



Legislative Assembly of Alberta

The 28th Legislature  
Third Session

Standing Committee  
on the  
Alberta Heritage Savings Trust Fund

Monday, December 8, 2014  
6:15 p.m.

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**Legislative Assembly of Alberta  
The 28th Legislature  
Third Session**

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

Casey, Ron, Banff-Cochrane (PC), Chair  
Jablonski, Mary Anne, Red Deer-North (PC), Deputy Chair

Amery, Moe, Calgary-East (PC)  
Barnes, Drew, Cypress-Medicine Hat (W)  
Ellis, Mike, Calgary-West (PC)  
Horner, Doug, Spruce Grove-St. Albert (PC)  
Lukaszuk, Thomas A., Edmonton-Castle Downs (PC)  
Mason, Brian, Edmonton-Highlands-Norwood (ND)  
Sherman, Dr. Raj, Edmonton-Meadowlark (AL)

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

**Participants**

Ministry of Treasury Board and Finance

Aaron Brown, Director, Portfolio Management

Lowell Epp, Acting Assistant Deputy Minister, Treasury and Risk Management

Darcy Scott, Public Affairs Officer

Alberta Investment Management Corporation

Leo de Bever, Chief Executive Officer



6:15 p.m.

Monday, December 8, 2014

[Mr. Casey in the chair]

**The Chair:** Good evening. I'd like to call to order the Standing Committee on the Alberta Heritage Savings Trust Fund and welcome everyone this evening, new members especially.

I would ask that we go around the table, maybe starting with the deputy chair, and introduce yourself and your constituency.

**Mrs. Jablonski:** Good evening, everyone, and welcome. Mary Anne Jablonski, Red Deer-North.

**Mr. Ellis:** Hi there. Mike Ellis, Calgary-West.

**Dr. de Bever:** Leo de Bever, AIMCo.

**Mr. Epp:** Lowell Epp, acting assistant deputy minister, Treasury Board and Finance.

**Mr. Brown:** Aaron Brown, Treasury Board and Finance.

**Mr. Sittler:** Jeff Sittler with the Auditor General's office.

**Mr. Saher:** Merwan Saher, Auditor General.

**Ms Dotimas:** Jeanette Dotimas with communications for the LAO.

**Mr. Barnes:** Drew Barnes, MLA for Cypress-Medicine Hat.

**Ms Dean:** Good evening. Shannon Dean, Senior Parliamentary Counsel and director of House services.

**Ms Rempel:** Jody Rempel, committee clerk.

**The Chair:** My name is Ron Casey. I'm the MLA for Banff-Cochrane and chair.

I believe we have one additional person.

**Mr. Scott:** Darcy Scott, communications branch, Treasury Board and Finance.

**The Chair:** I don't believe we have anyone on the phone tonight.

The meeting materials were posted to the internal committee website last week.

There are housekeeping items that need to be addressed before we continue with the business. The microphone consoles are operated by *Hansard*. Please keep cellphones, iPhones, and BlackBerrys off the table as these may interfere with the audiofeed. Audio of committee proceedings is streamed live on the Internet and recorded by *Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website.

Moving ahead here to the approval of the agenda, I'd like to make a suggestion on the agenda, and that's that we move item 6 to 5 and 5, obviously, to 6 simply because we do need to get the standing committee report approved this evening so that we can table it in the House. Seeing as time is short, it's likely better if we do that. With that, I would look for someone to make a motion that the agenda for the December 8, 2014, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as amended. Drew. Thank you. The motion is carried.

Minutes of the September 10 meeting: any errors or omissions? Seeing none, I would look for someone to move that the minutes of the September 10, 2014, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as circulated. Mr. Ellis. Those in favour? Opposed? Carried.

Item 4, the Alberta heritage savings trust fund second-quarter report. The Alberta heritage savings trust fund second-quarter report was distributed to all members of the Assembly on November 26, 2014. As you know, 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 operations and results of the operations of the heritage fund. We are pleased to have Lowell Epp, Aaron Brown, and Darcy Scott from Alberta Treasury Board and Finance and Dr. Leo de Bever from AIMCo here to assist us with our report overview.

Before I turn it over, I'll maybe just catch the members that just came in and have them introduce themselves.

**Dr. Sherman:** Raj Sherman, Edmonton-Meadowlark.

**Mr. Lukaszuk:** Thomas Lukaszuk, Edmonton-Castle Downs.

**Mr. Amery:** Moe Amery, Calgary-East.

**The Chair:** We may as well wait a moment.

Mr. Mason, would you mind just introducing yourself?

