

5:40 p.m.

[Mr. Pham in the chair]

THE CHAIRMAN: I'd like to call the meeting to order now. First, we need a motion to approve the agenda of today's meeting.

MR. DOERKSEN: So moved.

THE CHAIRMAN: Mr. Doerksen has moved that we accept the agenda as presented to us. Agreed? Anybody opposed? Thank you.

THE CHAIRMAN: Next I would like to have a motion to approve the minutes of our December 9, 1998, meeting.

MR. DOERKSEN: I'll move it.

THE CHAIRMAN: So moved by Mr. Doerksen. Agreed? Opposed? Carried.

Next I would like to introduce the Hon. Stockwell Day, Provincial Treasurer, who will give us the report on the third quarter, ended December 31, 1998. Mr. Minister, if you don't mind, you can also introduce your staff who are with you here today.

MR. DAY: My assistant Terence Kowalchuk is here; Stan Susinski, who is responsible for every dollar that comes into this fund and every dollar that doesn't. Robert Bhatia is here, Laurence Waring is here, and also my deputy, Peter Kruselnicki. So everybody is here who has some interest in this fund, and if I don't have the answers, I'm sure one of those good folks will.

THE CHAIRMAN: Mr. Treasurer, could you also please introduce the staff from the Auditor General's office.

MR. DAY: I'll let the staff introduce themselves. They're scary guys.

MR. HUG: My name is Jim Hug, and with me is Rene Boisson. We're both from the Auditor General's office.

THE CHAIRMAN: Thanks.

MR. DAY: So we are being audited as we speak.

MR. HUG: We're not quite that efficient.

MR. DAY: Well, if you recall when I was here last time, the markets were certainly experiencing volatility and on the downward side. If you looked at last year on the Canadian markets and the TSE, the index going from about 7,500 in March down to about 5,600 by September, there was some very severe and significant market fluctuation that was going on and not on the positive side. That certainly reflects some of the results as we look to the end of December.

Just touching on some of the highlights on page 11 of the quarterly report, you'll see there was decline and reasons given for that, and that's in the endowment portfolio. As you know, there's a lower allocation to bonds in that portfolio, so there's going to be some short-term decline, as we recall the purpose of the endowment portfolio being the longer term. Also, lower interest rates and the fact that the market had not really fully recovered led to some declines there. In the endowment portfolio, if you look at the benchmark for the year ending December '98, the one-year return for the benchmark was 10.7.

MR. DOERKSEN: Could I interrupt just for a moment? I'm not sure if everybody else has the same problem I have, but I didn't get a copy of the heritage report. I just got the third-quarter update, and there's nothing on the heritage fund in there that I can see.

THE CHAIRMAN: I think it's the third quarter.

MR. DAY: It should be there.

MR. SUSINSKI: It should be on page 2.

MR. DOERKSEN: My page 2 has revenue.

MR. BHATIA: What you appear to have is the general third-quarter update on the budget as opposed to the heritage fund report.

MR. DOERKSEN: Right.

MR. DAY: Does everybody not have this?

MR. STEVENS: That's why we're going to hang on every word.

MR. DOERKSEN: That's not it. That's the GRF. This is what you want. Have you got any more of these?

MRS. SHUMYLA: I would have to run and get some.

MS CARLSON: I'll share Victor's.

MR. DAY: We've got a couple extra here.

When you look at the benchmark of 10.7 in the endowment portfolio coming through the actual realization of 10.0, there's a number of issues still being dealt with on a transitional side, the portfolio being weighted higher in cash and, as you know, a shorter duration on the bonds and some of the real estate not coming in or the level there not quite established as where it should be. What is interesting on a relative basis: comparisons were done with other fund managers and SEI, which is a firm that does that type of measurement to see how individual funds do against other funds. The average fund manager was at 8 percent in 1998, and the endowment portfolio returned 10. So on a median basis it was performing above what the average management performance was but still slightly lower than the actual benchmark.

The transition portfolio did somewhat better and outperformed its benchmark for the calendar year. The one-year return there for the transition portfolio was 7.2, and of course you're aware that our benchmark there is that it must continue to outperform or come in higher than the Canadian dollar debt portfolio. Our Canadian dollar debt portfolio was 6.9 percent, and performance on the transition portfolio was 7.2.

The markets now are responding and returning to a better performance, and that is having a positive effect on the endowment portfolio. Just doing a preliminary analysis, the portfolio is appearing to return about 2.0 percent, 2 percent in the fourth quarter versus the benchmark of 1.5 percent. You can see the response already coming back as the markets return there. So I think on a one-year basis it's going to come out about even with the actual benchmark.

