Legislative Assembly of Alberta

The 27th Legislature
Fourth Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Tuesday, March 22, 2011
8:31 a.m.

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Standing Committee on the
Alberta Heritage Savings Trust Fund

Tarchuk, Janis, Banff-Cochrane (PC), Chair
Elniski, Doug, Edmonton-Calder (PC), Deputy Chair

DeLong, Alana, Calgary-Bow (PC)
Forsyth, Heather, Calgary-Fish Creek (W)
Groeneveld, George, Highwood (PC)
Johnston, Art, Calgary-Hays (PC)
MacDonald, Hugh, Edmonton-Gold Bar (AL)
Quest, Dave, Strathcona (PC)
Taft, Dr. Kevin, Edmonton-Riverview (AL)

Also in Attendance

Dallas, Cal, Red Deer-South (PC)

Department of Finance and Enterprise Participants

Kari-ann Kuperis	Public Affairs Officer
Rod Matheson	Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation Participants

Leo de Bever	Chief Executive Officer and Chief Investment Officer
Pine Pienaar	Senior Vice-president, Client Relations

Auditor General's Office Participant

Betty LaFave	Principal

Support Staff

W.J. David McNeil	Clerk
Shannon Dean	Senior Parliamentary Counsel/ Director of House Services
Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
Micheline S. Gravel	Manager – House Proceedings
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of *Alberta Hansard*

8:31 a.m. Tuesday, March 22, 2011

[Ms Tarchuk in the chair]

The Chair: Good morning, everyone. I'd like to call this meeting to order and welcome all of you. I'd also like to welcome Dr. Taft, who has replaced Laurie Blakeman as a member of the committee. Welcome to the committee.

If I can just ask the members and everyone around the table to introduce themselves for the record, we'll start with Art.

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

Mr. Dallas: Good morning. Cal Dallas, Red Deer-South.

Mr. Groeneveld: George Groeneveld, Highwood.

Dr. Taft: I'm Kevin Taft, Edmonton-Riverview.

Mr. Pienaar: Pine Pienaar, AIMCo.

Dr. de Bever: Leo de Bever, AIMCo.

Mr. Matheson: Rod Matheson, Alberta Finance and Enterprise.

Ms LaFave: Betty LaFave, office of the Auditor General.

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

Ms Sales: Tracey Sales, communications, Legislative Assembly Office.

Mr. MacDonald: Hugh MacDonald, Edmonton-Gold Bar. Good morning.

Mrs. Forsyth: I'm Heather Forsyth, Calgary-Fish Creek.

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

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

The Chair: Janis Tarchuk, MLA, Banff-Cochrane.

You've all got a copy of the agenda in front of you. I wonder if someone could move that the agenda for the March 22, 2011, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as circulated. George. All in favour? Any objections? That motion is carried.

You all have copies of the minutes of December 15, 2010. I wonder if somebody could move that the minutes of that meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as circulated. Art. Any discussion? All those in favour? That motion is carried.

The Alberta heritage savings trust fund 2010-2011 third-quarter update was released by the minister and distributed to all members of the Assembly by the chair on February 28, 2011. The Alberta Heritage Savings Trust Fund Act indicates that one of the functions of the committee is to receive and review quarterly reports on the operation and results of the operation of the heritage fund. We have department officials in attendance to assist us with the review, and I wonder if at this time I could pass it over to ADM Rod Matheson.

Mr. Matheson: Certainly. Good morning. I pass on regrets from Minister Snelgrove. He was certainly planning to attend today. Unfortunately, something came up at the last minute, and he's not able to. In that case I will provide some very brief comments and an overview of the third-quarter report and then be happy to answer questions.

The heritage fund continues to recover from the recession and the global economic downturn, which is positive news. Overall, the fund earned nearly $500 million over the third quarter. Added to what the fund earned over the first two quarters, this brings total earnings to just over $700 million to December 31. Of the amount earned, $490 million will be transferred into the general revenue fund, and $228 million is forecast to be kept in the heritage fund for inflation-proofing.

A few other quick highlights from the third quarter. The fund enjoyed a gain of 4 per cent over the third quarter, bringing the total return for the first nine months of 2010-11 to 7.5 per cent. Our investment manager, AIMCo, met the benchmark return that's been set for them for the year to date.

A quick comment on volatility. In 2008-09 the fund lost $3 billion following the global stock market crash. In 2009-10 it set a record the other way, with the fund seeing a return of $2 billion. Although the fund continued to do well over the first three quarters of 2010-11, the impact of the tragic events in Japan just illustrate how volatile the markets can be and the kind of environment that our heritage fund is operating in. What this illustrates is the need to be invested for the long term. That is consistent with the investment strategy that we have provided to AIMCo, to make the kind of investments that will pay out over the long term. AIMCo has latitude to invest the assets of the heritage fund within ranges that the investment policy sets.

I think I'll stop there with those very brief comments and open it up to questions if there are any.

The Chair: Who wants to be first?

Mrs. Forsyth: Thanks for your brief update. You mentioned what's happening in Japan and that the markets are volatile. What percentage do we have in the Asian market?

Dr. de Bever: Particularly in Japan, AIMCo has a total of 1 and a quarter billion dollars, so the heritage fund probably has about half of that. We don't think, though, despite the fact that this is a tragic event, that the long-term consequences for capital markets will be nearly as serious as people think.

In the past – and we've looked at a number of episodes – what tends to happen is that initially you get a kind of reaction like we just did, a 15 to 20 per cent reduction in the stock market in Japan and a smaller reduction in stock markets elsewhere. Then after certain periods the market recovers, in part because there's an enormous rebuilding effort that needs to go on. Not to try and make it look like we're taking advantage of other people's misfortune, but western Canada and Alberta are very well positioned to participate in the rebuilding of Japan because we provide a lot of lumber. We also provide a lot of grain, and as you probably read, the food supply in Japan is one of the things that's in question.

We believe that the stock market loss will be recovered. In fact, we bought Japan when the market was down 20 per cent, and it looks like so far that has been a good decision.

The Chair: Before I go to the next question, I just want to note for the record that Dave Quest, MLA for Strathcona, has also joined us.

Also, just a reminder that speakers don't need to touch the mikes to turn them on. Just go ahead and speak, and they will be turned on.

Hugh.