**Mr. Mason:** Sure. I'm Brian Mason, MLA for Edmonton-Highlands-Norwood.

**The Chair:** Okay. Great.

I'll turn it over to you.

**Mr. Epp:** Thank you, Mr. Chair. Good evening to all members of the committee. It's certainly a pleasure to be here again. I am representing Minister Campbell, who is unable to attend and sends his regrets. Deputy Minister Gilmour is also unable to attend tonight and also sends his regrets.

I'm certainly pleased to be here to present the second-quarter update, which, as was noted, was distributed to members in late November. The heritage fund has had a good first six months. It's got a return of 4.7 per cent through those six months and a net income so far this year of \$931 million. The fund's fair value at the end of September stood at \$17.4 billion. This is a decline of a hundred million from the value at June 30. That decline in value was due to some realized gains in its income, and of course once investment income is realized, it becomes part of the fund's net income, which is transferred to the general revenue fund.

It is currently estimated that out of the fund's income, \$180 million so far this year will be allocated and kept in the fund for inflation-proofing purposes. This amount is based on the government's estimate of 2.4 per cent inflation for the year. So the heritage fund retains enough money from its income, if it has any income, to maintain its real value or its inflation-proof value. The remaining \$751 million of net income earned so far this year will be transferred to the general revenue fund.

The heritage fund's investment strategy is to invest for the long term. In practical terms this means investing a large part of the fund in higher risk asset classes such as equities. These asset classes over the long run have been proven to earn a higher return. In the short run they can have some dips, but even with those investments that we made prior to the dips in 2008, you know, if you took a graph of the returns, you would see that we've profited from those investments over the long term.

Certainly, the fund benefited from its equity exposure during the second quarter as equity returns were the strongest among the fund's asset classes. So far this year the fund has earned 6 per cent on equities. Within the equity class, one of the strongest performers has been Canadian equities, which have earned 6.9 per

cent up to September 30. Canadian equities make up slightly more than 8 per cent of the total fund's investments.

Private equities, which make up just slightly less than 7 per cent of the total fund, have earned 8.8 per cent this year to date.

The other two major asset classes, fixed income and inflation-sensitive and alternative investments, have also had positive returns during the first six months. Fixed income generated a 4 per cent return to date, and inflation-sensitive and alternative investments have earned 2.8 per cent so far this year.

While the year-to-date results are pretty good, there are certainly reasons to be cautious going forward. Of course, in Alberta we are obviously sensitive to oil prices and the changes in those prices. Certainly, investment markets have responded to the volatility in oil prices in the recent months as well as other geopolitical and economic events. You can see the impact of the declining oil prices on Canadian equities. Since the end of September Canadian equities as represented by the TSX index have lost about 5.5 per cent.

6:25

However, the good news for the heritage fund is that we are globally diversified on purpose. Most of our equity investments are held in non-Canadian companies, many of which can be reasonably expected to benefit from lower energy prices. As an example, the S&P 500 index from the States is up 4.8 per cent since September 30 in U.S. dollar terms and further benefits from the improvement in the U.S. dollar. It's up 7.5 per cent in Canadian dollar terms since the end of September in some part, I believe, due to the positive benefit from lower energy prices. This is why we diversify globally. The heritage fund is deliberately invested in foreign assets, so when oil prices decline and the Canadian dollar declines, some of our investments will benefit from that same decline.

It is also important to remember that while the short term is often very dramatic and often very interesting, the heritage fund is invested to maximize long-term profits. While short-term volatility can affect returns, in the long run the best way to maximize returns is to invest in things like equities.

On another note, at the committee meeting held in September, there were some questions asked of the department and AIMCo. Responses to these questions have been provided to the chair. I understand that these items will be discussed further down in the agenda, and if there are questions, we would be happy to take them at that time.

That concludes my remarks.

I'm not sure if you had prepared remarks.

**Dr. de Bever:** No.

**Mr. Epp:** We would be happy to take any questions.

**The Chair:** Thank you.

Questions from the committee? Mr. Mason.

**Mr. Mason:** Thanks very much. I guess my question follows up on your comments about energy prices and the impact on the fund. Now, in terms of our equities how much is invested in energy stocks, approximately, as a percentage?

**Dr. de Bever:** I know that 8 per cent is in Canadian equities. As you probably saw, the Canadian market took a tumble today largely because of energy stocks. That probably took a hundred million out of the fund. The fund as of December 5 was at \$18.3 billion, so it gained quite nicely.

