Legislative Assembly of Alberta

The 30th Legislature
Second Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Tuesday, September 15, 2020
1 p.m.

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Alberta Heritage Savings Trust Fund

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Getson, Shane C., Lac Ste. Anne-Parkland (UCP), Deputy Chair

Allard, Tracy L., Grande Prairie (UCP)
Dach, Lorne, Edmonton-McClung (NDP)*
Eggen, David, Edmonton-North West (NDP)
Glasgo, Michaela L., Brooks-Medicine Hat (UCP)
Jones, Matt, Calgary-South East (UCP)
Loyola, Rod, Edmonton-Ellerslie (NDP)
Nielsen, Christian E., Edmonton-Decore (NDP)
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* substitution for Rod Loyola

Also in Attendance

Gray, Christina, Edmonton-Mill Woods (NDP)
Phillips, Shannon, Lethbridge-West (NDP)

Office of the Auditor General Participants

W. Doug Wylie	Auditor General
Brad Ireland	Assistant Auditor General
Nelson Robe-From	Principal

Support Staff

Shannon Dean, QC	Clerk
Stephanie LeBlanc	Clerk Assistant and Senior Parliamentary Counsel
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Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance
Athana Mentzelopoulos, Deputy Minister
Stephen J. Thompson, Executive Director, Capital Markets

Alberta Investment Management Corporation
Dale MacMaster, Chief Investment Officer
Mark Prefontaine, Chief Client and Stakeholder Relations Officer

1 p.m. Tuesday, September 15, 2020

[Mr. Orr in the chair]

The Chair: Good afternoon, ladies and gentlemen. I'd like to call the meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order and welcome everyone in attendance. My name is Ron Orr, MLA for Lacombe-Ponoka and chair of the committee.

Before I begin, I just want to note that in accordance with the recommendations from Dr. Hinshaw regarding physical distancing attendees at today's meeting are advised to leave the appropriate distance between themselves and other participants. As well, I would remind everyone in the galleries that unless you have an exemption, those observing the proceedings of the Assembly or its committees are required to wear face coverings. Members at the table are not required to, but certainly should you choose to, that is entirely in order as well.

Now I'd like to ask members and those joining the committee at the table to introduce themselves for the record, and then I will call on those joining in by Skype. We'll begin to my right, please.

Mr. Getson: Sure. Shane Getson, MLA for Lac Ste. Anne-Parkland.

Mr. Jones: Matt Jones, MLA, Calgary-South East.

Ms Glasgo: Michaela Glasgo, MLA, Brooks-Medicine Hat.

Mr. Singh: Peter Singh, MLA, Calgary-East.

Mr. Prefontaine: Mark Prefontaine, AIMCo.

Mr. MacMaster: Dale MacMaster, AIMCo.

Ms Mentzelopoulos: Athana Mentzelopoulos, Treasury Board and Finance.

Mr. Thompson: Steve Thompson, Treasury Board and Finance.

Ms Phillips: Shannon Phillips, MLA for Lethbridge-West.

Mr. Eggen: Dave Eggen, MLA for Edmonton-North West.

Mr. Dach: Lorne Dach, MLA for Edmonton-McClung.

Mr. Nielsen: Good afternoon, everyone. Chris Nielsen, MLA for Edmonton-Decore.

Ms Gray: Good afternoon. Christina Gray, MLA for Edmonton-Mill Woods.

Dr. Massolin: Good afternoon. Philip Massolin, clerk of committees and research services.

Mr. Kulicki: Good afternoon. Michael Kulicki, committee clerk.

The Chair: Thank you to everybody at the table.

Then on Skype, please.

Mr. Robe-From: Nelson Robe-From with the office of the Auditor General.

Mr. Ireland: Brad Ireland from the office of the Auditor General.

The Chair: Very good. Thank you, gentlemen.

Just for members at the table as well, please remember that if you want to ask questions of these two gentlemen later you may do that. They're attending the meeting.

For the record I will note the following official substitution: Lorne Dach for Rod Loyola.

A few housekeeping items to address before we turn to our business at hand. Please note that the microphones are operated by *Hansard*; you don't need to touch them. Please set your cellphones and other devices to silent for the duration of the meeting. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and video stream and transcripts of meetings can be accessed via the Legislative Assembly website.

Let's move to the first item on the agenda, the approval of the agenda. Are there any changes or additions to the draft agenda, and if not, would someone like to make a motion to approve the agenda?

Mr. Singh: I'd like to move a motion to approve the agenda.

The Chair: Okay. Any discussion on that? Seeing none, can I propose the text that may be moved by Member Singh, that the agenda for the September 15, 2020, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as distributed.

Are we going to see these on the screen? Not these routine ones? Okay.

If you're okay with that wording, Mr. Singh, I will call for a vote on it. Remember that Skype participants – oh, I'm sorry; you're not voting on this. Never mind.

All in favour, please signify. Any opposed? None. Thank you. That is carried.

Then we can move on to approval of the minutes from the July 13, 2020, meeting. The draft has been submitted. Any errors or omissions noted by anyone?

Ms Glasgo: Yeah, Mr. Chair. I actually just sent a letter to the clerk. I didn't know if I needed to say this out loud or not, but my name is spelled Michael instead of Michaela. If we could just fix that, that would be fantastic. Thank you.

The Chair: Good point, and thank you for putting it on the record. That will be corrected.

Ms Glasgo: It's not the first time it's happened in my life.

The Chair: Any further changes? Nobody else? Anyone else? Nothing. Okay. Is someone prepared to move the minutes as amended?

Mr. Nielsen: So moved as amended.

The Chair: Okay. Thank you, Mr. Nielsen. The wording will be that Member Nielsen has moved that the minutes of the July 13, 2020, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be approved as amended. All in favour, please signify. Any opposed? None. Thank you. That is carried.

Item 4, the Alberta heritage savings trust fund first-quarter report for the year 2020 to 2021. You've got to watch how you say that because it can be confusing. The Alberta heritage savings trust fund first-quarter report for 2020-21 was released on August 28 of this year, and a copy was made available on the committee internal website. As committee members are aware, the Alberta Heritage Savings Trust Fund Act mandates that one of the functions of this committee is to receive and review the quarterly reports on the operation and results of the fund. With this in mind we're pleased to have the officials from Treasury Board and Finance as well as AIMCo joining us today to provide an overview of the report and answer any questions that members may have.

I will turn the floor over to our guests, and then after we'll address questions and comments. Who would like to start of our guests? Thank you. Please proceed.

Ms Mentzelopoulos: Thank you, Chair, and thank you to all committee members for the opportunity to present the quarterly results for the heritage fund for the quarter ended June 30, 2020. Minister Toews is not able to be here today, but I am privileged to be here for the ministry.

As I am sure you are all aware, the impact of the COVID-19 pandemic on all global markets has been profound and has added to an already challenging investment backdrop. This has been true around the world. However, we are pleased to report a relatively strong absolute return to the heritage fund of 5 per cent over the first quarter of this fiscal year. We can also report that the fair value of the fund's net assets increased by $895 million, from $16.3 billion to $17.2 billion, over the same period. This change in fair value captures both realized investment income and unrealized remeasurement gains on assets.

During the three months of the reporting period equity markets rebounded. The actions of central banks continued to provide support to most global markets, including both equity and fixed-income markets, which has benefited the fund's returns; however, writedowns of illiquid assets at the end of the quarter negatively impacted the fund's quarterly performance. As has been discussed previously here, investment income was anticipated to remain at lower levels over the near term due to the fact that the market values of the assets held within the fund were still below their recorded book values and would be, therefore, unlikely to generate realized positive returns.

Investment income to quarter end was below budget expectations. Markets were volatile throughout the period and are expected to remain so. While net income is calculated from only those gains and losses realized during the year as assets are sold, market value returns, gains or losses in market values, are recognized immediately when they're observed in the market. We are pleased to report that those asset values within the fund have continued to rebound. The gains and losses in market value that have not yet been realized are recorded in a statement of remeasurement gains and losses within note 5 of the financial statements.

It is important to reiterate that per legislation, the heritage fund's assets are invested to maximize long-term earnings. In keeping with this mandate and in accordance with the fund's statement of investment, policies, and goals, we present the heritage fund's return performance over five years as this time frame more fully captures the cyclicality of markets.

In order to surpass its real return benchmark, the fund's assets would have had to return 6 per cent, which is the rate of inflation plus 4.5 per cent over five years. Over the past five years the fund returned a real return of 6.2 per cent, therefore outperforming the real return benchmark by .2 per cent.

AIMCo as investment manager is expected to generate additional returns from its active management strategies. This performance is measured by a policy benchmark that is a representation of what the fund would have earned had it been managed passively. The fund currently has an active management target of 100 basis points. That is considered an aggressive target.

The five-year realized return for this benchmark was 6.6 per cent, or .4 per cent below target, as at June 30, 2020. Five-year active management performance as reported in the heritage fund's annual reports shows AIMCo's performance over time. Year-end results over the past five years include outperformance ranging from plus 10 basis points to plus 110 basis points. Active management performance numbers will continue to be volatile, especially in periods of underlying volatility, as AIMCo adjusts its strategies to react to these changing conditions.

This concludes my remarks. Thank you, Chair.

The Chair: Thank you.

1:10

Mr. Prefontaine: Good afternoon, Mr. Chair and members of the committee. AIMCo is certainly pleased to be here today to discuss the first-quarter results of the Alberta heritage savings trust fund. Just before I hand it over to my colleague Mr. MacMaster, I thought I'd make a few opening comments to let you know what's been happening with AIMCo and its clients since we last met.

First, very quickly on AIMCo's response to COVID-19. We continued to operate extremely well in our work-from-home scenario. However, just this month we have started a controlled, voluntary re-entry into our Edmonton office. Now, between our four offices Edmonton represents 90 per cent plus of our workforce, so this is obviously very important. Concurrently we've been continuing to keep staff and clients informed that our intention is to return to, as much as we possibly can, working from office as early as January 2021, respecting obviously any of the provincial health orders and bylaws that may be in place at that time. With respect to our other three offices we're very cognizant of local laws and regulations and health orders, and we're minding those as well.

