



Legislative Assembly of Alberta

The 27th Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Monday, June 9, 2008
8:33 a.m.

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**Legislative Assembly of Alberta
The 27th Legislature
First Session**

**Standing Committee on the
Alberta Heritage Savings Trust Fund**

Forsyth, Heather, Calgary-Fish Creek (PC), Chair
Elniski, Doug, Edmonton-Calder (PC), Deputy Chair

Blakeman, Laurie, Edmonton-Centre (L)
DeLong, Alana, Calgary-Bow (PC)
Denis, Jonathan, Calgary-Egmont (PC)
Johnston, Art, Calgary-Hays (PC)
Kang, Darshan S., Calgary-McCall (L)
Notley, Rachel, Edmonton-Strathcona (NDP)
Olson, Verlyn, QC, Wetaskiwin-Camrose (PC)

Department of Finance and Enterprise Participants

Iris Evans	Minister
Robert Bhatia	Deputy Minister
Lowell Epp	Executive Director, Capital Markets, Treasury Management
Sandie Hay	Manager, Endowments and Pool Accounting
Kari-ann Kuperis	Public Affairs Officer, Communications
Rod Matheson	Assistant Deputy Minister, Treasury and Risk Management
Dave Pappas	Senior Manager, Investment Accounting and Reporting

Alberta Investment Management Corporation Participants

Jai Parihar	Chief Investment Officer
Douglas Stratton	Director, Fund Management

Auditor General's Office Participant

Betty LaFave	Principal
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Liz Sim	Managing Editor of <i>Alberta Hansard</i>

8:33 a.m.

Monday, June 9, 2008

[Mrs. Forsyth in the chair]

The Chair: We have a very tight timeline on what we want to accomplish in the next couple of hours, so I'd like to call the meeting to order. Welcome, everyone, to the first meeting with the new committee members. My name is Heather Forsyth, and I'm the MLA for Calgary-Fish Creek. What I'd like to do, if I can, is go around the table and have everyone introduce themselves. I'm going to start with my vice-chair.

Mr. Elniski: Thank you. Doug Elniski, MLA, Edmonton-Calder.

Mr. Johnston: Good morning, Art Johnston, Calgary-Hays.

Ms Notley: Rachel Notley, Edmonton-Strathcona.

Mr. Kang: Darshan Kang, Calgary-McCall. Good morning, everyone.

Ms Blakeman: Good morning. I'm Laurie Blakeman, and I'd like to welcome each and every one of you to my fabulous constituency of Edmonton-Centre.

Ms LaFave: Betty LaFave, from the Auditor General of Alberta.

Mr. Pappas: Dave Pappas, Finance and Enterprise.

Ms Hay: Sandie Hay, Finance and Enterprise.

Mr. Stratton: Doug Stratton, Alberta Investment Management Corporation.

Mr. Matheson: Rod Matheson, Finance and Enterprise.

Ms Evans: Iris Evans, Minister of Finance and Enterprise.

Mr. Bhatia: Robert Bhatia, Deputy Minister of Finance and Enterprise.

Mr. Parihar: Jai Parihar, Alberta Investment Management Corporation.

Mr. Epp: Lowell Epp, Finance and Enterprise.

Ms Kuperis: Kari-ann Kuperis, Finance and Enterprise.

Ms Sales: Tracey Sales, communication services with the Legislative Assembly Office.

Dr. Massolin: Good morning. I'm Philip Massolin, and I'm the committee research co-ordinator, Legislative Assembly Office.

Ms Dean: Shannon Dean, Senior Parliamentary Counsel.

Mr. Denis: Jonathan Denis, Calgary-Egmont.

Mr. Olson: Good morning. Verlyn Olson, Wetaskiwin-Camrose.

Ms Rempel: Jody Rempel, committee clerk with the Legislative Assembly Office.

The Chair: Just a few housekeeping items. I don't think I have to do this, but there are some new people, so I will. You don't have to touch the microphones because *Hansard* does that automatically. A reminder to make sure your BlackBerrys are off so that we don't get any interference with the microphones. Again, I want to remind everybody that we have a lot of work to accomplish in the next two hours, so if you could please keep conversation and questions short.

Moving on to number 2, approval of the agenda. If I could have someone move approval of the agenda for the Monday, June 9, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund. Verlyn. A seconder? Jonathan. Thank you.

We're moving on to a brief orientation, and I'm going to explain to you the mandate. The mandate is found in the Alberta Heritage Savings Trust Fund Act, a copy of which is available on the committee's internal website. A brief summary of the mandate was also covered in the May 29 memo that I sent to the committee members. As noted, the committee's primary functions are to review the annual business plan, quarterly and annual reports, and the overall performance of the fund and to hold annual public meetings.

A copy of the committee budget has been handed to all committee members. The budget has already been approved by the Members' Services Committee; therefore, the document that you have before you is for information only.

The committee support that we have. Jody Rempel is the committee clerk assigned to the committee, and she provides administrative and procedural assistance and drafts the committee's annual report. She is the primary contact for committee business, so please direct any questions about the committee activities to Jody. Tracey, communications consultant with the Clerk's office, provides communication expertise to the committee and also works closely with the communication staff from the department of finance. Shannon, we all know, is the Senior Parliamentary Counsel from the Legislative Assembly Office, and she may be called upon by the committee should issues arise which require her legal expertise. Philip, committee research co-ordinator, and his staff are available to provide research services to the committee, if required. The committee also relies on the technical expertise of Alberta Finance and Enterprise, who administer the fund and complete the various plans and reports which the committee must review. The Auditor General attends committee meetings in his capacity as auditor of the fund.

General meeting procedures. Meetings are held at the call of the chair, and generally Jody will contact members to determine their availability for a number of dates. Meeting notices are circulated to members once a meeting date and time are set, and briefing materials are posted on the committee's internal website approximately one week prior to the meeting. The Alberta Heritage Savings Trust Fund Act indicates that

the Standing Committee shall furnish copies of the report to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly within 2 months after the conclusion of the quarter for which the quarterly report was prepared and on doing so shall make the report public.

Therefore, the schedule of the committee meetings tends to follow the annual reporting cycle of the fund.

During meetings the chair keeps track of members wishing to ask questions, and every effort is made to ensure that all members have an equal opportunity to participate in discussions and ask questions. Questions which require detailed responses may be read into the record, and a written response will be provided. Meetings are all recorded by *Hansard*. The transcripts are posted online, and the audio is streamed over the Internet.

I'd like to thank members for their accommodation of today's very

full agenda, recognizing that certain issues require immediate review by the committee in order to meet requirements of the Alberta heritage savings trust fund.

At this point I'm going to turn the floor over to Mr. Jai Parihar, chief investment officer with the Alberta Investment Management Corporation, for a few comments on the corporation and its role with regard to the fund.

Mr. Parihar: Thank you, Madam Chairman. Let me distribute the presentation if you have that. What I will talk about is the creation of AIMCo, which stands for Alberta Investment Management Corporation, the responsibilities of AIMCo, the clients of AIMCo, and how AIMCo is governed.

AIMCo was established by an act of the Legislature, and it came into being on January 1, 2008. It's a provincial Crown corporation. Previously the operations of AIMCo were housed in the Department of Finance and Enterprise. Those investment operations were moved from the department into the corporation on January 1, 2008.

8:40

AIMCo is responsible for managing investments for entities designated by the Minister of Finance and Enterprise, so they are usually public-sector entities like the public-sector pension plans, the government endowment funds, and some other entities like the Workers' Compensation Board and the universities pension plan. For the heritage fund and other endowment funds the department is responsible for investment policy, the broad investment policy. The pension boards are responsible for the investment policy of the pension funds under their leadership there. AIMCo is responsible for implementing the investment policies. In the case of the heritage fund it's the department's investment policy. In the case of public-sector pension plans it's the pension plan board's investment policy, which AIMCo then implements.

AIMCo has under its administration about \$75 billion in assets. AIMCo is the fifth-largest investment manager in Canada. Of the approximately \$75 billion amount, the government funds account for \$45 billion. They include the heritage endowment fund, medical research endowment fund, science and engineering endowment fund, the scholarship fund, and other government funds like the sustainability fund, the capital fund, and so on.

Pension funds account for \$27.3 billion. These are the funds like the local authorities pension plan, public-sector pension plan, management employees pension plan, universities academic pension plan, and the special forces pension plan. There is \$2.8 billion in other funds, the largest of which is the Workers' Compensation Board. We do not manage all of their assets; we manage part of their assets.

On page 7 there is a split of assets under management and the various entities which I just described in a pie chart form. You can see that the portfolio of government is 33.1 per cent, pension fund is 35.9 per cent, and heritage fund is 22 per cent of the total pie.

On page 8 there is a split of assets by asset type, the largest of which is fixed income, about 55 per cent; foreign equities, 19.8 per cent; Canadian equities, about 11 per cent; and then real estate, about 7 per cent.

On the very last page is the governance of AIMCo. The AIMCo board of directors reports to the minister. The board is appointed by the minister. The current chairman is Charlie Baillie. He is the former CEO of the TD bank. The board recently hired its new chief executive officer, Leo DeBever. He will join us in the middle of August. Reporting to Leo will be the people who you see on page 9. Starting from the left-hand side is Jai Parihar, myself. I'm responsible for investing money, the so-called front office of the

department. I have about 60 employees right now. The total employees in the corporation is 144 and is expected to grow to 188 by the end of the year.