To be honest, what's happened so far this year is probably unusual in any case. I mean, markets don't usually move the way they have been behaving, so a bit of retrenchment is not unusual. I would say that there are probably going to be some losses from exposure to equities. We don't have an unusual exposure to equities. It's probably at or near the weight that we would normally have in that part of the market. At some point the pricing of energy stocks may become quite attractive, and it would actually benefit us to acquire them although I would say that, as you probably know, we don't have a mandate to invest in Alberta or in energy or not in energy. The mandate is strictly to find the best opportunities over the long haul.

**Mr. Mason:** It would seem to me that since Alberta is in the energy business, it would make sense for us . . .

**Dr. de Bever:** It's a diversification. Right.

**Mr. Mason:** . . . to not be heavily invested in that business.

**Dr. de Bever:** I would say that the exception to that – I've been hammering on this. The industry seems to be cutting back, and you probably saw the cutbacks in capital spending of some of the major corporations, which seems to me kind of counterintuitive because my guess is that oil prices aren't going to go back to 100 bucks in a real hurry. If that's true, then you'd better learn how to survive on \$70 oil, and to do that, you'd better start doing some things differently. That would argue for investment in the industry because it would not only benefit the industry but also the province.

**Mr. Mason:** Just a last question if I can, Mr. Chairman. Mr. Epp talked about, you know, having some investments that would benefit from lower oil prices. Do you have roughly an idea of what the net benefit or – what's the opposite of benefit?

**Mrs. Jablonski:** Disadvantage.

**Mr. Mason:** Disadvantage. You know, how much we gain and how much we lose when oil prices go down?

**Mr. Epp:** We have never studied it to that degree. It is something that we could potentially look at, but we don't classify the heritage fund portfolio by specific commodity exposure. It would be very difficult to do.

**Dr. de Bever:** In Canada it's probably net negative because of higher than average resource exposure. In the U.S., as you were implying, it's probably closer to a balance because if you're an airline, lower oil prices should benefit you, right? If you're Exxon, they hurt you. So there is a balance of sorts.

**The Chair:** Thank you.

**Dr. Sherman:** Well, Dr. de Bever, thank you so much for serving our province, and I like these rates of return that you've been getting us for a long time on the heritage savings trust fund.

Just a couple of questions. One, just looking at the expenses, in a year it would be about \$300 million, plus or minus?

**Dr. de Bever:** Sorry. What page are you on?

**Dr. Sherman:** On the highlights page, \$74 million in investment expenses: is that the norm for investment expenses for a fund that large?

**Dr. de Bever:** Let me explain the dynamics because there are some other pages that deal with investment expenses in this report, and there are a couple of things that you should be aware of. Because the heritage fund has a long-term horizon, it has a larger than average exposure to illiquid asset classes like real estate. I'll give you an example. The average exposure to real estate of the average AIMCo client is a 12 per cent exposure. It's 19 per cent for the heritage fund. It's got a 6 per cent exposure to infrastructure; the average client only has 4.7 per cent. Why that matters is that those asset classes are more labour intensive.

The other reason that investment expenses have been high is that you've been overexposed to assets and managers that have made a lot of money, which means we pay a lot of performance fees.

The final one is transitional. As you may recall, we invested a lot of money in new business systems because what I started with six years ago was pretty pathetic, and I felt that we had to build a stronger foundation. One of the implications of that is that we went from cash accounting to accrual accounting under this new system, which has probably affected investment expenses in the current fiscal year by 10 basis points, meaning higher, because we ended up having some part of the year in cash accounting and some in accrual. It turns out that the balance gave a blip in investment expenses. That will disappear next year.

Generally speaking, the heritage fund is in more expensive asset classes, and the investment cost associated with that is about 40 or 50 per cent higher than it would be for a typical pension client. But I think that it's perfectly appropriate because costs are not the only thing that matter; it's what the heritage fund expects to earn in the long run. So if you incur expenses to make higher income, that balances out.

**Dr. Sherman:** Thank you.

The second question. Your long-term forecast for oil: how long do you see us in the \$70, \$60 price range and, other than Saudi Arabia, what are the other geopolitical factors that we need to consider as well in doing our budgeting and planning?

**Dr. de Bever:** Okay. First of all, forecasting oil in the short run is a mug's game. I used to do it for a living, and it's almost impossible. A year ago, when I started saying that in the longer term we should be preparing for \$70 oil when oil was \$100, that notion was not very well received. Now people are all of a sudden calling for \$40 oil, so it shows you that perception of reality changes a lot faster than the underlying reality. That's really what your question is getting at.