Next I'd like to briefly discuss our ongoing work with the Workers' Compensation Board, Alberta teachers' retirement fund, and Alberta Health Services to transition the management of their investment assets to AIMCo. We continue to work with their management teams very diligently, and we were pleased to report that just this month we've transitioned $2.8 billion of Workers' Compensation Board's fixed-income assets and four of their staff to AIMCo. Conversations with the other two organizations continue to go well. Transition of assets is anticipated to be later in the process, but that work continues to go on diligently. We'll continue to keep this committee and our clients, including Treasury Board and Finance, apprised of that effort.

Finally, there are a couple of other success stories that we've recently announced that I'd like to make this committee aware of. The first is that AIMCo was just recently recognized in the 2020 survey of peers that are also signed on to the United Nations principles for responsible investment. Our results came back the best they ever have. There are 14 categories that AIMCo and its peers are assessed against, and in 12 of those 14 categories, which cover all the major asset classes – real estate, fixed income, public equities, et cetera – we garnered an A plus in 12 of those 14 categories and an A in the remaining two categories. Now, as my dad would have said: what happened to the other two? Well, this is a bit of a plug, and I'm shameless about this. You'd be able to find that information out on our website at aimco.ca as well as all the details on our obligations against the UNPRI principles as well as previous results for our survey.

Finally, there's another story that you'd be able to find on our website that is certainly an ongoing success, and that's the work that we're doing with what in and of itself is a local success story, an Edmonton-based organization called AltaML, who are leaders in the artificial intelligence and machine learning space. We've partnered with them to find efficiencies in our operations, to find opportunities to reduce the likelihood of error as well as look at opportunities for improving our alpha or active return generating strategies. One such efficiency we've been working on very diligently is within our derivative operations area, and we're finding opportunities to take what were hours and do that work within minutes as well as mitigate the likelihood of error as a result of just leveraging the machine learning capability. Again, you'd be able to find out more information about that on our website.

At this time we're happy to take any questions about what I just indicated, but before we do, I'll pass it over to my colleague Mr. MacMaster.

Mr. MacMaster: Thank you. Since we met with you last time, markets have staged a remarkable recovery with equity markets around the world hitting new all-time highs. This is a surprising and welcome outcome for investors after the dreadful collapse that we saw back in March of this year. The Toronto Stock Exchange, for one, is up 45 per cent from the March depth, which is roughly in line for a similar gain for the MSCI world index. The lifting of lockdowns arising from the COVID-19 pandemic led to a sharp recovery in many economic metrics globally and drove equity markets to new highs by late summer. The unprecedented central bank and government support programs have been the main drivers of sharp recovery and economic activity and market performance. Optimism about the development of a successful vaccine was also a contributor to the exuberance for risk assets in the last few months.

While some pundits question the notion of equity markets hitting fresh highs in the midst of a global pandemic and recession, it would seem that the fear of missing out, also known as FOMO, and the fact that there is very little alternative to equities were the main drivers of risk assets. Easy monetary policy from central banks has led to interest rates hitting all-time lows last month, and the U.S. Federal Reserve's decision to target average inflation implies that interest rates will be low for a long, long time.

Another beneficiary of the easy monetary policy is the housing market, where we have seen some markets like Toronto, Montreal, and Vancouver experience large year-over-year price gains. This is highly unusual in the middle of a deep recession.

In terms of performance the recovery in markets has improved the heritage fund returns from our last meeting. The return for the quarter was 5 per cent; the five-year return, 6.2; and the 10-year, 9.2. The five-year return is just below the benchmark return of 6 and a half per cent, but the 10-year return, more importantly, is above the benchmark return of 8.99. So despite the January-March period being the worst in our investing history, the positive long-term results remind us of the many years of strong performance that the heritage fund has experienced and highlights the importance for investors to always be focused on the long run.

Also on the positive side, public equities outperformed the benchmark during the quarter, and this outperformance has continued into the second fiscal quarter. Fixed income also enjoyed a nice recovery in performance as credit spreads recompressed over the spring and summer, earning back much of what was lost in March.

Illiquid assets, including real estate and infrastructure, have enjoyed outsized returns over the last several years. Obviously, a year like this one has impacted valuations for some of our assets in sectors most impacted by COVID, including Alberta-based assets.

In terms of the outlook the economic recovery is proceeding about as well as could be expected although it still has a long way to go, and we're at the mercy of COVID-19, of course. Though subsiding, the still high level of new infections in the U.S. is worrisome. Several other countries that previously had their outbreaks under control, including Spain, France, and Japan, are also seeing a jump in cases. While Canada has kept its daily infection rate relatively low while cycling through various stages of reopening, it is not immune to regional flare-ups. Still, the infection rate in most countries is sufficiently low to preclude the risk of renewed shutdowns in the near term.

On the labour front, many more companies are hiring or rehiring rather than laying off. U.S. employment reports recently indicate that over half of the 22 million jobs shed during the shutdowns have been recovered, and in Canada 2 million out of 3 million jobs have come back. The unemployment rate in the U.S. has dropped to 8.4 per cent, and almost all industries are adding to or calling back staff. Manufacturing is gaining steam and operating at the highest level since 2018. Factory orders are the highest in 16 years as companies replenish supplies to keep pace with heated demand for consumer goods.

It took just three months for retail sales to surpass the previrus levels, and a further advance is likely when we get August numbers. Still, not all sectors are enjoying a spirited recovery. Economic reports also indicate that although residential real estate and manufacturing are doing okay, commercial construction, hospitality, travel obviously remain weak. Smaller businesses also remain vulnerable as they often don't have the resources or balance sheet of a larger corporation.

The recovery continues, but there are ongoing soft spots and much uncertainty about the course of the virus and policy. We think that the recuperation period will be a slower grind than the reopening phase, which we've just come through, likely keeping the jobless rate at elevated levels as we move into next year. Stocks, commodities, and inflation expectations have risen back to previrus levels, but the world economy is nowhere near out of the woods. Policy-makers are likely to err on the side of too much rather than too little stimulus. The question is if and when the reflationary mix of fiscal and monetary policies will gain traction in the real economy and by how much.

Thank you.

1:20

The Chair: Thank you very much.

We can move to members' questions or comments. Would anybody like to speak? I've got Member Gray. I see you, so, please.

Ms Gray: Thank you very much, and thank you to all of the presenters for being here at the committee. I appreciate that.

I'd like to begin by talking about investment performance. At the last meeting of this committee we spoke at length around AIMCo's role as an active investor, your job being to beat the benchmark by 100 basis points, as identified in the statement of returns and policies and goals. The Ministry of Treasury Board and Finance expects that the investments held by the fund will return approximately 100 basis points, or 1 per cent per annum, above the policy benchmark. I think that's really important. We talked about that in the past.

In this quarterly report we see that over the past five years you've not only failed to meet that goal, but you're performing worse than that benchmark, and over the last three months you failed to meet the benchmark by 170 basis points. So a significant loss. That being said, this is one quarter. As you identified in your presentation, it's better to look at that five-year number or that 10-year number. But when we look at the five-year number, we see the same kind of decrease, a loss, below what we were looking to achieve across those five years, which is very, very concerning.

Another way to express this loss is: if the heritage savings trust fund was not under active management, if it was being passively benchmarked or indexed, it would have had bigger returns. That's how it's been explained to me by the experts. I really would like to hear more about the explanation for these lacklustre results. As well, how many billions have been lost over the past five years from you not meeting that benchmark and not meeting that goal? Is there a way for us to quantify that loss of 40 and 140 basis points over the last five years?

Mr. MacMaster: Okay. Maybe I'll start by acknowledging that over the five-year period, according to this report, we failed to hit that benchmark, and I think we've always acknowledged that there'll be periods where we underperform and that we need to focus on the long term. Clearly, what's happened here is a dreadful first quarter in the case of the heritage fund over the last fiscal quarter. January to March was obviously dreadful, with the pandemic hitting and our experience with VOLTS. That just, you know, cascades through the one-year, two-year, three-year, four-year, five-year numbers.

Now, what I will tell you is that I checked the numbers today, because these are stale; these are June numbers. I thought the committee might be interested in hearing something a little more relevant. As of today we've closed that gap. The heritage fund's five-year today is 6.23 versus a benchmark of 6.19, so we've closed that gap. I would also emphasize again: the 10-year number really highlights the fact that we've generated, you know, substantial value year in, year out prior to this dreadful quarter we experienced. I think I pointed that out in the comments.

You know, it was a very different picture prior to that quarter, but obviously it's compounded; it cascades through. I will add, though, that we're digging ourselves out of the hole, and that great performance that we saw before we expect to continue to achieve. In fact, the fiscal year-to-date, which you see here in the report, the three-month rate of return of 5 per cent: today that's 8 per cent. You can see already that the heritage fund returns are growing, the markets continue to do well, and our value-add will come back, and I expect us to outperform once again. I will say that this year, although the illiquid markets have bounced back and our performance is good – as I said, equities have added value year-to-date; fixed income made a great recovery – the illiquid assets in places still have challenges, but we continue to see great deal flow. We're taking advantage of the dislocation of markets, and I see a steady stream of real estate deals, for instance, that come to my investment committee for approval and will generate terrific returns for the heritage fund in the coming years.

Ms Mentzelopoulos: If I could just add, I guess what we're seeing is the challenge of a point in time. You can choose a point in time, depending on the story that you wish to tell. If we choose a point in time as of today, as Dale says, we have something good to talk about. If we choose a point in time at the end of the first quarter, when we saw, arguably, the largest global collapse, it's a different story.

The Chair: A supplemental? One? Okay. We'll follow the same procedure as past meetings, folks: one question, one supplemental, and we'll try to alternate as long as there continue to be questions from both sides.

A supplemental, Member Gray.

Ms Gray: Thank you very much. What I've heard from that response is that that single quarter not only significantly impacted the five-year but also our 10-year and that .2 per cent, when the goal is 1, is phenomenal returns. When the Ministry of Treasury Board and Finance expects that the investments will return that 1 and we get .2 and we describe that as phenomenal returns – "This is great; this is wonderful" – why is the goal set to 1 if getting anything above zero seems to be the phenomenal performance that everyone is celebrating here? I understood that the heritage savings trust fund, which is the people's money, is being actively invested with AIMCo to achieve that 1, which is the target. Instead, this quarter we lost 1.7 per cent, over five years we lost .4 per cent, over 10 years gained by .2 per cent but not that 1. Can you please explain to me the difference and the disconnect between the performances?