Mr. MacDonald: Yes. Thank you very much. I have some questions this morning regarding AIMCo. Of course, AIMCo is managing our heritage savings trust fund as well as many different pension funds, too, which are valued at over $71 billion at the moment. After looking at From Vision to Action, the annual report of AIMCo for 2009-10, my question: how is the foreign currency system in the cash management system that you employ – you initiated this – working now?

Dr. de Bever: Well, cash management and FX are a different issue. I think that cash management is a relatively routine matter. As you may recall, I've told you a number of times that one of my first orders of business was to put the systems in place to do a better job at monitoring what's going on at AIMCo in terms of cash and derivatives and transactions in general.

The FX issue is the more relevant one. You and I have had a discussion about that. The way it works is that all of my clients elect a certain FX policy. They decide whether they want to be hedged in their foreign exposure or unhedged or some mixture of the two. In certain years that can make a lot of difference. For instance, I mean, it's always very hard to compare the returns of various funds, but when you do, a big component in the comparison tends to be whether they are hedged or not. Last year if you were completely unhedged, you would have had a return on an asset mix that the heritage fund had that was 2 per cent lower than if you were fully hedged. Now, other years it's the other way around.

I advised Finance and the minister at the time when I first got here that I can manage to any foreign exchange policy that the organizations that I manage money for decide to have as long as they understand the implications of either being hedged or unhedged.

8:40

The Chair: Anyone else with a question? George.

Mr. Groeneveld: Yeah. On page 5, foreign equities: that's American funds as well, I would assume. Right?

Dr. de Bever: Yes. We have a diversified global portfolio, and it does include U.S. stocks and international stocks. In fact, the trend in the heritage fund and the pension funds that we manage money for has been to have a bigger global exposure over time.

Mr. Groeneveld: But in the line below, Canadian public equities, which are a smaller percentage, are doing very well. Is there an urge to reel some of that back, or is this what you think with the long term?

Dr. de Bever: Well, there are sort of two approaches that one can take to that. One is a theoretical long term, and the other one is a tactical short term. In the long run it probably makes sense to have a relatively small allocation to Canadian markets. One can argue over that that the Canadian weight in global markets is only 2 or 3 per cent, but you can probably argue that it should be higher than that because a lot of the obligations that we have, either the specific ones in the pension funds or the implicit ones in the heritage fund, are Canadian in Canadian dollars, okay? So in the long run, if you had sort of an 8 or 10 per cent allocation, I would consider that to be reasonable.

The tactical one is quite different. It has to do with whether Canada and countries like it, resource economies – and Australia is another one – have an advantage over the medium term relative to other economies. That, of course, is related to their exposure to suppliers of resources and minerals, energy, and food to the Asian market. We at AIMCo feel fairly strongly that there's a good set of opportunities that is concentrated in Canada and in western Canada in particular, and when you look at some of our specific investments, that's the tactic we are employing. That's the strategy we're employing.

Mr. Groeneveld: Fair enough. The Canadian economy looks like it's going to be fairly strong for some time compared – but we still live beside the big elephant.

Dr. de Bever: Right. That's true, but that elephant isn't going to go away, so we have to play the cards we're dealt. The cards we hold in Canada are relatively strong. The only thing that that tends to do, particularly in areas like resources, is make us a bit too uppity and maybe too overconfident. In monitoring our Canadian investments, that's one of the things we look for. Is the management of the various companies aware that in the current environment they need to be superefficient to survive in the long run? When you look at some of our investments, it reflects that quite clearly.

Mr. Groeneveld: Good. Thanks.

The Chair: Doug.

Mr. Elniski: Okay. I have just one. By the way, good morning, gentlemen. I always like to compare your performance results to the sort of modern and popular concepts that people seem to be spouting on the radio on Saturday and Sunday afternoons. Two questions come to mind with regard to this, but I'm really only going to go into one of them. Does the heritage fund or any of the other funds hold hard-asset bullion? Do we have any gold?

Dr. de Bever: Bullion. We don't have a direct allocation, but of course we have an indirect one through gold companies that we're invested in. Gold is a tricky investment for an asset manager to deal with. It has no return; the only return is the price going up. The problem with that is that it tends to be a herd mentality.

I was in Toronto in 1981 or something, when people were lining up around the block to buy gold at $800 an ounce only to see that investment drop, I think, to less than half a few years later. Gold right now has an appeal, and I must tell you that as an economist I'm trained to hate gold because it has no return and it has no intrinsic value or doesn't seem to have an intrinsic value. The only reason that you might deviate from that is that gold is a store of value in the fast-growing economies of the world, India and China in particular, so they use it as a medium of exchange and a way to do trades. We keep one eye on that, but I think I would be very imprudent if I put 50 per cent of your assets in gold.

Mr. Elniski: Thank you. We appreciate your prudence. I think you kind of nailed, really, the reason for the interest or my concern, of course. I agree with you completely about the herd mentality that approaches some of these things. So thank you very much for that.

I don't really have a supplementary question for you. You kind of nailed it.

The Chair: Dave.

Mr. Quest: Thank you. Good morning. Speaking of prices going up, on page 5, in looking at real estate, it represents about 12.6 per cent of the fund, a 12.3 per cent return. Is that purely based on, I'm assuming, rental and lease revenues from that property, or is that also an appreciation that's measured in some way?

Dr. de Bever: It's both. You should compare it to the year before.

First of all, real estate has been our best-performing asset class since 2000, I think. It's done very well for us. It's sort of a steady

Eddie at 8, 9 per cent a year. Now, the hiccup was in 2009 because we had an overexposure or a relative overweight – not an imprudent overexposure, but we had an overweight – of western Canadian real estate, which didn't do well given what was happening to the gas sector. We also added a $300 million building under construction in Calgary which had no revenue. You put all of those things together, and 2009 was not a great year for real estate, but 2010 was because, to lots of people's surprise, including my own board, Calgary did recover in 2010 and the real estate market in particular.

I'll give you an example. That building that I was talking about shows you how the market has changed. When we were building it, it had no tenants. It was built on spec. The decision was made before I got here, and I decided to complete it because I felt that Calgary would at some point turn around. I was told that that was just way into the future, and why was I doing this? That building is now full. So it shows you the turnaround in that market just in one year.

I was on the way driving here, and I think there are some other signs that the oil and gas sector and the Alberta economy in general are recovering a lot more quickly than anybody anticipated. That's the reason that 2010 was a good year for real estate. It tends to reflect the general health of the economy. Our exposure is pretty broadly diversified. The retail holdings did quite well. Some of the office building, depending on where it was, is recovering. It's a very solid portfolio, and I think it's a good foundation, sort of one step up from fixed income, for the heritage fund portfolio.