The underlying reality is that technological change has made exploration technology much more effective. It has brought on a significant long-term recoverable supply, particularly of heavy oil. At the same time, we've gone through 20 years of oil price increases. Oil went from \$20 to \$100 and now back to whatever it is today. That sets in motion a conservation effort. You know, price elasticities do matter in the long run. So even if they're very low, let's say .1 – right? – and the price of oil quadruples, that suggests that consumption will decline by about 30 per cent. When you look at consumption statistics, particularly in North America, you see that kind of thing starting to come into motion.

6:35

Finally, renewable energy is starting to kick in. What that tells me is that the long-term supply of oil is going to track more closely to what's been happening to long-term prices for other commodities, meaning that in the long run human ingenuity has tended to depress commodity prices, not increase them, which

seems counterintuitive because it's a nonrenewable energy resource. But so far, at least, human ingenuity has beaten that long-term – well, ultimately, we may not need oil as a transportation fuel or as any other kind of fuel. So in the long run Alberta may actually exploit the resource not in its current way but as a chemical base.

The short answer to your question is that the dynamics of demand and supply would suggest that real oil prices will be stable to declining because of all the factors I pointed out.

**Dr. Sherman:** Thank you.

**The Chair:** Mr. Barnes.

**Mr. Barnes:** Thank you, Mr. Chairperson. I, too, thank Mr. Epp and Dr. de Bever and all the people from Treasury Board and Finance for all your work for Albertans.

I kind of have three general questions if you don't mind me going at it this way. First of all, do you let the professionals make all the decisions? You know, we've seen the price of oil change dramatically in the last five or six weeks. Does that cause people at AIMCo to look at more of a risk matrix, more preservation of capital? Do you get on the phone and make some phone calls?

Because things have changed a lot, it's made me think about taxation and those kinds of things. I'm guessing and presuming – and I'd like you to tell me, please – that on our investments and our returns globally and in America we must pay tax on some of those. Do we have tax treaties? Is that an element of our decision-making as to where we allocate Albertans' money?

**Dr. de Bever:** The tax question is relatively straightforward because the heritage fund belongs to a sovereign entity. We pay relatively little in taxes because, you know, sovereigns don't tax each other. In most cases we try and structure things so that the income that flows through us flows through us in the way a partnership works, and that minimizes it further. We do pay taxes in some jurisdictions on assets where we are a small investor in a big corporate entity. Of course, the stocks that we invest in, those companies, pay taxes, so directly or indirectly we do pay taxes.

But I wouldn't say that oil dropping to \$70 or whatever is causing us to change strategy. In fact, if that were the case, then our strategy would be wrong because we track risk quite extensively and on a daily basis, and we don't need to change strategy. The fact that something like this might happen is already incorporated in the way we allocate resources. So I wouldn't say that it's causing a panic attack at AIMCo that oil prices have dropped or that all of a sudden I take power away from my portfolio managers. None of that is happening.

In fact, we'd argue that some of this is creating opportunities. If oil stays low for a while, then presumably companies that use it should benefit. In fact, that is one of the things that's been happening in North America. There's been a return of energy-intensive industries because it used to be that we as the North American continent imported a lot of the energy that we consumed. Of course, now North America is almost self-sufficient. What that means is that you see a return of industries that basically went out of existence because of high energy costs, and some of that is coming back.

**The Chair:** Any further questions from the committee?

**Dr. Sherman:** While we have you here, Dr. de Bever, we congratulate you on a wonderful career with us and thank you. One last piece of sage advice I'd request from you . . .

**Mr. Mason:** On your RSPs?

**The Chair:** I was going to say: cash them in or not?

**Dr. Sherman:** Close.

AIMCo is not that heavily dependent on fossil fuels for your revenues, but we at the provincial government are.

**Dr. de Bever:** Right.

**Dr. Sherman:** So if you had one piece of advice to give us about our revenue streams: should our government be looking at taxation?

**Dr. de Bever:** Oh, you want to get me into trouble again. Once a year or twice a year I give a press conference on, you know, what's going on, and the last question last week in Calgary was the one that you just asked. I would say that if you attacked a government under the current tax structure for running a deficit when oil drops to \$70, then you shouldn't be at the same time opposed to looking at remedies for that problem. Every economist that I know of looks at Alberta and says that there is intrinsic risk in the volatility of our revenue streams, so stability in revenues would be desirable to debate.

Whether you want to do it now – I mean, when I first came to Alberta, I was taught the S-word: never talk about a sales tax in Alberta. But you can't at the same time say that governments are doing something wrong when they run a deficit when oil drops to \$70 and then at the same time not look at ways to deal with that volatility. So at some point I think we – and there are lots of other reasons why we need to do that, why having a more stable revenue structure might be something that the province should look at.