Mr. MacMaster: Yeah. I think what you're seeing, again, is point-in-time performance. When I met with you in 2019, I think we painted a very, very different story. Again, it's that first quarter. I would say, though, that when you're looking at performance, you know, as you highlighted earlier, the passive return would have achieved 9 per cent over the 10 years, and we've added value of .2. Okay. So you're saying that it's not hit the 1 per cent, but any value over the passive is a win. The 100 basis points was set as a stretch target, as was pointed out, an aggressive stretch target. Just to put that in context for you, on a four-year average basis, looking at global managers, the first-quartile break would be about 80 to 85 basis points. In other words, 100 is above what a top-quartile manager would be expected to earn. It really is set as a stretch target for us, and that's great. We're up to the challenge. At certain points in time we're just not going to be there, but over the long run we think it's achievable, and we've shown that we've been able to do that in the past.

The Chair: Okay. Thank you.

Member Getson.

Mr. Getson: Perfect. Thank you for your presentation. Actually, I'm happy to hear that we closed that gap. Again, getting that point in time recently, as today's update, versus June is making me drink less Pepto Bismol at home, as I'm sure you folks have been over the last bit as well, getting into the swing of things here. The last time we talked about it was on the last annual report. We were talking about adjusting the operations of your workforce with COVID. You talked a little bit about it here today. What have you guys kind of done globally based on this economic signal? How have you tweaked your operations to kind of deal with this new path forward for us in the global current model?

Mr. Prefontaine: I'll take that one. Thank you very much for the question. I'll expand on my opening comments. A little bit of history in that one. When it first became clear that we were facing a crisis, a health crisis, we immediately invoked plans that we already have and, unfortunately, have had to test by way of business resumption and crisis management, whether it be a flood that we had previously or a fire we've had previously. But this was like no other situation. We invoked some crisis management planning and teams that we have and made the decision we needed to to remove staff, significant portions of staff, from the office environment, for obvious reasons, going to critical minimum requirements.

Then, as we began to learn more about the pandemic, as everyone else was around the world, and had some experience of significant portions of our workforce working from home, we were comfortable in making the decision of going to essentially a totally work-from-home scenario. We've had absolute minimum staffing, and in our Edmonton office that means one to two personnel making sure that phone calls and mail continue to be processed. But everyone else has been working from home.

1:30

We've had to adjust some internal processes to account for the fact that all of our work is happening virtually. Much like every other organization, that's come with some learning in terms of individuals managing work-life balance. We've seen a lot of people working significant hours. We're comfortable in saying that productivity has not diminished. We've had to find different ways to manage that productivity, but as you know and as we've talked about at length at this committee and with our clients, the health crisis manifested itself into a financial crisis, which led to a whole bunch of things that are well documented here. But we're really proud of the way that we came through that in terms of managing liquidity on behalf of our clients, which is no small feat in this kind of environment, managing the transparency that we've been able to provide on an ongoing basis to our clients, including Treasury Board and Finance, as well as managing staff morale.

As you can imagine, again, we're no different than any other large organization. Managing and leading staff in this kind of environment, when everyone has gone off to their separate corners, is a challenge, and we've adapted extremely well to that.

Dale, I'll ask you to add any comments.

Mr. MacMaster: Yeah. I think we've been able to navigate the work from home as best as could be expected, and one of the questions I get asked very often is: has it impacted the investment business? Has it impacted the deal flow? I would say that it has not. We're seeing, you know, really good deal flow and lots of opportunities. So it's different, but it's working.

Mr. Getson: Just as a follow-up?

The Chair: A supplemental, yes.

Mr. Getson: Yes, sir.

Just as a bit of follow-up there on the crisis management side, also I think we had an independent review on your board, that was to kind of look at some of the models we had last time. We had an independent review on that. What other changes has AIMCo done to better position themselves from the situations, to help mitigate the losses that we saw in the first quarter? Have you tweaked anything else on the board? Have you had any other outside studies? Does that tie into the crisis management and the overall philosophy?

Mr. Prefontaine: Okay. Again, I'll make a couple of opening comments and then ask my colleague Mr. MacMaster to clean up any mess I might make.

Yes, as was discussed at this committee last time, the AIMCo board of directors had undertaken an independent assessment of the VOLTS strategy, or volatility strategy, and I believe that just before we met last time with this committee, it had published its findings on the AIMCo website. There were some key themes and findings that the AIMCo board had made, supported by independent effort from KPMG and a well-renowned individual in our industry, Barbara Zvan.

The stage that we're at now – and these are conversations that we're having with our clients – is that management has taken the findings and direction from the board and is digesting those into what are actionable items that we need to take to respond to those findings to give our clients and our stakeholders confidence in AIMCo as their investment manager, and that's work that's ongoing. We expect to be presenting that to our board at the end of this month, and then what we will be doing is providing clarity and transparency to our clients and stakeholders on what those action steps are and tracking against those steps. So everyone can see what the findings were, what steps are being taken, and where we are with progress against those steps.

Now, that doesn't mean there hasn't been any concurrent activity and that steps haven't been taken in the interim. Perhaps, Dale, I'll ask you to weigh in at that point.

Mr. MacMaster: Sure. The recommendations that came out of the board study: there were 10. Management has taken those away and come up with a series of plans that we are already starting to implement around governance, process, procedures, oversight, people, you know, really soup to nuts. We've already started to implement those. They'll be going to our next board meeting for review, and at the end of the day we'll be a better investment shop for it as those are implemented.

The Chair: Good. Thank you, gentlemen.

I believe Member Eggen is next.

Mr. Eggen: Thank you, Chair, and thank you to the officials for being here this afternoon. My questions are in regard to transparency and disclosure, and to be frank, you know, I've not seen a quarterly report like this before. It's my fourth term as an MLA, sitting on this committee previously as well, and for the first time in memory Treasury Board and Finance and AIMCo have delivered a quarterly report that strips out all discussion on investment highlights, which was before easy to read and a relative benchmark. You know, to put it this way, this is the quarterly report's second page from last year, and this is what it looks like this year: blank.

I want to know, asking both AIMCo and Treasury Board and Finance: who made this recommendation to modify the reporting style of this quarterly report, effectively burying AIMCo's performance relative to benchmark? To Treasury Board and Finance specifically, I want to know: did the Minister of Finance approve this recommendation to change this reporting, which I find to be unacceptable?

Ms Mentzelopoulos: I guess I'll start by saying that I'm not sure substantively what is missing from the report in terms of actual substantive information, but given that we have continued to be in such a highly volatile period, we did choose – and this was a decision of ministry staff – to not draw too many conclusions with this report, which I think is borne out to a certain extent just by the difference between the end of this reporting period as reported and the results today. We chose – and the decision is reflected in the format of the report – that it was probably not wise to draw any firm conclusions at the moment.

Mr. Eggen: So it was the choice of the ministry . . .

Ms Mentzelopoulos: It was made by staff.

Mr. Eggen: . . . to do that. Yeah. Okay.

I mean, to be honest, removing metrics like this from a report – you know, maybe there are ways by which people can get a hold of this information. I hope there are, but honestly it's really a bad look, right? Like, the members of this committee, the public are not getting the information that they need in a forthcoming way. There are numbers on a page, but there are reputational issues around this as well. To make it worse, burying other quantitative assessments of AIMCo's performance in the depths of your audited financial notes, like note 8 on the last page of your report: I don't think that's a good look either, quite frankly. So I want to know what steps TBF and AIMCo will take to return to stronger reporting of their results in the next quarter. I want to know if you're prepared to reverse this change that your ministry has made – I don't know if the minister was involved with this – and do what's right for the next quarterly report, to make sure it's transparent and is seen to be transparent as well.

Ms Mentzelopoulos: We'll certainly take the comments under reflection. I think our intent was to avoid any premature conclusions being drawn. I think that, even based on some information released this morning suggesting that there were new losses, we probably could have done a better job preventing the opportunity for misinterpretation of the results, and we will certainly take that under advisement, seeing the way that some have been interpreted.

Mr. Eggen: Thank you.

The Chair: Okay. Member Jones.

Mr. Jones: Thank you. I wanted to ask a few questions about derivatives for the benefit of those that understandably find these instruments confusing. Can you describe the types of derivatives that the fund is currently utilizing, who a typical counterparty to a derivative contract would be, how and when these contracts are typically settled, and the net value of the heritage fund's derivatives position as at June 30, 2020?

Mr. MacMaster: Derivatives at AIMCo are primarily used either to hedge positions or to achieve low-cost beta. The largest derivative exposures would be in index swaps within the equity portfolio in order to access market beta. The second-largest position in derivatives would be currency forwards used to hedge the heritage fund's foreign currency exposures. Those are the largest. The counterparties are typically the Canadian banks, among the best counterparties. We have ISDA agreements and credit support annexes with each. Collateral is managed internally to make sure we have adequate liquidity to meet our obligations.

The third question was around the outstanding. I think there's a note in the report that highlights the net market value, and that is on page . . .

1:40

Mr. Prefontaine: Note 3, where it shows the net fair value of derivative contracts.

The Chair: A supplemental?

Mr. Jones: A supplemental. Prior to 2020 how has the heritage fund's derivative strategy performed, say, over the five to 10 years prior to 2020? In my view, the fund has at times had an overweight exposure to derivatives but now seems potentially underweight. Has AIMCo undertaken an analysis to determine an appropriate exposure or allocation to the fund's derivative strategy going forward?

Mr. MacMaster: Derivatives at AIMCo are not an asset class. We don't allocate to them, nor do we measure the performance of the derivative. It's simply a tool that we choose to exercise either through a derivative, exposure through a derivative, or cash. So in a portfolio, fixed income, you may have cash exposures you may augment with fixed-income derivatives and don't actually separate them. The performance is measured at the pool and product and strategy levels.

There has been a reduction in the notional value of derivatives outstanding this year, and that's largely because of VOLTS, which was entirely a derivatives-based strategy.

The Chair: Okay. Thank you.
Member Phillips.

