interfund Services Used:			
General Administrative Fund	(33,106,974)	(10,735,725)	-
Internal Service Fees	1,149,865	436,014	(140,054)
Total Other Financing Sources (Uses)	<u>41,569,436</u>	<u>(193,022,594)</u>	<u>15,613,041</u>
<b>CHANGE IN NET POSITION</b>	536,842,746	(37,907,658)	22,540,275
Net Position - Beginning of Year	<u>14,345,328,609</u>	<u>4,768,257,251</u>	<u>193,603,862</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$14,882,171,355</u></u>	<u><u>\$ 4,730,349,593</u></u>	<u><u>\$ 216,144,137</u></u>

See accompanying Notes to Financial Statements.

Trust Funds			
Water Trust Fund	Total Private- Purpose Trust Funds	External Investment Trust Funds	Total
\$ 969,449	\$ 379,492,350	\$ 15,605,933	\$ 395,098,283
722,387	279,514,966	6,455,420	285,970,386
<u>1,691,836</u>	<u>659,007,316</u>	<u>22,061,353</u>	<u>681,068,669</u>
-	669,366,329	-	669,366,329
-	97	-	97
-	32,980,062	-	32,980,062
-	(595,993,907)	-	(595,993,907)
-	(182,722,980)	-	(182,722,980)
-	(17,226,967)	-	(17,226,967)
(4,000,000)	(4,000,000)	-	(4,000,000)
-	-	229,094,941	229,094,941
-	-	(208,781,875)	(208,781,875)
-	154,123	-	154,123
-	(43,842,699)	-	(43,842,699)
(20,569)	1,425,256	(1,425,256)	-
<u>(4,020,569)</u>	<u>(139,860,686)</u>	<u>18,887,810</u>	<u>(120,972,876)</u>
(2,328,733)	519,146,630	40,949,163	560,095,793
<u>50,151,098</u>	<u>19,357,340,820</u>	<u>749,417,600</u>	<u>20,106,758,420</u>
<u>\$ 47,822,365</u>	<u>\$19,876,487,450</u>	<u>\$ 790,366,763</u>	<u>\$20,666,854,213</u>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 trust 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 which 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 New Mexico law, the Council establishes policies for the investment of trust funds entrusted to it. Policies established by the Council are carried out by personnel of the State Investment Office (Investment Office or the Office) under the direction of the State Investment Officer. The Office currently manages certain assets identified as the Land Grant Permanent Fund, the Severance Tax Permanent Fund, the Tobacco Settlement Permanent Fund, the Water Trust Fund, and client funds. The following is a brief description of the purpose and sources of these four funds:

**Land Grant Permanent Fund (LGPF).** 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 13.4 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.

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 percent) 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 percent) 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 percent) 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 percent) 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.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 ORGANIZATION AND BACKGROUND (CONTINUED)**

**Severance Tax Permanent Fund (STPF).** 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.

**Tobacco Settlement Permanent Fund (TSPF).** The State of New Mexico receives funds into the Tobacco Settlement Permanent Fund 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 Tobacco Settlement Permanent Fund. This legislation temporarily changes the distribution of this fund as follows: in fiscal years 2011 through 2013, a distribution shall be made from the Tobacco Settlement Permanent Fund to the general fund in an amount equal to one hundred percent of the total amount of money distributed to the Tobacco Settlement Permanent Fund 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 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 Tobacco Settlement Permanent Fund shall be considered a reserve fund of the state. Based on this, for fiscal year ended June 30, 2015, the New Mexico State Department of Finance and Administration has recorded the balance of the Tobacco Settlement Permanent Fund within their Governmental Fund, State General Fund balance. The State Investment Council has also included this balance within their Fiduciary Fund financial statements as a Private-Purpose Trust Fund.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 ORGANIZATION AND BACKGROUND (CONTINUED)**

**Water Trust Fund (WTF).** 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 Water Trust Fund shall be invested as in the Land Grant Permanent Fund by the state investment officer pursuant to Chapter 6, Article 8 NMSA 1978. Earnings from investment of the fund shall be credited to the fund. On July 1 of each fiscal year, an annual distribution shall be made from the Water Trust Fund 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 (4.78%) of the average of the year-end market values of the Water Trust Fund 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.

**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:

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Financial Reporting Entity**

For financial reporting purposes, the financial statements include all funds controlled by the Council. Control by the Council 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.

**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**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide Financial Statements (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, and other revenues include transfers from the permanent funds for interfund services provided.

**Governmental Fund Financial Statements**

The fund financial statements are similar to the government-wide financial statements. Emphasis in these statements is on the administrative fund due to the limited fund structure of the Office. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Office's actual experience conforms to the budget or fiscal plan. 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.

The Office's fiduciary funds are presented separately in the fund financial statements. Since, by definition, these assets are being held for the benefit of third parties and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

**Measurement Focus, Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic financial resources measurement focus. The government-wide financial statements and the fiduciary fund 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 from external investment trust participants are susceptible to accrual. On the government-wide financial statement, 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 statement.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**General Administrative Fund**

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, and other sources as authorized by the Budget Division of the Department of Finance and Administration.

**Fiduciary Funds**

Fiduciary funds consist of trust funds as follows:

**Private-Purpose Trust Funds.** The LGPF, STPF, TSPF, and WTF are accounted for under the accrual basis of accounting and use a capital maintenance measurement focus. This means that all assets and liabilities associated with their activity are included on the statement of net position. The funds operate under legal constraints that specify distributions to ensure that an income stream will be available in future years to designated beneficiaries.

**External Investment Trust Funds.** Pursuant to New Mexico law Section 6-8-7I of NMSA 1978, as amended, the Office manages several equity and bond 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. See Exhibit 3 for detail summaries of investment pool activity by external participants.

**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 of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive branch's intent to be used for specific purposes or, in some cases, by legislation.

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; 4) Unassigned, which includes all other spendable amounts. As of June 30, 2015, the Office's fund balance was all unassigned.



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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reservations and Designations (Continued)**

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.

**Budgetary Accounting**

The State legislature annually approves transfers from the LGPF and STPF to the Office's General Administrative Fund. These transfers are made to fund the operating costs of the Office's General Administrative Fund. These transfers are reflected as Interfund Transfers in these financial statements. Any transfers made in excess of the actual accrued costs of the General Administrative Costs are reverted back to the LGPF and STPF. The reversions payable to the LGPF and STPF are reflected as Due to LGPF and Due to STPF.

Beginning with fiscal year 2005, the General Appropriation Act of 2004 established the modified accrual basis of accounting for governmental funds in accordance with the Manual of Model Accounting Practices issued by the Department of Finance and Administration as the budgetary basis of accounting for the State of New Mexico. The change in policy resulted in the recognition of budgetary control from a fiscal year to an appropriation period. As a result of this change, a reconciliation of budgetary basis to GAAP basis is not required.

**Budgetary Matters**

The Office is required to submit a budget request for the General Fund to DFA and the Legislative Finance Committee by September 1 of each year. Consistent with the General Appropriations Act of 2004, the Office prepares the budget 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.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement 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**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Data (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 Department of Finance and Administration. Unexpended and unencumbered amounts in the General Fund lapse at year-end.

The Office is required to submit a budget report for the General Administrative Fund to the Department of Finance and Administration and the Legislative Finance Committee by September 1 of each year. 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 Council has not included such reconciliation for fiscal year 2015 as all payables were paid by the statutory deadline.

The Department of Finance and Administration 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 Legislature.

Both the Department of Finance and Administration and the Legislative Finance Committee's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan. All subsequent budget 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.

**Investments**

**Basis of Accounting.** Investments are stated at fair value in accordance with GASB Statement No. 31, 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 following categories: private-purpose trust funds and external investment trust funds. Private purpose trust funds are participants in: Large Cap Active Pool, Large Cap Index Pool, Large Cap Enhanced Index Pool, U.S. Alternative Weighted Index Pool, Small/Mid Cap Active Pool, Small/Mid Cap Index Pool, Small/Mid Cap Enhanced Index Pool, Core Bonds Pool, Credit & Structured Finance, Unconstrained Fixed Income 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, Absolute Return Pool, Private Equity Pool, Real Estate Pool, and Real Asset Pool. External investment trust funds are

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

participants in: Core Bonds Pool, Large Cap Active Pool, Large Cap Index Pool, Small/Mid Cap Active Pool, Non-US Developed Markets Index Pool, and Non-US Emerging Markets Index Pool. The pools are detailed as follows:

**Domestic Equity Pools**

The Large Cap Active Pool four actively managed portfolios (2 growth, 1 value, 1 core) benchmarked against the Russell 1000 Index. All four strategies use fundamental, bottom-up analysis.

The Large Cap Index Pool one passively managed portfolio benchmarked against the Russell 1000 Index.

The U.S. Alternative Weighted Index Pool four passively managed portfolios (value, low volatility, top 200, and equal weight) benchmarked against the Russell 1000 Index.

The Small/Mid Cap Active Pool three actively managed portfolios (1 small-cap value, 1 small-cap, 1 mid-cap core) benchmarked against custom benchmark reflecting 70% Russell 2000 and 30% Russell Mid Cap. Two strategies use fundamental, bottom-up analysis; one strategy uses quantitative and fundamental bottom-up analysis.

The Small/Mid Cap Index Pool one passively managed portfolio benchmarked against a custom benchmark reflecting 70% Russell 2000 and 30% Russell Mid Cap.

The Small/Mid Cap Enhanced Index Pool one actively managed small-cap core portfolio benchmarked against the Russell 2000 Index. The strategy uses quantitative bottom-up analysis.

**Fixed Income Pools**

The Core Plus Bonds Pool is managed externally by three 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 in the asset mixes of the SIC's portfolios is to provide preservation of capital and income generation.

The Credit & Structured Finance Pool is managed externally, investing in various classes of fixed income securities oriented toward credit. The role of this pool in the asset mixes of the SIC's portfolios is to provide growth of capital and income generation.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

The Core Bonds Index Pool is a passively managed portfolio benchmarked against the Barclays U.S. Aggregate Bond Index.

The Unconstrained Fixed Income Pool is managed externally by three 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.

International Equity Pools

The Non-U.S. Developed Markets Index Pool: one passively managed portfolio benchmarked against the MSCI EAFE Index.