I can't find an economist in this province who would disagree. Well, that's probably not true – there are probably some economists; economists always have different opinions on different things – but I'd say that most people that I work with and I talk to realize that in the long run there probably is reason to start thinking about a more diversified revenue base than we have now, whether that is more income tax or a sales tax or some other way of smoothing things out, because the ups and downs just since I've been here in 2008 have been very, very dramatic. They pose problems for any stripe of government.

**Dr. Sherman:** Thank you.

**The Chair:** Thank you.

No further questions from anyone?

If not, I would look for a motion that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2014-15 second-quarter report on the Alberta heritage savings trust fund as presented.

Mrs. Jablonski.

**Mrs. Jablonski:** Thank you, Mr. Chair. I move that we accept the 2014-15 second-quarter report as presented.

**The Chair:** Thank you.

Discussion?

Those in favour? And opposed? Thank you. Carried.

Now, we're just going to jump over item 5 and move on to item 6, just in the interest of time here, just to make sure that we are able to deal with that tonight, and that's the Standing Committee on the Alberta Heritage Savings Trust Fund 2013-14 report. As members are aware, this committee must report annually to the Legislature. A draft report covering the period from September 2013 to October 2014 was posted to the internal committee website and includes the review of the 2013 and 2014 public meetings. This report will be tabled later this week provided that

it's approved here tonight. So I would look for any questions, any comments on the report from the committee.

Seeing none, anything that you'd like to add from Treasury? No?

With that, then I'd look for someone to move that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the draft report of the Standing Committee on the Alberta Heritage Savings Trust Fund covering the period from September 2013 to October 2014 as distributed.

Mr. Barnes.

Discussion?

Seeing none, I'll call the question. Those in favour? And opposed? Carried. Thank you.

Back to item 5, which is the communication update. This is our first meeting since the 2014 public meeting, held in October, and I thought it was important to review the process and the results. Jeanette Dotimas will review the results, and you've also been provided with a public meeting wrap-up document to follow along with.

Jeanette, if you'd like to.

6:45

**Ms Dotimas:** Okay. Thank you, Mr. Chair. As you mentioned, I'm here to actually just provide a communications summary for the meeting that took place on October 9. The objective of the communications plan that we put forth to the committee for the 2014 public meeting was to provide support to the committee in promoting the annual meeting to Albertans. While the general population was invited to participate in this year's meeting, as for every year – and we leveraged traditional advertising such as radio and print as always – this year additional efforts were made to target postsecondary students to the meeting.

The meeting was held, as you know, at the University of Alberta campus, and the promotional campaign highly focused on campus advertising, which was not limited to the U of A's location. We had radio spots and newspaper spots that we ordered from the majority of the postsecondary institutions across Alberta. Additionally, we sent out direct e-mails to approximately 200 other campus clubs, faculty associations, students' union leaders, and campus newspaper editors throughout the province. In hopes of attracting more students to the public meeting, we also invited, on behalf of the committee, renowned university professor Dr. Morck from the U of A's School of Business. He was invited to deliver a keynote address on sovereign wealth funds, and he was there enthusiastically answering questions from the audience as well as committee members during the question-and-answer period.

As in previous years the public committee meeting was broadcast live on television. It was streamed live on the Internet via the Assembly's website, and then it was also rebroadcast later that evening. For 2014 the broadcast did reach over 1,000 Albertans in Calgary and Edmonton. We had an online audience of 41, and eight had attended the meeting in person at the campus. Further statistics, as you mentioned, are detailed in the summary that we provided, which is contained in the report for the committee as well.

Thank you.

**The Chair:** Thank you.

Questions?

**Mrs. Jablonski:** Thank you very much, Jeanette, for that report. Mr. Chair, what I want to know is: will we have a chance to debrief on that public meeting and whether or not it was a good



idea to have it at the university, or will that come in another meeting?

**The Chair:** I would say that this would be the opportunity to do that right now. I was hoping to be able to have some discussion on that tonight as to whether, number one, this is the correct format going forward and whether, in fact, we want to look at some alternatives and then, hopefully, give some direction at the end of the discussion. So, please.