Ms Phillips: Thank you, Mr. Chair. I want to go back to the point of this committee. The reason why MLAs are here to query quarterly updates is around the operation and performance of the heritage savings trust fund. The whole purpose of AIMCo is to deliver returns above a passive investment strategy. It's why we pay AIMCo executives the big bucks. Now, over the last five years the heritage fund, managed by AIMCo, has been off its performance target, its performance benchmark, which is set by you, by a whopping 40 basis points according to this latest update. At the same time, executive compensation in 2015 for the CEO was $1.97 million; 2016 and '17, just over $2 million; in '18 that jumped to $3.44 million; and last year the CEO made $2.84 million. The CEO of AIMCo is the highest paid public servant in Alberta. How do we explain to Albertans that the highest paid person in the government in terms of a public servant in this province has been paid $12 million over the last five years when AIMCo has not met its own benchmarks? How do we explain that to Albertans?

Mr. Prefontaine: Yeah. I'll take that. When you look at – and I'm going to assume for a minute that you were able to glean that information from AIMCo's annual reports as part of the fulsome compensation discussion and analysis section that we have within our annual reporting. Within that discussion you'll see how the compensation framework for AIMCo is established, including base compensation, short-term or annual incentive plan as well as a long-term incentive plan for a good portion of the organization. All of that is measured against rolling averages of performance.

When you look at AIMCo's industry – and one of the things that we're very mindful of is our position within the province, but also we are a global investor, and we have to be mindful of our position globally in terms of attracting and retaining talent. I would argue – and I certainly don't have the numbers at my fingertips – that if you were to look at our industry, you would find that AIMCo's compensation structure is on par or, dare I say, slightly below median when it comes to industry.

When you look at the historical performance of AIMCo and therefore its clients against the periods in which you're reporting those figures, you'll see very strong performance that aligned with that compensation. So the compensation structure that AIMCo has, while I'll stipulate that it's not perfectly aligned, is well aligned with our client expectations. Just as an aside, our clients set their value-add expectations. AIMCo does not set the value-add expectations for our clients. So in the case of the heritage savings trust fund, that's set by our good friends next to us at 100 basis points. When there are areas or periods of poor performance on a rolling four-year average, so 2020 performance, which has not yet hit compensation for AIMCo's staff, to be clear, we will see material impacts on that compensation moving forward. It's on a rolling four-year basis, so 2016 will fall off, and 2020 will come on to the books, if you will, and compensation will be materially impacted for that four-year period of time.

Ms Phillips: Just as a follow-up, compensation for executives is set as a base pay plus bonuses, and the heritage fund in part pays for this CEO and executive team base pay plus the bonuses. However, the organization has failed to meet the benchmark for this particular client, so how much bonus has the executive team received for failing to meet the benchmarks as set by the government of Alberta client? And it's not just the benchmark. It's also the asset allocation and asset class returns that have been excised from this first-quarter report. We cannot find them. If those exist, it would be great for that to be followed up with the committee in writing because it is not in this first-quarter report as it has been previously. Also the performance benchmark was buried in note 8, not on page 1 as it normally is. It's exactly those benchmarks and those asset performances that go into the bonusses that the people of Alberta pay named executive officers for, and it's not a small amount of money.

Mr. MacMaster: Maybe I'll just take another shot at it. I think as Mark tried to point out, there's just a lag. The reason why executive pay was where it was at is for the very reason that we delivered these returns for eight years solid up to 2019. I referred to this earlier when I said that I've been coming here year-in, year-out with these stretch targets hit. That's what you're seeing in the 2020 report, which refers back to eight years of solid performance.

Now, on the go-forward basis you'll see a very different picture, and the impact of the negative performance here for the heritage fund but also our other pension clients: you will see it in the next annual report. It will be impacted. That's the whole purpose of this, to align outcomes for executives that align with our clients.

On the aspect of the benchmarks, the benchmarks are approved by our clients and by our board. They're independently reviewed by audit and external auditors and are, you know, proved as best in class, best practices. For the most part they are right across the industry standard, so there's usually no debate about those benchmarks for asset class.

Ms Mentzelopoulos: If I could just add, coming back to the point-in-time issue, to take the point in time, it impacts the five-year average, but that doesn't mean that there was underperformance over the five years. That point in time has impacted when you make that assessment. I just wanted to be really clear about that.

The Chair: Thank you.
We'll move to Member Singh.

Mr. Singh: Thank you, Mr. Chair. I would like to say thank you to the AIMCo officers who are here today and also the officers of Treasury Board and Finance. My question can be addressed by any of AIMCo or Treasury Board and Finance. How do we compare the first-quarter performance of the Alberta heritage savings trust fund investments with the industry performance in other funds that are being managed by AIMCo?

Mr. Prefontaine: I'll respond to that. It's really challenging to make that point-in-time comparison over that short period of time. Industry peer-to-peer comparison happens on an annual basis. We contribute to a process that is led by CEM Benchmarking, which is a well-renowned independent organization that collects data from ourselves and our peers, looking for normalizing data – because we all report and operate slightly differently – such that those comparisons can be made over a rolling five-year basis, looking at both the cost of doing business as well as performance.

1:50

Up until the end of 2018, which, to be frank, is the latest data that we can have – there's a material lag in that – you know, AIMCo's performed really well against its peers, being in what's called the happy quadrant of higher value-added and lower cost relative to peers. Now, we will see recent performance impact that going forward, naturally, but I'll ask Mr. MacMaster to add anything from his perspective. Again, a point-in-time quarter comparison is challenging.

Mr. MacMaster: Yeah. We don't typically look at that because, quite frankly, it's not relevant because different pension funds will have different asset mix, different risk tolerances, different uses of leverage. As Mark pointed out, we do look at these annually over longer periods of time and use them to set our internal stretch targets to ensure that we're only achieving the levels of compensation that were referred to earlier by hitting top-quartile thresholds that are measurable. That's where CEM comes into play.

Mr. Singh: Thanks for answering.

The Chair: You have a supplemental, or no?

Mr. Singh: No.

The Chair: Okay. Thank you.
Where are we at here? Member Gray. Yes.

Ms Gray: Thank you very much. Through this meeting we've talked a couple of times around the VOLTS strategy, and we also spent significant time at the last meeting talking about that VOLTS strategy.

At the last meeting I specifically inquired around the VOLTS report that was prepared because it was a summary of results. It was five pages, a very, very high level. It was unsigned. Since that meeting when AIMCo officials were presenting to the committee, I've heard from professionals in the industry and a number of experts who've said that that short written report isn't up to the standard one would expect for a multi-billion loss. It simply doesn't have the depth for someone to be able to really fully understand that the mistakes made with the VOLTS investment strategy will not reoccur and what happens.

I really just wanted to take the opportunity to ask around this report, the summary of results: where are the full results, and did KPMG not provide anything in writing as part of its work examining the VOLTS strategy? I'm trying to understand more around this issue.

Mr. Prefontaine: You know, I believe during this discussion at the last meeting our CEO, Kevin Uebelein, said that the board's report is the full report. The fact that it's not signed is a little – the way that you framed it: I'll just say that it's the board's full report, and our then board chair published that report to the AIMCo website. The board stands behind that report. I will agree that it's not the full story because the full story is that the board undertook its review, engaged independent professionals to assist it in making its review. The next stage is: what are we actually doing about that? That's where you begin to get the full picture of: how can clients and stakeholders be assured that this won't happen again? It's one thing to make a finding; it's a completely other thing to understand what management is doing about that, and that's what I and Mr. MacMaster referred to previously.

The complete picture that we continue to paint with clients, including discussions that are both outgoing – because since we last talked with you, there's been a change of the board chair at AIMCo as well. It's now Mr. Mark Wiseman. The outgoing chair, Mr. Richard Bird, and the new chair, Mr. Mark Wiseman, have been meeting with clients to discuss that report. They have been making a similar commitment that we're making here in terms of ongoing transparency to the action items that are going to be articulated to the board, approved, and then articulated to clients. It's that process that completes the full picture.

Now, KPMG and Barbara Zvan, as previously identified, have done work for the board, yes.

Ms Gray: Thank you for that. As a supplemental to that what you've just said does echo what Mr. Kevin Uebelein mentioned at the last meeting. I've been pondering that answer since the last meeting because when we're talking about clients, the clients of the heritage savings trust fund are the Albertans who've been investing in that, working in this province, our resources, so the idea of clients: I'm thinking about the Albertans, the families, the people who look to this. On top of that AIMCo clients, like the teachers, the public service, the pension clients, also care about the returns very, very much given the recent moves to move more pensions into AIMCo, to lock those in, and now the government has released an RFP exploring the Alberta pension plan, so moving CPP into an

Alberta pension plan. Now everybody is very, very engaged on this issue and transparency.

My question perhaps to the Minister of Treasury Board and Finance, who couldn't be here but who is ultimately responsible for all of this, is how he will communicate to the Albertan clients what is being disclosed in these quiet and privately held meetings that are happening. I understand right now clients are being asked to sign nondisclosure notices going in, so how will the minister communicate to Albertans what happened with VOLTS, how it will be rectified going forward? That information is going to Treasury Board and Finance officials, but Albertans are being left in the dark. On their behalf, how will this information be communicated?

Keep in mind that Albertans found out about the losses in the media, not through transparency and disclosure. Will that be rectified going forward?

Ms Mentzelopoulos: A couple of things. I feel the need to actually say that AIMCo was extremely proactive in engaging with their clients. I recognize you're saying that Albertans are clients. We represent them, and we are the client on their behalf with the heritage fund, and AIMCo was incredibly proactive. I think that in the fullness of time, we may learn that they were more proactive in communicating some of the impacts from the pandemic crash than other organizations. I have to commend them for doing so, but they also had to balance that with the fact that they were still also learning about the full impacts.

They actually did not hold back from reaching out, I think, to all of their clients to say that this had happened and even, again, in the midst of still trying to make the full determination. You see, actually, some of the, frankly, drawbacks of that kind of proactivity, because initially the losses were published as being twice what they actually were in the media if I recall correctly. That was unfortunate. I'm not trying – and I'm sure there are some folks who would try to suggest that I'm trying in some way to minimize the impacts of VOLTS. I am not.