We have some other key people here. Risk management is very important for us, so we have refocused the attention of some of our staff into risk management. The director for it is John Osborne. Then we have a group responsible for advising clients on investment policy and reporting to the clients: Doug Stratton, who is sitting across from me. Doug, can you raise your hand so that everybody can see you? Then we have a segregation of responsibility. The front office is responsible for investment management, and the back office is responsible for investment administration and settlement. They give instructions to the bank, and without their instructions the bank would not move the money, so there is a segregation of responsibility. We have a chief operating officer, Jay Kembhavi. We have legal counsel, Don Svitich. We have a head of human resources joining us in a couple of weeks, Lorne Anderson. Then we also have a chief compliance officer, Chris Mochulski.

Madam Chairman, that's all I have to say. I'll be happy to answer any questions.

The Chair: Welcome, Alana. Thank you for coming.

Do we have any questions?

Mr. Olson: I'm just curious to know why the WCB funds are split and you don't manage all of them.

Mr. Parihar: I'll be happy to answer that question. Their mandate is to manage money themselves. They are free to choose their investment manager. They have chosen to invest about \$2.9 billion with Alberta Investment Management. They manage the rest of it themselves internally, or they hire external managers.

The Chair: Okay.

We have Doug next, and then Art.

Mr. Elniski: Thank you. Just a quick question on your asset classes with regard to real estate: what kind of real estate are you investing in?

Mr. Parihar: We invest in a broad spectrum of real estate, starting from residential apartments to office building, industrial buildings, and shopping centres.

Mr. Elniski: Okay. Are you in that as a first mortgage holder, second mortgage holder, or are you actually the equity?

Mr. Parihar: We actually invest in equity.

Mr. Elniski: Okay. Thank you.

The Chair: Art, and then Darshan.

Mr. Johnston: Thank you, Chair. My question is on the anticipated growth. You said that we expect to get I think it was approximately 41 more people this year. Would they be going to the fund management group, or what's the reason for that growth?

Mr. Parihar: It's a split between the front and back office. For the last fiscal year we had a pool of 155. So we have some vacancies. There are 34 new people, and some of those new people would be there for the corporate function, which we did not have before. Before January 1, 2008, some of the services were provided by the

department, like human resources, financial services. The space was provided by Alberta Infrastructure. The communications was provided by the department. So there will be some positions to provide the corporate services for the corporation.

Mr. Johnston: Thank you.

The Chair: Darshan.

Mr. Kang: Sure. My question is on this \$2.8 billion on the Workers' Compensation Board and long-term disability. Is there a breakdown of that \$2.8 billion, or is everything just lumped together?

Mr. Parihar: I don't have it with me right now, but we can provide that information to you.

The Chair: I don't see any other questions, so I'm going to move on.

Two quarterly updates were posted on the committee's internal website for today's meeting. I'm going to turn it over to the hon. minister and her staff to address these two reports, and then we'll open up the floor for questions.

Madam Minister.

Ms Evans: Thank you very much. I appreciate that you have had an orientation, and rather than recap the history of the fund, which began in 1976 and which over a period of time wasn't amended until 1995-96 – there was a study of what the fund was doing, how it had achieved its objectives. Then it was dealt with in a way that continued the fund under the structure of the prudent person investment rule, to get the greatest financial returns at a prudent level of risk for Albertans now and in the future. In 2005 the government passed the Access to the Future Act, which established the advanced education endowment within the heritage fund.

I'm going to touch on the third-quarter report right now. Perhaps, if you will, I could give that remark, and then I would like to come back and introduce some of the others. That might be the best way of doing it.

8:50

Both the second- and the third-quarter reports – and I'll focus my attention predominantly on the third quarter because I think you can take a look back on this year, and there are two reasons why throughout the year you saw some diminished expectations, not only here but globally, and it related to the devaluation of the equities, predominantly the American, the U.S. equities, and the differences in our exchange rate with the Canadian dollar. When I talk about that, I'll look at the fact that at the end of the third quarter the fair value of the heritage fund was about \$16.6 billion, roughly the same place it had been at the beginning of the year. The offset by net transfers to the GRF, the general revenue fund, totalling \$180 million, resulted in a net \$13 million decrease in the fund's fair value, which was about a 0.7 per cent reduction.

If you look at the fund's annual performance, it ended the year with a decrease in market value of \$97 million, just under 1 per cent, or, like I've said, at .7 per cent. Every year we expect this fund to get a real rate of return of about 4.5 per cent, and we look in a five-year window to see what it's achieving. The fund has achieved about 11.1 per cent over a five-year period. You have to look through the longer lens of the five-year period to recognize that the value of the fund has been appreciating, albeit in the second and third quarters there was some diminished real rate of return.

On a cost basis the fund earned realized income, including sold assets, interest, rental income, or dividends, of about \$824 million this year compared to the original budget of \$1.6 billion. I'm beginning to get into the total of this year. The second quarter and third quarter indicated where we were going, that there was a softening of the market in those two areas.

If you'd like to receive that information on the second and third quarters, Madam Chairman, then I could proceed and talk about our annual report and then the business plan at your discretion, but I don't think there are any surprises here for anybody on this committee that there was a change related principally to those two areas.

The Chair: Okay, Minister. I'm new at this also, so my understanding is that we have to deal with the second quarter, have a motion that we've received the second quarter, have a motion that we've received the third quarter, and then we can move on to item 5, which in my understanding you want to go to, right?

Ms Evans: Yes.

The Chair: I would like to see first of all if there are any questions on your quarterly updates on the second and the third. Am I correct, Jody?

Ms Rempel: Yes.

The Chair: Do we have any questions on second or third quarters from the committee? Seeing none, then I would like to get a motion, if I may, first of all, moved by someone on the second quarter, please, that

the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2007-08 second-quarter report on the Alberta heritage savings trust fund as presented.

That's been moved by Ms DeLong. May I have approval of that motion, please? Thank you.

Now the third one. Moved by Art that

the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2007-08 third-quarter report on the Alberta heritage savings trust fund as presented.

May I have approval? Thank you.

If you would like the draft 2008 annual report as posted on the Internet website, members are reminded that this draft report is confidential, and once approved by the committee, final reports will be printed and distributed to their colleagues. We have to have the annual report approved and distributed to members by the 30th of June.

Madam Minister, the floor is yours now.

Ms Evans: Thank you very much. Just before I begin, having joined us is Ashley Croden, my executive assistant, and also Troy Holinski, who is new to my office, who is policy adviser.

Madam Chair, as a new person I don't want to needlessly take time giving you amendments to what is already in front of you, but I think it would be useful, and however you distribute documents, I'm going to ask to provide you a couple of amendments, and then I will later provide you a letter relative to the proposed business plans. Perhaps if I could distribute these.

In the first instance, the first paragraph is a change in the annual report. So consider what is in front of you as, in my view, pending your approval, a fait accompli, but let me draw your attention to something that has been touched on both by Jai and in documents you've received thus far. Thus far the government, through AIMCo, within Finance and Enterprise, was the exclusive management group that managed the policy advice that was distributed to government

for AIMCo and for Alberta's investments. When you look at the page that is my report on the Alberta Heritage Savings Trust Fund, if you look down to the paragraphs that deal with: "A number of new initiatives occurred in 2007-08. On January 1, 2008, the investment operations of the Department . . . were transferred to [AIMCo]." Then it says, "The new corporation provides the day to day investment services for investments totalling" – in today's terms – "about \$76 billion, including the Heritage Fund, other government funds and various pension plans."

Jai was right about the way things used to be, that the department retains responsibility for managing and setting the fund's investment, but the minister can never be absolved from the responsibility of doing that job and as such, with AIMCo as a separate corporation, must, I believe is duty bound to, not only receive information directly from AIMCo but from the department.

This government deserves and reserves the right to manage investment policy. So in the very first instance you see the first paragraph here, tab 3, page 5, attachment A, my proposed amendment.

The Minister retains responsibility for setting government policy relative to investment and will provide policy advice following discussions and recommendations from both AIMCo and the Department. It is understood that the minister will report investment and accounting policies to government as required.

I intend, because our government has just undergone a comprehensive review of the asset mix, to deal with that and report back to this body.

Madam Chair, I have a letter in that regard for you later, but I want to differentiate for this group an important distinction here, and that is that the department will not be filtering the information from AIMCo as it has in the past. In fact, AIMCo will provide that advice, the department will provide that advice – presumably the both of them will be coincidental – and where there is a significant departure, then this minister will be responsible for taking it through due process to make sure that we're responsible and responsive as a government.

One of the areas, of course, which you know that we have taken to discern what the investment strategies would be would be around the cancer fund, where we have said – and I know the hon. Member for Edmonton-Centre is most interested in this – that the \$500 million that has been in that cancer fund would not have any investments related to tobacco interests in the mix of that fund. I provide that for you as an amendment to this annual report that I'm proposing contiguous with what I hope you will entertain.

Let's look back at how I would report on the annual report. As I've stated, most of the decline in income came from U.S. and non-North American equities. Our hon. vice-chair asked about the mix on real estate. If you look at Alberta real estate in the schedules, you'll see that Alberta real estate did remarkably well, almost double its valuation. That's no surprise to Albertans. Also, we were negatively impacted by the stronger Canadian dollar. Playing a part as well is the softening in world equity markets due to the liquidity and the credit crisis caused by the slump in U.S. housing prices and credit concerns with subprime mortgage.