Mr. Quest: Okay. You had mentioned primarily in western Canada.

Dr. de Bever: No. We have an overweight, meaning that, you know, if western Canada, for the sake of argument, is 25 per cent of a normal Canadian portfolio, it might 25 or 30. I don't have the numbers in front of me.

Mr. Quest: Okay. So, roughly, what would the mix be of real estate investment in Canada and overseas?

Dr. de Bever: Overseas? Because the pension funds, in particular, own most of the good real estate, we've had to go abroad. There are some opportunities in Europe that we are exploring, and there are some in the United States because, as you know, the real estate market in the United States, particularly on the commercial side, is in total disarray.

But the big event in 2010 was an industrial portfolio that we picked up from ING, and again we sort of got the benefit of other people's misfortune. ING got itself into trouble – it's a Dutch bank – and as a result it had to sell off some of its industrial assets. We picked them up at a very good price, and shortly after we acquired it, we realized that the value of these assets was substantially better than we originally thought. So sometimes you have to be smart as well as lucky or lucky as well as smart.

Mr. Quest: Thank you.

The Chair: Okay. Before I go on to Hugh, I just want to note that Alana DeLong, MLA for Calgary-Bow, has joined the meeting.

Hugh.

8:50

Mr. MacDonald: Yes. Thank you. I would like to ask you some questions, Dr. de Bever, regarding the latest annual report of AIMCo and the bonus structure that has been set up for 60-plus senior managers. Now, it's difficult for a reader to find it in your annual report – it's buried in the footnotes – but bonuses are paid for value-added during the calendar year, if I'm correct. When I look at the rules, as I understand them, around those bonuses, why is the bar set so low? There doesn't seem to be, in my view, really a high target. You have this bonus structure set up so that it works out over four years. I would like to know why the bar for that bonus scheme was set so low.

Dr. de Bever: Mr. MacDonald, have you ever managed money?

Mr. MacDonald: Yes, but not in Australia. I haven't managed any money in Australia.

Dr. de Bever: Oh, that was a low blow. I will address that if you want me to because that was a travesty, okay?

But let's go back to your question. Why is the bar set so low? In two and a half years you haven't asked me any questions about the $175 million we paid in 2009 and the $125 million or $140 million we paid in 2010 to external managers without any performance criteria.

Mr. MacDonald: I have asked the minister of finance questions regarding that, sir, in the Legislative Assembly, and I must say that I did not get an answer.

Dr. de Bever: Okay. The answer is that a commercial manager – and Pine used to be one of them at JP Morgan – gets a fixed fee based on assets independent of whether performance was good, bad, or indifferent. The alignment of this plan with its clients is far closer in the sense that our goal is value-added, meaning doing better than market, okay? That is a much tougher goal. If you meet the target of benchmark, you're better than 60 per cent of your peers because most managers in the commercial sector will meet benchmark before expenses, not after expenses. That's number one.

Two, I'm managing an organization that is in transition. It got itself involved in a lot of complexity in the period 2005-2008. It didn't have the expertise, the clients didn't understand the products, and as a result there was a lot of remedial work to be done, shall we say. Having said all of that, we did produce value-added.

I would disagree with you. If you look back over the last 19 years, the average Canadian pension fund barely added any value. So to argue that the bar is set low: I don't know where you get that impression.

Mr. MacDonald: The $500 million stretched target that you had: is that not low? Then when you consider that you have a cut-off of one-third of that and when you look at the value-added for the year ending December 31, 2009, which was very little – it was around $130 million – the $14 million that is going in in one form of incentive or another is on average $220,000-plus for those employees.

Dr. de Bever: I think your numbers are wrong. The bonus plan has a much bigger participation.

Mr. MacDonald: Well, that's in your report, sir.

Dr. de Bever: Well, the $10 million went to a much bigger component than 60. I can tell you that. We can talk about that later.

The main point I'd like to address is the following. This government made a decision to create an organization that could compete with the best internationally in terms of managing money. It's going to probably take me another three or four years to put that organization in place. It's the only organization of its type in Alberta. Its economies of scale should in the long run provide it with the capacity to produce 1 or 2 per cent extra than you could do in any other form.

But here is the crux of the matter. For the calendar year 2009 80 per cent of my costs went to 20 per cent of the assets. In 2010 that became 60 per cent of the costs, 15 per cent of the assets. I was able to take that extra 5 per cent, manage it internally at one-third the cost, and it funded all the investment we had to make in operations, in part because of the recommendations of the Auditor General.

Now, here's the problem. In any other industry if something costs 3X and somebody comes up with a way to make it cost X, everybody says: hallelujah. In this particular context people start digging into what constitutes X, and I have to pay people commercial rates to be able to attract them to Alberta. That's why the bonus program is what it is.

The Chair: Heather.

Mrs. Forsyth: Thank you. I just want to follow up on a question that was asked previously, and it was about the gold market. Now I'm going to talk about a girl's best friend, and that's diamonds. I probably listened to the same show on Saturday and Sunday from the investment people. I was very interested in your answer in regard to the gold market, and I appreciate your response to that and found it enlightening. Now I'm going to ask you if we have any investments in the diamond market. That's my first question.

Dr. de Bever: We do, but it's not something that we spend a lot of time on. In other words, as part of our investment in Canada – and Canada has a fair number of diamond companies – we probably have investments in the diamond industry. I don't know offhand which ones they are. It's not something we spend a lot of time on.

As I said earlier, the bigger areas we're focusing on are food, energy, and materials as positions we take that are separate from what our market exposure would be. The problem with diamonds is that their values are even more ethereal in the sense that it is partially dependent on supply constraints. Now, oil is sort of the same way. I mean, OPEC, by constraining output, is also affecting the price, but with diamonds that's even more the case. In other words, if there was a totally free market for diamonds, the price would be a lot lower, and it would be an even better friend for you, I suppose.

Mrs. Forsyth: My second question. Maybe you can help me out. I'm looking on page 5 of the third quarter, and under the timberland it was, from my understanding, a 1.2 per cent loss. Is that correct? When I asked you the question about the Asian investment, you mentioned something about: you didn't want to take advantage of a bad situation that's happening right now in Japan. But somewhere in here – and I will try and find it – I saw under the timberland investment that you had investments, I think, in B.C. and some in Alberta. Do you see an improvement in that?