The Non-U.S. Emerging Markets Index Pool: one passively managed portfolio benchmarked against the MSCI Emerging Market Free Index

The Non-U.S. Developed Markets Active Pool: four actively managed portfolios (1 large-cap value, 1 large-cap core, 1 large-cap growth, 1 small-cap value) benchmarked against the MSCI EAFE Index. Three strategies use fundamental, bottom-up analysis; one strategy uses quantitative analysis.

The Non-U.S. Emerging Markets Active Pool: one actively managed portfolio benchmarked against the MSCI Emerging Markets Index. The strategy uses quantitative analysis.

Alternative Asset Pools

The Absolute Return Pool is managed by three fund-of-fund managers with a multitude of underlying hedge fund managers. The objective of the pool is to provide a rate of return of LIBOR plus 200-300 basis points of premium. The role of the pool in the asset mixes of SIC portfolios is to preserve capital and diversify the investment risks of the other investment pools.

The 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.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

The Real Asset Pool contains a diversified mix of assets which have a positive match the rate of return of a custom mix of benchmarks representing similar assets. 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.

The Private Equity Pool contains more than 100 private equity funds diversified across the sectors of private equity. The objective of the pool is to provide a higher rate of return than the Venture Economics All Private Equity Index. The role of the pool in SIC portfolios is to provide growth of capital.

**Private Equity**

Private equity investments 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.

**Other Investments**

Investments in mortgage pass-through certificates, certificates of deposit, New Mexico film investments and mortgage loans are reported at cost, which approximates fair value. The Office invests in collateralized mortgage obligations issued by the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). The United States government explicitly backs GNMA mortgage securities programs and implicitly backs FHLMC and FNMA mortgage securities programs.

**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, and WTF, including the differential (below market) rate investments of the STPF for economic development purposes within the State of New Mexico. Such investments are primarily intended to stimulate residential construction, provide a source of capital to small business enterprises and create additional jobs by providing incentives to major corporations to construct large facilities in the State. External investment trust funds managed pursuant to a joint powers agreement are subject to the same standard of care.

**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 percent 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 recorded as

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Vacation and Sick Pay (Continued)**

a liability, and the net change during the current year is recorded as an expense in the General Administrative Fund.

**Net Position – Amounts Held in Trust for Pool Beneficiaries**

Amounts reserved for designated beneficiaries are required to be segregated in accordance with State law.

**Interfund Receivables and Payables**

The Office has numerous transactions between funds and other State agencies, 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, 2015, \$4,692,821 and \$1,564,274 were due from the general administrative fund to the LGPF and STPF, respectively.

**Cash and Cash Equivalents**

Interest in the pooled investments on deposit with the State Treasurer's Office (STO) and the J.P. Morgan short-term investment fund are considered cash and cash equivalents.

**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 state General Services Department (GSD) 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 three to seven years for furniture and equipment

**Encumbrances**

Due to the change in budgetary accounting, encumbrances no longer remain outstanding at year end as any remaining amounts are reverted. As a result, there are no differences between measurement focus at June 30, 2015.

**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 of participation is recorded in book entry form by the Office and consists of an account for each participant that maintains the following information:

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**External Trust Fund Accounting Policies (Continued)**

1. Name of participant;
2. Date of all unit purchases and sales;
3. Number of units purchased or sold;
4. Valuation of each unit owned; and
5. 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.

**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 powers agreement. 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.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**External Trust Fund Accounting Policies (Continued)**

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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2015.

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, 2015.

**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.

Unrestricted net position – This category reflects net position of the Office not restricted for any project or other purpose.



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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

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 Comprehensive Annual Financial Report (CAFR) 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 CAFR 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.

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**NOTE 3 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 (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point- forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been applied to fiscal year-end 2014 and the months from January 2015 through June 2015.

Agency claims on the SGFIP will be honored in their entirety and any necessary adjustments will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP. The Office has adequate internal controls in place to mitigate the effect of the statewide reconciliation issues and does not anticipate an unfavorable impact resultant of the State's completion of the reconciliation process.

**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, 2015, the agency had the following invested in the General Fund Investment Pool:

General Fund Investment Pool:	
General Administrative Fund	\$ 15,610,211
Fiduciary Funds	\$ 42,581,966

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.

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**NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**

For additional GASB 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 fiscal year ended June 30, 2015.

**Deposits**

Cash and cash equivalents are held by the custodian, J.P. Morgan. The Office's cash held by J.P. Morgan is invested in short-term investment funds which are insured or registered with securities held by the government or its agent in the government's name.

**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 in the State Treasurer Investment Pool (STIP) and cash and cash equivalents balances as of June 30, 2015 were as follows:

	SHARE Fund	State Treasurer's Office Funds	J.P. Morgan	Total
General Administration Fund	17300	\$ 15,610,211	\$ -	\$ 15,610,211
Subtotal		15,610,211	-	15,610,211
Land Grant Permanent Fund	60100	42,581,256	28,975,544	71,556,800
Severance Tax Permanent Fund	60200	710	47,226,179	47,226,889
Tobacco Settlement Permanent Fund	95200	-	19,610,994	19,610,994
Water Trust Fund	10120	-	4,277,153	4,277,153
Large Cap Active Pool	09400	-	112,645,795	112,645,795
Large Cap Index Pool	62800	-	766,060	766,060
Large Cap Alternative Weighted Index Pool	35150	-	7,352,190	7,352,190
Core Bonds Pool	30870	-	223,748,975	223,748,975
Core Plus Bonds Pool	35150	-	22,163,885	22,163,885
Small/Mid Cap Active Pool	22000	-	29,391,084	29,391,084
Small/Mid Cap Index Pool	30840	-	4,443	4,443
Small/Mid Cap Enhanced Index Pool	30860	-	1,290,254	1,290,254
Non-U.S. Developed Markets Index Pool	21800	-	1,034,996	1,034,996
Non-U.S. Developed Markets Active Pool	11950	-	23,505,385	23,505,385
Non-U.S. Emerging Markets Index Pool	61100	-	687,226	687,226
Non-U.S. Emerging Markets Active Pool	11930	-	10,893,708	10,893,708
Private Equity Pool	11380	-	84,123,377	84,123,377
Real Estate Pool	11390	-	103,268,843	103,268,843
Real Asset Pool	11540	-	72,502,952	72,502,952
Unconstrained Pool	11940	-	50,261,645	50,261,645
Absolute Return Pool	72100	-	27,997,711	27,997,711
Credit and Structured Finance Pool	20140	-	3,235,450	3,235,450
Subtotal		42,581,966	874,963,849	917,545,815
Total		\$ 58,192,177	\$ 874,963,849	\$ 933,156,026

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 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; 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, CDs, 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, percentage the investment type comprises of 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).

**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 Office does not have a policy for the Core Bond Fund 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 at June 30, 2015 are as follows:

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings:		
Commercial Mortgage-Backed	AAA	\$ 26,142,148
Asset-Backed Securities	AAA	89,488,149
Non-Government-Backed C.M.O.s	AAA	2,690,063
Corporate Bonds	AAA	4,904,537
Government Bonds	AAA	19,986,106
Municipal Bonds	AAA	3,355,565
Mortgage Backed Securities	AA+	399,894,226
Government Bonds	AA+	35,625,014
Non-Government-Backed C.M.O.s	AA+	19,737,634
Asset-Backed Securities	AA+	2,966,530
Corporate Bonds	AA+	21,984,923
Municipal Bonds	AA+	920,191
Commercial Mortgage-Backed	AA+	19,238,907
Asset-Backed Securities	AA	17,420,710
Corporate Bonds	AA	28,366,366
Government Bonds	AA	1,649,200
Municipal Bonds	AA	2,564,468
Commercial Mortgage-Backed	AA	2,960,783
Asset-Backed Securities	AA-	1,909,550

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

**Credit Risk - Debt Investments (Continued)**

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Corporate Bonds	AA-	\$ 51,171,714
Municipal Bonds	AA-	24,580,297
Government Bonds	AA-	2,108,074
Commercial Mortgage-Backed	AA-	2,079,343
Corporate Bonds	A+	58,013,127
Municipal Bonds	A+	16,670,494
Commercial Mortgage-Backed	A+	3,523,176
Asset-Backed Securities	A+	3,383,614
Government Bonds	A+	10,476,385
Non-Government-Backed C.M.O.s	A+	7,203,946
Corporate Bonds	A	142,690,391
Commercial Mortgage-Backed	A	14,400,190
Non-Government-Backed C.M.O.s	A	1,065,143
Asset-Backed Securities	A	24,999,753
Government Bonds	A	2,972,307
Corporate Bonds	A-	150,712,289
Municipal Bonds	A-	5,092,535
Commercial Mortgage-Backed	A-	2,671,589
Asset-Backed Securities	A-	2,471,875
Government Bonds	A-	15,764,228
Commercial Paper	A-2	19,393,553
Commercial Paper	A-3	299,974
Corporate Bonds	BBB+	141,832,338
Asset-Backed Securities	BBB+	10,647,230
Commercial Mortgage-Backed	BBB+	1,795,452
Non-Government-Backed C.M.O.s	BBB+	2,227,574
Government Bonds	BBB+	24,676,561
Corporate Bonds	BBB	169,440,484
Government Bonds	BBB	12,002,547
Commercial Mortgage-Backed	BBB	3,525,439
Asset-Backed Securities	BBB	11,800,073
Non-Government-Backed C.M.O.s	BBB	809,379
Corporate Bonds	BBB-	237,590,923
Government Bonds	BBB-	3,662,545
Commercial Mortgage-Backed	BBB-	8,908,192
Asset-Backed Securities	BBB-	5,564,557
Non-Government-Backed C.M.O.s	BBB-	2,545,897
Corporate Bonds	BB+	106,162,328
Government Bonds	BB+	12,808,579
Asset-Backed Securities	BB+	9,176,643
Non-Government-Backed C.M.O.s	BB+	2,080,431

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**NOTE 4 INVESTMENTS (CONTINUED)**