Overall the government transferred \$918 million to the fund, and a further \$466 million in realized income was retained for inflation-proofing purposes. However, this is offset by a decline in unrealized capital gains of \$921 million. Overall, the fair market value increased by \$463 million to \$17 billion as of March 31, 2008.

9:00

I think there are a number of reasons for the fund's poor performance, and I think it's really quite clear. The strong Canadian dollar had an impact when the investments occurred and other currencies

were converted, so it didn't sound bad until you converted from U.S. to Canadian funds. More than 40 per cent of the heritage fund is invested in non Canadian dollar denominated assets. The Standard & Poor's 1,500 index decreased by 5.4 per cent in U.S. dollars, but in converting that to Canadian dollars, the decline was 15.7 per cent, so that's a significant difference.

Market performance outside North America is measured by the Morgan Stanley capital international Europe, Australasia, and Far East index. During the last fiscal year the index fell by 2.1 per cent, again no surprise. Converted to Canadian dollars, it translated to a decrease of over 13 per cent at 13.2 per cent. The current volatility in some markets also demonstrates the importance of a balanced portfolio, and I think that AIMCo has in the past and will, I expect, in the future do a remarkable job of exploring the science of what markets and trends are expected to be.

For instance, declines in the U.S. and non North American markets have been offset by the gains in real estate – no surprise here – from timberlands and other asset classes. The key to the fund achieving long-term sustainable performance is due to maintaining a prudent, diversified portfolio, having a long-term focus – I spoke to you about five years as opposed to a small snapshot – and practising investment discipline.

For Budget 2008, released April 22, debated in the House, we took a look at the heritage fund prior to the annual report being released, so this is our opportunity today. For 2008-09 we're estimating a market value return of 8 per cent and a realized investment income of \$774 million. Frankly, today with world energy prices one would have to be a little bit more optimistic until you look back and look at the history. Sometimes we have significant slumps, so there's no sure thing on energy pricing. Inflation-proofing, as you were told already in the budget process, is \$279 million for 2008-09, for a total of \$953 million in the next three fiscal years. Now, obviously, in the past we have taken unexpected surplus dollars and added that to our investments. With the last year one-third of any year-end or in-year surplus will be allocated to savings, and that's by policy.

Now, Madam Chair, I could go further and talk about the business plan, but let's just leave it at this portion dealing with the annual report for 2007-08. We can answer any questions about it. There is a section on page 36 about fund governance that I think is important. I think you can look to the future, to our work with AIMCo, making sure that we have received performance targets and that we are consultative in the achievement of the performance targets. We're pleased to see Betty LaFave here from the Auditor General's office. Obviously, she manages the audit on behalf of the Auditor General's office, and the Auditor's report is included in this section along with the annual report.

If you have any questions, I'm sure that the staff accompanying me can help me answer those. I'll do my best, and then later on we can move to the second section of my memo, relative to the new business plan.

The Chair: Thank you, Madam Minister. We have questions, so I think what we'll do at this point in time is stay on the annual report, get approval of it with the amendments if approved by this committee, and then go on to the business plan.

Ms DeLong.

Ms DeLong: Thank you. Regarding the asset-backed commercial paper I know that the Alberta Treasury Branch had to actually take a writedown on their holdings. Is there any expected decrease in value coming forward in terms of asset-backed commercial paper?

Ms Evans: If I may, the asset-backed commercial paper, as you

know, was such a huge issue. Purdy Crawford's committee went across Canada and ensured that individual investors were protected. The heritage fund did have a relatively small amount invested in the asset-backed commercial paper. If the paper is held for a period of six to nine years, there will be a recuperation on that.

Sandie wants to comment on the amount held in the heritage fund. Sandie, please.

Ms Hay: Okay. Yes. The Alberta heritage savings trust fund did take approximately \$121 million in writedowns throughout the fiscal year. As it stands at the end of March, in what is referred to as non bank sponsored asset-backed commercial paper, the heritage fund only owns about \$29 million in fair value. When you compare it to the fund's fair value of \$17 billion, we're talking about .15 per cent of the fund's fair value.

Now, we've been monitoring the value of this asset-backed commercial paper, and things are stabilizing. There are some things going on in the market that are dealing with supporting these papers. We will be continuing to monitor them, but the total amount owned by the heritage fund is very small relative to the total value of the fund.

Ms Evans: Excuse me. I'd like one further clarification because I think this is important. The paper will ultimately mature and be convertible, so there's not a net loss over the extended period of time. Is that correct?

Mr. Pappas: That's generally correct, yes.

Ms Evans: Okay.

Ms DeLong: Thanks.

Ms Blakeman: Madam Chair, I need your advice. I have four questions. I'm happy to put all four on the record, but if there are others waiting, I'm happy to go back to the bottom of the list and wait each time.

The Chair: Right now, Laurie, I don't have anybody else on the list, so until I see another name, go ahead, please.

Ms Blakeman: All right. Thank you. We did lose money on the U.S. investments. Is there consideration to changing the direction or the policy over the next short while to move away from some of that?

Ms Evans: Yes. Madam Chairman, if you look in the business plan for the future and look at the asset mix, I find that, astonishingly enough, by practice we have put into the business plan, on page 321 of the business plan, a current policy allocation and benchmarks. Our department has conducted a comprehensive plan review of this. I think that we are prepared – and I have stated it in a letter – to come back to you and recommend a change in this from what used to be, so there will be changes on that asset mix.

It may well be that in future one of the options would be to look at defining risk tolerance and policy generally but not tabling an actual table as part of the business plan, so it wouldn't necessitate frequent return here. But there has to be the discretion within the fund management to manage that, and I'm tabling a letter to that regard. I'm delighted to come back and report when we've got an amended table for you. Absolutely, Laurie, that's an excellent question, and we will be coming back with that table change. Asking about the future: the future will redefine that.

Ms Blakeman: Yeah, and I think that defining it by acceptance of risk is a good way to go.

Okay. The next question. There has been some description of what AIMCo is supposed to do for us. I'm just wondering if we can have a short expansion on how that's actually going to happen. That's my second question.

Ms Evans: One of the things that I'm going to recommend is that when we come back with the change in the table, I think it might be very useful to bring the new CEO and the board chair to meet with this committee and talk about that. I think it would be extremely useful to have. You know, you've got only two hours this morning to talk about what we've been doing so far principally, but AIMCo as a new entity, I think, would be well serving Albertans if it would come to this committee and talk about that.

For a more detailed explanation, Madam Chair, at your discretion we will arrange for Mr. DeBever, who is new to Alberta as of August – he is not new to Canada – to come forward. Obviously, Jai and a number of the staff here will also come forward. We can give you a more complete outline and accountability. As Minister of Finance and Enterprise I'd like to propose we do that instead of get into that detail today. That will give you an opportunity to ask about the kinds of various investments where the asset mix is being looked at and for the department to respond on what it learned in this comprehensive review of the asset mix, which has yet to be tabled with me and will at that time also be tabled, and we can provide you some of that understanding as well.

9:10

Ms Blakeman: That's a good idea. Thank you.
Am I okay to continue?

The Chair: Your colleague has some questions, but I'm sure he doesn't mind if you continue.

Mr. Kang: I don't mind. If you want to take a break, I can continue.

Ms Blakeman: Thank you. No, I'm good. That's all right.

In the minister's report in the second to last paragraph it talks about the independent commission that the government appointed in August of '07, the Financial Investment and Planning Advisory Commission, FIPAC, yet another acronym.

Ms Evans: Yes. I have met twice with Mr. Mintz relative to his report. I have asked him by letter to outline some further work on strategies on the savings and investment policy, and that will be forthcoming. As you know, it's part of my mandate letter to come forward with an investment and savings strategy this year. That report is yet to be tabled, but it will be tabled publicly and our government response to it. We're just not ready with that yet.

I have been asking for some further information. Our department is getting some further information, and it centres around the unfunded liability of the new responsibilities we've undertaken. You, Madam Chairman, would be very familiar with the fact that when we opened the Calgary Children's hospital, there was a whole portion of that that was not open because there was a need for staffing and mental health services to be complementary to the intent of the facility built. It was not in place to do that. By looking at unfunded liabilities of projects that we have undertaken and quantifying that, we will be able to get a better grip on how we look at our fund savings in the future. So it will come forward.

Ms Blakeman: All right. As part of that, I was really looking for

details on who was on this advisory commission, their background, how often they report or make recommendations, what their budget is, et cetera.

Ms Evans: On the web I think it mentions who's there, but I will table the membership of that with the committee. I know that some of the members there had solicited and received a number of interventions from Albertans, I believe some 600. I may be wrong on that. But we will provide you the information about who was there and what the work was that they did. Hopefully, we will soon be ready with a policy response from government.

Ms Blakeman: Thank you.

My final question. In referring to page 36 of the draft report, fund governance, and to page 37, it notes that the minister established the Endowment Fund Policy Committee, and later it says that this consists of private-sector members and government MLAs. But when I look at the accompanying document, under the Endowment Fund Policy Committee, there are no government MLAs on that committee, so I'm wondering what decision was made there.