**Mrs. Jablonski:** Well, thank you, Mr. Chair. I almost feel like maybe I shouldn't comment because I wasn't able to be there. That was the day of my accident. But I heard that the attendance was even lower than other meetings that we've had. I would suggest, from what I heard, that perhaps the timing of 4 o'clock in the afternoon wasn't good for those who would like to come out to our meetings. We have noticed that mostly seniors were coming out to the meetings in the past, and maybe 4 o'clock wasn't a good time for them. Maybe the university parking wasn't a good situation. I'm not exactly sure, but I would really recommend that we take a good look at the meeting and whether or not we should conduct it at the university again. I understand why we did that, and I thought those were good reasons, but it didn't seem to work out.

Also, we used to rotate our meetings into different communities, and I think we stopped doing that for reasons of cost and logistics. Maybe we should think about rotating the meetings again. Anyway, I think that we need to have a good conversation prior to next year's public meeting.

**The Chair:** Okay. Thank you.  
Yes. Mr. Amery.

**Mr. Amery:** Thank you, Mr. Chair. I was at that meeting, and I would like to know: what was the cost associated with that meeting? I'm talking about the advertising. Did we have to rent the rooms at the university?

**The Chair:** In approximate figures, \$51,000 – sorry – \$42,000 of that being spent on communications.

**Mr. Amery:** Well, I'll tell you that based on the attendance we had at that meeting, we're not getting our money's worth.

**The Chair:** Thank you.  
Any other comments?

**Dr. Sherman:** I'd just like to say that – hey – the previous two meetings were pretty good. They were held in the constituency of Edmonton-Meadowlark. I would ask the committee to go back to Edmonton-Meadowlark. I see that in the last five years those were two of the best attended.

Thank you.

**The Chair:** Thank you.

**Mr. Ellis:** Dr. Sherman, in Edmonton-Meadowlark was it near a seniors' facility? I was just curious because it seems to me that is your target audience, your biggest attendance if I'm not mistaken. Is that correct?

**Dr. Sherman:** Well, you know, I think it's probably a number of factors. One, it was a later evening function, and more people were home. They could see it on TV. The west end is the gateway for people to come from St. Albert and the Yellowhead, a

confluence of major thoroughfares in the city. It's probably a number of factors beyond just being in Edmonton-Meadowlark.

**The Chair:** Everyone has a copy of this document, which is the 2014 public meeting communications summary. If you go to the back page of that, actually, to Mr. Sherman's point, we've had a 400 per cent increase since 2010 because in 2010 we had two people attend the public meeting, and this year we had eight. Now, I'm not sure, but if you gauge success by percentage increase, then I think we've done very well.

I think the point, to Mr. Amery and to everyone else, is that if you look at our actual in person and online combined, I think the best year looks like about 65 people, somewhere in there, or 63 people overall that we contacted because the television audience, quite honestly, is a bit of a finger in the air kind of determination, you know. If we take the television out of this, the truth is that it's cost us \$51,000 this year to reach 49 people. Is that prudent use of the dollars, and is there a better way to communicate with the public?

I think there are several options that could be talked about. I mean, one is moving the meeting around. To be honest, people in large urban centres tend to be very busy, and I'm not sure how attentive they are. But sometimes in smaller communities – I think one of the previous ones was in Whitecourt, and that was one of the better attended ones. I mean, I think those are all considerations for us.

One is also that the act requires us to hold a public meeting, so we still have to do something around holding a public meeting, but whether that public meeting is our only – our only – form of communication of the fund. Part of this is that we don't get out, I think, as everyone has pointed out tonight, that this is a good-news story for Albertans, you know. We don't do a very good job of telling that story. But we do need to hold the public meeting.

I'm not as concerned, to be honest, about the requirement for the public meeting piece as I am about actually getting the communication out and getting the story out, especially with the Fiscal Management Act in place and the savings act in place. In fact, the fund is going to grow exponentially here in the next number of years, so this is going to become a much larger story to tell and a much more involved story to tell.

Anyway, does anyone have any suggestions about where we might want to go with this?

**Mr. Mason:** This is not serious, but it's a serious point about what kind of messaging we're using. I mean, if we could portray this as a retirement investment seminar with Leo de Bever, we might get a lot of people out, you know. I mean, people are interested in this. Most people have investments. Maybe we can just make it of more interest to them. It's not the same thing – it's massive scale versus a small scale – but I think people are interested in this topic generally, and maybe we're just presenting it in a way that's a bit dry.

**The Chair:** I think the presentation, for certain, is one. I actually thought the guest speaker this year added a whole lot. So the conversation at the table was actually, I thought, very good this year. Unfortunately, we didn't get the audience to do that, so I think we've started to recognize that we need to change the way we present it, but getting that message out and getting that audience is still a real question for us.

Anyone else with any comments around this?