**Credit Risk - Debt Investments (Continued)**

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Corporate Bonds	BB	\$ 119,860,556
Non-Government-Backed C.M.O.s	BB	3,012,388
Commercial Mortgage-Backed	BB	248,312
Corporate Bonds	BB-	75,731,394
Non-Government-Backed C.M.O.s	BB-	1,513,974
Commercial Mortgage-Backed	BB-	299,920
Corporate Bonds	B+	49,311,814
Non-Government-Backed C.M.O.s	B+	1,193,910
Asset-Backed Securities	B	1,398,076
Corporate Bonds	B	56,307,729
Commercial Mortgage-Backed	B	2,591,853
Corporate Bonds	B-	19,655,963
Asset-Backed Securities	B-	1,376,079
Non-Government-Backed C.M.O.s	B-	1,665,507
Non-Government-Backed C.M.O.s	CCC+	452,649
Corporate Bonds	CCC+	3,013,263
Government Bonds	CCC+	245,207
Asset-Backed Securities	CCC	56,167,797
Non-Government-Backed C.M.O.s	CCC	16,972,443
Corporate Bonds	CCC	900,875
Non-Government-Backed C.M.O.s	CCC-	181,586
Corporate Bonds	CCC-	686,700
Government Bonds	CCC-	241,812
Asset-Backed Securities	CC	1,717,791
Non-Government-Backed C.M.O.s	CC	3,736,478
Corporate Bonds	CC	347,467
Non-Government-Backed C.M.O.s	D	27,852,588
Corporate Bonds	D	180,000
Total Investments Subject to Credit Risk - S&P Ratings		2,477,670,371
Investments Subject to Credit Risk - Not Rated:		
Corporate Bonds	Not Rated	362,389,402
Commercial Paper	Not Rated	1,302,116
Asset-Backed Securities	Not Rated	76,963,423
Non-Government-Backed C.M.O.s	Not Rated	54,209,823
Commercial Mortgage-Backed	Not Rated	32,794,288
Government Bonds	Not Rated	29,985,371
Total Investments Subject to Credit Risk - Not Rated		557,644,423

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
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**JUNE 30, 2015**

**NOTE 4 INVESTMENTS (CONTINUED)**

**Credit Risk - Debt Investments (Continued)**

Investment	Rating	Fair Value
Investments Subject to Other Ratings:		
Private Equity, Equity Securities and Real Estate		\$ 16,828,839,929
NM Private Equity		243,121,143
Government Agencies		37,302,051
Total Investments Subject to Other Ratings		<u>17,109,263,123</u>
 Total Investments		 <u><u>\$ 20,144,577,917</u></u>

**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 at June 30, 2015 and their exposure to interest rate risk is as follows:

Investment	Fair Value	Life Not Available	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
Investments subject to interest rate risk						
Asset-Backed Securities	\$ 317,549,880	\$ -	\$ 224,328,109	\$ 20,239,781	\$ 30,471,549	\$ 42,510,442
Certificate of Deposit	1,302,116	-	1,302,116	-	-	-
Commercial Mortgage-Backed	123,946,956	-	61,583,797	1,075,645	-	61,287,514
Commercial Paper	22,285,380	-	22,285,380	-	-	-
Commingled Funds	59,670,017	59,670,017	-	-	-	-
Corporate Bonds	1,839,220,776	-	244,349,198	627,061,598	724,110,709	243,699,271
Discounted Notes	6,499,285	-	6,499,285	-	-	-
Derivatives/Interest Rate SWAP	5,274,135	20,535	(873,579)	(3,472,432)	(1,106,574)	10,706,184
Government Bonds	1,027,950,242	-	211,013,817	292,915,651	311,429,429	212,591,345
Money Market	21,142,775	20,449,444	-	-	-	693,331
Mortgage Backed Securities	512,867,046	-	13,033,647	333,699	14,026,234	485,473,467
Municipal/Provincial Bonds	53,183,549	-	-	208,640	180,587	52,794,323
Non-Government Backed C.M.O.s	165,778,684	-	120,098,428	3,648,931	341,460	41,689,864
U.S. Treasury Bonds/Bills/Notes	10,145,027	-	3,800,002	6,345,025	-	-
Total	<u>\$ 4,166,815,869</u>	<u>\$ 80,139,996</u>	<u>\$ 907,420,200</u>	<u>\$ 948,356,539</u>	<u>\$ 1,079,453,393</u>	<u>\$ 1,151,445,741</u>
Investments Not Subject to Interest Rate Risk						
Securities, Equity and						
Real Estate Investments	<u>15,977,762,048</u>					
Total Investments	<u><u>\$ 20,144,577,917</u></u>					

**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, 2015, the Office 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**  
**JUNE 30, 2015**

**NOTE 4 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 in the Core Bond pool by adhering to the Office'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 at June 30, 2015 and their exposure to foreign currency risk are as follows:

Investment	Foreign Currency	Amount	% of Total Investments
Common Stock	AUSTRALIAN DOLLAR	\$ 44,889,228	0.21%
Common Stock	BRAZILIAN REAL	59,795,601	0.28%
Common Stock	CANADIAN DOLLAR	45,664,531	0.22%
Common Stock	CHILEAN PESO	8,043,675	0.04%
Common Stock	CZECH KORUNA	3,223,988	0.02%
Common Stock	EGYPTIAN POUND	1,478,811	0.01%
Common Stock	EURO	429,498,725	2.04%
Common Stock	HONG KONG DOLLAR	369,108,478	1.75%
Common Stock	HUNGARIAN FORINT	6,878,656	0.03%
Common Stock	INDONESIAN RUPIAH	27,266,121	0.13%
Common Stock	ISRAELI SHEKEL	3,547,847	0.02%
Common Stock	JAPANESE YEN	247,503,684	1.18%
Common Stock	MALAYSIAN RINGGIT	30,920,036	0.15%
Common Stock	MEXICAN PESO	36,194,420	0.17%
Common Stock	NEW TAIWAN DOLLAR	177,300,288	0.84%
Common Stock	NEW TURKISH LIRA	29,236,052	0.14%
Common Stock	NEW ZEALAND DOLLAR	1,821,628	0.01%
Common Stock	NORWEGIAN KRONE	22,384,448	0.11%
Common Stock	PHILIPPINE PESO	19,037,688	0.09%
Common Stock	POLISH ZLOTY	18,846,574	0.09%
Common Stock	POUND STERLING	271,587,837	1.29%
Common Stock	QATARI RIAL	2,510,172	0.01%
Common Stock	SINGAPORE DOLLAR	14,962,833	0.07%
Common Stock	SOUTH AFRICAN RAND	81,598,488	0.39%
Common Stock	SOUTH KOREAN WON	191,391,239	0.91%
Common Stock	SWEDISH KRONA	33,925,681	0.16%
Common Stock	SWISS FRANC	123,855,529	0.59%
Common Stock	THAI BAHT	45,170,088	0.21%
Common Stock	UAE DIRHAM	773,328	0.00%
Cash	AUSTRALIAN DOLLAR	417,015	0.00%
Cash	BRAZILIAN REAL	283,919	0.00%
Cash	CANADIAN DOLLAR	296,330	0.00%
Cash	CHILEAN PESO	298	0.00%
Cash	CZECH KORUNA	488,458	0.00%



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**NOTE 4 INVESTMENTS (CONTINUED)**

**Foreign Currency Risk – Investments (Continued)**

Investment	Foreign Currency	Amount	% of Total Investments
Cash	DANISH KRONE	\$ 1,027	0.00%
Cash	EGYPTIAN POUND	77,782	0.00%
Cash	EURO	3,421,481	0.02%
Cash	HONG KONG DOLLAR	1,070,927	0.01%
Cash	HUNGARIAN FORINT	1,050,154	0.00%
Cash	INDIAN RUPEE	0	0.00%
Cash	ISRAELI SHEKEL	16,970	0.00%
Cash	JAPANESE YEN	1,491,151	0.01%
Cash	MALAYSIAN RINGGIT	65,141	0.00%
Cash	MEXICAN PESO	1,450,519	0.01%
Cash	NEW TAIWAN DOLLAR	414,486	0.00%
Cash	NEW ZEALAND DOLLAR	89,084	0.00%
Cash	NORWEGIAN KRONE	159,226	0.00%
Cash	PHILIPPINE PESO	4,679	0.00%
Cash	POLISH ZLOTY	485,843	0.00%
Cash	POUND STERLING	2,282,534	0.01%
Cash	SINGAPORE DOLLAR	57,018	0.00%
Cash	SOUTH AFRICAN RAND	711,282	0.00%
Cash	SOUTH KOREAN WON	260,504	0.00%
Cash	SWEDISH KRONA	3,669	0.00%
Cash	SWISS FRANCS	34,214	0.00%
Cash	THAI BAHT	12,319	0.00%
Corporate Bonds	BRAZILIAN REAL	404,166	0.00%
Corporate Bonds	COLOMBIA PESO	1,157,782	0.01%
Corporate Bonds	EURO	14,178,051	0.07%
Corporate Bonds	HONG KONG DOLLAR	2,232,324	0.01%
Corporate Bonds	JAPANESE YEN	1,785,002	0.01%
Corporate Bonds	MEXICAN PESO	241,385	0.00%
Corporate Bonds	POUND STERLING	2,041,899	0.01%
Corporate Bonds	SINGAPORE DOLLAR	597,382	0.00%
Corporate Bonds	SOUTH KOREAN WON	185,285	0.00%
Corporate Bonds	YUAN RENMINBI	318,336	0.00%
Commercial Mortgage Backed Securities	EURO	191,342	0.00%
Derivatives	AUSTRALIAN DOLLAR	18,529	0.00%
Derivatives	BRAZILIAN REAL	(863,356)	(0.00)%
Derivatives	CANADIAN DOLLAR	(286,551)	(0.00)%
Derivatives	CHILEAN PESO	(94,561)	(0.00)%
Derivatives	COLOMBIA PESO	32,568	0.00%
Derivatives	CZECH KORUNA	302	0.00%
Derivatives	DANISH KRONE	(479)	(0.00)%
Derivatives	EURO	2,880,100	0.01%
Derivatives	HONG KONG DOLLAR	24	0.00%
Derivatives	HUNGARIAN FORINT	(135,044)	(0.00)%