Ms Evans: Well, you have really done your homework. Madam Chairman, if you look at the second part of my memo here, I am recommending that this committee no longer be active because government did not appoint MLAs to the committee and because under the new structure of AIMCo it's my considered opinion that the AIMCo board along with its membership, as you know – and I'll provide a complete list of the members – and the department of finance will be responsible to provide policy advice. So I'm saying:

the committee has been disbanded and the Minister will receive that advice through both AIMCo and the Department of Finance and Enterprise with respect to the investment policy statements of the Fund. From time to time the Government may establish policy for investments and will provide that advice to AIMCo and the Department. Further, the Minister will assure that proper performance review and fund management principles are in place.

It's my considered opinion that that committee, which now under AIMCo has a more than adequate and, in fact, distinguished board of representatives from not only Alberta but from the U.K. and Toronto in the membership – we have a very distinguished board that will be providing some of that advice through the leadership at AIMCo. Clearly, the department of Finance and Enterprise will continue to do that. So when we took our committee list forward, we did not recommend MLAs on that committee. That committee has had a sunset clause because of the newer, expanded view and vision of AIMCo. This will be part of what I will be proposing as part of tab 5, or the attachments, dealing with the business plan, which you will consider later.

Thank you for that question, Laurie. That's life as it used to be, but now with the corporation assuming full management responsibilities with staff, et cetera, that group will take the place of it at the end of June. It was established in January.

Ms Blakeman: Thank you. Those are my questions.

The Chair: Thanks, Laurie.

Darshan.

Mr. Kang: Thank you, Madam Chair. My questions are: how much are the investments in domestic and the U.S. and Europe?

Ms Evans: If you look at the table that was given to you by Jai, it certainly talks about a considerable part of where the investments are in the category. It's in our table.

Mr. Parihar: It's on page 9 of the annual report.

Ms Evans: Page 9 of the annual report. That will give you some indication of where the investments are and who's holding what and where. It's fairly detailed about money markets and U.S. equities, non North American and so on.

Mr. Kang: Is there any plan to go farther east, like to India or China, for investments in these?

Ms Evans: Jai.

Mr. Parihar: Yes. Madam Chairman, I can answer that question. We have been diversifying investments for the fund. A large part of the fund on the public market is already diversified. We invest in the U.S., Europe, and emerging markets. For the assets in the alternate asset class – these are infrastructure, private equity, and real estate – the plan is to expand into emerging markets. In fact, we have made some investments in private equity and infrastructure, and the idea is to expand into international markets. We want to diversify the fund further.

Ms Evans: If I may also add to that, Madam Chairman, that I will distribute to this committee information that we gleaned from some of our meetings in New York that talked about the investment in infrastructure as one of the areas where investors are most keen because they take on the risk and then governments and other institutions take on the benefit. So we'll provide some of that advice. I'm preparing a document which might be of interest to you on that issue.

The Chair: Is that everything, Darshan?

Mr. Kang: Yeah. Thanks.

The Chair: Doug, please.

Mr. Elniski: Thank you. Just a really quick question, Minister. With regard to your timberland investments I see that you have about \$78 million, or 2 per cent of the portfolio here, in timberland. What is that exactly?

Ms Evans: You know, I'm going to be pleased to let the staff answer that because with the way we've been watching the collapse of the forest industry, I think it would be something that we'd all be keen on getting more information on.

Jai.

Mr. Parihar: Yeah. Thank you, Minister. I'd like to answer that question. On page 9 you see the top bar charts. You see a 2 per cent allocation. That's the allocation and not necessarily actually invested. On the bottom part of that page you see timberland: \$78 million. That's the actual investment. What we have is investment on Vancouver Island. We actually own timberland on Vancouver Island, and we also have a plan to buy some timberland investments in the U.S. and outside of the U.S. Yes, the markets are down, but that's when you should be buying, and that's what we intend to do: buy more.

One good thing about timberland is that if markets are not good, you don't have to sell, and the trees still grow. The next year a tree would be taller, and you can sell it again.

Mr. Elniski: Yes. Thank you very much. I appreciate that.

One of my hats, of course, is as co-chair of the Forestry Research Institute, and as well I'm on the forest industry sustainability task force. It would be of significant interest to both of those groups, I think, if we had maybe some breakdown, a little bit more information on what exactly those assets are. Fundamentally, I don't think anybody really necessarily knows about that. I agree with what you're saying.

9:20

Ms Evans: We will be pleased to provide that both to this body as well as to all MLAs. I think that would be really useful in understanding the forestry issues, so thank you.

Mr. Elniski: Thank you.

The Chair: Laurie.

Ms Blakeman: Thanks very much. Sorry, but I've lost track of the names of all of the various investment or advisory committees. Has the Financial Investment and Planning Advisory Commission, which was around savings, investment advice on savings, been open to considering changing or advising the Legislature to change the legislation to stop transferring to the general revenue fund?

Ms Evans: In fact, not speaking about the committee report because that's not public information yet, quite frankly this minister is considerate of that. This minister is thinking that that might be one of our savings strategies.

There are a couple of things that I'd like to observe. If we were to look in that direction, we would be able to identify a constant amount for those people that are managing those funds, and then we could be assured that those funds were being prudently managed. If they come out of operating dollars, it is one way that we could carve out and control expenses.

Not each one of those particular accounts has adhered to spending what they've earned on savings, so we have seen some of them spend more than what they've earned. I think that if we can look in this business planning process at exactly what you're suggesting – over the past some 30 billion dollars has gone to health, education, and other things because of the investments in the heritage trust fund, so it's been an excellent account for providing for that opportunity.

On a more pay-as-you-go for what you're doing, that gives us another option on our savings strategy, so I'm just serving an early alert that that's something that I'm considerate of doing.

Ms Blakeman: I encourage the minister towards that because when I look at the historical summary of operations available on page 14 – I mean, I take what the minister is saying, that that's where the money has been directed. There's some 26.8 billion dollars that has been transferred out of the heritage fund and into general revenue. Actually, we can't say exactly where that money was spent. I think that if that was left in the fund, we'd be in a far better position, so I do encourage the minister to continue investigating that particular train of thought or of policy.

Thank you.

Ms Evans: There's one more thing I'm going to be asking of the people that spend that fund, and that is for them to provide through the various ministries detailed reporting of who is getting what funding for what purpose. Periodically we have the benefit of seeing who's received a scholarship for something, but we don't get the pride, as people representing Albertans, of why they're getting it,

how much they're getting, or what they're spending it on. You will see an announcement of somebody getting dollars for doing some research which, no doubt, is of value, but then you can't really figure out whether they should be congratulated or how we should watch them on their performance of that or anticipate that there will be performance on that.

I think a greater interest – and I've already spoken to the Minister of Advanced Education and Technology – is that we should all know about that. When they announce the heritage savings funding for medical research, for example, wouldn't it be useful to know exactly who's getting what and for what project and then have them file those reports somehow later so that we have that dossier?

Madam Chairman, I'm in full agreement with the Member for Edmonton-Centre's comments both on how the fund is spent and for giving us some more information that anecdotally would be useful for us in talking to other Albertans.

The Chair: Thank you. Seeing no other questions, I would actually like to just make a comment more than anything as new chair of this committee. Minister, the amendments that you're bringing forward and that will be read into the record I think are quite exciting. It may bring us more work on this committee and probably for Jody and her staff a lot more work, but I think it's honourable upon you, when you're talking about changes in asset mix, to bring forward to the committee yourself as the minister, and you even mentioned the head of AIMCo coming to this committee. I fully support that. I think it's exciting to the committee, but more importantly it's exciting to Albertans so that they know what's happening with their money that's being invested. Thank you very much for that.

My only other comment. In your second amendment you talk about the disbandment of a committee if it's not doing anything. Under the leadership of AIMCo and some of the people that are on that particular committee and your department, I think it will be well served.

If I may, I have to have a mover to accept. Alana. Moved by Alana DeLong that

the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2008 Alberta heritage savings trust fund annual report with the amendments that are circulated.

If I may have approval of that. Great. That is passed.

Ms Evans: All right, then. Madam Chair, would you like me to move further on and talk about our business plan?

The Chair: Yes. If I may, the business plan is available on the Internet website. The fund's business plan must be approved by the standing committee.

Madam Minister, if you would.

Ms Evans: Yes. Now, I've already cited page 320 of attachment B, the second paragraph, and I'll read into the record relative to that.

The committee has been disbanded and the Minister will receive that advice through both AIMCo and the Department of Finance and Enterprise with respect to the investment policy statements of the Fund. From time to time the Government may establish policy for investments and will provide that advice to AIMCo and the Department. Further, the Minister will assure that proper performance review and fund management principles are in place.

Madam Chair, when we come back and talk about this letter, which I'm going to cause to be delivered to you for the benefit of all, when I'm referencing this, the Department of Finance and Enterprise is nearing the completion of an extensive asset mix study for the heritage fund. Now, obviously, AIMCo will be looking at that, no doubt. But when I've reviewed the study and the recommended

changes to the heritage fund's asset mix, I will bring the results of the heritage fund to the heritage fund standing committee – that is, to you, Madam Chair – and bring you that new investment direction for the heritage fund in the near future, which might be in September, whenever we can arrange that meeting. I am tabling that with you so that you have that understanding of it.

Now, if I could look further, then, at the business plan and ask that you will be approving it. Due to the timing of the committee we couldn't review this and the timing of the review on the asset mix. That's not available for you, but the plan does detail the goals and strategies for the fund as well as performance measures.