Dr. de Bever: Well, it's a very small investment, but what you may not have seen is that we made a huge investment in this sector in Australia at the end of last year. Again, talk about people's misfortune. The government in Australia had a misconceived – well, it wasn't misconceived, but it got off the rails – program to induce people, individuals, to invest in timberland because Australia has a timber shortage. So they set up a tax incentive to do that, and sometimes when you set up tax incentives, you have unintended consequences. Retail investors started investing. They overpaid for the assets. They levered it a hundred per cent, and then came 2008, and the whole thing collapsed.

All these properties went into receivership. We bought roughly $360 million out of receivership at the end of last year, about 2,500 square kilometres. We just are starting to get assessments as to what these assets are really worth. The valuation adjustment that we expect for this year in that particular adjustment dwarfs the total investment in this particular asset.

Timber has been challenging in North America for a variety of reasons. This particular investment has particular challenges, both from an economic and other points of view. You must understand that I didn't make this investment, but in defence of the people who did, in my industry – and you wouldn't want to run an airline like this – if you get it right 60 per cent of the time, you're a first quartile manager. In other words, we make an awful lot of mistakes because the ability to predict how an investment is going to pay off at the beginning, when you make the decision to invest, is pretty limited, and you have to live with that.

9:00

Mrs. Forsyth: Do I get three questions, Madam Chair?

The Chair: Oh, sure.

Mrs. Forsyth: I just have one other question if I may, and that's on page 14. You talk about the emerging market equities and your investments in some of the industrialized countries like Brazil, Russia, India, and China. That's (e). Can you give me an idea of what you're investing in in those particular countries?

Dr. de Bever: Well, first of all, I don't think we have a lot of money in Russia. I don't have a great deal of confidence in Russia. We have some investments in India, but they tend to be as part of index investments; in other words, a global equity pool. China is the same kind of thing. I've been trying to solve the India and China puzzle for the last 10 years, and I can't. I still haven't figured it out. We have some really small investments there that are in the private equities sphere, but they're really, really small.

Brazil we have a fairly significant exposure to, particularly in food, in grains, and in infrastructure. As you may know, Brazil has stabilized a lot in the last 10 years. Its biggest problem is to build enough infrastructure to get products to market from the interior. One of the investments we made there at one point – and I'm not sure whether we've disposed of it – was an investment in a railroad that was building a better link to the coast. Those are some examples.

We find that Brazil and Chile even more are good opportunities for us. You may have seen that we made a big investment in a Chilean toll road. The sweet spot for me is countries that are rich enough that they can afford to pay for the capital we put in place but not so rich, then, that they can afford to renege on agreements they have with investors. That tends to occur in North America as well, but it tends to occur in situations where people feel that maybe they don't need the foreign capital anymore.

For instance, again, the autopista investment in Chile, the road, I think is going to be a hallmark investment for AIMCo in terms of providing exactly what infrastructure is supposed to provide, a good return sort of around low-beta equities without commensurate risk.

Mrs. Forsyth: Thank you, Chair. I'll just get back on the speakers list because I have one more question.

The Chair: Okay.
Alana.

Ms DeLong: Thank you very much. I wonder whether you could explain the timberland just a little bit more. Is it that you're buying rights to timber, or are you buying sawmill-type investments?

Dr. de Bever: No, we're not buying operating assets. This is actually a unique investment. Australia is unique in that the land that forests sit on has multiple applications, and depending on the economics at the time, a rotation of timber may be followed by a conversion to grassland to put livestock on or to put grain on. It depends on the economics at the time. New Zealand is the same way. Of course, the difference between, say, a similar investment in North America is forests that grow 8 per cent a year and in Canada grow 2 or 3 per cent a year. So a full rotation on timber is only 30 years and in eucalyptus is even shorter than that; it's 10 or 15 years.

What we bought is 2,500 square kilometres that have some timber on them in most cases, that is likely to be harvested in the next three to six years. At that point we can decide whether we want to grow another forest on it or whether we want to redeploy it. You may have read in the paper that farmland as an agricultural base is in enormous demand right now, so this investment has a lot of optionality to it, meaning that it's forest land right now and we own the land. The investors still own the trees. As soon as they cut the trees, we can do with that land what we want. In the meantime we get a rental rate on the land. In other words, they own the trees; we own the land. We get a rental rate on the land underneath the trees. Once the trees are gone, we can do with the land as we please. Does that answer your question?

Ms DeLong: Yes. So do we now have more money in Australia than we have in B.C. in terms of timberland? How does the timberland in B.C. work?

Dr. de Bever: Oh, yes. I mean, the timberland in B.C. is a fraction. I don't know offhand what it is, but it's less than a hundred million dollars, I think. So this is way more, and it's characteristics are very different. You have to understand that you look at these things on a quarterly basis. But particularly in an asset class like timberland, it's very hard to evaluate outcomes on a quarterly basis. Even on an annual basis you have to take sort of a four-, six-, eight-year view. We got lucky in Australia in that the returns came up front. We got unlucky in British Columbia in that they seem to be some time in coming.

Ms DeLong: This number that you have here, this 1.2 in terms of the loss: it's an estimate that has quite a bit of flex?

Dr. de Bever: Okay. Let me explain to you how this works. This is not a loss as in I can't recover it. This is a loss as in the valuation of the property given current market conditions is lower than it was a year ago, now factoring in income in the meantime. We suspect that this property eventually will recover. Will it ever be a great investment? Probably not. Will it be an awful investment? No. So that's sort of the range of outcomes.

Ms DeLong: Thank you.

The Chair: Kevin.

Dr. Taft: Thanks, Madam Chairman. I've got a few questions, but I'll take my turn. I'm curious to go back to the very early discussion we had on hedging, just because it has so many risks to it, frankly, the little bit I understand. I understood you to say that the different funds have different policies that they've put to you, hedge us this way or don't hedge us or whatever. On this particular issue is a two-part question. One is: do you advise any of your clients on what would be a better or a worse policy? Secondly, what is the specific strategy or policy for the heritage fund?

Dr. de Bever: The strategy for the heritage fund is to be unhedged, you know.

Dr. Taft: Just completely unhedged. So just ride it out. Okay.

Dr. de Bever: Well, let me explain why that in itself is not a bad decision. I didn't make it, but if you . . .