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 INVESTMENTS (CONTINUED)**

**Foreign Currency Risk – Investments (Continued)**

Investment	Foreign Currency	Amount	% of Total Investments
Derivatives	INDIAN RUPEE	\$ 33,076	0.00%
Derivatives	INDONESIAN RUPIAH	(254)	(0.00)%
Derivatives	JAPANESE YEN	359,197	0.00%
Derivatives	MALAYSIAN RINGGIT	(133)	(0.00)%
Derivatives	MEXICAN PESO	(732,437)	(0.00)%
Derivatives	NEW TAIWAN DOLLAR	(33)	(0.00)%
Derivatives	NEW TURKISH LIRA	6,010	0.00%
Derivatives	NEW ZEALAND DOLLAR	18,035	0.00%
Derivatives	NORWEGIAN KRONE	(10)	(0.00)%
Derivatives	POLISH ZLOTY	21,202	0.00%
Derivatives	POUND STERLING	333,343	0.00%
Derivatives	SAUDI RIYAL	-	0.00%
Derivatives	SINGAPORE DOLLAR	(287,245)	(0.00)%
Derivatives	SOUTH KOREAN WON	65,604	0.00%
Derivatives	SWEDISH KRONA	(161,219)	(0.00)%
Derivatives	SWISS FRANC	4,324	0.00%
Derivatives	THAI BAHT	(161)	(0.00)%
Derivatives	YUAN RENMINBI	2,715	0.00%
Government Bonds	BRAZILIAN REAL	18,573,063	0.09%
Government Bonds	CHILEAN PESO	245,457	0.00%
Government Bonds	EURO	21,674,878	0.10%
Government Bonds	JAPANESE YEN	157,318	0.00%
Government Bonds	MEXICAN PESO	6,339,328	0.03%
Government Bonds	POUND STERLING	5,014,191	0.02%
Government Bonds	SOUTH AFRICAN RAND	1,419,308	0.01%
Government Bonds	UNIDADES DE FORMENTO	293,391	0.00%
Limited Partnerships	EURO	77,886,739	0.37%
Money Markets	EURO	(35,473)	(0.00)%
Money Markets	JAPANESE YEN	57,335	0.00%
Money Markets	POUND STERLING	693,331	0.00%
Preferred Stock	BRAZILIAN REAL	32,753,944	0.16%
Preferred Stock	CHILEAN PESO	447,241	0.00%
Preferred Stock	EURO	8,437,844	0.04%
Preferred Stock	SOUTH KOREAN WON	4,916,044	0.02%
Rights and Warrants	EURO	27,852	0.00%
Rights and Warrants	SINGAPORE DOLLAR	1,171	0.00%
Rights and Warrants	SWISS FRANC	-	0.00%
Rights and Warrants	THAI BAHT	4,605	0.00%
Real Estate Investment Trust	AUSTRALIAN DOLLAR	2,756,666	0.01%
Real Estate Investment Trust	EURO	2,877,830	0.01%
Real Estate Investment Trust	HONG KONG DOLLAR	277,112	0.00%
Real Estate Investment Trust	JAPANESE YEN	542,218	0.00%

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 INVESTMENTS (CONTINUED)**

**Foreign Currency Risk – Investments (Continued)**

<u>Investment</u>	<u>Foreign Currency</u>	<u>Amount</u>	<u>% of Total Investments</u>
Real Estate Investment Trust	MEXICAN PESO	\$ 933,734	0.00%
Real Estate Investment Trust	NEW TURKISH LIRA	378,696	0.00%
Real Estate Investment Trust	POUND STERLING	896,482	0.00%
Real Estate Investment Trust	SINGAPORE DOLLAR	266,012	0.00%
Real Estate Investment Trust	SOUTH AFRICAN RAND	1,670,068	0.01%
Foreign Currency Investments and Cash and Cash Equivalents		2,606,474,491	12.38%
Non-Foreign Currency Investments and Cash and Cash Equivalents		18,455,649,253	87.62%
Total Investments and Cash and Cash Equivalents		<u>\$ 21,062,123,744</u>	100.00%

**NOTE 5 PENSION PLAN – 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 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](http://www.pera.state.nm.us).

**Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. The Office is required to contribute 16.99% 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, 2015, 2014 and 2013 were \$437,461, \$408,668 and \$366,313, respectively, equal to the amount of the required contributions for each fiscal year.

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.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**Plan Description**

The Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**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](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the 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 board.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**Funding Policy (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, 2015, 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, 2015, 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, 2015, 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 the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$51,514, \$49,350 and \$48,582, respectively, which equal the required contributions for each year.

**NOTE 7 CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Furniture and Equipment	\$ 314,700	\$ -	\$ (174,616)	\$ 140,084
Accumulated Depreciation	(297,975)	(7,721)	174,616	(131,080)
Total Capital Assets	<u>\$ 16,725</u>	<u>\$ (7,721)</u>	<u>\$ -</u>	<u>\$ 9,004</u>

Depreciation expense recorded by the Office in fiscal year 2015 was \$7,721. This amount was recognized as an expense in the general fund statement of activities.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 CHANGES IN ACCRUED VACATION AND SICK PAY**

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

Balance at June 30, 2014	\$	167,428
Additions		152,537
Deletions		(125,920)
Balance at June 30, 2015	\$	194,045

Of the balance outstanding at June 30, 2015, \$193,670 is estimated to be due within one year of the statement date.

**NOTE 9 COMMITMENTS**

The Office has commitments for capital contributions to the various private equity partnerships and real estate / real asset investments. As of June 30, 2015, the Office was an investor in approximately 175 private equity limited partnerships and various real estate investments. When making an investment in a limited partnership, the Office commits, on the part of either the Land Grant Permanent Fund or the Severance Tax Permanent Fund, to a capital commitment that will be drawn down by the limited partnership over the life of the partnership, typically twelve to fifteen years. As of June 30, 2015, unfunded commitments to private equity partnerships were approximately \$1.4 billion, and unfunded commitments to real estate and real asset investments were approximately \$1.8 billion. Due to the nature of these investments, the Office cannot predict when these capital contributions will be called. Subsequent to June 30, 2015, the Office approved an additional \$100 million of commitments to real estate partnerships.

In addition to the above investment commitments, the Office leases office space under a non-cancelable operating lease and leases two Xerox copiers. Total lease expense for the year ended June 30, 2015 was \$288,494. Minimum annual lease payments under these leases for the years ended June 30 are as follows:

2016	\$	297,061
2017		301,535
2018		24,667
Total	\$	623,263

**NOTE 10 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, and the net changes to the participants' assets are recorded in the External Investment Trust Funds financial statements. In addition, each participant reports their net position in their individual financial statements. At June 30, 2015, the Office had joint powers agreements with the following entities:

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 JOINT POWERS AGREEMENTS (CONTINUED)**

- (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, 2015, the NMRHCA had total net assets held in trust of \$433,818,369.
- (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, 2015, the NMIMT had total net assets held in trust of \$64,728,549.
- (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, 2015, the NMSBVI had total net assets held in trust of \$8,680,078.
- (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, 2015, the Commissioner had total net assets held in trust of \$13,959,744.
- (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, 2015, the Commission had total net assets held in trust of \$19,204,936.
- (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, 2015, the NMMI had total net assets held in trust of \$32,670,776.
- (g) New Mexico Department of Game and Fish (NMDGF) dated July 28, 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 NMDGF in accordance with guidelines established in NMDGF's investment policy. At June 30, 2015, the NMDGF had total net assets held in trust of \$753,592.

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**NOTE 10 JOINT POWERS AGREEMENTS (CONTINUED)**

- (h) 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, 2015, the ENMU had total net assets held in trust of \$10,801,791.
- (i) 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, 2015, the SMSD had total net assets held in trust of \$186,287.
- (j) 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, 2015, the Agency had total net assets held in trust of \$46,847,838.
- (k) 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, 2015, the County had total net assets held in trust of \$37,990,169.
- (l) 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, 2015, the NMPSIA had total net assets held in trust of \$31,198,354.
- (m) 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, 2015, the NMHU had total net assets held in trust of \$3,617,175.
- (n) 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, 2015, the CYFD had total net assets held in trust of \$5,528,188.



**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
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**NOTE 10 JOINT POWERS AGREEMENTS (CONTINUED)**

- (o) 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, 2015, the NMMFA had total net assets held in trust of \$40,616,180.
- (p) 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, 2015, the NMHED had total net assets held in trust of \$8,596,114.
- (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, 2015, the Client had total net assets held in trust of \$20,914,361.
- (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 monies belonging to the Client in accordance with guidelines established in the Client's investment policy. At June 30, 2015, the Client had total net assets held in trust of \$10,254,263.

**NOTE 11 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:

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

At June 30, 2015, 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.

**NOTE 12 SHORT -TERM DEBT**

The Office had no short-term debt activity during the year or any outstanding balances at year-end.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 13 NON-REVERTING FUND**

6-8-5(B), NMSA 1978, authorizes the State Investment Council (SIC) 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 Land Grant 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. Unexpended/unencumbered funds at fiscal year-end subsequently revert back to their original funding source.

**NOTE 14 NEW PRONOUNCEMENTS**

GASB has issues the following statements, which are applicable in future years. At this time, management has not determined the impact, if any, on the Office.