In terms of the business plan itself, at least as at the end of March, we're now at the new long-term investment policy mix which we'd indicated last year we would aim towards. The policy allocation to equity is 60 percent. Thirty percent of the portfolio is foreign equity, 25 percent of that allocated to Canadian equity and 5 percent to real estate. So I would say that at least by the end of March we were

within a couple of percent of the foreign allocation, maybe just slightly over on the Canadian equity side and still slightly under on the real estate policy rate.

Overall I think that would be the highlights of the third quarter. I'm not having any sense of alarm myself as we move towards culminating the fourth-quarter report, seeing that we're fairly well on track there. I'll leave any questions to the committee.

THE CHAIRMAN: Yes, Debby.

MS CARLSON: Thank you. We have a number of questions that given the time we have here this evening and the busy agenda we have, we'll submit in writing. If we have any concerns about the answers, then perhaps postpone the date on them until the next meeting. Would that be acceptable?

MR. DAY: That's suitable to me, Mr. Chairman, if that works. That way I can get you the specific information, get it to you before the meeting, and then if you're not satisfied with it, at that meeting you can let that be known. Even before then, if you still think any information I get to you is lacking or missing a point, you can request. So by the next meeting you can say you're either satisfied with the information or you're not.

MS CARLSON: Okay. That's good for us. Then I would ask that we have more time allocated for the next meeting, because I would anticipate we'll have at least an hour of questions and answers from our side alone.

THE CHAIRMAN: The next meeting I believe will be held when we are outside of session.

MS CARLSON: Okay.

THE CHAIRMAN: We scheduled nearly two-hour meetings in the past, and hopefully that will be enough.

MS CARLSON: Okay.

THE CHAIRMAN: You can send all those questions to the Treasurer and CC me on that so I can make sure other members of the committee have a copy of your questions as well.

MS CARLSON: Sure.

THE CHAIRMAN: The same thing with you, Mr. Treasurer.

MR. DAY: That's fine.

THE CHAIRMAN: You'll provide the answers and forward copies to me so I can make sure other members have them.

MR. DAY: I can do that, and I'll allocate extra time in my own schedule for the next meeting in anticipation of that.

MS CARLSON: Excellent. Whatever everybody else needs, but we would like at least an hour. Okay. Thanks.

MR. DOERKSEN: I wonder if you could tell us what the view of the people that are doing the investment for us is or how much exposure we have on the Internet stocks, the high-technology stocks.

5:50

MR. SUSINSKI: That would be mainly on our U.S. side. Laurence, I'll defer to you.

MR. WARING: One of our managers has a very strong growth focus as his assigned role, and the way they've been playing the Internet or working off the Internet is not to pick Internet companies per se but companies that focus on the throughput of information on the Internet. For example, one company they looked at that they hold is called Lucent Technologies, which builds the technology for servers that talk to one another. So the idea is you focus in on the cable; the cable has got to get bigger. Don't worry too much about what's going on the cable. That's really the way we've been playing it, and quite successfully.

MR. DOERKSEN: Okay. On another different issue, Mr. Chairman, if I could. I'd be happy to have this answer back in writing if you don't want to deal with it today, because it doesn't deal directly with the third-quarter report. I'd be interested to know what the change will be for the transition in the downward portfolios because of the change introduced in Bill 1.

MR. DAY: You're talking about relating to inflation-proofing?

MR. DOERKSEN: Yes.

MR. SUSINSKI: There won't be any change of significance.

MR. DAY: I don't think there will be anything significant.

MR. SUSINSKI: Nothing on the investment policy.

MR. DOERKSEN: No, but more than the investment policy. What about the transfers back and forth from the portfolio to the GRF? Is there any change to that?

MR. DAY: No. The interest income will still flow the same way. We'll know by our third quarter of budget '99-2000 what, if anything, may be required on the inflation side, but the transfers will continue in the same manner.

THE CHAIRMAN: Thank you.

Seeing no further questions, because I asked if other members can submit written questions to the Treasurer, I need a motion to receive the third-quarter investment report as presented to us.

MR. HIERATH: I'll so move.

THE CHAIRMAN: Thank you, Mr. Hierath. Agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Any opposed? Thank you.

MR. DAY: Thanks, Mr. Chairman. I'll look forward to your good questions.

THE CHAIRMAN: The next item on the agenda. I believe every member of the committee has a draft report of the Standing Committee on the Alberta Heritage Savings Trust Fund, which we could present to the Legislature once it is approved by this committee. It is much the same as the report we did last year. I will open the floor now for any questions members of the committee may have. If not, I need a motion to approve this report as presented.