Dr. Taft: No, no, no. I'm just trying to understand. Okay.

Dr. de Bever: Yeah. Now, there are basically two schools of thought. One is that foreign exchange risk has no return in the long term – right? – so you should hedge it away because it's unrewarded risk. The other extreme is that, well, it's unrewarded risk, but if you have to hedge it for something that in the long run has no return, why bother? So we might as well ride it out.

Now, the heritage fund is probably better positioned than, say, a pension plan to do that because it is an endowment, meaning it's for the very long term, and in the very long term foreign exchange risk will cancel out. If you think about it, I came to Canada in 1975, and the dollar was at par, right? Since that time it's been all over the place, but it's back to par. It's one example of how in the long run it doesn't really matter. So it's a decent strategy.

In terms of me providing advice, I came with the dream at AIMCo to create a trusted partner of the pension plans. I must say that on occasion I wish they would live up to that aspiration, that I have more than they do. In some cases I think taking advantage of the expertise we have at AIMCo would put them in good stead, but right now it's basically handled by the consultants to the pension plans. On occasion they may ask us for input, but it's basically their decision.

Mr. Matheson: Could I just supplement with respect, specifically, to the heritage fund? As Leo said, currently the heritage fund's foreign exchange asset investments are unhedged. The majority of the foreign exchange exposure in the heritage fund is to U.S. dollars.

Dr. Taft: Right.

Mr. Matheson: This year we undertook that we would do a study of the exposure and whether it made sense, in fact, to put a formal policy in place with respect to hedging because AIMCo always has the ability tactically to manage and to take a view on a currency. If they had a view that a currency was going to appreciate or depreciate for the heritage fund, they'd have the capability and the latitude they've been provided to take a position on that. But from a long-term policy point of view we're looking now – we have a consultant engaged that's looking at that for us. We're not looking at it in terms of just a pool of assets in the heritage fund because the heritage fund is, in fact, one asset on the province's balance sheet, but the province also has a very big asset, being oil and natural gas in the ground, which also is denominated in U.S. dollars. So we're trying to look at the picture from the broader balance sheet of the province.

The report is not finished yet. The preliminary results we've got: the consultants are suggesting that on its own the heritage fund's exposure doesn't warrant hedging. But we haven't finished phase 2, which is to then look at it in the context of that broader balance sheet. That's where we're at on that report, and it should be done fairly soon.

9:10

Dr. de Bever: I should tell you that taking positions in currency is more dangerous than almost any other asset class because the short-term movements in currency are very unpredictable. I mean, after the fact everybody tells me that they knew all along that the Canadian dollar was going to go back to par, but no one was taking that view when it was going on.

Dr. Taft: No. I understand that.

My next question comes in part out of what's on page 3 of the third-quarter report, which is the top graph there, which is the value of the heritage fund in billions of dollars. I'd like to triangulate or have multiple perspectives on the value of things. I don't know if I'd put this to Mr. Matheson or to Dr. de Bever, but would you be able to, for example, give this committee the information on the value of the heritage fund by different measures? Actually, it'd be most useful for me, at least, and I think for this committee if it was over the life of the fund, so its value, for example, adjusted for inflation, its value per capita, per the population of Alberta. I mean, those are pretty standard measures to adjust for inflation and population.

Then because it does relate so importantly to provincial spending, frankly – to me it's our savings account – I'd be interested to see over the long-term life of the fund the value of the fund as a percentage of the provincial budget just so that we have a richer picture of what the value of the fund is. Those are all very conventional measures. I'm wondering if you or somebody there would be able to provide that pretty simple math. You would have the information more readily than any of us. Then we could see over the life of the fund some other ways of valuing it. Would that be reasonable to ask?

Mr. Matheson: Certainly. Unfortunately, I can't give you those numbers right now.

Dr. Taft: No. I wasn't expecting that.

Mr. Matheson: But I'd be very happy to take that back and provide that. Just to clarify, when you're referring to the value of the fund, you're talking the capital value, the $15 billion, on a per capita basis as a percent of the provincial budget historically . . .

Dr. Taft: And adjusted for inflation.

Mr. Matheson: . . . and adjusted for inflation.

Dr. Taft: Yeah. That would just give us as committee members a better sense, multiple perspectives on the value of the fund.

Mr. Matheson: We'd be happy to do that back through the chair.

Dr. Taft: That would be terrific.

The Chair: That would be great.

Mr. Matheson: I would just comment in terms of that on an adjusted for inflation basis the legislation requires that a portion of the income be preserved every year so that the heritage fund is inflation-proofed, if you like, so that it preserves its real value.

Dr. Taft: I understand that although that policy has not been there over the life of the fund.

Mr. Matheson: That's true.

Dr. Taft: So if we were to go back, it would be interesting. That, for example, I think is a reassuring policy. Let's see how it looks.

The Chair: Great. Thank you.

Hugh.

Mr. MacDonald: Yes. Thank you, Madam Chair. My next question would be again to AIMCo. This bonus scheme that was set up: was that approved by the board of directors of AIMCo?

Dr. de Bever: Yes, it was. It mirrors – and we've had this externally validated by employment consulting firms that deal with the pension industry. It's pretty conventional as it's set up across the industry.

Mr. MacDonald: And these low targets that you've set for yourselves . . .

Dr. de Bever: That is your definition.

Mr. MacDonald: You're telling me that . . .

Dr. de Bever: You won't let go, will you?

Mr. MacDonald: No, I will not.

Dr. de Bever: Okay.

Mr. MacDonald: You're telling me that those low targets are an industry standard?

Dr. de Bever: Mr. MacDonald, if you can show me a list of pension funds that over the last 10 years, on average, have increased value over benchmark by 1 per cent a year for 10 years, I will agree with you that our target is a low one. I can tell you that that's not the case. In fact, over the last four years most pension funds have underperformed their benchmark for exactly the reason that AIMCo did, and I wasn't even here for the last four years. The market has been incredibly difficult. The disruption in 2008 did not just affect absolute return; it also affected relative return or value-added.

Mr. MacDonald: Well, looking at your financial statements, sir, particularly 2009 wasn't a good year for many reasons. It certainly wasn't a good year for AIMCo or for the heritage savings trust fund in particular, but there seems to be no shortages of bonuses paid. I'm sorry. We can have different opinions on this matter.