I think a significant highlight is the shift in the asset class mix. That may shift again in whatever I provide you in the future. The asset classes are, we hope, a better match for investors with long-term horizons such as the heritage fund because of their illiquid nature, and the infrastructure also provides a hedge against inflation and has a cash-flow element that fits with the objectives of endowment funds.

One of the suggestions that we have is that we will come back to you relative to the changes in the actual asset mix, but what you see here and what you would be approving today is the actual asset mix of January 31, 2008, with a proposal on the long-term asset mix. We may come forward in the future and make some other change to that, but essentially this business plan is, I think, an adequate reflection of the general broad brush strokes of how we intend to manage the fund and how we intend to come back and talk to you.

May I just say a word about AIMCo? I think AIMCo, with the new board and with the new management, is going to be embarking on some exciting things. Many of you will remember one of my predecessors, the hon. Shirley McClellan, who looked around the room one day and said: is there anybody here that doesn't want to make another \$476 million? There was a view that if AIMCo was established as a separate corporation, some of the more entrepreneurial kinds of things within the government's investment policy strategy may be able to be accomplished. It is a new vision for the staff within AIMCo that choose to make that transition and move to be with AIMCo. It does not say that they are managing everything every place in the world. They will hire from time to time and retain investment managers for certain parts of the portfolio. But the exciting part about it is that the capacity of this group to maintain a very current finger on the pulse of investment strategies puts us in the same league as the Ontario teachers' pension plan, B.C. Investment Management Corporation, and a number of other corporations that do this kind of management. It is something that we're going to monitor very carefully and work with very closely to ensure that we do things in the very best possible way.

9:30

For that reason, Madam Chairman, I think this committee deserves to have an opportunity to meet with the chair. I've spoken, actually, with the chair this morning. He's excited about what's happening in AIMCo and the opportunity to work with our department, about the fact that our deputy minister sits on the AIMCo board as well. We look forward to a close collaboration between both in terms of recommending policy. From time to time as this group and other MLAs see fit to come forward and recommend policies to government that might see us look in slightly different directions, we'll have very exciting and exhilarating discussions.

With that, I am confident that the heritage fund is in excellent hands, the heritage fund as well as the funds that are managed by AIMCo for pension funds, which receive their direction from the pension boards that are participant with that group. I think we have an investment strategy and plan in place that will make us proud.

The Chair: Thank you.

Ms Blakeman: What has come to mind as I read through all of this is exactly what the minister is talking about in re-examining what we're investing in. What I'm interested in – maybe this is better directed towards the new leadership at AIMCo, and please advise me if that's the better place to put this question – is: have we looked at the consequences of an all-out pursuit of making money regardless of the consequences to the environment and the social effect of it versus making money but trying to balance that against leaving the world in okay shape?

I'm not articulating this very well. Perhaps the minister understands what I'm getting at. For example, the investing in tobacco funds which the cancer fund has avoided – thank you – but that we still pursue as part of the larger mix of the heritage fund money because you make money doing it. I think there are a number of people in Alberta who are increasingly interested in a more balanced approach. Maybe we don't make quite so much money, but we wouldn't be investing in things like, well, tobacco, military armaments, some other very lucrative but I think for some Albertans questionable investment areas. Is that also being considered, or do we continue to pursue, as Minister McClellan often pointed out to me: this is about making money; nothing else counts?

Ms Evans: Well, clearly, social investment policies have not been part of the mix. The one that comes most to mind is relative to tobacco. I think I would defer, first of all, to my deputy and then to Jai to comment about it. Then that would be an excellent question to pose to the fund manager when he comes.

Perhaps for now, Robert, and then, Jai, if you'd like to comment.

Mr. Bhatia: Sure. Thank you, Minister. The question you've raised, of course, has been raised before, and it is something that we are looking at again. There is, as you say, something of a trade-off in terms of return versus other objectives, but there's also a lot of fairly subtle and complex administration to be done in any kind of an ethical investing policy. The minister and AIMCo would need to be comfortable that a policy has clear objectives and is clearly articulated in a way that is, in fact, possible to be managed and administered. You can look at a few other funds around the world that have adopted this kind of policy. The Norway fund is probably one of the leading practitioners, so we've been looking at what they do. Clearly, no decisions have been made beyond the one that you referenced with respect to the cancer fund.

Ms Evans: Okay. Jai, did you want to comment as well?

Mr. Parihar: No. I think Robert has answered the question.

Ms Blakeman: I'm wondering if it's possible to request that the researchers that give support to this committee do some work for us so that we have an opportunity to see for ourselves some of the things that are being considered in other funds like the Norway fund. I'm also interested in what the Ivy League endowment funds are investing in because they do very well, so Harvard and some of the others that are world renowned for their accomplishments. I'd be interested in seeing what their asset mix is and what their investment policy is as well. I've not sat on this committee before, so I don't know how we usually do this.

The Chair: If I may, Laurie, good thought. Can you put that request on hold to go under Other Business?

Ms Blakeman: Yeah. Sure.

The Chair: Thank you.

Do we have any other questions to the minister on the annual report?

Ms Evans: Actually, on the business plan.

The Chair: I'm sorry. Thank you, Minister. The business plan. Then if I may, I need a motion.

Ms Evans: Inclusive of the amendment that I read out, please, as circulated as well as my intention as received in the letter to come back with the asset mix again. If you can make sure that the motion includes that.

The Chair: I can. What I'm going to do, then, is have someone move it if I may. Doug?

Mr. Elniski: Sure.

The Chair: That the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2008-11 business plan with the amendments that were circulated.

Is that all right, Minister?

Ms Evans: I think that's fine. We have copies of the letter to you, which can be circulated to become part of your attachments. I read that letter out that defined that I'd be back with the asset mix.

The Chair: If I may have approval from the committee. Hands, please. That's been approved. Thank you, Minister.

Ms Evans: Thank you. I think that's all you need me for. Is that correct?

The Chair: Yes. Thank you.

Ms Evans: Thank you.

The Chair: Well done. I'd like to move on if I may, please. Thank you, Minister and staff, for coming. It was greatly appreciated.

At this point we're going to move on to item 7. I'm going to ask Jody to give us a brief report on last year's public meeting.

Ms Rempel: Thank you, Madam Chair. Last year's public meeting, just to give you a brief overview, was held in Red Deer on October 10. It was very well attended. Depending on whose count you want to go by, we had about 75 members of the public show up for the meeting and about a dozen questions were asked of the committee members and the support staff from the department of finance, so it was a very successful evening.

The Chair: Thank you, Jody.

Now, looking ahead to this year's public meeting, we're going to need to make some decisions today so that the committee staff can proceed with making the necessary arrangements. The annual public meeting is usually held in the fall, towards the end of September or early in October. This year we want to hold the meeting before October 14, when we anticipate that the Assembly will start its fall

sitting. It has always been found that a meeting held in the evening or towards the middle of the week allows for a higher public turnout.

We don't have a specific date today, but I will encourage members to keep it in mind. Once the availability of a meeting facility has been determined, I will have the committee clerk poll members for their availability. What we need to do today is set a location for the meeting. I know from previous discussion that there has been quite a bit of discussion about holding the meeting in Edmonton. Gee whiz, I wouldn't mind it in Calgary. Has anyone on the committee considered hosting this year's meeting in their constituency?

Just before that I want to read into the record that Jody has given me that we had it in Fort Saskatchewan in 2000, Whitecourt in '01, Olds in '02, Grande Prairie in '03, Redwater in '04, Calgary in '05, Vermilion in '06, Red Deer in '07. So '08 I'm sure will be Edmonton.

Mr. Denis: As much as I'd like to hold it in the great constituency of Calgary-Egmont, I'd like to make a motion that it be held in Edmonton-Calder for 2008.

The Chair: Okay. So you're moving Edmonton-Calder. Anyone else?

9:40

Ms Blakeman: I'm just noting that it was five years ago since it was in northern Alberta and wondering why we're not considering it in a northern location like Fort McMurray.

Ms Rempel: Well, I don't think there's a specific reason that we're not or that we couldn't. Traditionally what has happened, though, is that it has been a member of the committee who has somewhat hosted it in their constituency.

Ms Blakeman: I see. Well, that would be problematic, then. Okay.

The Chair: If I may, we have a motion on the floor from Mr. Denis to hold it in Doug's riding. Are there any other comments on that?

Mr. Denis: Do we have a seconder?

The Chair: Do we have a seconder? No, we don't need a seconder, I'm told.

Is there any other discussion? Then can we have approval of holding it in Edmonton-Calder? Okay. I will then work with Jody and Doug to try and get a date set for the public meeting.

Mr. Olson: Excuse me. I'm sorry to interrupt. Just on the public meeting. I think it was in here somewhere, but now I forget, so I'm just going to ask you: what efforts do we make to publicize it outside of the locale, you know, where the meeting is being held? It kind of strikes me that this is relatively modest in terms of the importance of this fund to Albertans. I like the idea of moving it around, particularly being a rural MLA, but I'm just wondering what effort we make to kind of publicize it beyond the region where it's being held.

The Chair: Jody is pointing out that we're going to deal with that. Tracey will be able to answer some of those questions.

Mr. Olson: Okay. There were recommendations, so maybe I'm getting ahead of myself.