**Statement No. 72**

***Fair Value Measurement and Application***

Effective Date: The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**Statement No. 73**

***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 NEW PRONOUNCEMENTS (CONTINUED)**

financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

**Statement No. 74**

***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 NEW PRONOUNCEMENTS (CONTINUED)**

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

**Statement No. 75**

***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

**Statement No. 76,**

***The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 NEW PRONOUNCEMENTS (CONTINUED)**

This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
CHANGES IN LAND GRANT PERMANENT TRUST FUND HELD FOR BENEFICIARIES  
YEAR ENDED JUNE 30, 2015**

Exhibit 1

Beneficiary	Balance June 30, 2014	State Land Office Transfers	Distributions to Beneficiaries	Other Increases in Capital Accounts, Net	Balance June 30, 2015	Participation Percentage June 30, 2015
Carrie Tingley Hospital	\$ 214,757	\$ -	\$ (8,775)	\$ 7,237	\$ 213,219	0.001440%
Charitable, Penal and Feform	119,157,456	1,721,158	(4,906,453)	4,050,903	120,023,063	0.810423%
Public Schools	11,990,978,738	613,195,172	(502,757,086)	415,875,354	12,517,292,178	84.519588%
Eastern New Mexico University	11,592,566	246,851	(478,619)	394,711	11,755,509	0.079376%
Improvements to the Rio Grande	33,788,756	376,076	(1,388,727)	1,146,070	33,922,175	0.229050%
Miners' Colfax Medical Center	133,104,860	2,512,093	(5,492,798)	4,536,092	134,660,248	0.909256%
New Mexico Boys School	819,806	-	(33,496)	27,624	813,935	0.005496%
New Mexico Highlands University	3,701,608	76,950	(152,917)	126,304	3,751,945	0.025334%
New Mexico Institute of Mining and Technology	27,995,583	751,506	(1,158,309)	956,129	28,544,909	0.192742%
New Mexico Military Institute	459,994,534	9,629,655	(18,991,344)	15,680,524	466,313,369	3.148653%
New Mexico School for the Deaf	279,372,855	6,503,414	(11,559,393)	9,550,693	283,867,569	1.916738%
New Mexico School for the Blind and Visually Impaired	278,754,258	6,503,452	(11,534,119)	9,529,849	283,253,439	1.912591%
New Mexico State Hospital	40,834,882	7,360,013	(1,829,521)	1,533,691	47,899,066	0.323425%
New Mexico State University	64,426,433	873,790	(2,650,978)	2,187,654	64,836,899	0.437793%
Northern New Mexico Community College	2,973,683	77,190	(123,180)	101,779	3,029,472	0.020456%
Penitentiary of New Mexico	278,721,169	7,911,100	(11,555,819)	9,549,464	284,625,914	1.921859%
Public Buildings - Capitol	156,161,654	5,361,478	(6,490,982)	5,364,818	160,396,968	1.083037%
The University of New Mexico	201,289,778	3,127,442	(8,286,446)	6,856,415	202,987,189	1.370615%
The University of New Mexico Saline Lands	5,778,667	820,407	(256,119)	212,942	6,555,897	0.044267%
Water Reservoirs	150,255,520	2,241,633	(6,185,097)	5,103,746	151,415,802	1.022394%
Western New Mexico University	3,721,533	76,950	(153,731)	126,975	3,771,727	0.025468%
Alternative Asset Fair Market Value Adjustments	92,468,927	-	-	(33,661,078)	58,807,849	0.397084%
Due from Pools	9,220,586	-	-	4,212,428	13,433,014	0.090703%
<b>Total</b>	<b>\$ 14,345,328,609</b>	<b>\$ 669,366,329</b>	<b>\$ (595,993,907)</b>	<b>\$ 463,470,324</b>	<b>\$ 14,882,171,355</b>	<b>100.00%</b>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
 DETAIL OF INTERAGENCY TRANSFERS  
 YEAR ENDED JUNE 30, 2015**

Exhibit 2

Agency Initiating Transfer/Fund	Transferring Cash Account	Agency Receiving Transfer/Fund	Receiving Cash Account
State Land Office	53900/26400/7770	State Investment Office/ Land Grant Permanent Fund	60100
A total of \$669,366,327 was received from the State Land Office for fiscal year 2015. 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 Office/ Severance Tax Permanent Fund	60200
A total of \$97 was transferred from the Severance Tax Bonding Fund during 2015. Funds transferred are remaining severance tax revenues after paying Severance Tax Bonding debt service (see Note 1).			
Department of Finance and Administration/ Tobacco Settlement Proceeds	39401	State Investment Office/ Tobacco Settlement Permanent Fund	95200
A total of \$35,035,795 was received in fiscal year 2015 for the Tobacco Settlement Permanent Fund's portion of the Tobacco Settlement Proceeds (see Note 1). The difference between what was received and what was recorded in the statement of changes in net assets is due to accrued amounts recorded as receivables at June 30, 2015.			
State Investment Office/ Land Grant Permanent Fund	60100	Land Grant Permanent Fund beneficiaries	Various
A total of \$595,993,907 was distributed for fiscal year 2015 to the various beneficiaries of the Land Grant Permanent Fund (see Note 1).			
State Investment Office/ Severance Tax Permanent Fund	60200	Department of Finance and Administration/ State General Fund	85300
A total of \$182,722,980 was distributed for fiscal year 2015 to the various beneficiaries of the Severance Tax Permanent Fund (see Note 1).			
State Investment Office/ Tobacco Settlement Permanent Fund	95200	Department of Finance and Administration/ Tobacco Settlement Program Fund	69700
A total of \$19,282,700 was distributed for fiscal year 2015 to the Tobacco Settlement Program Fund (see Note 1). The difference between what was paid and what was recorded in the statement of changes in net assets is due to the difference between prior year estimated revenue, stipulated in GASB Technical Bulletin No. 2004-1, and the estimated accrual for revenue earned for the period January through June of the current year. The difference is \$2,055,733.			
Department of Finance and Administration/ Federal Taylor Grazing	34100	State Investment Office/ Land Grant Permanent Fund	60100
A total of \$154,123 was received from the Department of Finance and Administration for fiscal year 2015. Funds transferred are a distribution from the Federal Taylor Grazing Act.			

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 1 of 10

For fiscal year ended June 30, 2015, activity by participating agency was as follows:

Core Bonds Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
Eastern New Mexico University	\$ 2,198,093	\$ -	\$ -	\$ -	\$ 38,804	\$ 2,236,897
Los Alamos County - Cemetery	132,459	-	-	-	2,338	134,797
Los Alamos County - General Fund	2,588,393	(755,180)	-	-	53,687	1,886,900
Los Alamos County - Permanent Fund	4,154,239	(614,000)	-	-	62,497	3,602,736
NM Children's, Youth & Family Department Next Generation Fund	1,166,246	-	-	-	20,588	1,186,834
NM Children's, Youth & Family Department Trust Fund	1,166,246	-	1,950,000	-	(4,822)	3,111,424
NM Commissioner of Public Lands - Oil and Gas	5,804,613	-	-	-	102,471	5,907,084
NM Department of Game and Fish	217,272	-	-	-	3,836	221,108
NM Highlands University - Endowment Fund	1,004,828	-	-	-	17,739	1,022,567
NM Higher Education Department	4,356,388	(1,750,000)	-	-	62,807	2,669,195
NM Institute of Mining and Technology - Employee Benefit Trust	292,366	-	-	-	5,161	297,527
NM Institute of Mining and Technology - Endowment Fund	11,953,168	-	-	-	211,013	12,164,181
NM Institute of Mining and Technology - Plant Debt Allocated Funds	14,322,476	-	-	-	252,839	14,575,315
NM Institute of Mining and Technology - Research Fund	2,626,248	-	-	5,398,954	(10,784)	8,014,418
NM Interstate Stream Comm. - Improvements on the Rio Grande	779,256	-	-	-	13,756	793,012
NM Interstate Stream Comm. - Irrigation Works Construction	8,155,891	-	-	-	143,979	8,299,870
NM Military Institute - Capital Outlay	592,694	-	-	15,614	10,518	618,826
NM Military Institute - Legislative Scholarship	4,109,604	-	78,858	106,659	73,203	4,368,323
NM Military Institute - LFC/VC Maintenance Endowment	2,054,093	(72,000)	-	55,302	36,203	2,073,598
NM Military Institute - Patterson Account	1,783,716	(34,653)	-	48,024	31,652	1,828,740
NM Military Institute - Trust Scholarship	2,131,137	-	-	57,781	37,825	2,226,743
NM Military Institute - Operating	390,200	-	-	(508)	6,887	396,579
NM Mortgage Finance Authority	20,491,641	-	-	-	361,746	20,853,387
NM Mortgage Finance Authority - IFT Housing Trust Fund	13,055,750	(3,116,151)	3,543,023	-	236,681	13,719,303
NM Public Regulation Commission - Patients' Comp. Fund	27,507,089	-	-	-	485,592	27,992,681
NM Public Schools Insurance Authority - Benefits	4,243,755	-	-	-	74,916	4,318,671
NM Public Schools Insurance Authority - Risk	4,273,035	-	-	-	75,433	4,348,468
NM Retiree Health Care Authority	122,137,482	-	13,000,000	(52,000,000)	2,791,435	85,928,917
NM School for the Blind and Visually Impaired	4,812,602	-	-	(395,449)	90,002	4,507,155
San Juan College	-	-	2,000,000	-	30,624	2,030,624
Springer Municipal School District	25,830	-	-	-	637	26,467
<b>Total</b>	<b>\$ 268,526,810</b>	<b>\$ (6,341,983)</b>	<b>\$ 20,571,881</b>	<b>\$ (46,713,622)</b>	<b>\$ 5,319,262</b>	<b>\$ 241,362,348</b>



**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 2 of 10

Large Cap. Active Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
City of Las Cruces	\$ 7,128,829	\$ -	\$ -	\$ -	\$ 614,201	\$ 7,743,030
Los Alamos County - Cemetery	204,172	-	-	-	17,592	221,764
Los Alamos County - General Fund	4,010,491	(1,225,300)	-	-	366,046	3,151,237
Los Alamos County - Permanent Fund	6,419,831	(869,000)	-	-	478,243	6,029,074
NM Commissioner of Public Lands - Oil and Gas	3,813,083	-	-	-	328,525	4,141,608
NM Children's, Youth & Family Department Next Generation Fund	249,444	-	-	-	21,491	270,935
NM Children's, Youth & Family Department Trust Fund	249,444	-	425,000	-	24,020	698,464
NM Higher Education Department	7,784,745	(7,037,100)	-	-	64,417	812,062
NM Interstate Stream Comm. - Improvements on the Rio Grande	882,679	-	-	-	76,049	958,728
NM Interstate Stream Comm. - Irrigation Works Construction	13,485,050	(5,000,000)	-	-	668,275	9,153,325
NM Retiree Health Care Authority	56,212,876	-	3,750,000	(64,575,656)	4,612,780	-
NM School for the Blind and Visually Impaired	1,152,734	-	-	(208,789)	100,167	1,044,112
San Juan College	-	-	2,000,000	-	133,166	2,133,166
<b>Total</b>	<b>\$ 101,593,378</b>	<b>\$ (14,131,400)</b>	<b>\$ 6,175,000</b>	<b>\$ (64,784,445)</b>	<b>\$ 7,504,973</b>	<b>\$ 36,357,506</b>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 3 of 10