Dr. de Bever: Well, let me just reiterate. Again, you're not comparing what we're paying our external managers versus internal managers on the same basis. You seem to think that $10 million paid to internal managers is a sin and $175 million or $140 million paid to external managers is perfectly acceptable, and I find that, frankly, mindboggling.

Mr. MacDonald: Well, I'm sorry. I brought this matter up in the House regarding those external management fees, and I was very disappointed in the minister of finance's response. The numbers that were paid out in these external bonuses or external fees or whatever you want to call them – and I understand that 25 per cent of the heritage savings trust fund is externally managed, if that's correct, Mr. Matheson – is unacceptable. It's unacceptable that when you compare internal and external costs, you see where there was externally a loss of $542 million. Investment fees for that period were $126 million. Performance fees: they lost megabucks, yet they still got a performance fee. The government is not answering those questions. Certainly not.

Dr. de Bever: Now, let me get this straight. You don't like the arrangement we have in place for the external managers . . .

Mr. MacDonald: I certainly do not. No.

Dr. de Bever: You don't like the arrangement we have in place for the internal managers. They're getting overpaid. Who the heck is supposed to run this fund?

Mr. MacDonald: No one said anything about being overpaid. I'll put it to you this way: if a guy scores 50 goals in the NHL, he gets a bonus; if he scores eight and he's in the penalty box a lot of the time, he doesn't get a bonus.

Mr. Groeneveld: That's not quite true. If that's what he supposed to do, that's what he gets paid for.

Mr. MacDonald: I'm sorry. The bonus system for $14 million: in my view there is very little performance there.

Dr. de Bever: Mr. MacDonald, you have a totally incorrect understanding of what I have to do to get this fund managed at the lowest cost possible. Forty basis points to run a fund of this size: that is exemplary. I'm not making any apologies for that.

Mr. MacDonald: Okay. That's fine.

The Chair: Okay. I've got Heather and then Kevin.

Mrs. Forsyth: Dr. de Bever, I would like to ask you a couple more questions. We go to your topline results on page 2, and you talk about the higher returns from the Canadian and foreign equities. Can you explain to me what you mean by foreign equities and where you're investing? It's in the top corner.

Dr. de Bever: Okay. The way the heritage fund sets out its mandate is that it gives me parameters around what percentage of the fund to invest in the Canadian equity market, and what I mean by that is the TSX, the TSE 300. Similarly, the external market in global terms is defined as the MSCI global index. Again it's a range of stocks that make up the major firms in each of the global markets that we invest in. So that is our base position. That is our benchmark. In other words, if we didn't have AIMCo, if we just had index investments, you could take the policy of the heritage fund and put it into the various markets using something called an index swap, and the net return you would get is the market return minus about 20 basis points for cost of implementation.

9:20

That is how we start our investments. Then our active management tries to say: all right; that is our base position, but are there stocks in the various markets that are better than average? That is called security selection. So in various markets we take positions that are not at market weight, meaning they are either higher or lower than market weight, to try to extract additional return for the heritage fund.

Does that explain it?

Mrs. Forsyth: Well, you know, when you see my eyes glaze over, it's just a little over my head. But I absorb better when I read it, so I'll read more about your answer. Then I know, if I have any questions, you've been pretty good about responding.

Dr. de Bever: You know where to find me.

Mrs. Forsyth: Yes.

If I may, when you talked about foreign equities – and I've asked you this previously – you talked about Brazil and Chile, that you thought were good. Russia, no. India?

Dr. de Bever: Challenging.

Mrs. Forsyth: Challenging.

China?

Dr. de Bever: Very challenging because of the legal system and, you know, lack of transparency.

Mrs. Forsyth: Would you consider the Asian market, places like Vietnam, as challenging also?

Dr. de Bever: They are. As I've detailed in our annual report, we have cut back the number of external managers tremendously because, on balance, they weren't really contributing to the overall results, particularly not in 2009. But we do retain some external managers that are closer to those particular markets because we, frankly, can't attract the expertise to do it internally to the same extent. We can do some of it, but we have external mandates in those particular markets to help us access that market more efficiently than we could do ourselves. It is challenging.

Countries like Vietnam and Thailand and sort of the periphery around China: they have their opportunities. The problem we have in a lot of cases is that we don't have the same protection of a stable government, stable legal system, so one has to be much more circumspect than you would be – I mean, we had our Bre-X. Let's not get carried away. But, in general, I think it's much more difficult to operate in those markets than it is to operate here. At the same time these markets are less efficient. What I mean by that is that the amount of research that's been done on them is less than what you would find in Canada or the United States. Less efficient markets have more opportunity to make returns, so that's why we look at them particularly carefully.

Mrs. Forsyth: My last question. And you don't have to answer this; maybe you can respond in writing. With the challenges that we have in the world right now globally – and you see what's happening in some of the places you didn't mention, Egypt and Libya and things like that – is that a challenge for the rest of your investments? From what I'm watching on TV and learning, globally there is some real uneasiness with what's going on. When you look at Libya with the oil and gas and all of that stuff, is there someone that is continually watching that market and managing that market?

Dr. de Bever: That's why I've hired the people I've hired. To make money for the heritage fund, we have to take risk. If we couldn't take risk, we would be in T-bills, but the return would be awful. So you have to take risk. Sometimes that risk pays off big time. In the '80s and '90s we had returns in the heritage fund that were way higher than the long-term norm.

Times have been very challenging in the last 10 years, and that's not because managers have become incredibly stupid. It's because there's something in markets called mean reversion, meaning after a period of extraordinarily high returns you tend to have markets that don't have as high of a return. In the last eight years, on balance, that's the kind of environment we've been in. So we have to take risk to try to earn the highest return for the heritage fund.

Half of my staff is in operations; the other half is in investments. Most of those people are engaged in watching the kind of risks that you worry about. Worrying in itself is not a useful thing to do in investing. It's worrying and, at the end of the day, making a decision to take a risk rather than avoid it that is ultimately going to be a mark of whether you are performing or not.

Mrs. Forsyth: I'm sorry. I'm really pushing my luck, but just to follow up on that risk market that you're speaking about, when you have an investment adviser, if you're saying, using as an example my mom, who is a senior, that at 87 years old there is minimum risk, and then, you know, you get to risk management for, like, my husband and I, and you say, "Okay; well, we'll be a little more gutsy, but not really gutsy," where would you put your risk management sort of level?

Dr. de Bever: For the heritage fund?

Mrs. Forsyth: No. I mean, like, high risk, low risk.