Ms Rempel: No, that's fine. That's actually the next item on the agenda, and I'm sure Tracey can address a lot of those questions.

The Chair: Okay. If we can go on to the communications, then. At this point I'm going to invite Tracey Sales, a communications consultant with the Legislative Assembly Office, to present a brief overview of the plan, after which I will open the floor to any committee members. I think then, Verlyn, that will help you.

Ms Sales: Thank you. Well, I'll just give you a quick run through the communications plan. First, I just want to say that the plan, of course, was created primarily based on strategies that have been successful in the past. Most of the initiatives outlined in the plan ensure that the legislated requirement for a public meeting is fulfilled, and then beyond that we just overall increase public awareness of the fund. Okay?

If you look at the plan, the recommendations as far as the public meeting are concerned: a target mail campaign in the constituency area that the public meeting will be held in. As well, we'd like to supplement that with target advertising, so I think that speaks to your question. We are planning on advertising further throughout all of Edmonton as well as in the surrounding communities. We're also recommending that we continue production of a statistics card as well as producing new signage and media relations to supplement as well.

I'll just quickly walk you through the direct mail recommendation. As the cost of a city-wide direct mail campaign would be rather prohibitive, we're just suggesting a direct mail campaign for the actual constituency in which the meeting will be held. This was a strategy that we used last year and the year before, and it was very successful in bringing out the public, especially from that area. Not knowing until now where it would be held, we just have cost estimates, but we can of course provide information that would be more specific to the constituency for the next meeting.

We're also suggesting that further saturation happen through the Edmonton daily papers, so we're recommending both of Edmonton's dailies as well as Edmonton's weekly. Then we're suggesting that the communities of St. Albert, Sherwood Park, Fort Saskatchewan, Beaumont, Leduc, Devon, Spruce Grove, and Stony Plain also have advertisements in their weekly newspapers. I think that that will give us very good coverage for those who would be able to attend the meeting.

As well, in the past we have communicated through media relations. This has always been very effective, so we're suggesting that again media relations be pursued as far as promoting the public meeting.

Also, as far as signage is concerned, in the past we have used signage at the location to direct people in to the public meeting. One of the recommendations for this year is that that signage be updated and that newer signage be produced, simply in keeping with the identity of the fund, just so that it's more visible to people who are wanting to attend, that once they get there, they can actually find the meeting.

The statistics card is something that has been done for the last few years. It's basically a two-sided flyer. It was introduced primarily because it is very cost effective. As well, it provides information on the most up-to-date stats for the fund for the public and then some background information on the fund on the other side as well.

I think I've covered everything as far as the public meeting.

The other initiative that we're recommending – and this is more in response to the 2007 public awareness opinion survey that had been held – is a province-wide ad campaign in Alberta's weeklies. The recommendation is through the AWWNA, which would reach approximately a hundred newspapers throughout the province of Alberta. The purpose of the ads would primarily be just to increase

awareness and to direct people to the website of the Alberta heritage savings trust fund.

I believe that's everything that's covered in the plan. Thank you.

The Chair: Thank you, Tracey.

We have some questions. Verlyn.

Mr. Olson: Yeah. I knew I'd read it; I just couldn't remember where. That does answer my questions.

I guess I would maybe just repeat, though, that depending upon where it's held, if it's held kind of in a part of the province outside of the major centres, I think it's important that we still hit the big populations because this money belongs to Albertans. I want people to know that they have an opportunity to come and ask questions. I was a little bit concerned just thinking about, you know, identifying a locale and focusing a lot of the advertising on just that community, which is great. The province-wide advertising makes me feel better.

The Chair: We'll do that. Thank you.

Laurie.

Ms Blakeman: Yes. I'm questioning the direct mail only to the constituency of Edmonton-Calder. I can see how that would work when you were in a smaller centre where direct mail into a constituency pretty much covers the municipality, but it doesn't make sense to me to blanket Edmonton-Calder, because I'm sure that there are people in Edmonton-Strathcona and Edmonton-Centre that are also interested in coming.

Is there some other strategy that's used when we get into the larger centres like Edmonton and Calgary for better coverage across the city? Do you not have a database, for example, of people who have expressed interest, written in, e-mailed on the heritage fund, where you've been harvesting e-mails that express interest in this that would be of more use to you? You know, I appreciate that the Member for Edmonton-Calder is keen on his constituency, but I think the rest of us would like to have some notification available if direct mail is going to be used. Maybe direct mail is not appropriate once we move into the metropolitan areas.

Also, I heard you say advertising in "Edmonton's weekly," singular rather than plural, and I'm wondering if you were considering the *Edmonton Examiner*. But there's also *Vue* and *SEE*, which are widely read weeklies, so if I may encourage you towards the plural there.

Thank you. That was my question.

9:50

Ms Sales: Okay. I think I can speak to the first part of your question, and then I'll leave the second part as far as the research to my colleague.

As far as what we've done previously in larger centres, primarily newspaper has been the initiative that has been used. According to our public survey that was handed out in 2007, the public did say that they preferred to receive information through direct mail primarily as well as newspaper. In response to that, that's primarily why we've been pursuing direct mail for the last couple of years.

I am suggesting that advertisements in the newspapers across Edmonton go through as well, which I think will target all Edmontonians. The reason why we were thinking of the targeted direct mail campaign was simply because it has been very successful in the past for bringing out those who are in that specific constituency. That is why we were thinking of supplementing with that as well. However, as I said, direct mail across all of Edmonton would be cost-prohibitive.

Now, we did also consider radio; however, most of the respondents to the survey had indicated that they would not use radio as their primary source, so that's why we have – sorry. Go on.

Ms Blakeman: Just signalling that when you're finished, I have a second question.

Ms Sales: Okay.

Anyway, those are primarily the reasons why we have recommended what we have. It's primarily based on asking the public how they would prefer to receive information from the committee, and based on their responses, that's where our recommendations have come from.

Ms Blakeman: Just as a supplemental on this, then. You did the survey within the last couple of years. When was the last time this meeting was held in a metropolitan area? It's four or five years ago, so I'm wondering if you, in fact, captured metropolitan areas.

The Chair: It was 2005.

Ms Blakeman: In '05. So three years ago.

Ms Sales: Right.

Ms Blakeman: I can understand, if you did that survey in Red Deer, people saying that it was very good coverage for them. That makes sense. But I just don't understand direct mailing into one constituency out of 20 in a metropolitan area. I'm wondering if that's a good use of money or if there's another way that we could redirect that to get better coverage across Edmonton.

Ms Sales: Right. Okay. Well, I'll first speak to your first comment. Actually, the public opinion survey that I am referring to was province-wide. It was not the questionnaire that people hand in at the end of the public meeting. This was an actual province-wide opinion survey that we handed out.

To your next question, we can definitely look at other strategies if the committee would direct me to do so. As I said to begin with, this is just a starting point. Not having met with the committee before preparing the communications plan, I needed a starting point, so my starting point was, "What has been successful in the past?" et cetera. Definitely, we can look at other options if you think that there are other ways that would be more successful in this specific case.

Ms Notley: I just actually want to mirror a number of the questions and concerns that were raised by the Member for Edmonton-Centre in that, you know, the mail-out looks to me to be roughly 25 per cent of the communications budget. To me, mailing it out in this urban centre to a constituency: it's an entirely arbitrary boundary, and to the people that are two blocks outside of the boundary, it makes utterly no sense, nor does it make sense to the other people who have expressed interest.

I'd much rather see you come back to us either putting that money into a more intense media buy, so just redirecting it altogether to get a whole second round of ads into the papers or whatever, or, alternatively, putting together some kind of a more sophisticated e-mail notification process. Once again, you're then, through the various websites or whatever, probably getting a group of people who are more interested. Or an e-mail thing to community groups; for instance, hiring somebody to do e-mail outreach to the various and sundry activist groups within the city, who would receive those. That's a far better and, frankly, more rational use of the money in

terms of getting the best bang for your buck. To me it's entirely arbitrary and doesn't look so great that we're defining the boundaries on the basis of a political boundary.

Ms Sales: Okay. Point taken. Further to both of your suggestions I will work with Phil Massolin and his team to come up with a list.

The Chair: If I may as the chair. I'm listening to the concerns about how they're going to get the message out. You've heard some good ideas from both Laurie and Rachel, and Alana is next on the line. May I be so bold as to suggest that both of you provide some feedback to Tracey and their group on how you think you can get the best distribution in Edmonton, and then they give us a report back within about six weeks by Internet on a plan on kind of an idea. I think that's more or less the gist: you want to make sure that she gets some good blanket coverage in Edmonton. I can understand that.

Ms DeLong: I know that personally as an MLA I always keep track of people's concerns. For instance, if they have environmental concerns, every time something comes in that has an environmental impact, I'll make sure I send out e-mails or mailings. So my question is: will the MLAs be getting the information ahead of time regarding the publicizing of this meeting so that we ourselves can just take responsibility and get the letters and the e-mails out?

Ms Sales: Yes, I believe so. Last year was the first time I was on this committee as well. What we did last year was: a general communications plan was presented. Then at the next meeting we also presented an action plan specific to the public meeting and all of the initiatives around that and all of the communications, copies of the proposed ads, that sort of thing. Is that answering your question?

Ms DeLong: Yes.

