



Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Annual Public Meeting

Thursday, November 30, 2023
6 p.m.

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**Legislative Assembly of Alberta
The 31st Legislature
First Session**

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

Yao, Tany, Fort McMurray-Wood Buffalo (UC), Chair
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC), Deputy Chair

Boitchenko, Andrew, Drayton Valley-Devon (UC)
Bouchard, Eric, Calgary-Lougheed (UC)
Brar, Gurinder, Calgary-North East (NDP)
Cyr, Scott J., Bonnyville-Cold Lake-St. Paul (UC)*
Hunter, Grant R., Taber-Warner (UC)
Kasawski, Kyle, Sherwood Park (NDP)
Kayande, Samir, Calgary-Elbow (NDP)
Wiebe, Ron, Grande Prairie-Wapiti (UC)

* substitution for Ron Wiebe

Ministry of Treasury Board and Finance Participants

| | |
|----------------|---|
| Lowell Epp | Assistant Deputy Minister, Treasury and Risk Management |
| Brittany Jones | Senior Manager, Portfolio Analytics and Research |

Alberta Investment Management Corporation Participants

| | |
|----------------|--------------------------|
| Suzanne Akers | Chief Risk Officer |
| Marlene Puffer | Chief Investment Officer |

Support Staff

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Standing Committee on the Alberta Heritage Savings Trust Fund

Public Participants

Robert Ascah
Marija Cvetkovska
Brad Fisher
Frank Hanus
Irsa Khan
Duncan Kinney
Majella Morin
Tracy Parker
Cynthia Wagner

6 p.m. Thursday, November 30, 2023

[Mr. Yao in the chair]

The Chair: Good evening, everybody. I'd like to call the 2023 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order.

My name is Tany Yao, and I'm the MLA for Fort McMurray-Wood Buffalo and chair of this committee. Tonight the committee is pleased to host its annual meeting to hear questions from members of the public who are interested in the Alberta heritage savings trust fund. I'd like to now ask members of the committee and guests seated at the table to introduce themselves. We'll begin to my right.

Mr. Rowswell: Garth Rowswell, MLA for Vermilion-Lloydminster-Wainwright.

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake-St. Paul.

Mr. Hunter: Good evening. Grant Hunter, MLA for Taber-Warner.

Mr. Bouchard: Good evening. Eric Bouchard from Calgary-Lougheed.

Mr. Boitchenko: Hi. Andrew Boitchenko, MLA, Drayton Valley-Devon.

Member Brar: Hello, everyone. My name is Gurinder Brar, MLA for Calgary-North East.

Mr. Epp: Good evening. Lowell Epp, assistant deputy minister for treasury and risk management with the Department of Treasury Board and Finance.

Ms Jones: Good evening. Brittany Jones, senior manager of portfolio analytics and research within Treasury Board and Finance.

Ms Akers: Good evening. Suzanne Akers. I'm with AIMCo. I'm the chief risk officer.

Dr. Puffer: Good evening. Marlene Puffer. I'm the chief investment officer at AIMCo.

Member Kayande: Samir Kayande. I'm the MLA for Calgary-Elbow.

Mr. Kasawski: I'm Kyle Kasawski, the MLA for Sherwood Park.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: Do we have anyone online today?

Mr. Huffman: No.

The Chair: No, we do not.

For the record I would note the following substitutions: Member Cyr for Member Wiebe. Thank you for joining us today.

The Alberta Heritage Savings Trust Fund Act requires the committee to hold a public meeting on the fund every year. The nonpartisan staff of the Legislative Assembly Office arrange and promote these public meetings. I'd like to thank all involved for making this year's meeting possible.

The Alberta heritage savings trust fund was established in 1976 with funds from nonrenewable resources and is managed by the Alberta Investment Management Corporation, also known as AIMCo, with direction from the Ministry of Treasury Board and

Finance. In March 2023 the Alberta Heritage Savings Trust Fund Act was amended to allow a portion of the net income earned by the heritage fund, less the amount retained in the fund for inflation-proofing, to be transferred to the province's main operating fund, the general revenue fund, in the manner and at the times determined by the minister. Prior to this change the act required that the net earnings of the heritage fund, less the amount retained in the fund for inflation-proofing, be transferred to the general revenue fund unless the minister designated a portion of the earnings to remain within the heritage fund. In short, the net income no longer is transferred to the general revenue fund by default. It will now remain with the heritage fund unless the minister chooses to transfer it.

Tonight's meeting is an opportunity for Albertans to participate in a discussion about the status of the fund, its investments, and to find out what's in store for the future. The investment professionals who manage the fund to get the best possible return are here to answer your questions.