6:55

**Dr. Sherman:** May I make a suggestion? It may revolve around when the new federal building opens, but maybe we should try

alternate sources of social media and through the MLAs' offices to all of our constituents versus the usual print media. And we meet over there. Hey, the facilities are in; they're paid for. It's a great time to highlight the federal building and get some earned media and maybe get this on Shaw and get this on prime time. Let's really re-engage people without spending a lot of money on the advertising.

**The Chair:** Yeah. All right. I think utilizing more social media and different types of communication tools that are available to us is certainly the future for us, and getting the right balance is going to be it.

**Mr. Barnes:** Mr. Chair, I'm just wondering. I think moving around the province would be a wonderful idea, but I wonder what the extra cost would be to do that.

**The Chair:** I think that was why it was put off.

**Mr. Barnes:** Yeah. It could be considerable, couldn't it?

**The Chair:** Yeah. Actually, if you look at this year, \$42,000 was spent on advertising the meeting on the communications side of it. I think we need to understand it, number one, from a legal perspective, from a requirement of the act to hold that public meeting. Do we literally have to spend \$40,000 every year advertising that meeting? I mean, if the answer is yes, then we do, but if it's not, well, then let's think about maybe other ways that would meet the intent of the act yet reduce the cost of advertising for us because it's huge when we take out print ads everywhere and TV ads and radio ads.

**Mrs. Jablonski:** This is slightly frivolous, but I think Mr. Mason is on the right track by saying that maybe it's a dry subject, that we have to make it a little more interesting, think outside of the box. You know, pose the question as, "Find out what your government did to the heritage savings trust fund," a topic like that. I hear that everywhere I go. People are always saying: what did the government do with it? I mean, something to make it a little more interesting than just a report.

**The Chair:** Mr. Ellis.

**Mr. Ellis:** Yeah. Actually, I agree with Mr. Mason here as well. I mean, you're tapping into a success story of the 4.7 per cent and the rates of return. I believe that if we look at it from maybe a cultural perspective, you know, a lot of folks want to see: what is in it for me? In other words, how can I copy the success story that the heritage trust fund has? So if I'm reading Mr. Mason correctly, I believe he is on the right track.

Thank you.

**The Chair:** Thank you.

Any further comments on that?

I guess that where we can go with this is to maybe ask Treasury Board and Finance to come back potentially.

LAO staff, is that right?

**Ms Dotimas:** I know that we had discussed this previously about the purview of our role in it. Of course, it would be the public meeting itself. So in terms of things that come before like promoting the good-news stories about the fund itself, that would be something that would not fall under our purview per se. Once we get the information from Finance, then we're certainly able to promote it in and around the public meeting. So we can take

whatever we're given from the fund itself and use that to leverage some of the media and the social media in messages that we put out leading up to the next public meeting.

**The Chair:** Okay. I guess my question is: if the public meeting is, in fact, six or seven public presentations or something like that, whose office would that be directed out of? Is that a substantial enough change that it's something that Treasury Board would want to direct, or is it something that communications would handle? I guess I'm looking for someone to put their hand up and say: we'll come back with a recommendation to this committee about how to better communicate, how to better touch the Alberta taxpayer when it comes to this fund. I don't see a lot of hands.

**Ms Dean:** Mr. Chair, the LAO communications staff can certainly take the lead in terms of revising the format for the public meeting. They always liaise with Treasury Board and Finance with respect to any technical information that's required for the purposes of the communication plan. Perhaps communications can take it away, and when the committee is ready to discuss its plans for the next public meeting, which would be probably in the early spring, they can get feedback at that time.

**The Chair:** My sense, though, is that what we've seen hasn't necessarily given us the results, so what we need is a new and innovative and different approach that still meets our legislative requirements but also puts us, maybe, into the 21st century when it comes to communication here. I don't know who we can direct to come back with that approach. Or is it a combination of LAO and Treasury?

**Dr. Sherman:** I'd just like to make a suggestion. We're organizing an event, we've come to an agreement, we have to make it fun and make it meaningful, but at the end of the day you need RSVPs. Let's give tickets to organizations and say, "Here's your ticket," and maybe cater some food for the very Albertans whose money it is that we're managing. You're asking people to show up when it's family dinnertime, giving the choice to listen to a dry economics topic or spend dinner with their families. It'd be a great date night, you know. Bring your spouse; bring your family.

Give tickets to people and get RSVPs because we want to maximize the turnout for as low a cost as possible. Invite people from all cross-sections of society, from all organizations – social-based organizations and community-based organizations, professions – and, hey, have them bring 10 members out from each of their associations. Personally, I think if you have a good event organizer, we should be able to pack the room with hundreds of people.