Dr. de Bever: Okay. My risk budget or the range of risk that I can take is given to me by the finance department. They set the policy, and it has a relatively high allocation to risky assets. I think that's appropriate because this is a long-term asset, and in the long run risk has a return. The problem is that we know it has a long-term payoff, but the short-term payoff is totally unpredictable. In fact, if you want to get technical about it, the reason that the payoff is so high in the long run is that it's absolutely unpredictable in the short run.

In other words, if we had known in 2000 that the next 10 years were going to be awful, we would have all gone into bonds. In fact, if you had done that, that would have been a terrific decision. But you didn't know that in 2000. Right now it's probably a terrible decision to go into bonds given that interest rates are now so low that from here on in it's very risky actually to be in bonds.

There are two points. One is that the amount of risk I can take is given to me by the government, by the finance department, and I'm responsible for implementation, meaning that within the risk budget that I've been given, I'm supposed to find the best ways to deploy that risk and to get the highest return on it.

Mrs. Forsyth: Thanks.

Mr. Matheson: Madam Chair, I would just like to supplement on the question about the foreign equities. Because the foreign equity discussion talked a lot about the emerging markets – Brazil, Russia, China – I just wanted to point out that the heritage fund is invested about $1.7 billion in Canadian equities and about $5.1 billion, so about three times that, in what we call global developed equities. So the vast majority of the foreign equities in the heritage fund are in developed markets: the United States, Europe, Asia, Far East, Australia. The emerging markets is actually a very small portion of the heritage fund. The policy target we set for the exposure to emerging markets is about 2 per cent of the fund. At December 31 there was $45 million in investments in emerging markets.

Mrs. Forsyth: So can you send that to me?

Dr. Taft: Madam Chairman, I don't know if there's a hard deadline of 9:30. I've got a series of questions. I like Heather, too, but we're really getting . . .

Mrs. Forsyth: Sorry.

Dr. Taft: Do we have to end at 9:30?

The Chair: I do not think we do have to end at 9:30. Why don't you go ahead, Kevin?

Dr. Taft: Okay. Well, one of my questions overlaps with Heather's, and, you know, it's driven a bit by current events in the Arab world right now, Libya and elsewhere. There are certainly companies, Canadian companies, Alberta companies like Suncor and Talisman and so on, who are at some risk in Libya. I'm wondering if either of the parties here, AIMCo or the department of finance, has a particular policy in terms of dealing with different kinds of political regimes. You know, there are various companies who have regrets now about dealing with Colonel Gaddafi, for example. There are others who have just said: we would not deal with a regime like that. Do you folks have policies.

Dr. de Bever: Well, as a course of just plain common sense we tend to stay away from companies that are engaged in activities in places that might, from a business point of view, pose issues. We will never take a deliberate position where we incur that kind of risk. Now, because we are mostly index investors in global equities, that's our base position. There may be some companies in there that probably are in that regret phase. The cheapest way to get exposure to global equities is through the index. Any deliberate positions we take would evaluate the kind of risk criterion that you're applying. In other words, if you're involved in something that could come back to bite you, why would you go look for that risk? So I think your concern is quite valid. I don't think there are too many big exposures in our portfolio that would be captured by your concern.

9:30

Dr. Taft: You take it case by case rather than a policy.

Dr. de Bever: That's right. It's one of the hardest things. We've signed onto a protocol called UN protocols for socially responsible investing. Basically, what it says is that you will on a best-effort basis – sometimes these issues are not black and white; there's a lot of grey in the world, and the Norwegian fund, in particular, has found that out. We will look at investments from the standpoint: are these companies producing a service or a good that is in some sense socially respectable? In other words, I'm on the board of a Dutch pension plan, and they divested of a company that made cluster bombs on the grounds that that was socially reprehensible. So we do factor those kinds of things in when we can.

Dr. Taft: Okay. Would you be able to distribute those protocols to the committee? I imagine it's a public document.

Dr. de Bever: Yeah, we can send you that.

Dr. Taft: That would be great. My next question . . .

The Chair: Go ahead. You're the last one on the speakers list.

Dr. Taft: Okay. I've got two other questions. One is just around exposure to the U.S., which I imagine is the largest . . .

Dr. de Bever: Single foreign block.

Dr. Taft: . . . single foreign destination of our investment here. Earlier we were talking about real estate, and there seems to be a lot of concern still about the health of the U.S. real estate market and housing in the U.S. and so on, which, of course, as you point out, presents opportunities. How do you assess that? I mean, do you have any position on the risk of a sort of double-dip in the U.S., or are the indicators that we've sort of got past that risk?

Dr. de Bever: I was trained as an economist, and I spent five or six years trying to forecast all the wiggles of interest rates and growth rates and so on. Actually, according to my ratings I was reasonably good at it. But it's a really tough game, and your ability to predict these things with any kind of precision is very, very limited, and it's limited because ultimately when you think about it, these things are driven by individuals and collections of individuals and their changing moods. In fact, that's the subject of a whole range of study in investing called behavioural finance, the fact that people overreact to both good and bad events. Recent events are a good example. When the thing in Libya happened, when the thing in Japan happened, there was an overreaction, that eventually will correct itself.

That's probably the only thing I've learned over the years that you can hang your hat on, the tendency for people to overreact, and going against that probably presents you with the best opportunities you have. In a normal world to be able to predict where the world is heading within half a percent of GDP is a fool's errand.

To summarize our maintained hypothesis, the world is growing at around 4 per cent. The bulk of that growth is occurring in India and China. North America is doing relatively well at about 3 per cent; Europe about half that, 1 and a half per cent, and there's considerable divergence within Europe. So this is probably the first recovery that is solidly driven by India and China.

Dr. Taft: Okay. Then my last question, if I may, Madam Chairman, is probably more for the department. With AIMCo here and however many staff there are now in the offices and a handful of other financial institutions, ATB and Canadian Western Bank and so on, I mean, these are not big players in the grand scheme of things, but there's sort of the possibility of a bit of a financial cluster developing in Edmonton and probably even more so in Calgary. Does the provincial government have a strategy to facilitate and encourage that cluster or those clusters? Is AIMCo part of that, or is that even appropriate? In other words, do we have a strategy to move Alberta more coherently and strongly into the world of being a financial player?