I would also say that there has been a clear communication. We had the annual report for the heritage fund. I think that the totality, when we understood it and when we could communicate it clearly, has been communicated. I frankly remember the actual day that AIMCo reached out to communicate about this. It was very early on, and it was in the midst of, I think, every government around the world grappling with how to manage a pandemic and a market crash. As we have learned more, we've been able to actually be clearer, and I guess I just want to underline the importance of being able to communicate when you know the full totality, because the fact that it was incorrectly reported was, frankly, problematic.

Mr. Prefontaine: I'll point out, you know, we come to these conversations, and it's our job to take these pointed questions, to be frank. We're fine doing that. We're not going to apologize for the way in which we created transparency and to whom in the height of what was that particular crisis. We made the explicit decision, consistent with our principles, to be frank, and values to be right up front and transparent with our clients. We did that in the face of still actively trading a large strategy that was incurring large losses where we had counterparties on the other side that we really didn't want to see publicity around this. That was to the benefit of our clients and their beneficiaries, so we were balancing that particular issue.

If we had to do it again, will we have learned some lessons? For sure. But at a high principle that we're not going to be out publicly talking about a strategy that we're actively trading with counterparties on the other side: we'll probably stick to that in the future as well.

2:00

The Chair: We'll move to Member Glasgo. Thank you.

Ms Glasgo: Thank you, Mr. Chair. Just before I begin, I do have a point of clarification, if we could get some input from Parliamentary Counsel or whoever interprets these rules: what is the rule on live-tweeting from a committee as a member who's sitting on said committee? As far as I understood, those rules were similar to when . . .

The Chair: First of all, I need to ask you if you're formally raising a point of order.

Ms Glasgo: No. I just had a point to be clarified, Mr. Chair.

The Chair: Okay. Just as a clarification, in committee we are under the rules of, essentially, the House, so the standing orders would apply, in which case it probably shouldn't be happening, same as in the House. Does that help?

Ms Glasgo: Yes. Thank you, Mr. Chair.

I'll go back to my questions for our guests present. I just want to thank you very much for being here today. I understand that this has been a wild time for you as investors, as Treasury Board and Finance. We are seeing unprecedented shifts in our economy, and how you will respond to those things will greatly impact Albertans. I want to say thank you for being here and for giving us the opportunity to ask you some questions today. I know you're kind of obligated to, but I do appreciate your openness and your transparency in doing that.

My question is – I'm going to refer specifically to page 10 of the Q1 report, so I'll let you get there. We see an increase of $183 million in Canadian equities since March 31. Can somebody from AIMCo, either Mr. Prefontaine or Mr. MacMaster, explain the current state of the Canadian market and how AIMCo plans to invest on behalf of Albertans and how you'll plan that accordingly given the increase in the equity market?

Mr. MacMaster: It's kind of a wide-ranging question. I suppose the way we're looking at the market these days is that interest rates are extremely low, to the point where we have negative real rates. Fixed-income securities as an investment no longer hold the same attraction they did in the past, other than perhaps risk management purposes. I think investors are increasingly looking to alternatives, yield-type investments and private debt and mortgages. That's one area we're active in.

But the fact that rates are so low is driving interest in the equity markets, and I touched on this in my opening statement. You know, the spread between the 10-year interest rate, the interest-free rate, and the earnings yield is quite wide. The risk premium is quite attractive. You've got S&P dividends of about 1.6 per cent, which is low historically, but 10-year rates are about 65 basis points. Typically dividends would be lower than interest rates, so it's quite an attractive place to be. That's why investors are pouring into equities. That's why we're making new highs. That's why there's a lot of exuberance around equities.

I would also say that while valuations are elevated in some parts of the market, others are not. Other sectors have not participated in the rally to the same extent, and I would highlight financials here: banks, insurance companies, energy.

There are sectors that are quite attractive, and we're reasonably positive on the equity markets going forward for this reason. Governments are set to support the market both in terms of monetary policy and fiscal policy. There's a tremendous amount of cash sitting on the sidelines. Savings rates are very high. All the dynamics are in place, but mostly it's what the central banks want. They want to get the economy going. They want to support it, so that's a very, very powerful tailwind.

Ms Glasgo: Okay. Great.
A supplemental, Mr. Chair?

The Chair: Please.

Ms Glasgo: Thank you. On that same page we see that there's been an increase of over $500 million in global developed equities. Just as a point of clarification, a point of interest for all the thousands of Albertans who are sitting this afternoon intently watching the heritage savings trust fund in committee – I know that's exactly what I'd be doing at home – I was just curious if you could explain exactly what areas of the world we are seeing this kind of an increase in.

Mr. MacMaster: This kind of an increase in . . .

Ms Glasgo: Global developed equities.

Mr. MacMaster: Like, in returns?

Ms Glasgo: Yes.

Mr. MacMaster: It's really widespread. The U.S. market has probably been the leader. Canada has lagged somewhat, mostly because of the energy weight in the benchmark, but we're seeing it across the board: you know, emerging markets even, in China, in Europe. From the valuation standpoint Europe and emerging markets and Canada probably stand out a little bit better. The U.S. equity markets are being driven in part by the five or six large stocks you're all aware of – Alphabet, Netflix, Tesla, and so on, Google, Facebook – and those valuations are a little stretched. All markets have participated. Some are slightly more attractive than others at this point.

Ms Glasgo: Thank you very much.

The Chair: Thank you.
Member Nielsen.

Mr. Nielsen: Well, thank you, Mr. Chair. I'd like to ask about asset values, of course, specifically, given the times that we find ourselves in right now. Obviously, some of these things are very, very easy – they're, you know, publicly traded in the markets – and I suspect that there are others that are much more difficult.

One of the examples I've certainly heard used before here in the committee, one of the assets that is in part owned by the heritage trust fund would be the London airport, so I'll use that for the example here. We have a situation where COVID hits the world, air traffic is more or less grounded, and I believe that the London City Airport was actually closed down for about three months. Of course, I do realize that that has reopened already, but nobody really knows right now what the demand is going to come back to. How do we go about possibly reassessing the value of that asset? Is there any kind of long-term modelling that's being used in terms of, you know, demand for that asset, and do we find ourselves in a situation where we might be devaluing that in some way? Maybe you could give us a little bit of an example if that is the case, what it was worth compared to what it is now, and sort of what we did lose maybe over that three-month period that that airport was closed.

Mr. MacMaster: Sure. London city is an airport based in London catering mostly to business travel. At the end of the first quarter we took a valuation adjustment on that of 15 per cent. We have not made any adjustments since, I don't believe. You're correct. The airport was closed for a period of time. We're also undergoing a fairly large renovation project at the site, which is going along quite well.

When it comes to looking at the illiquid assets or assets more generally, I mean, there are ways we like to think about them. In other words, you know, pre-COVID there were certain trends that were in place. Some have been accelerated; some are interrupted and will resume. For instance, e-commerce was well entrenched, but it's accelerated, obviously, in COVID. If you think of bricks-and-mortar retail, obviously we've seen a lot of those go bankrupt. That trend has been accelerated but was in place well before COVID.

Travel is another one. Travel was expanding at about 5 per cent per year prior to COVID. This is an example of a trend interrupted. You know, at some point in the near future travel will resume, and it'll continue to grow. If you think in terms of China, for instance, with over a billion people, fewer than 8 per cent of people hold a passport. If you look at China and say, "What would that look like if they approached western standards?" you'd be at 35 or 40 per cent, another 300 to 400 million people, wanting to travel to the same places everybody else wants to go, the Eiffel Tower and so on. It's a very powerful, established trend.

The airport today, we forecast, will be operating for the rest of the year at about 20 to 25 per cent, so that's why we took an adjustment on this, which is proper. There are models for this. Our independent valuators have models that allow them to do this and take it into better view and mark these things down, but we're very excited about the future. I mean, London in particular, a global hub, is at capacity or was at capacity. If you know London, there's just no other room, and this one sits on the Thames River essentially. It was pretty much at capacity prior to, so we were taking steps to expand the airport and allow for greater travel out of that airport. It's taken a temporary markdown today, but we're very positive about the future.

Just to give you an example of where we've seen this before: 9/11. I mean, after 9/11 no one wanted to travel, and many people thought it was the end of travel. Certainly, after a year or two it quickly accelerated again, and you saw where we were 10 years later. We expect the same thing with this pandemic.

2:10

The Chair: Follow-up?

Mr. Nielsen: Yeah, please. I guess I'm wondering, then, with regards to the heritage trust fund, what other assets like the London City Airport do we have that are difficult to value because of the pandemic? How much of the portfolio, I guess, do you honestly – are you unsure of its real value at the moment, and what other struggles do you foresee going forward with some of these assets?

Mr. MacMaster: Well, I will tell you that at the end of March – let's talk about real estate. We talked a little bit about infrastructure and the London City Airport. At the end of March, in the midst of the chaos we took the steps of being quite aggressive in marking down real estate. We marked our Canadian real estate down 5 or 6 per cent and our foreign real estate about 4 or 5, if I recall. What we saw when the results came out from others: many didn't do anything because they didn't have the clarity. Sure enough, it was chaotic, but we could at least point to listed markets to get a sense of where things might be, so we took that as a cautious step. Sure enough, in the second quarter we saw our benchmark, which is a composite of everyone else's real estate – you know, the other pension funds start to write their assets down or mark them down, so we're catching up a little bit.

It's always difficult to put an exact valuation on something till it's actually traded, right? That's the day you'll find out what it's really worth, but there are pretty good models to give you a sense, and those are applied. I think the difficulty today is not: what is the value today? We can have a model for that and come up with a price. It's what's going to happen in the next six months. You know, the pencil gets really sharpened at year-end, when evaluators really look in depth at all of their assets. I think at year-end we'll see a true-up of our asset valuations with those of the rest of the market.

Also, I would caution that there are certain assets within real estate that are troubled; enclosed malls, for instance. We have large holdings of malls in Toronto. They are superregional malls. They are the best in Canada, but, you know, retail is struggling, so there could be a further valuation adjustment there. That said, we have other parts of the portfolio that are doing quite well. You can imagine that data centres, with all the e-commerce, are a terrific asset. Logistics: we're very involved there and overweight in that aspect. In retail we're underweight the benchmark as well, which is helpful. The other area that I touched on earlier was, of course, Alberta office, and we have some of that. That's deeply challenged. It's actually been marked down quite a bit already because this is not new; this was happening pre COVID. But we continue to adjust our portfolio for the new world.