Moved by Mr. Shariff that the report of the Standing Committee on the Alberta Heritage Savings Trust Fund is approved as presented to us. Agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Any opposed? Thank you.

The next item on our agenda is dealing with the future of public meeting strategies. I have circulated a copy of the proposal put forward to our committee by Treasury communications at the last meeting, and since then I have had informal discussions with almost every member of the committee except Ms Debby Carlson because she was not in the House earlier today. After that I think the next step I am going to do is have a discussion with the Provincial Treasurer too, because it may have some impact on the legislation of the Heritage Savings Trust Fund Act. That is under his jurisdiction. Therefore, I would like to make a motion to defer dealing with this item until the next meeting so I can have a chance to sit down with the Provincial Treasurer and discuss the ramifications of what we want to do and how it would impact the legislation and how it would affect his department.

MS CARLSON: Could you give me an idea of what you're talking about first?

THE CHAIRMAN: Okay. Over the past two years we have had many public meetings across the province informing the public of how the Alberta heritage savings trust fund is doing. We have found out that attendance at these meetings was not very good. You know, we spend quite a bit of money and resources and time on organizing these meetings. Last December the communications people at Alberta Treasury put forward a recommendation to us, basically to look at different ways of doing this thing; for example, piggy-backing our public meetings at public meetings other organizations might have, like the chambers of commerce.

After that, this same discussion paper was sent to Parliamentary Counsel to ask for his legal advice. His advice came back as I expected: that it is fine for us to do all those things; however, those things do not replace the public meetings we have to have according to the act that is governing what we are doing. Therefore we still have to hold public meetings even if we do everything that is suggested in here.

Because of that, I have had discussions with other members on looking at how to keep Albertans well informed about the heritage savings trust fund and, at the same time, minimize the costs and then still meet the legal requirements of the Heritage Savings Trust Fund Act which we have in our abilities here. Many members have indicated to me that, you know, we may have to change the act in some form to make sure we are not bound to public meetings per se but that there are other ways of communicating information to Albertans. Therefore I have a lot of very good feelings about what committee members want to do in improving the communication line between our committee and Albertans.

I will take those ideas and discuss them with the Treasurer to find a common ground I can bring back to the table at the next meeting. We will have a full discussion at that time. Okay?

Yes, Mr. Shariff.

MR. SHARIFF: I'll move that.

THE CHAIRMAN: Thank you. So that item will be deferred and put on the next meeting.

Yes, Mr. Doerksen.

MR. DOERKSEN: Mr. Chairman, I would hope that at that time you would also present an analysis of what the cost items would be for the various proposals.

THE CHAIRMAN: Yes. Thank you. I have those things ready.

MR. DOERKSEN: Okay. That's good. Just so they're at the table and we can discuss them.

MS CARLSON: Just for purposes of the record now, were there any committee members who had any concerns with moving forward in this regard?

THE CHAIRMAN: We can certainly have a debate at that time. Up to now, no.

MS CARLSON: Up to now, no. Okay.

THE CHAIRMAN: Up to now everybody seemed to approve it.

MS CARLSON: Okay.

THE CHAIRMAN: In the past, up to now, since I have been the chairman of this committee, every decision we have made at the committee table has been unanimously approved by all members. I intend to keep that co-operation going. So if you have any concerns at all, you know, please get in touch with me right away.

MS CARLSON: Right. We supported the spirit of this discussion in December and certainly support you moving forward with that, and I look forward to the debate.

THE CHAIRMAN: Seeing nobody is opposed to deferring that until the next meeting, that's what we're going to do then. Is there any added business that people see?

Moving right along to item 8, the date of the next meeting, Diane has advised me that Alberta Treasury is looking at the first week of June to set the next meeting for this committee. At that time we will review the annual report of the Heritage Savings Trust Fund Committee. Okay?

6:00

MS CARLSON: Just on that again, could we budget for a little more than the two hours? I think we've got some significant review to do there. There'll be some debate on the communications, and I wouldn't want to feel rushed on that one.

THE CHAIRMAN: We would try to schedule a three-hour meeting then?

MS CARLSON: Yeah. Three should do it, I'm sure.

THE CHAIRMAN: The Provincial Treasurer may only need to be there for the first two hours.

MR. SHARIFF: What date in the first week of June did you agree on?

THE CHAIRMAN: We haven't set a date yet, but I just want to let you know it will be sometime in the first week of June.

Thank you very much. That is the last item on our agenda. I need a motion now to adjourn. Mr. Bonner. Thank you. Agreed? Anybody opposed?

MR. BONNER: We're out of here.

THE CHAIRMAN: Thank you.

[The committee adjourned at 6:01 p.m.]