Mr. Matheson: I'll give my best possible answer for that. My colleagues in the enterprise division of the Finance and Enterprise department would be able to give you a more complete answer, but certainly I can say that the government does recognize the value in developing the financial sector in the province of Alberta. The minister and previous ministers have recognized that, and they've undertaken a number of initiatives to look at ways to foster the growth of the financial sector in the province both in Calgary and Edmonton.

Leo may want to comment because I know that AIMCo has in fact been involved in a number of initiatives to do exactly that.

Dr. de Bever: Yes. We have been trying to see where there's a natural foundation for growing the financial sector, but I think the biggest opportunity is in AIMCo itself. The only reason I took this job is to create a really first-class investment organization. I must tell you something strange. A lot of people seem to think that that's not possible in Alberta, and I happen to disagree. Seventy billion dollars is enough of a critical mass to build an organization that with best practices will be a significant player. We've brought in a couple of hundred people since I've come here to aid in that effort. The money that we used to spend on IQ is now gone, but the money we used to spend outside of the province is now being spent inside the province. I think that having AIMCo here will in itself create a bigger professional base for investment management. We've been working with the universities to create that.

One of the challenges we have is that if you were trained as a financial professional at the University of Alberta or the University of Calgary, you had to go somewhere else. That was the only option you had. I'm bringing Albertans back from London, New York, Toronto, Boston, various places, and I'm attracting other people that don't have any roots here and trying to build roots here. I think that is a useful exercise. You have to be modest about how far you can push that. We're only 3 and a half million, sitting out on the western corner of the country, so you're never going to build a Toronto or a New York here, right? But there are activities around the oil and gas sector and around the investment management of Alberta assets that will allow us to grow that sector.

Dr. Taft: Okay. That's fine.

Thank you, Madam Chairman.

The Chair: Okay. Thank you.

Would someone like to move that

> the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2010-11 third-quarter report of the Alberta heritage savings trust fund as presented?

Dave. All those in favour? That motion is carried. Thank you.

Just quickly, we have a couple of items left. One of the things that we have to talk about is the public meeting that comes up in the fall and where, in fact, we want to have that meeting. At our last meeting it was agreed that the Shaw broadcast worked really well last year to reach Albertans, and the committee did indicate that they had an interest in going ahead again with Shaw. So we need to talk about the location.

I think, Tracey, you were going to take a look at some options in terms of greater public participation. Did you want to speak to that?

Ms Sales: Yes. Thank you, Madam Chair. At the last meeting we were asked to facilitate an online interaction between the committee and Albertans. We've done some preliminary research, and our recommendation is going with a software solution that would integrate online chat with webcast, basically. Last year we did webcast, the TV broadcast, and this year we're talking about integrating online chat with the webcast. Viewers would be allowed to watch the video online, and then they would be able to make comments or submit questions through an online software. There are still a lot of logistics involved, and we're still trying to find the best software solution to meet the needs of this committee, but if the committee is open to trying this out, I will build a communications plan based on the online chat option.

Mr. Elniski: I do have just a brief question on this point. Last night I had the privilege of sort of second-hand attending a telephone town hall meeting by one of the Members of Parliament here in town, a fellow by the name of Laurie Hawn. Allegedly, some 3 and a half thousand people were on this call. You know, if you wanted to ask a question, you could press 1, and eventually they would get to you type of thing. They had a number of other voting criteria. Have we ever looked at that? Do you know anything about this? How do I do that? I want to do it for my own constit, but also I think that from the perspective of this committee it's probably a pretty interesting thing to talk about as well.

9:40

Ms Sales: Right. Actually, we did look into that. I think it was one of the options that we looked into last year, but it was decided to actually go with the television broadcast instead. But, yes, I have done research into companies that will allow for the telephone situation. We could definitely go that way if the committee would like to.

Mr. Elniski: What's it worth?

Ms Sales: It can be costly. I think we did work out some dollars and cents on it. Please don't quote me, but I think it was in the thousands, between $2,500 to $5,000. I do believe there is an extra charge depending on how many people you actually do get involved in the telephone calls. But, yes, we have looked into that. I mean, that is definitely an option available. I was specifically asked to look into an online solution, but there are other ways to go.

The Chair: So that is information that you could come back with at the next meeting.

Do we need to know today what location we're talking about? That's probably helpful.

Mrs. Dacyshyn: That would be nice.

Ms Sales: Yes. Sometimes the location can affect what we are allowed to do technologically speaking.

The Chair: Okay. My recollection from the last meeting is that it looked like we were going to land in Edmonton. I guess I'll throw that out and see if anybody disagrees with that or has another option. Edmonton it is? Okay.

Do we need a motion for that? Okay. Would someone like to move that

> the next public meeting be in Edmonton?

Dr. Taft: Sure.

The Chair: Kevin. All those in favour? Okay. That motion is carried.

Tracey, do you need anything else from us before you go on and look at some options?

Ms Sales: No. I think this is great. What I'll do is put together two scenarios. I'll offer up the online in comparison, maybe, to the phone option.

The Chair: Okay. Great.

Ms DeLong: I just wonder. We're saying that it's Edmonton. Are we definitely going to use government resources that are already in place in terms of rooms like this or the Legislature?

The Chair: I think that's part of what you need to look at.

Ms Sales: Yes. If the committee would like me to look at on-site options, I can definitely look at on-site options and see what support we have. Of course, if we want to televise, we need to make sure that we have a venue that can support the broadcast. Things like that need to be looked into.

Ms DeLong: Such as the Legislature, that we already have, you know, versus setting up something on our own or renting something. Thank you.

The Chair: Thanks.

Okay. Everyone received a memo from the Minister of Finance and Enterprise regarding the number of website hits on the heritage fund section of Finance and Enterprise's website. Does anybody have any questions? Kari-ann is here and could answer any questions if there are.

Okay. Item 6, other business. Rod Matheson, deputy minister, provided a follow-up response advising that as of December 31, 2010, the amount of the heritage fund that was managed externally was 26 per cent, or $4.03 billion. That response was posted with other briefing material for this meeting. Is there anyone who has any questions on that?

Seeing none, the next meeting will be held at the call of the chair for the purpose of approving a communications plan for the public meeting and approving the heritage fund's 2011 annual report. The annual report must be approved by the standing committee and distributed to all members on or before June 30. So I expect that meeting will be sometime in June.

Would someone like to move that we adjourn? Kevin. All those in favour? Great. Thank you. That motion is carried.

Have a good day.

[The committee adjourned at 9:44 a.m.]

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