Large Cap. Index Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
Los Alamos County - Cemetery	\$ 208,314	\$ -	\$ -	\$ -	\$ 15,480	\$ 223,794
City of Las Cruces	3,863,114	-	-	-	287,087	4,150,201
Los Alamos County - General Fund	4,095,966	(1,242,680)	-	-	327,831	3,181,117
Los Alamos County - Permanent Fund	6,570,709	(997,000)	-	-	414,208	5,987,917
Eastern New Mexico University	5,502,149	-	-	-	408,891	5,911,040
NM Higher Education Department	8,084,359	(7,037,100)	-	-	77,826	1,125,085
NM Commissioner of Public Lands - Oil and Gas	3,640,508	-	-	-	270,544	3,911,052
NM Department of Game and Fish	339,190	-	-	-	25,206	364,396
NM Highlands University - Endowment Fund	1,663,402	-	-	-	123,615	1,787,017
NM Institute of Mining and Technology - Employee Benefit Trust	682,830	-	-	-	50,744	733,574
NM Institute of Mining and Technology - Endowment Fund	17,480,121	-	-	-	1,299,032	18,779,153
NM Institute of Mining and Technology	16,484,062	(2,455,000)	-	(5,398,954)	1,289,290	9,919,398
NM Military Institute - Capital Outlay	678,606	-	-	(41,397)	49,797	687,006
NM Military Institute - Legislative Scholarship	4,701,585	-	83,239	(285,081)	346,311	4,846,054
NM Military Institute - LFC/VC Maintenance Endowment	2,353,711	(76,000)	-	(144,147)	171,549	2,305,113
NM Military Institute - Operating	422,817	-	-	(14,553)	31,200	439,464
NM Military Institute - Patterson Account	2,043,894	(36,578)	-	(125,149)	149,181	2,031,348
NM Military Institute - Trust Scholarship	2,441,864	-	-	(149,027)	179,189	2,472,026
NM Mortgage Finance Authority	5,625,437	-	-	-	418,053	6,043,490
NM Public Regulation Commission - Patients' Comp. Fund	10,100,051	-	-	-	750,583	10,850,634
NM Public Schools Insurance Authority - Benefits	7,363,869	-	-	-	547,244	7,911,113
NM Public Schools Insurance Authority - Risk	7,191,239	-	-	-	534,415	7,725,654
NM Retiree Health Care Authority	56,308,064	-	6,250,000	19,000,000	4,326,928	85,884,992
Springer Municipal School District	46,639	(7,500)	-	-	3,452	42,591
<b>Total</b>	<b>\$ 167,892,500</b>	<b>\$ (11,851,858)</b>	<b>\$ 6,333,239</b>	<b>\$ 12,841,693</b>	<b>\$ 12,097,656</b>	<b>\$ 187,313,231</b>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 4 of 10

Small/Mid Cap. Active Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
Los Alamos County - Cemetery	\$ 178,660	\$ -	\$ -	\$ -	\$ (5,553)	\$ 173,107
Los Alamos County - General Fund	3,499,375	(952,740)	-	-	(96,381)	2,450,254
Los Alamos County - Permanent Fund	5,567,921	(771,000)	-	-	(149,094)	4,647,827
City of Las Cruces	6,902,229	-	-	-	(214,530)	6,687,699
Eastern New Mexico University	1,698,202	-	-	-	(52,782)	1,645,420
NM Department of Game and Fish	102,222	-	-	-	(3,177)	99,045
NM Higher Education Department	4,514,076	(1,750,000)	-	-	(190,120)	2,573,956
NM Highlands University - Endowment Fund	489,924	-	-	-	(15,227)	474,697
NM Institute of Mining and Technology - Employee Benefit Trust	149,534	-	-	-	(4,648)	144,886
NM Military Institute - Capital Outlay	192,412	-	-	8,390	(5,867)	194,935
NM Military Institute - Legislative Scholarship	1,333,665	-	24,096	58,102	(40,340)	1,375,522
NM Military Institute - LFC/VC Maintenance Endowment	668,047	(22,000)	-	28,325	(20,678)	653,693
NM Military Institute - Operating	119,690	-	-	8,648	(3,604)	124,734
NM Military Institute - Patterson Account	580,115	(10,588)	-	24,586	(17,928)	576,185
NM Military Institute - Trust Scholarship	694,026	-	-	28,653	(21,184)	701,496
NM Retiree Health Care Authority	45,212,762	-	3,375,000	(35,000,000)	(1,567,956)	12,019,806
NM Public Regulation Commission - Patients' Comp. Fund	2,887,106	-	-	-	(89,735)	2,797,371
NM Public Schools Insurance Authority - Benefits	1,947,659	-	-	-	(60,536)	1,887,123
NM Public Schools Insurance Authority - Risk	1,881,277	-	-	-	(58,472)	1,822,805
NM School for the Blind and Visually Impaired	1,249,650	-	-	(73,132)	(38,617)	1,137,901
San Juan College	-	-	1,500,000	-	66,593	1,566,593
Springer Municipal School District	42,592	-	-	-	(1,324)	41,268
<b>Total</b>	<b>\$ 79,911,144</b>	<b>\$ (3,506,328)</b>	<b>\$ 4,899,096</b>	<b>\$ (34,916,428)</b>	<b>\$ (2,591,160)</b>	<b>\$ 43,796,324</b>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 5 of 10

Non-U.S. Developed Markets Index Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
Eastern New Mexico University	\$ 975,848	\$ -	\$ -	\$ -	\$ (44,256)	\$ 931,592
City of Las Cruces	2,444,283	-	-	-	(110,852)	2,333,431
Los Alamos County - Cemetery	122,249	-	-	-	(5,544)	116,705
Los Alamos County - General Fund	2,373,048	(639,070)	-	-	(89,124)	1,644,854
Los Alamos County - Permanent Fund	3,856,515	(584,000)	-	-	(148,413)	3,124,102
NM Children's, Youth & Family Department Next Generation Fund	58,838	-	-	-	(2,668)	56,170
NM Children's, Youth & Family Department Trust Fund	58,838	-	100,000	-	(2,362)	156,476
NM Department of Game and Fish	50,199	-	-	-	(2,277)	47,922
NM Institute of Mining and Technology - Employee Benefit Trust	104,851	-	-	-	(4,755)	100,096
NM Higher Education Department	1,427,510	(500,000)	-	-	(79,024)	848,486
NM Highlands University - Endowment Fund	229,641	-	-	-	(10,415)	219,226
NM Military Institute - Capital Outlay	200,913	-	-	13,648	(8,905)	205,657
NM Military Institute - Legislative Scholarship	1,392,564	-	26,286	94,583	(61,322)	1,452,111
NM Military Institute - LFC/VC Maintenance Endowment	696,466	(24,000)	-	47,546	(31,228)	688,783
NM Military Institute - Operations	130,950	-	-	6,626	(5,839)	131,738
NM Military Institute - Patterson Account	604,791	(11,551)	-	41,290	(27,051)	607,479
NM Military Institute - Trust Scholarship	722,588	-	-	49,457	(32,020)	740,024
NM Public Regulation Commission - Patients' Comp. Fund	3,124,471	-	-	-	(141,699)	2,982,772
NM Public Schools Insurance Authority - Benefits	726,132	-	-	-	(32,931)	693,201
NM Public Schools Insurance Authority - Risk	714,912	-	-	-	(32,422)	682,490
NM Retiree Health Care Authority	58,521,514	-	6,000,000	(11,000,000)	(2,650,955)	50,870,559
NM School for the Blind and Visually Impaired	919,780	(500,000)	-	749,495	(50,700)	1,118,575
San Juan College	-	-	3,000,000	-	57,136	3,057,136
Springer Municipal School District	42,397	-	-	-	(1,923)	40,474
<b>Total</b>	<b>\$ 79,499,298</b>	<b>\$ (2,258,621)</b>	<b>\$ 9,126,286</b>	<b>\$ (9,997,355)</b>	<b>\$ (3,519,551)</b>	<b>\$ 72,850,057</b>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 6 of 10

Non U.S. Emerging Markets Index Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
<b>Participant:</b>						
Eastern New Mexico University	\$ 81,577	\$ -	\$ -	\$ -	\$ (4,734)	\$ 76,843
Los Alamos County - Cemetery	35,350	-	-	-	(2,053)	33,297
Los Alamos County - General Fund	699,994	(184,930)	-	-	(35,375)	479,689
Los Alamos County - Permanent Fund	1,121,511	(165,000)	-	-	(55,511)	901,000
NM Children's, Youth & Family Department Next Generation Fund	12,029	-	-	-	(698)	11,331
NM Children's, Youth & Family Department Trust Fund	12,029	-	25,000	-	(475)	36,554
NM Department of Game and Fish	22,423	-	-	-	(1,302)	21,121
NM Higher Education Department	602,285	-	-	-	(34,956)	567,329
NM Military Institute - Capital Outlay	48,865	-	-	3,744	(2,921)	49,688
NM Military Institute - Legislative Scholarship	339,026	-	6,572	25,738	(20,402)	350,933
NM Military Institute - LFC/VC Maintenance Endowment	169,513	(6,000)	-	12,974	(9,995)	166,493
NM Military Institute - Operations	34,030	-	-	(214)	(1,970)	31,846
NM Military Institute - Patterson Account	147,201	(2,888)	-	11,249	(8,759)	146,803
NM Military Institute - Trust Scholarship	176,221	-	-	13,135	(10,524)	178,832
NM Public Regulation Commission - Patients' Comp. Fund	2,361,430	-	-	-	(137,050)	2,224,380
NM Public Schools Insurance Authority - Benefits	951,617	-	-	-	(55,229)	896,388
NM Public Schools Insurance Authority - Risk	968,658	-	-	-	(56,218)	912,440
NM Retiree Health Care Authority	43,054,848	-	6,375,000	18,000,000	(2,485,558)	64,944,290
NM School for the Blind and Visually Impaired	997,578	-	-	(72,125)	(53,118)	872,335
San Juan College	-	-	1,500,000	-	(33,256)	1,466,744
Springer Municipal School District	37,614	-	-	-	(2,183)	35,431
NM Highlands University - Endowment Fund	120,671	-	-	-	(7,003)	113,668
<b>Total</b>	<b>\$ 51,994,470</b>	<b>\$ (358,818)</b>	<b>\$ 7,906,572</b>	<b>\$ 17,994,501</b>	<b>\$ (3,019,289)</b>	<b>\$ 74,517,436</b>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 7 of 10