The Chair: I think what's key, if I may, is for me to work with Doug and Jody to get a date and a location as quickly as possible so that then everybody has the best possibility to get that strategy of getting to their constituents, however way they want, out with the date. For example, in Calgary we have our community newsletters, so that will give us an opportunity to get that information. Not that anybody would come from my constituency all the way up to Edmonton, but you never know. But it might be a good idea for Edmonton.

Mr. Kang: Does the budget have any bearing on this? Like, you know, you want to do the mail-outs in one constituency only. What kind of a budget do we have for this to publicize it?

The Chair: What's the budget, Tracey?

Ms Sales: I believe that the total budget is \$63,000: \$26,000 under advertising, \$29,000 under other labour and services, and \$8,000 under postage and freight. That's the budget that we're working within.

Ms Blakeman: For this meeting?

The Chair: I think, Laurie, you pointed out that the majority of the budget is going to be eaten up by getting the message out.

Ms Blakeman: Sorry. The last point I wanted to make – and this will sound like a Hail Mary pass. If I may be presumptuous, I think you're in the under-30 grouping. I'd really appreciate your thoughts

about how we could attract more younger people to be interested in what we're doing with the heritage savings trust fund because it's their money. If there are any hooks that you can think of – specifically I'm thinking Facebook, although it's on its way out, I'm told, but, you know, starting a Facebook page to get younger people interested in what we're trying to do here because it's their money.

Mr. Denis: Free liquor.

Ms Blakeman: Thank you, Jonathan. Free liquor is the suggestion. Well, it wasn't quite where I was going, but maybe that is right. I don't know. Just something to think about because we tend to play to an older demographic here. I think we need to do anything we are capable of doing, especially around new media technology, to bring in a younger group of people, younger Albertans.

10:00

Ms Sales: Okay. Well, one thing I can speak to about that is I know that in the past when it was held in Edmonton, they did just that. They tried to target the younger audience, and they did target specifically through university papers, university-targeted media. I do know that that did not hail a large response. I think that you are correct, and I think that that is a great idea to pursue. I also know, however, that the primary interest seems to be within the ages of 40 to 60. Knowing that that is our target audience because that is who is interested, that is primarily who we've been targeting. However, I do agree that if we can try different ways, creative ways to bring the younger audience in, that would be an awesome thing to do. Definitely, I can look into that as well.

Ms Blakeman: Fair enough. Thank you.

The Chair: Okay. We need to move on. The committee has put forward some of the ideas for you, Tracey, and I think you've got some work ahead of you. So if you could work on that and provide the committee members some of the ideas so that they have the opportunity to respond. It's a shame that Red Deer will draw 75 people and Edmonton could only draw 25. Maybe that will give the Edmonton MLAs an opportunity to beat Red Deer.

Mr. Elniski: Give us a challenge.

The Chair: A challenge.

If we can move on to the second item, which is the website. For members' information Alberta finance is responsible for the Alberta heritage savings trust fund website and have been asked by previous committees to provide quarterly updates on the usage, or hits on the site, to help track public interest in the fund throughout the year. Unless members do not wish to receive these brief updates, we'll continue the practice.

Kari-ann will review the website update and respond to any questions from the committee.

Ms Kuperis: You have the numbers in front of you. You can see that they're fairly consistent. We have some preliminary numbers up until May 28 of this year. It's fairly standard as you'll see.

The Chair: Is that it?

Ms Kuperis: Yes. I have nothing else to add.

Ms DeLong: Being a mathematician, I see a big change starting in January. I just wondered: have you changed from hits to visits?

Ms Kuperis: No, no. It's still hits.

Ms DeLong: Then what happened? Something drastic must have happened in January.

Ms Kuperis: It depends. If the heritage fund is in the news, then people are going to be more interested in looking at it.

Ms DeLong: No. I look at the variations, and it's not that. No.

Ms Kuperis: You'll have to forgive me. It's only my 11th day with the ministry. I can check with our web co-ordinator.

Mr. Elniski: You got those numbers and it tells you that right off the top of your head?

Ms DeLong: It does.

Ms Kuperis: I'll check with the web co-ordinator and see if she can provide any reasoning behind that.

Ms DeLong: Right. Yeah.

The Chair: I always find that on my website, depending on what the issue is, that is when you get the most hits. So if there's a contentious issue, I'm sure that's when you would be – we're talking about hits on the website. I think it's good information to contain.

Ms Notley: Actually, my question was the same. It's, you know, like an 80 per cent drop from all the previous years down to this one, so I was curious as to why that was.

Ms Kuperis: Well, I'll check with the web co-ordinator and see if she can work with me to figure that out for you.

Ms Notley: Then the only other point I was going to make is that if you really do have 80,000 people a year checking out the website, that appears to me to be an opportunity for promoting, finding some way to do an online promotion of the meetings.

Ms Blakeman: I understand the reasoning behind measuring the hits, but I am a little concerned. The hits measure every time, so if somebody made a mistake and they're looking for heritage buildings and they type it in wrong or they pick wrong off the Google list, then they're in the heritage trust savings fund. That's counting as a hit, and it's a mistake. They didn't mean to go there. Do we have any way of being able to sort that out based on time, for example? Are you able to measure out of the hits when people have been on the site for longer than, say, 30 seconds, which would indicate they're actually reading something as compared to going: "Dang, that wasn't right. Let me try again"?

Ms Kuperis: I'm not sure what software package we use. I know that is possible, and I will check with our web co-ordinator to see if we can break that down for you a little further because there are programs that track that sort of thing, the search terms that are used and how many minutes are spent per page.

Ms Blakeman: Yeah. That would be helpful because it would actually tell us who was on the site reading stuff as compared to who goes: "Oh, mistake. Moving on."

Thank you.

The Chair: This is the age of technology. You know, I'm trying to keep up with this technology. I was at a meeting on Saturday, and I've got some very enthusiastic constituents that want to get my face

out, so they go to this Facebook thing. Then they're going to start saying: well, you should be on the blogs. I'm thinking: I'm too old for this. You can just see where we're moving to with some of the questions. Everybody wants information.

Anyhow, moving on to new business.

Ms Blakeman: Yes. I was hoping that we could charge our director of research with some research. Essentially, I started out wondering how our investment policy compared to the investment policies of the ones that I'm very aware of, successful funds like the Ivy League endowment funds in the States. I think Harvard was the one that was mentioned to me, but then one of the presenters earlier in the day also mentioned the Norway fund.

I don't mean to ask for extensive research here, but it'd be helpful to us to have, I would say, between one and five pages' worth of sort of background information on that investment policy and how it breaks down. I think that one of my key interests in this committee is: are we making the choices that are appropriate for today and for tomorrow in that mix, in how we're pursuing it, and in that balance between making money, damn the consequences, and some different approach to balance making money with environmental, social, political effects?

The Chair: I think that one is yours, Phil.

Dr. Massolin: Okay. Great. Thank you very much for the question, and thank you, Madam Chair. If I may just sort of back up because this is the first time that the Legislative Assembly Office is providing this research service. Can I just say that, yes, we would be happy to answer such a question, provided that it's the will of the committee as a whole. I just want to go over what our role is. Our role is to provide nonpartisan research support for the entire committee as a whole. The mechanism by which that is done in terms of assigning tasks is by having the research assignment go through the chair as a representative of the committee as a whole. I would be happy to address this assignment, provided that it's at the will of the committee.

The Chair: Well, I just reflect back to when you were new on I think it was Public Accounts. I think that the role that you played there was extremely helpful in providing research as a member of Public Accounts, if I may use that word. I don't think the committee is opposed, Laurie, really, by watching some of the body language that I'm seeing. If the committee under Phil's direction is willing to do that, I think it's great.

Ms Blakeman: Great. I think it will be a helpful to all of us, so I appreciate it.

The Chair: Well, for me as somebody new on the committee the direction from the minister in regard to providing us updates on changes that are going to be on the Alberta heritage trust fund is going to be extremely beneficial and keep this committee, I think, busy. Her recommendation about bringing the new CEO from AIMCo forward, I think, is an added asset, if I can use that word. This is a very important committee to Albertans. You just have to go back to what has been printed in the paper lately and the criticism in regard to the savings, et cetera. So I think it's great.

Ms DeLong: I'd actually like to speak against this. We have very recently brought AIMCo in with the specific task of increasing the amount of money that Albertans of the future have, specifically to increase the value of the heritage trust fund. I think that if we on the

side start undermining what we've just recently started doing there, we're getting into some pretty dangerous territory. I would very much like to see us move forward, you know, at least a year with AIMCo before we start essentially interfering in this way.

10:10

Ms Blakeman: I probably need to put that on the floor as a motion, then.

The Chair: Well, I don't disagree with you, Laurie. I might have missed something in regard to what you were proposing. I didn't get the rationale that you were undermining anybody. You just wanted some information in regard to some of the questions that you were asking when the minister was here – and I'll go back to the tobacco – in regard to: is it a save-save situation? You know, there are a whole bunch of issues in regard to investment, green policies, and that sort of thing. At the will of the committee, if I may finish with the speakers list and if we feel that a motion has to be put on – because there's no motion yet – are you okay with that?

Ms Blakeman: Yeah. I'm fine. I'm really looking for comparison information so that we can compare what we're doing with what's possible in other places. It's just information; it's not particular direction.