The Chair: Thank you.

Before I go to the next speaker, I'll just clarify for everybody's benefit. I think, considering the rest of our agenda, we should be able to go to about 2:30 with questioning. At that point in time, I'll cut the questions off, and our guests will be free to stay or leave as they choose, and we'll continue with the rest of our agenda. If that's okay with everyone, just a bit of a heads-up.

I'll move to Member Getson.

Mr. Getson: Sure. Thank you, Mr. Chair. Once again, thanks for your perspective in looking at some of the markets and to the members opposite for asking questions on assets and real estate, et cetera. Oftentimes we're quite bullish on the Alberta market ourselves, you know, just our positions that we are. We're working on the economic relaunch. We're looking at diversification. We know that there are trillions of dollars of capital and infrastructure spend that potentially can pour our way as long as we get our regulatory sorted out. Some of us are working on energy corridors and getting us deep sea access, et cetera, to try to facilitate that. Given the circumstances with COVID – I know that we recently had the elimination of the Alberta growth mandate. How has that helped you out during the target period to manage the risk that we have in the COVID environment?

Mr. MacMaster: It really hasn't had an impact on us, the Alberta growth mandate. It hasn't because, I guess, it didn't impact us, you know, when it was established. We continued to invest as we saw fit from a purely economic return standpoint, and we happen to believe in Alberta. Even today we have I think 8 per cent in the portfolio, in Alberta, across all the asset classes. That is not impacted.

You know, I think that when it comes to Alberta, we're being selective and cautious. It's a challenged economy; unemployment is high. There are a lot of headwinds with energy prices and global glut and issues around demand. But I think that where we are overweight in Alberta or, let's say, in energy is in fixed income, for instance, especially in midstream assets, and also in the infrastructure portfolio, where we have significant exposures, again typically in renewables and midstream energy, and some of that is based in Alberta.

Mr. Getson: With that, just a follow-up if I may. We're saying that there's about 8 per cent that we have in there, and then what do we see for the current state of the Alberta market? I think, again, we understand that the pressure is on the energy sector. We know that's one of our major pillars. That's not going to go away. We know the diversification into the green portfolio is there. We have messages, quite frankly, from Ottawa that are scaring the bejesus out of a lot of us, where you've got mixed messaging all over the board about going towards a great, green, new tomorrow, with no actual plans around that, and we're expecting to hear a lot of that rhetoric in the throne speeches. I guess that for the diversification that we have in Alberta, where do you see our key strengths and key areas that are still going to carry the ball down the field, if you would, and with the opportunity for future growth?

Mr. MacMaster: I'll just correct my statement: 7.66 is the weight of Alberta exposure in the heritage fund.

If I understand, your question is: what are the drivers for Alberta growth?

Mr. Getson: Yeah, with having 7.66 rather than 8. I round up, too. That's okay.

I guess, seeing the pressures that we have in Alberta – and it's hard to sometimes eliminate the fly droppings from the pepper, if you were to put it in the vernacular, in what you see in the media. We know that the energy sector is pressured. We know that's still going to be a continued core item. We know that there is potential for future growth in the infrastructure. Having said that, where else do you see opportunities, and would you see that the investment would remain at 7.6, or is there potential for more than that in the future?

Mr. MacMaster: You know, we're not targeting a set exposure for Alberta in the portfolio. As our investment managers within those asset classes scan the globe for the best opportunities, that's where they go. For many years that was Alberta in places like infrastructure and real estate. Real estate we continue to invest in. There's great opportunity in multifamily. There's a shortage of good-quality multifamily available, and we continue to do that. Logistics: very big there. There's ongoing demand for logistics centres, so we're active there. The renewables and midstream assets: I mean, I think what's interesting about that play is that others have left, taken their capital elsewhere for other reasons, and it creates an opportunity for us. That's the way we're looking at that. But it is a challenged sector, as you all know.

The Chair: Thank you.

Anyone else? Member Dach.

Mr. Dach: Thank you, Mr. Chair. A pleasure to be here. Thanks to all our guests.

Now, Mr. Chair, through you, I've heard some incredible statements this afternoon, some of which interest me greatly because I know that when I sit here as an MLA representing my constituents and those who may be watching, I think of the 4.2 million Albertans who have a direct interest in our proceedings and the performance of AIMCo. We, I think, should be answering with those people in mind who may be sitting watching on live stream or in their living rooms today or perhaps in news reports about what we talk about today. It's those individuals who rely upon the performance of you folks in particular to ensure the best possible results and returns so that the government of Alberta has an asset base that can be relied upon to add to the benefits they want to provide to the province. Certainly, they may not be clients per se of AIMCo – and Treasury Board and Finance will know this as well – but they are what we consider the clients of your work and the ultimate beneficiaries of losses or gains. So I'm asking you to respond in terms of your audience as I see it, and that is the individual Albertans who are listening to what you have to say.

2:20

One comment that was made – and this will just be part of my remarks – that I found a bit stunning was the premise that "any value over the passive is a win." I think that Albertans, my constituents, whether they be public servants or unemployed rig workers or what have you, will be shocked that that is a benchmark that is acceptable to AIMCo. They expect that an organization with the massive assets that you have relative to other investment organizations as well as the huge expertise, highly paid expertise, that you have would set the bar a little higher, to say the least, higher than: "Any value over the passive is a win." Albertans expect a lot better than that. They expect a serious increase over the passive investor from your benefit, your advantages that you have because of your investment size and, of course, the expertise that you employ. That just is one thing that I wanted to mention because it really caught my ear.

Secondly, there was a comment that was made. I believe it was the deputy minister who suggested that it was proper to avoid premature conclusions – and I'm quoting now – and that it was not wise to draw any firm conclusions but that you perhaps could have done a better job in bringing forward information. Now, I thought that the job of an investment corporation, no matter whether it's government or private, was to draw conclusions and publicize those for the benefit of their investors so the investors could then weigh in on their performance. You can correct me on both of those issues if I'm wrong.

But what I wanted to get to on top of that and related to it was that at the last meeting we talked about AIMCo's ability to add value, and the officials remarked that it was very hard to beat the benchmark. Simply put, it was hard to beat a passive investment strategy. However, it seems like most of the big public, institutional investors like CPPIB, Ontario teachers, or BCIMC, all active investment managers who are AIMCo's real peers, are adding value. I'd like to ask: does Treasury Board and Finance or AIMCo track how well the organization does relative to its Canadian peers over time, and if so, can you please share the results of that work now and in writing to this committee and table those documents? If you don't track yourself relative to those Canadian peers, why not?

Ms Mentzelopoulos: May I just make a couple of comments?

Mr. Prefontaine: Sure.

Ms Mentzelopoulos: I think that, to the point about my earlier comments, we've been in a situation for several months where there's almost a different kind of frame of reference daily. I guess that occasionally we get a break and it's a different frame of reference on a weekly, but mostly it's been daily. I think a lot of folks would conclude that it's very difficult to draw any conclusions at the moment, and I would point again to Mr. MacMaster's comments just reflecting on the change in performance in the heritage fund since this report was completed and today.

I would also just point out, because I have it in front of me now: March 31, 2015, the five-year performance, plus .5; March 31, 2016, plus 1.3. There's been a series of positive numbers at year-end until we get to June 30, 2020, where we've just come through a period of time that nobody anticipated and the volatility of which was unprecedented.

I think, AIMCo, you track your performance and you share it with us, so you would have a better picture or more ready-access information.

Mr. Prefontaine: Yeah. Thank you very much for the questions. There are actually a few points in there that I'd like to take the opportunity to respond to, and then I'll ask, again, Dale if he'd like to add anything.

On the first one, in terms of who AIMCo views as its clients and key stakeholders, I absolutely agree that 4.2 million Albertans deserve to hear what's happening within AIMCo. We're proud to be Alberta's investment manager, and we feel an absolute obligation to be as transparent with 4.2 million Albertans as we can. It's one of the reasons why we're pleased to be invited to this table regularly and we're so engaged, specifically at the annual public meeting of this committee, which is really a good opportunity for Albertans to engage.

When we talk about our clients, we have specific relationships with public-sector pension plans, with provincial insurers in the province, and a number of relationships through the multiple hats that TBF officials wear. We're sensitive to the fact that their beneficiaries, that are part of their plans, or stakeholders to their entities – we don't want to be circumventing important communication channels that they have with their beneficiaries, members, and stakeholders. We try to partner with them as much as possible in communicating important information like what's happening at AIMCo.

With respect to our peer comparison, in response to a previous question I talked about how we work with an organization called CEM Benchmarking, that one of their purposes in life is to provide transparency and clarity in comparing what are difficult-to-compare organizations, especially when you look at AIMCo as Alberta's investment management corporation and BCI, that represents another suite of multiple clients, all of whom have different objectives, different value-add targets, different risk tolerances, different asset mixes, and make that comparison of who's doing well against each other.

We participate in that. We get the results. We share that with our clients, for sure. We would have to look at whether or not we'd be infringing on any contractual obligations, but we'll certainly undertake on whether or not we can share those results, lagged as they will be, as previously mentioned, with the committee.

Mr. Dach: Thank you, Mr. Prefontaine.

Is there a follow-up, Mr. MacMaster?

Mr. MacMaster: Yeah. Maybe I'll just address the win. You know, you'll have to pardon me for being a little bit exuberant about adding some value after the quarter we went through. Again, I will highlight the fact that we've been coming here for years and showing us hitting these stretch targets over long periods of time. Certainly, it was a dreadful quarter – we've talked at length about that – and these numbers will take some time to catch up. People will have to be patient with us, but we will get there.

For me, I find it remarkable, quite frankly, after the quarter we had, to be in a global pandemic, the like of which hasn't been seen since the Spanish flu, and that we have a 10-year return of 9 per cent. I think that's remarkable for Albertans. Believe me, we come into work every single day with Albertans in mind, and we're very proud to be delivering the goods for them.

Mr. Dach: I believe that my colleague Mme Gray has a quick supplemental to my questions there before time runs out.

Ms Gray: If I may.

The Chair: It's kind of breaking the rules here.