Credit and Structured Finance Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
NM Retiree Health Care Authority	\$ -	\$ -	\$ 1,250,000	\$ 41,787,828	\$ 793,884	\$ 43,831,712
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250,000</u>	<u>\$ 41,787,828</u>	<u>\$ 793,884</u>	<u>\$ 43,831,712</u>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 8 of 10

Absolute Return Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
NM Retiree Health Care Authority	\$ -	\$ -	\$ 625,000	\$ 21,000,000	\$ (5,148)	\$ 21,619,852
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ 21,000,000</u>	<u>\$ (5,148)</u>	<u>\$ 21,619,852</u>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 9 of 10

Private Equity Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
NM Retiree Health Care Authority	\$ -	\$ -	\$ 1,250,000	\$ 41,787,828	\$ 2,514,660	\$ 45,552,488
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250,000</u>	<u>\$ 41,787,828</u>	<u>\$ 2,514,660</u>	<u>\$ 45,552,488</u>



**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXTERNAL INVESTMENT TRUST FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Exhibit 3 – Page 10 of 10

Real Estate Pool	Beginning Balance June 30, 2014	Withdrawals	Contributions	Net Transfers In (Out)	Net Investment Income	Ending Balance June 30, 2015
Participant:						
NM Retiree Health Care Authority	\$ -	\$ -	\$ 625,000	\$ 21,000,000	\$ 1,540,809	\$ 23,165,809
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ 21,000,000</u>	<u>\$ 1,540,809</u>	<u>\$ 23,165,809</u>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**JUNE 30, 2015**

Exhibit 4 – Page 1 of 3

Depository Institution	Account Name	Deposit Type	Balance per Books	Balance per Statement
<b>Admin Fund</b>				
<i>Cash and Cash Equivalents</i>				
NM State Treasurer's Office	Fund 173 - General Administrative Fund	Interest in SGFIP	\$ 15,610,211	\$ 15,610,211
	Total Admin Fund		<u>\$ 15,610,211</u>	<u>\$ 15,610,211</u>
<b>Fiduciary Funds</b>				
<i>Cash and Cash Equivalents</i>				
N.M. State Treasurer's Office	Fund 601 - Land Grant Permanent Fund	Interest in SGFIP	\$ 42,581,256	\$ 42,581,256
N.M. State Treasurer's Office	Fund 602 - Severance Tax Permanent Fund	Interest in SGFIP	710	710
JP Morgan	Land Grant Permanent Fund	Money Market	28,975,544	28,975,544
JP Morgan	Severance Tax Permanent Fund	Money Market	47,226,179	47,226,179
JP Morgan	Tobacco Settlement Permanent Fund	Money Market	19,610,994	19,610,994
JP Morgan	Water Trust Fund	Money Market	4,277,153	4,277,153
JP Morgan	Alliance Bernstein Non-U.S. Developed Mkts. Index	Money Market	961,238	961,238
JP Morgan	Alliance Bernstein Non-U.S. Emerging Mkts. Index	Money Market	682,978	682,978
JP Morgan	Blackrock Sm./Mid. Enhanced	Money Market	1,290,253	1,290,253
JP Morgan	Blackrock Emerging Mkts.Opportunity Fund	Money Market	10,226,628	10,226,628
JP Morgan	Blackrock (Core Bonds Pool)	Money Market	223,748,975	223,748,975
JP Morgan	Brown Brothers Harriman	Money Market	83,220,677	83,220,677
JP Morgan	Citi Transistion (Alt. Weighted Index)	Money Market	244,698	244,698
JP Morgan	Cortina Asset Management	Money Market	4,693,815	4,693,815
JP Morgan	Credit and Structured Finance Cash	Money Market	3,235,463	3,235,463
JP Morgan	Credit Suisse (Real Asset Pool)	Money Market	13,089,544	13,089,544
JP Morgan	Donald Smith Co.	Money Market	19,194,415	19,194,415
JP Morgan	Dupont Emerging Mkts. Equity	Money Market	129,729	129,729
JP Morgan	Fixed Income Pool (SIC Core Bond Fund)	Money Market	82,555	82,555
JP Morgan	GAM (Unconstrained)	Money Market	38,000,404	38,000,404
JP Morgan	Harvest MLP (Real Asset Pool)	Money Market	20,635,200	20,635,200
JP Morgan	Hedge Fund Pooled Cash Account	Money Market	27,997,711	27,997,711
JP Morgan	ING (Real Asset Pool)	Money Market	12,046,460	12,046,460
JP Morgan	JP Morgan Asset Management	Money Market	17,868,460	17,868,460
JP Morgan	S&P 500 Active Pool	Money Market	796,029	796,029
JP Morgan	Loomis Sayles (Core Plus Bond Fund)	Money Market	11,903,573	11,903,573
JP Morgan	Loomis Sayles Unconstrained	Money Market	8,094,611	8,094,611
JP Morgan	LSV Int'l Lrg.Cap. Value Equity	Money Market	4,387,301	4,387,301
JP Morgan	MFS Int'l Growth Equity	Money Market	2,597,410	2,597,410
JP Morgan	NT Russell 1000 Index	Money Market	405,630	405,630
JP Morgan	NT 2000 Small Mid Index	Money Market	6	6
JP Morgan	NT Russell Fundamental (Alt Weighted Index)	Money Market	5,834,788	5,834,788
JP Morgan	NT Russell Top 200	Money Market	257,797	257,797
JP Morgan	NT S&P 500 Index	Money Market	410,566	410,566
JP Morgan	NT Lrg.Cap. Index Transition	Money Market	355,494	355,494
JP Morgan	NT FTSE RAFI (Alt Weighted Index)	Money Market	609,278	609,278
JP Morgan	Non-U.S. Developed Active Mkt. Transition	Money Market	1	1
JP Morgan	Non-U.S. Devlpd. Mkt. Index (Formerly SIMMS)	Money Market	18	18
JP Morgan	Non-U.S. Emerging Active Mkt. Transition	Money Market	3,283	3,283
JP Morgan	Non-US Emerging Index Transition	Money Market	4,248	4,248
JP Morgan	Non-U.S. Emerging Active Mkt. Cash	Money Market	534,068	534,068
JP Morgan	PIMCO (Core Plus Bond Fund)	Money Market	2,346,674	2,346,674
JP Morgan	PIMCO Unconstrained Pool	Money Market	4,165,489	4,165,489
JP Morgan	National Private Equity Pool	Money Market	84,123,377	84,123,377
JP Morgan	Prudential (Core Plus Bond Fund)	Money Market	7,831,082	7,831,082
JP Morgan	Real Asset Pool	Money Market	26,731,747	26,731,747

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)**  
**JUNE 30, 2015**

Exhibit 4 – Page 2 of 3

Depository Institution	Account Name	Deposit Type	Balance per Books	Balance per Statement
<b>Fiduciary Funds</b>				
<i>Cash and Cash Equivalents, continued</i>				
JP Morgan	Real Estate Pool	Money Market	103,268,843	103,268,843
JP Morgan	Seizert Capital	Money Market	5,410,405	5,410,405
JP Morgan	Small/Mid Cap. Pool	Money Market	92,449	92,449
JP Morgan	Small/Mid Cap. Index Pool	Money Market	4,437	4,437
JP Morgan	SIC Tax Reclaims	Money Market	73,739	73,739
JP Morgan	SIC Unconstrained Pool	Money Market	1,141	1,141
JP Morgan	T. Rowe Price Int'l Core Equity	Money Market	2,685,007	2,685,007
JP Morgan	T. Rowe Price Lrg Cap. Active	Money Market	3,754,494	3,754,494
JP Morgan	Templeton Int'l Sm.Cap. Equity	Money Market	13,835,666	13,835,666
JP Morgan	Wellington Lrg. Cap. Active	Money Market	7,006,135	7,006,135
<i>Total Cash and Cash Equivalents</i>			917,545,826	917,545,826
<b>Fiduciary Funds</b>				
<i>Investments on Deposit</i>				
JP Morgan	Alliance Bernstein Non-U.S. Developed Mkts. Index	Equity	\$ 270,074,913	\$ 270,074,913
JP Morgan	Alliance Bernstein Non-U.S. Emerging Mkts. Index	Equity	646,410,973	646,410,973
JP Morgan	Blackrock Sm./Mid. Enhanced	Equity	172,695,465	172,695,465
JP Morgan	Blackrock Emerging Mkts.Opportunity Fund	Equity	476,903,632	476,903,632
JP Morgan	Blackrock (Core Bonds Pool)	Core Bonds	871,975,017	871,975,017
JP Morgan	Brown Brothers Harriman	Equity	487,601,855	487,601,855
JP Morgan	Cortina Asset Management	Equity	179,357,544	179,357,544
JP Morgan	Credit Suisse (Real Asset Pool)	Floating Rate	131,483,048	131,483,048
JP Morgan	Donald Smith Co.	Equity	100,965,201	100,965,201
JP Morgan	GAM (Unconstrained)	Fixed Income	257,998,972	257,998,972
JP Morgan	Harvest MLP (Real Asset Pool)	MLP	260,859,736	260,859,736
JP Morgan	ING (Real Asset Pool)	Floating Rate	152,966,117	152,966,117
JP Morgan	JP Morgan Asset Management	Equity	526,685,365	526,685,365
JP Morgan	Loomis Sayles (Core Plus Bond Fund)	Core Plus Bonds	599,096,300	599,096,300
JP Morgan	Loomis Sayles Unconstrained	Fixed Income	201,895,744	201,895,744
JP Morgan	LSV Int'l Lrg.Cap. Value Equity	Equity	269,289,048	269,289,048
JP Morgan	MFS Int'l Growth Equity	Equity	345,722,397	345,722,397
JP Morgan	NT Russell 1000 Index	Equity	56,815,616	56,815,616
JP Morgan	NT 2000 Small Mid Index	Equity	59,801,626	59,801,626
JP Morgan	Northern Trust S&P 500 Index	Equity	3,161,629,173	3,161,629,173
JP Morgan	NT Russell Fundamental (Alt Weighted Index)	Equity	750,427,028	750,427,028
JP Morgan	NT Russell Top 200	Equity	56,647,755	56,647,755
JP Morgan	NT FTSE RAFI (Alt Weighted Index)	Equity	272,092,690	272,092,690
JP Morgan	PIMCO (Core Plus Bond Fund)	Core Plus Bonds	1,142,186,685	1,142,186,685
JP Morgan	PIMCO Unconstrained Pool	Fixed Income	250,347,302	250,347,302
JP Morgan	Prudential (Core Plus Bond Fund)	Core Plus Bonds	577,213,316	577,213,316
JP Morgan	Seizert Capital	Equity	127,914,286	127,914,286
JP Morgan	SIC Tax Reclaims	Equity	42	42
JP Morgan	T. Rowe Price Int'l Core Equity	Equity	351,977,545	351,977,545
JP Morgan	T. Rowe Price Lrg Cap. Active	Equity	573,951,189	573,951,189
JP Morgan	Templeton Int'l Sm.Cap. Equity	Equity	284,538,323	284,538,323
JP Morgan	Wellington Lrg. Cap. Active	Equity	513,632,892	513,632,892
<i>Total Investments on Deposit</i>			14,131,156,795	14,131,156,795