Mr. Denis: Just a brief comment. I just want to echo the Member for Calgary-Bow's comments. We have a fiduciary responsibility here to maximize the return to the people of Alberta. The question I have is: who decides what investment we're going to do, what investment we're not going to do? What may be green to one member might not be green to another member. So before we jump into this, I think we do need some further study and lead time.

Ms Notley: I wasn't sure if the last speaker was speaking in favour of or against. Of course, I think that what we're looking for is a bit more study and a bit more information. My understanding is that on this committee we have some obligation to provide some critical thought and critical analysis to what is within our mandate to review, and we're simply looking for information here. I really echo as well the comments of the chair that it's, frankly, responsible for us to be aware of these issues. We're going to have all this information coming to us, and I think it's reasonable for us to apply some critical thought in asking for the kind of background we'd want to have when we're having all these folks coming in and presenting us information. Otherwise, why are we here? I think it's just a simple request for information which may or may not inform our discussion. We can't know.

Mr. Kang: This is for information only. I think we have a duty, as was said before, to invest the heritage trust fund so that we make more money but not at any cost. I don't think it will be detrimental to get the information towards the investments in any way, shape, or form. This is for information only, and I think we have a duty, too, to see where the money is invested. We don't want to send money to Burmese dictators, you know, if they're going to pay us a hundred per cent on our investment. So I rest my case.

The Chair: My colleague on the left is reminding me what the mandate of the committee is.

Mr. Elniski: Just restate that, please, Jody.

Ms Rempel: Well, partially, a comment on the mandate of the

committee but also that a lot of the goal or the mission of the fund is also outlined in the legislation right now. You know, that certainly doesn't preclude what's been discussed here just as far as looking for information on options as long as we bear in mind that currently it is there. It's in the legislation.

The Chair: So everybody understands what the mandate of the committee is. I outlined that in my letter, so I don't believe I need to read that into the record.

Ms DeLong: Could you read it in?

The Chair: Could I read it into the record?

The mandate of the Committee is set out in the Alberta Heritage Savings Trust Fund Act.

It outlines the following functions of the Committee:

- to review and approve annually the business plan for the Heritage Fund;
- to receive and review quarterly reports on the operation and results of the operation of the Heritage Fund;
- to approve the annual report of the Heritage Fund;
- to review after each fiscal year end the performance of the Heritage Fund and report to the Legislature as to whether the mission of the Heritage Fund is being fulfilled; and
- to hold public meetings with Albertans on the investment activities and results of the Heritage Fund.

The Act also indicates that the Committee shall approve and provide copies of the annual report . . . to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly by June 30.

So that's more or less the mandate.

In the act under Investments by the Heritage Fund, 3(2): "Investments made under the endowment portfolio must be made with the objective of maximizing long-term financial returns."

Doug.

Mr. Elniski: Okay. Thank you. Further to that, I'd like to read the statutory mission statement of the business plan for 2008-2011, which is "to provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans." I think what we're talking about here, whilst it is on the surface perhaps a harmless request for information, is a request that is best not made to the research staff assigned to this particular group but that is instead best made to the newly appointed chief executive officer of AIMCo, specifically because we're potentially adding an element to the statutory mission in terms of ethical funding in comparable investments that currently is not there. Frankly, it's not there right now, so I would suggest that we redirect the request to the new chair of AIMCo.

Ms Blakeman: Oh, that I do think is inappropriate. I mean, we're not considering anything here, and nobody said that. All I asked for was comparison information and a short report. But I'll just do it myself, if you guys are so against having the committee researcher do it, and then I'll have it, and you guys won't. I don't see the sense in that, but whatever. If the information is that scary . . .

The Chair: Just a minute.

Jonathan.

Mr. Denis: Thank you, Madam Chair. Just a question to the chair: is there a motion on the floor here?

The Chair: No. We were discussing under new business a suggestion that Laurie brought forward earlier. I had stopped her at that

point and asked her if she'd mind waiting until we discussed it under number 9, Other Business. So this is just other business.

Mr. Denis: Thank you.

The Chair: There is no motion; it's discussion at this point in time.

Ms DeLong: The only reason I'm taking another look at this is that there is advice and there is advice, and we are paying essentially millions of dollars for advice from AIMCo. I mean, we have a wonderful researcher here, but we are paying millions of dollars for AIMCo. It's just that, you know, I'm afraid that if we take this first step in terms of asking for this information, information that will tend to lead us in one direction or another, I would prefer, as was suggested earlier, that we do get our advice from the place where we have already decided to get that advice. I just think that that's essentially where we should be going with this.

Mr. Kang: Well, there could be a conflict of interest, too, if you go to AIMCo. I think, you know, we are going to just get the information from a source – right? – where there will be no conflict of interest. The information we are looking for may not be forthcoming from AIMCo, you know.

Ms DeLong: I do believe I have to respond to that. If there was any conflict of interest in terms of AIMCo, we never would have hired them. Okay? They are, you know, truly an independent investment entity. I can't, sort of, just leave that there. There really is no conflict of interest.

10:20

Mr. Kang: Well, I'm just playing devil's advocate here.

The Chair: Darshan, I think the members of the committee under the leadership of the CEO are a very, very well-respected people, from what I know of some of the people. I don't know all of them that are appointed to this particular committee, but they are very well respected in the community and are very well-respected Albertans. They're smart enough not to get involved in a conflict of interest. The one thing we can walk out with here in the Legislature is our reputation and integrity, and I don't think they'd want to lose that.

Mr. Kang: Well, I certainly respect that. That's not where I was coming from. You know, just in the best interest of the committee we're asking for information so that we can have a motion on that and vote on it and just move on.

The Chair: As we don't have a motion on the floor on this on particular item – it's just been some discussion – is there any other discussion on what Laurie brought forward?

Ms Notley: Well, mine is just a question, again, because it's my first time coming to the committee and I missed the orientation. I'm just trying to figure out: what is the relationship between the committee and AIMCo in terms of asking and/or directing, for instance, the way we tried with the committee researcher, for specific information? I mean, I heard the minister saying that she's going to have the CEO, when he's hired, come and speak to us, and isn't that a wonderful example of openness and stuff. Does this committee have the ability to specifically direct AIMCo to, you know, research on the basis of certain questions?

The Chair: No.

Ms Notley: So if we don't, yet we do have a committee researcher,

isn't that the right place? If we're seeking information, isn't it from the perspective of the function of the committee?

The Chair: It's not under the direction of this committee to use a researcher to tell AIMCo or the minister how to invest the money.

Ms Notley: No, no, no. That wasn't the request. The request was for information on a particular area for members of this committee. There was absolutely no discussion about where that would go or who we would tell or what we would try to direct. But in terms of that we are sitting on a committee and we are looking for a bit of information, what is the functional approach that we should be taking? My understanding is that in terms of the relative roles of people that visit this committee and/or support the committee, really, the appropriate process if we're looking for information is to ask the director of research who's been assigned to the committee, not to be asking a representative of AIMCo, that doesn't have that relationship with this committee. I'm not suggesting that we're going to ultimately direct that AIMCo do anything. As members of the committee we're simply seeking information.

The Chair: Again, I'm also new to this. The mandate of the committee is clearly laid out.

Ms Notley: You reviewed that and that what we are to be doing is talking about and reviewing investment, not directing. This is simply a question of information. It may well be that we'll get a report back saying that it is impossible to ethically invest without reaching a fiduciary duty as defined in the act. If that's the case, so be it. But maybe there are examples of ethical investment that align with our fiduciary duty, in which case it's a reasonable thing to discuss. We don't know, so we're simply asking for information. We are not presuming the answer, nor are we presuming what the committee would ultimately decide once we got that information. It just seems a bit silly to not use the director of research, who's been assigned to the committee, for what is I think a general question that falls well within the mandate of issues that this committee is to consider, according to my view of the mandate.

In any event, if it's not going to go, I think we should have a motion. If everyone is going to vote against seeking the information, then we should at least get it on the record.

The Chair: Yeah. Okay. We do not have a motion on the floor, so until I get a motion on the floor, I'm going to finish with Jonathan and Alana and then Laurie.

Mr. Denis: I'm out.

Ms DeLong: It's just that I believe that if we sent 10 people out to get this report that you're asking for, we would get 10 different reports.

Ms Notley: We only have one person that is assigned to the committee, so we aren't going to ask 10.

Ms Blakeman: I'd like to move that the committee request that the director of research prepare a short, factual comparison between the top Ivy League endowment funds, for example Harvard, and the Norway fund and what we're doing with the heritage fund.

The information is intended to be statistical and factual in nature, but it is to help inform the committee of what other strategies are currently being used, particularly around so-called ethical investments, but also just a baseline in the risk choices that other large endowment funds are making in North America and, well, Norway.

The Chair: I'm wondering if Jody captured that. Did everybody hear that thought? Did everybody hear the motion from Ms Blakeman? Do we have a seconder? Rachel. All those who support Ms Blakeman's recommendation, please raise your hand. Opposed? I'm sorry, Laurie. It's been defeated.

Anything else under new business?

I will then adjourn the meeting. The next meeting will be at the call of the chair, probably in early September, to review the first quarterly update on the fund. We will get the information about the next meeting out to you as quickly as possible because I know how everybody is very, very busy. We also have to get a date for the annual general meeting. We will have that information to you probably within the next two weeks.

Happy summer.

[The committee adjourned at 10:27 a.m.]

