



New Mexico State Senate

State Capitol
Santa Fe

April 30, 2009

COMMITTEES:

- Conservation
- Rules

CHAIRMAN:

• Committees' Committee

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To the Editor:

Revelations that politically connected and influential friends of the governor were paid millions of dollars for steering state investments to their clients are an alarming wake-up call for legislators to oversee better how and where state money is invested.

The New York pay-to-play scandal involving Aldus Equity Partners, L.P., has spilled over to involve the New Mexico State Investment Council. The tangled and troubling tale that has emerged is one in which politics seems to have played a role equal to that of investment fundamentals in the decisions as to how the state invests billions of dollars of trust funds. While various law enforcement and regulatory authorities investigate possible wrongdoing, the state legislature must assert itself to help restore the public's confidence in its government.

The legislature has already taken some steps to fix the mess. A law approved this year will require the disclosure of the names and fees of so-called third-party marketers, the middlemen who help their clients get millions of dollars in state investments. The third-party marketers who have become known so far are, not surprisingly, generous contributors to the governor's campaign and political action committees.

The legislature can and should do more, however. It should override the governor's veto of Senate Bill 460 that was passed nearly unanimously to expand the membership on the State Investment Council to include more people who are appointed by someone other than the governor and to set minimum professional qualifications for members. Senate Bill 460 would have increased the number of members on the State Investment Council from nine to 13 and would have increased the experience requirement of appointed council members. An independent investment council would certainly result in closer scrutiny of our investments.

The legislature should also immediately create an investment oversight committee to oversee how the staffs of the State Investment Council, Public Employees Retirement Association and Educational Retirement Board and their respective boards are conducting the business of the state in managing and protecting the state's investments. Finally, the

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legislature and the State Board of Finance should jointly commission an independent audit of the policies, procedures, practices and performance surrounding the investment of the state's trust funds.

As we consider the need for more transparency in government, we need not only to consider the action of our elected officials, but it is imperative that we continue to examine the actions of the agencies that administer our public funds.

Too much money is at stake, as well as our state's reputation. We cannot tolerate pay-to-play schemes or a hands-off approach in terms of these funds that are so critical to protecting our children's future.

Sincerely,



TIMOTHY Z. JENNINGS

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