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)  
JUNE 30, 2015**

Exhibit 4 – Page 3 of 3

Depository Institution	Account Name	Deposit Type	Balance per Books	Balance per Statement
<b>Fiduciary Funds</b>				
<i>Other Investments</i>				
JP Morgan	National Private Equity Pool	Private Equity	1,458,515,745	1,458,515,745
JP Morgan	Regional Private Equity	Private Equity	243,121,144	243,121,144
JP Morgan	Real Asset Pool	Real Asset Investments	692,890,805	692,890,805
JP Morgan	Real Estate Pool	Real Estate Investments	1,346,479,551	1,346,479,551
JP Morgan	Economically Targeted Investments	Government Spondered Entities	37,302,051	37,302,051
JP Morgan	Private Equity Stock Distribution	Direct Equity and Bond Investments	3,103,080	3,103,080
JP Morgan	AAM Rio Grande Fund LLC	Structured Credit	696,216,041	696,216,041
JP Morgan	Prisma Horizon Fund LLC	Structured Credit	137,808,086	137,808,086
JP Morgan	Credit & Structured Finance Pool Equity LP Interests	Structured Credit	7,721,031	7,721,031
JP Morgan	Crestline Enchantment	Hedge Investments	406,108,765	406,108,765
JP Morgan	Crestline Enchantment LLC	Hedge Investments	24,814,840	24,814,840
JP Morgan	Crestline Offshore Recovery	Hedge Investments	3,956,390	3,956,390
JP Morgan	Mariner Select LP	Hedge Investments	496,605,173	496,605,173
JP Morgan	CT Preferred LP	Hedge Investments	2,889,605	2,889,605
JP Morgan	AAM High Desert	Hedge Investments	455,888,815	455,888,815
	<i>Total Other Investments</i>		<u>6,013,421,122</u>	<u>6,013,421,122</u>
	Total Fiduciary Fund Investments		<u>20,144,577,917</u>	<u>20,144,577,917</u>
	Total Fiduciary Fund Cash and Investments		<u>\$ 21,062,123,744</u>	<u>\$ 21,062,123,744</u>

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
EXCEEDING \$60,000 (EXCLUDING GRT) - UNAUDITED  
JUNE 30, 2015**

<b>RFB#/RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address, Per the Procurement Documentation, of ALL Vendor(s) That Responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the Vendor In-State and Chose Veteran's Preference (Y or N) - For Federal Funds, Answer N/A</b>	<b>Brief Description of the Scope of Work</b>
15-337-0003	RFP	REDW	\$200,000		REDW, LLC, 7425 Jefferson St., NE, Albuquerque, NM 87109	In-State	N	Internal Auditor
15-337-0003	RFP	REDW			McGladrey, LLP, 18401 Von Karman Ave., Irvine, CA 92612	Out-of-State	N	Internal Auditor
15-337-0005	RFP	CLA	\$117,986		CliftonLarsonAllen, LLP, 500 Marquette, Ste. 800, Albuquerque, NM 87102	In-State	N	External Auditor
15-337-002	ITB	ERI	\$234,000		ERI Scientific Beta-North America, 192 Lexington Ave., Suite 1101, NY, NY 10016	Out-of-State	N	US Alternative Weighted Index (FTSI RAFI). Fees are estimated and are asset based.
15-337-002	ITB				FTSE International Limited, 1270 Avenue of The Americas, 28th Floor, NY, NY 10020	Out-of-State	N	US Alternative Weighted Index
15-337-002	ITB				MSCI, Inc., 50 Fremont St., Ste. 2430, San Francisco, CA 94105	Out-of-State	N	US Alternative Weighted Index
15-337-002	ITB	Russell	\$592,000		Russell Investments, 1301 Second Ave., Seattle, WA 98101	Out-of-State	N	US Alternative Weighted Index (Russell Fundamental). Fees are estimated and are asset based.
15-337-001	RFP	GAM	\$1,450,000		GAM, One Rockefeller Plaza, 21st Floor, New York, NY 10020	Out-of-State	N	Unconstrained fixed income investment manager. Fees are estimated and are asset based.
15-337-001	RFP	GAM			Alliance Bernstein, 1345 Avenue of the Americas, New York, NY 10105	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Blackrock, 400 Howard Street, San Francisco, CA 94105	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			BlueBay Asset Management, 77 Grosvenor Street, London UK W1K 3JR	Out-of-the-Country	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Brandywine Global Investment Management, 2929 Arch Street, 8th Floor, Philadelphia, PA 19104	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Delaware Investments, 2005 Market Street, 36th Floor Philadelphia, PA 19103	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			EARNEST Partners, 1180 Peachtree Street, Suite 2300 Atlanta, GA 30309	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Franklin Templeton One Franklin Parkway, San Mateo, CA 94403	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			GAM, One Rockefeller Plaza, 21st Floor, New York, NY 10020	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			GoldenTree Asset Management, 300 Park Avenue, 20th Floor, New York, NY 10022	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Goldman Sachs, 2121 Avenue of the Stars, Suite 2600, Los Angeles, CA 90067	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Guggenheim Partners, LLC, 100 Wilshire Boulevard, Suite 500 Santa Monica, CA 90401	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Lazard Asset Management, 30 Rockefeller Plaza, New York, NY 10112	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			LM Capital Group, 750 B Street, Suite 3010, San Diego, CA 92101	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Mackay Shields, 1345 Avenue of the Americas, New York, NY 10105	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Manulife Asset Management, 197 Clarendon Street, Boston, MA 02116	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Neuberger Berman, 505 Sansome Street, Suite 2050, San Francisco, CA 94111	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Newton Capital Management, 160 Queen Victoria Street, London UK EC4V 4LA	Out-of-the-Country	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Pareto Investment Management, 200 Park Avenue, 7th Floor, New York, NY 10166	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Payden & Rygel, 333 South Grand Avenue, Los Angeles, CA 90071	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Prudential, Two Gateway Center, 4th Floor, Newark, NJ 07102	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Putnam Investments, One Post Office Square, Boston, MA 02109	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Pyramis Global Advisors, 900 Salem Street, Smithfield, RI 02917	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Reams Asset Management, 227 Washington Street, Columbus, IN 47202	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Schroders Investment Management, 875 Third Avenue, New York, NY 10022	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Standish Mellon Asset Management, 201 Washington Street, Boston MA 02108	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Stone Harbor Investment Partners, 31 West 52nd Street, 16th Floor, New York NY 10019	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Symphony Asset Management, 555 California Street, Suite 2975, San Francisco, CA 94104	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			T Rowe Price, 100 East Pratt Street, Baltimore, MD 21202	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Thornburg Investment Management, 2300 North Ridgetop Road, Santa Fe, NM 87506	In-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Wellington Management, 280 Congress Street, 20th Floor, Boston, MA 02210	Out-of-State	N	Unconstrained fixed income investment manager
15-337-001	RFP	GAM			Western Asset Management, 385 East Colorado Boulevard, Pasadena, CA 91101	Out-of-State	N	Unconstrained fixed income investment manager

Note: Above doesn't include investments in private asset classes where the fund's management fees don't go through the budgeting process.



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**INDEPENDENT AUDITORS' REPORT 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 Susana Martinez, Chair and  
State of New Mexico Investment Council - Investment Office and  
Mr. Timothy Keller, New Mexico State Auditor

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, the general fund, each fiduciary fund, and the budgetary comparison for the general fund of the State of New Mexico Investment Council - Investment Office (the Office), a department of the State of New Mexico, as of and for the year ended June 30, 2015, 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 25, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 may exist that have not been identified.

The Honorable Susana Martinez, Chair and  
State of New Mexico Investment Council – Investment Office and  
Mr. Timothy Keller, New Mexico State Auditor

### **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 determination of financial statement amounts. 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 result 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 Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 25, 2015

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings for the year ended June 30, 2015.



**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2014-001 Personnel Files - Human Resources (Compliance and Other Matters) - Resolved**

**Condition:** During our review of 22 personnel files, we noted five which lacked completed and signed I-9 forms.

**STATE OF NEW MEXICO INVESTMENT COUNCIL - INVESTMENT OFFICE  
EXIT CONFERENCE  
JUNE 30, 2015**

An exit conference was held with the Office on November 19, 2015. 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**

Peter B. Frank, Audit Committee Chairman (by phone)  
Jim Goodwin, Audit Committee Member  
Ron Spilman, State Controller, on behalf of DFA Secretary and Audit Committee Member  
Tom Clifford (by phone)  
Leonard Lee Rawson, Audit Committee Member (by phone)  
Steven K. Moise, State Investment Officer  
Robert "Vince" Smith, Deputy State Investment Officer  
Brent H. Shipp, CFO  
Kerri Segell, Executive Assistant

**CLIFTONLARSONALLEN LLP**

Bill Petri, CPA, CGFM, Principal (by phone)  
Kimberly Clay, CPA, CGMA, Manager  
Christopher Gregory, CPA, Senior Associate

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been jointly prepared by the independent auditors and the accounting staff. The responsibility of the financial statements is the management's, as addressed in the Independent Auditors' Report.