Ms Gray: Is there anyone else on the list?

The Chair: Yeah, there is.

Ms Gray: Okay.

The Chair: I think that, actually, considering it's almost 2:30, to keep it equal – you started – I'll let Mr. Singh finish with one last question, and then we're done.

Mr. Singh: Thank you, Mr. Chair. This question is for AIMCo. On page 17, note 6, in the report we see that the interest-bearing securities made us $78 million in income, and on page 10 of the same report there is a $323 million increase in these interest-bearing securities investments since the end of March 2020. What is AIMCo's current plan on this portfolio, and are we going to see growth in the future?

Mr. MacMaster: If I could perhaps summarize the question as I understand it, you're referring to essentially what is the fixed-income portfolio, interest bearing. What does AIMCo's fixed-income strategy look like going forward? Was that the question?

Mr. Singh: Yes.

Mr. MacMaster: Well, first of all, the fixed-income portfolio had a tough quarter. It's rebounded. Returns are I'm going to say in the 8 per cent range, and we're back to outperforming. The strategy for the fixed-income portfolio: generally, you know, rates are low, and we need to look for alternatives, so mortgages, what we call specialty mortgages, with a little bit more yield, private placements, and private debt.

One of the areas we think is the most exciting for the next two or three years is the world of private debt. Despite all the government support that we've seen, there is a default cycle that we will go through. There are many zombie companies as part of the Russell 3000, perhaps as many as 15 per cent, which don't generate any earnings and aren't likely to and are on life support. The impact of those defaulting will affect high-quality, private debt securities, and we'll step in to buy. That's the play. That's the plan, much like it was after 2008. That should generate really good returns for our clients. I'm quite excited about that one.

2:30

Mr. Singh: Thank you for answering.

The Chair: Thank you, ladies and gentlemen. I appreciate your candidness and your time to be here with us. Yeah. Thank you very much. You're free to leave or you may stay, as you choose.

For committee members, just moving your thoughts ahead, we need to consider a motion to receive the first-quarter report. I'll propose some wording, and then if someone would like to make that motion, you may. I suggest the wording would be that

> the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2020-21 first-quarter report on the Alberta heritage savings trust fund.

Any dialogue on the wording, or would someone like to make the motion?

Mr. Singh: I'd like to make the motion.

The Chair: Mr. Singh has moved the motion. Any discussion, questions?

Is that signalling a question, or did you want to . . .

Mr. Eggen: A question.

The Chair: Okay. Speak, please. Yes.

Mr. Eggen: Yeah. I mean, again to other members of the committee, further to my remarks in regard to the missing elements to this report that are different from all the other reports we've seen before, I would recommend that members consider not supporting accepting this report because it's missing key elements that I believe should have been there.

The Chair: Okay. Well, our mandate is that we need to accept it. I mean, if you want to make a comment – I guess you have already – that it seems unsatisfactory, then that's fine. That's within your order.

Anyone else? A comment or question?

Mr. Getson: I guess that I'd countercomment on that.

The Chair: Go ahead.

Mr. Getson: Yeah. I guess the countercomment to that member would be that Treasury advised that they would take it under advisement. It was something that was a bit different. Again, given the point in time with COVID, kind of exceptional circumstances, they didn't want to draw attention to certain elements or to skew what the overall summary report was. I think that they were going to take it back and under advisement for the next one. If that's something that we want to request that needs to be in there in the next report, I'd be comfortable with suggesting that, but as far as to reject the current report, I'm not comfortable with doing that at this point, sir.

Mr. Eggen: No. Fair play, and I just – you know, always people will take advice more seriously if they have a reminder, so our vote is a reminder of the certain elements that were missing in this report that I believe should be brought to the fore. I did hear that from the ministry, and I think my vote in regard to not accepting this report will be a gentle reminder to do better next time.

The Chair: Fair enough, and your point is on the record.

Member Gray.

Ms Gray: Thank you very much. I'm not able to vote at this committee, and I appreciate being a guest here, but I will just weigh in on the discussion, which is that the quarterly report that we received excluded important information, and the reason we were given was that they were worried about Albertans misinterpreting. I think it really was emblematic of a transparency issue that I'm seeing from particularly the Ministry of Treasury Board and Finance. I would like to be on the record as very strongly supporting that the same information that's been reported every other quarter should have been reported in this quarter so that people can compare, can look at, can fully understand the picture. Anything less, I think, leads Albertans to wonder about that issue of transparency.

I want to thank my colleague for raising this issue because it's one that I've heard from some of my constituents when it comes to the conversations. The AIMCo discussion has gotten very public, and lots of people are weighing in. Right now we need our government to be clearly communicating and not seeming to withdraw information. Everything about investment performance I had to get from page 18. Like, all of the numbers, all of the facts about how things were doing were on the last page of the report instead of being on page 2, the way it used to be, so I echo the concerns, and I think the majority of Albertans would agree.

The Chair: Okay, and you are now on the record.

Ms Glasgo: Mr. Chair, I would just like to state that, to my understanding, nothing was formally omitted from the first report. Actually, from what Member Gray is suggesting, then, you know, you could just look on another page and find that information. I'm concerned if we are going outside the mandate of our committee. I think our job is to make sure that Albertans have that information, and they do. If we're talking about a politicization of AIMCo and such, we should look no further than the previous government, who politicized AIMCo.

As well, I would caution our committee from maybe politicizing an issue that does have very large impacts on our economy. We're talking about the worst recession we've seen in decades, in our lifetime. We're talking about severe economic unrest across the globe, and we have the good fortune and the ability of having AIMCo to manage those assets, and we've seen them come back as well as have record returns over the long term. I think that what we need to be taking under advisement are actually the words of Ms Mentzelopoulos from Treasury Board and Finance. I believe the words that she used – sorry, Mr. Chair – were not to look at this as a point in time but, rather, to look at a longer term strategy.

I'm proud of the work that AIMCo has done. I can understand that there are some suggestions that Treasury Board and Finance will be taking under advisement in further iterations of reports, and I would welcome the opposition to join us. I'm not going to suggest how a committee will be voting or how members of the committee will be voting, but I would encourage the opposition to spend less time fearmongering, less time on Twitter during the committee, and maybe ask those hard questions of the officials that are present.

Mr. Nielsen: Point of order, Mr. Chair.

The Chair: Point of order noted.

Mr. Nielsen: Under Standing Order 23 (h), (i), and (j), allegations against a member. There was no point of order raised earlier, so I would ask that the member please withdraw.

Ms Glasgo: Mr. Chair, I can defend myself on this one. That is clearly not a point of order; (h), (i), and (j) refer to allegations against another member. I said: members of the opposition. I did not refer to a specific member at all. Further, what I did say was that I asked a point of clarification more broadly for the conduct of our committee. If members take umbrage with that, perhaps they shouldn't be doing what they should not be doing.

The Chair: Okay. Thank you.

I will agree it's not patently a point of order, but I'd encourage us to maybe focus on the motion and get to the point where we can address the actual motion that's before us because that is what we're on right now. Please take it under advisement. Let's not let the meeting get out of order here at this point in time. Thank you.

Yes. Member Phillips.

Ms Phillips: Thank you, Mr. Chair, for your indulgence. I just want to speak really briefly to the motion and the reason why I think that it is appropriate to note that this is an incomplete first-quarter report. It's not just that the performance benchmarks were moved to, you know, note 8 somewhere in the back of the report from page 1. It is also that the entire conversation around the investment highlights was deleted. But also, really importantly, nowhere in this first-quarter report – and I am happy to be reinformed by Treasury Board and Finance if they would like to table the subsequent documents around asset allocation and asset returns. They are not in this quarterly report.

Now, I can understand the desire to look away. Certainly, in around mid-March I think we all wanted to look away when we went in and looked at how our investments were performing, as individuals. But we still had access to the information around what kind of asset classes we were invested in and what our asset returns were. That is basic information. There's nothing particularly political or even arcane or, you know, complicated about it. It is basic information on where the heritage trust fund is invested and what kind of returns it is getting in good times and bad. That is what has not been included in this report, and that is a very significant challenge to our ability as members to exercise a role under the act, which is to appropriately oversee, interrogate, litigate, question the operation and the investment of that money that belongs to Albertans.

That is the reason why members should, in my view, send a message to Treasury Board and Finance that this sort of, you know, quick cut-and-paste over into a document that never sees the light of day should not occur within the civil service.

2:40

The Chair: Fair enough. Thank you.

Anyone else? Comments? Mr. Getson.

Mr. Getson: Yeah. Without, you know, getting too partisan, by any means, and everyone's depth and background and knowledge and everything else come into play during this dialogue, but I do take exception to some of the language. Cut and paste: I think our Treasury Board is better than that, regardless of who happens to be the governing party of the day. I believe the explanations that were provided to us, again given that point of time – I believe that regardless of which side of the bench we sat on last meeting when we met, we all put the boots to AIMCo on the VOLTS strategy, et cetera. Again, coming back to Member Eggen's point, if he chooses to vote against accepting the minutes to send a message back to Treasury to ensure that the formatting is the same as what's been in the past, not necessarily the substance, as Member Phillips may have pointed out – because I think she and I would disagree on this one. That's kind of where I'm seeing it at. I don't see it as as big of a mountain potentially as what some committee members are making it out as currently.

Thank you.

The Chair: Okay. Well, I think the point has been well made, and it's your prerogative to make it. You're perfectly right to do that. I have no problem with that.

Barring any further conversation, we do have a motion proposed. Is there anyone who would actually like to make it?

Mr. Getson: Yeah. I'll make it. Singh was on the record.

The Chair: Oh, did Mr. Singh do it already? I'm sorry. I forgot; he did. I'm sorry. My apology. Let's backtrack. It was moved by Mr. Singh, and we did move into dialogue as a result of that. Momentary mind drop there.

All right. We have the motion before us. I will reread it for clarity: moved by Mr. Singh that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2020-21 first-quarter report on the Alberta heritage savings trust fund. As has already been hinted at, members have a vote; visiting members have every right to comment but don't have a vote in committee.

Having read the motion, clarified the voting, all those in favour, please signify. Any opposed? It seems to me that the ayes have it.

Mr. Dach: I'd like a recorded vote.