**The Chair:** Thank you.

**Mr. Lukaszuk:** Well, that's one way of doing it. You know, I do believe that this topic, actually, is of a lot of interest to a lot of people, but perhaps we have not been reaching them. I'm not in a position to comment on what methodologies may or may not have been used, but I can tell you that I firmly believe that if we were to give advance notice to, for example, faculties of business and academia and students and advise them of such an event taking place, you would have a tremendous uptake among young people and academics and others who are very much vested not only as Albertans but because it's part of their profession. I'm not sure if we have done that, but if you were to do this again at the U of A or the U of C or Lethbridge and tap into those groups of individuals, I think many of them would show up.

**The Chair:** Thank you.

We did, of course, hold it last at the U of A and really did target students. For one reason or another – I don't know why – we obviously didn't get the audience that we anticipated, but that's still a target. I think your point of targeting specific audiences with our communication is a very valid one, and someone else mentioned earlier seniors as a drawing point, and I agree that they tend to be the ones that are worried about the dollars.

I mean, I guess what I'd like to do at this point is – I think everyone has heard our discussion. I'm not clear myself as to whether it's LAO or whether . . .

**Ms Dean:** Well, Mr. Chair, the LAO supports the work of the committee, so we're here to take direction from the committee.

**The Chair:** Well, in that case, Jeanette, would you put your hand up like that, please? There. I was waiting for someone to put their hand up. I knew that sooner or later we would get that person. Thank you.

I guess what I'm looking for is something to come back, then, from the office. I would say sooner rather than later. I don't think we need to worry about having a finalized plan, but you've heard some suggestions. You're the professionals in this, so we would look for you to come back with recommendations and something for the committee to spend – I would say that we could spend the better part of a meeting simply going over the plan, trying to finalize it, and once we can give you more clear direction, then working on the finalized public meeting for next year. But I think we need a lot more discussion around it. I'd hate to see you go away, do a bunch of work, and then have us change it on you late in the year. So I would say that the sooner in the new year we can get a recommendation or a plan in front of us, the better it would be. Thank you.

7:05

Under other business we did have the information that was provided – and thank you very much to Treasury for doing this – on the question surrounding the investments in Alberta and the amount of real estate. I think this was up on the website, so hopefully everyone had a chance to look at this. Are there any questions around it?

**Mr. Mason:** Is this what we're looking at?

**The Chair:** It's a memorandum here, Mr. Mason.

**Mr. Mason:** All right.

**The Chair:** So if there are no questions around it – it's really here just as information, anyway. It was really answering a question

that had been left at the end of the last meeting, so it doesn't need a motion. It's simply here as information for you, as an information item.

Just before we shut down here – everyone has to get back – I do want to take a chance and thank Dr. de Bever for everything he's done. I'm sure it's been a challenge for you. I know that when you took over, it was an uphill slog for you. You've done, I think, an amazing job for Albertans, and I don't know how we would begin to express that in words to you. You've certainly done an amazing job. You've left us in very good stead. We certainly wish you all the best. We were talking over lunch, and I was asking if Dr. de Bever was planning on retiring, and he said: "Oh, goodness. No." You know, he had no plans to retire. That's good news. As long as you stay in the investment world and you stay with Alberta, that's wonderful.

**Dr. de Bever:** Thank you, Mr. Chairman, and thank you to everyone around this committee. This committee, actually, has been one of the more interesting things to participate in over the last six and a half years.

**The Chair:** Holy smokes.

**Dr. de Bever:** No, it is.

I hope that you will remain nonpartisan in your approach to this fund because it was created to be in the long-run, best interests of Alberta and Albertans. That's how I always looked at it. It's got a very long-term investment strategy, and I think that's the right thing to do. Yeah, from a professional point of view this has been an interesting challenge for me.

So thank you very much for the support you have given me over the years in various forms. The place has grown on me. I'm staying in Alberta, so I hope to do some more mischief.

**The Chair:** Well, thank you, and we certainly thank you for your honesty and your straightforward approach to this. Not everyone would be as comfortable answering questions as forthrightly as yourself. Thank you very much for that because that advice has actually held us in very good stead as well. It's been much appreciated, regardless of the parties around the table, by absolutely everyone on the committee. So thank you very much for that.

**Dr. de Bever:** Thank you.

**The Chair:** With that, I would look for a motion to adjourn. Mr. Barnes. Those in favour? Opposed? Carried.

Thank you all.

[The committee adjourned at 7:09 p.m.]