The Chair: A recorded vote. Fine. Please do that. Okay. What we'll do is that I can read all of this, or I can just do the procedure, which is to have each of you raise your hand. You're good with that?

Mr. Dach: Yeah.

The Chair: Okay. Thank you.

The procedure is that we'll go around the table and have you raise your hands so that the clerk can record your vote as you do so. All those for, please raise your hand and just say your name for the record.

Mr. Getson: Shane Getson, MLA, Lac Ste. Anne-Parkland.

Mr. Jones: Matt Jones, MLA, Calgary-South East.

Ms Glasgo: Michaela Glasgo, MLA, Brooks-Medicine Hat.

Mr. Singh: Peter Singh, MLA, Calgary-East.

The Chair: Okay. That's all I see there.

Those against, please raise your hand and, again from the right to the left, please put your name for the recorded vote.

Mr. Eggen: Dave Eggen, MLA for Edmonton-North West, voting against the motion.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung, voting against.

Mr. Nielsen: Chris Nielsen, MLA, Edmonton-Decore. No.

The Chair: Okay. Thank you, ladies and gentlemen.

Members, that is carried. The recorded voice vote: please read it out. Yes.

Mr. Kulicki: Mr. Chair, I have four for the motion and three against.

The Chair: Okay.

That is carried.

We'll move on to the annual public meeting. The details of the annual public meeting that we need to resolve: first of all is the communications plan. At our last meeting, July 13, LAO corporate communications was directed to prepare a communications plan for the annual public meeting, the date and format of which we will discuss momentarily. For the record, in accordance with a motion passed by the committee at the July 13 meeting, I approved the plan after it was made available for the committee to review in early August. As requested by the committee, this year's plan includes information on the cost of potentially using a moderated teleconference format.

Before we move on to a discussion on the date and format of the meeting, do members have any questions about the communications plan? If so, Ms Janet Laurie from LAO corporate communications is in attendance and would be able to address your questions. You've all had it; you've all seen it. Questions? Member Getson.

Mr. Getson: Yeah. Just for edification, it seems to be very similar to the format we came up with last year. That's the case?

Ms Laurie: Yeah, very similar. Depending on the will of the committee, if you wanted to incorporate a more virtual town hall sort of piece to it, then that would be a slight difference, but otherwise it would be very similar to what we did last year.

Mr. Getson: You know, again, these are all leading questions, but given what we had for last year for success, I thought it was pretty decent. Have you seen anything else where we think there would be even more participation or less participation in person than we had last year?

Ms Laurie: Do you mean specifically in person?

Mr. Getson: Yes.

Ms Laurie: No. There would be no way to predict that at this point in time. I would note that last year we had a few other factors that occurred during the same week as the meeting that may have impacted the number of people that we had in person, and we were sort of always aware of that. But there's no way to tell in advance. We would employ similar strategies to make sure that we ensure that Albertans were aware of the meeting and aware of how they could participate in it should they choose to, but at this point in time I don't have any barometer as to whether or not there would be more or fewer.

Mr. Getson: And as a proposed virtual town hall, what would you think we could supplement it with if that was something to consider? Why would you suggest doing a more virtual town hall, as you had suggested?

Ms Laurie: It would essentially be, if you think about the updates that happen – and I think they're back to a daily basis – from the chief medical officer of health, that people are able to call in. Those are typically media for those calls, but what we'd be able to do is set up a system with phone lines for Albertans. We would be able to set aside – we would have to gauge the number of participants that we envisaged beforehand, but we would set up a certain number of phone lines, and we would make those numbers available to Albertans so that they could call in, in a similar way to anybody who was here in person or the same way that people interact via social media or via e-mail with the committee clerk to submit those questions.

Mr. Getson: Okay. Thank you.

The Chair: Mr. Eggen.

Mr. Eggen: You know, thanks for that. I think all of us have certainly been engaging in lots of virtual Zoom meetings and so forth over the last few months, and I think Albertans have, too, right? Like, for a lot of people, that's become part of their lifestyle, too. So I would venture to say that if we could try something like that or, as you say, putting up some phone lines and, of course, texting in. We've always taken online comments. I certainly favour that idea as long as it's not too expensive. I think it's part of the way that many, many Albertans have been operating over these last few months, and we can extend that option.

Ms Laurie: I would certainly defer to the will of the committee. It's definitely something that we're able to offer for the annual meeting should that be something that the committee chooses to go forward with.

Mr. Getson: Mr. Chair, similar to Member Eggen, I'm, again, curious on this as to what the cost might be, how much complexity we would add to it, what we think we could see on it. I don't think that we'd have a huge surge of participation given what it is, but it would be nice to have that option out there, at least to know if it's on the table, that we might be able to present it and, again, given that we've kind of become used to that and that a lot of folks might not want to come out if they have that option.

Ms Laurie: Yeah. And it's also hard to know what the state of the province will be in another few months. Definitely, the cost was included in the communications plan that we provided through the committee chair. I believe that was in early August. That's certainly something for you to consider that we can definitely accommodate with our planning.

Mr. Getson: Thank you.

Ms Laurie: My pleasure.

The Chair: Member Jones, did you have a comment?

Mr. Jones: Yes. Thank you. Do we have a mechanism for people, if we set something like that up, to sign up in advance to receive materials and maybe submit questions in advance, or is this going to be: if you're available at the date and time, you can participate?

Ms Laurie: Well, people are always welcome to submit questions and have done that for several years via social media as well as just as simple as an e-mail through the committee clerk, and we've always included those even if the e-mail was received prior to the meeting. That's something that's always been available to Albertans. This would be an additional way for Albertans who perhaps aren't as comfortable submitting or asking questions via social media or just using those platforms in general but would be able to actually call in. We would envision having it in this committee room. We wouldn't be able to have – it wouldn't be like a Zoom call in that we wouldn't have a video of whoever the caller was. However, we would be able to share that audio with the broadcast, so Albertans would benefit from hearing one another's questions. We would obviously need to get their names and their information for the purposes of *Hansard* and whatnot so that that was all in the transcript for the meeting. However, that's definitely something that's possible.

2:50

The Chair: Maybe I can just remind the committee that the cost figure for the telephone operator piece is about $1,500, approximately. Maybe it would be helpful, too, though, if we move on to the next piece, which is date and format, and talk about that because that might impact what we do here as well. Let's talk about – unless there's anything more specific directly with the current communications plan. Anyone? No? Don't forget what we just said, but we'll move on, okay?

Turning to the date and format of the public meeting, I'd first like to observe that since the public meeting is usually held in late October, the committee may wish to consider holding this year's meeting on Thursday, October 29 – that's the proposed date – from 7 to 9 p.m. According to the Assembly calendar this date would be during the first week of fall sitting and would provide LAO corporate communications with ample time to finalize the communications materials and implement the overall communications plan. Additionally, I want to remind committee members that the main decision that the committee needs to make about the format is on whether to permit in-person attendance by members of the public at the meeting, as we have previously done, or whether to use a moderated telephone conference instead.

In regard to the in-person attendance option I just want to note that members of the public have been permitted since early July to attend meetings of the Assembly committees by registering online ahead of time, and a number of other policies have been implemented to facilitate public attendance at meetings while protecting the health and safety of members and attendees. These policies include reducing the number of gallery seats used during meetings and requiring attendees to wear a face covering while seated in the gallery. So if the committee were to decide to have in-person attendance at the public meeting, it's anticipated that these general policies would be observed. As well, since the seating in the gallery of the Rocky Mountain Room must be limited in order to provide for appropriate physical distancing, additional overflow seating would be made available in the Capital View Room or City View Room here on the second floor.

With those points in mind, I'd like to also then open the floor to the broader discussion of date and format of meeting, and then we'll sort of be able to confirm this discussion, too, about communications.

Mr. Getson: Mr. Chair?

The Chair: Member Getson.

Mr. Getson: Yeah. Personally I really like having the public be able to attend in person. You know, we're looking for transparency. We can have those open dialogues, et cetera, and that, so I really like that option considering the uptick cost for the virtual meeting is – not to say that no cost is inexpensive, but $1,500 is pretty inexpensive given the magnitude of the fund that we're managing and having that exposure to. That would be my submission: keep the similar format that we had in the past and then just enhance it by having the virtual town hall. And the date works well in the calendar for me.

The Chair: Any other comments? Mr. Nielsen.

Mr. Nielsen: Thanks, Mr. Chair. Yeah. I think whatever we can offer Albertans in terms of choices just makes potential attendance that much greater, so, yeah, I think we could probably pull it off.

The Chair: Okay. Thank you, Mr. Nielsen.

Anyone else have a comment? All right. In light of that, I'm going to move toward a motion. Our clerk has a draft motion that I think he can put up for us.

Mr. Kulicki: Thank you, Mr. Chair.

I apologize, but my motions laptop is completely frozen. I'm going to read out a draft motion that I think reflects the will of the committee, and then if a member would like to move it, he or she may go ahead and do so. It would be moved that

> the Standing Committee on the Alberta Heritage Savings Trust Fund hold the annual public meeting on Thursday, October 29, 2020, from 7 o'clock p.m. to 9 o'clock p.m., permit members of the public to attend the meeting in person, and use a moderated teleconference to provide for additional participation by members of the public.

The Chair: Okay. You've heard the proposed motion. I see Member Eggen moving that. Is that correct?

Mr. Eggen: Yeah.

The Chair: Yes. Thank you.

The motion has been made. You've heard it. Any further discussion or comments?

Seeing none, I will call the question. All those in favour, please signify. Any opposed? Hearing none,

> that is passed.

Thank you very much for all of that. Are there any other issues for discussion before we wrap up today's meeting?

Mr. Nielsen: We need to get the clerk a new computer.

The Chair: Yes.

The date of the next meeting. The next meeting will be the annual public meeting on Thursday, October 29.

With that, if there's nothing else for the committee's consideration, I will call for a motion to adjourn today's meeting.

Mr. Nielsen: So moved.

The Chair: So moved by Mr. Nielsen. Thank you. Ladies and gentlemen, we need to vote on that. We have a motion to adjourn. All in favour, please signify. Any opposed? None. Thank you. I will declare the meeting closed. Have a good day.

[The committee adjourned at 2:55 p.m.]

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