Tonight's meeting is being broadcast live on Alberta Assembly TV, and the audio and video of this meeting are streamed live on the Legislative Assembly website at assembly.ab.ca as well as on the Legislative Assembly's YouTube, Facebook, and X, or Twitter, accounts. I'd like to encourage everyone to join the discussion during our live broadcast. More information about this committee and its mandate can be found on the Standing Committee on the Alberta Heritage Savings Trust Fund page on the Legislative Assembly website. If you would like to participate, you may come in person to the Queen Elizabeth II Building until 8 p.m. tonight; phone in by calling 1.888.892.3255, and the conference code is 764511. Again, I'll just say: 1.888.892.3255, with a conference code of 764511. Please submit your questions via the web forum on the committee's website. You can e-mail questions to committee.admin@assembly.ab.ca. Again, you can e-mail questions to committee.admin@assembly.ab.ca. You can also post questions on Facebook or X, also known as Twitter, by using #abheritagefund. The information will remain displayed on the screen for the duration of the meeting.

We hope to respond to as many questions as time will allow during the question-and-answer segment of the meeting, which will immediately follow our panel presentations. The committee will alternate questions between those joining us in person, on the phone, and via social media and e-mail. Your input is important to us, and I encourage you to participate, but I would ask that participants please keep questions and comments respectful and relevant for tonight's topic, the Alberta heritage savings trust fund.

With that, let's take a look at the video on the Alberta heritage savings trust fund, followed by presentations from the Alberta Treasury Board and Finance as well as AIMCo.

[A video was shown from 6:05 p.m. to 6:07 p.m.]

The Chair: Fantastic. I would now like to invite Mr. Epp and Ms Jones from Treasury Board and Finance to present a financial update on the heritage fund. Your presentation is loaded up and will be displayed when you are ready.

Ms Jones: Good evening, everybody. Thank you for having us. My name is Brittany Jones. My colleague here, Lowell Epp, leads our treasury and risk management department. We're happy to be here to present the results to you today. We have gone back to 1976 at the beginning of our presentation. We thought it would be a good way to explain to some of the new faces in the room as well as the general public where the heritage fund started and where we're at today.

The legislation in 1976, as we can see on the screen: revenues were set aside because of the nonrenewable resources for the benefit of the people of Alberta for future years. If we fast-forward to 2023 – next slide – the legislation has stayed very similar over the years, but it has been strengthened over the years. There have been multiple iterations, and today the preamble states that

the mission of the Heritage Fund is to provide prudent stewardship of the savings... [and produce] the greatest financial returns on those savings for current and future generations of Albertans.

This is what we do in conjunction with AIMCo.

Next slide. This is an actual scanned image from the very first report on the heritage savings trust fund. The heritage trust fund was born in 1976; it was given royal assent on May 19. The fund had two main sources of revenue that were first deposited into the fund. At the very first fiscal year-end the fund was worth \$2.2 billion; today we have a fund that's worth over \$21 billion.

The next slide shows us exactly how the heritage fund was born. Capital contributions were a major source of revenue; \$1.5 billion was initially contributed into the fund. An additional \$620 million was contributed into the fund by collecting 30 per cent of nonrenewable resources. This happened initially and happened until the mid-80s. Net income was also retained at the beginning as well. The capital contributions consisted of housing investments, energy resource investments, marketable securities, and cash.

The next page here shows us the different investment divisions. The heritage fund was set up very differently when it first started than it is today. It was basically three main investment divisions and then current assets. The current assets were basically marketable securities that were invested in interest-bearing accounts. They were liquid enough to be able to be called for the other investment divisions when required.

6:10

The capital projects division is something where in Alberta today we're still reaping the benefits from that. The Canadian investment division was very interesting, as one of the very first investments was a debenture where it was a loan to the province of Newfoundland. That was actually about a 10 per cent return on investment, which is kind of interesting now in the interest rate environment that we're in. The Alberta investment division: again, these are investments that are still paying off today, so those were housing investments, energy investments, as well as multiple other things that are still paying off today.

Next slide. Two main endowments that are actually funded from the heritage fund as well is the Alberta Heritage Foundation for Medical Research and the Rutherford scholarships, and these are close to my heart as well because I feel that these are things that are consistently contributing back to Alberta today, and these are endowments that are still going strong and providing many contributions to Alberta.

Some of the notable investments in addition to the debenture were purchases of grain cars to help shift grains out of the province, research into oil sands, housing development, developing of parks, enhancing libraries, maintaining our forests, and basically diversifying the economy to meet the needs of a growing population as well in addition to funding some of the other endowments that we spoke about earlier.

In the early years net income was retained and nonrenewable resource revenue was contributed in. In the mid-80s the income was then transferred into the general revenue account, so this is when we started seeing that the heritage fund was able to actually help with economic stability within the province as well, too.

In the next slide: this starts to show you how things started to change. In 1987-88 a decision was made to cap the fund by discontinuing the revenue resource transfer altogether, but the heritage fund was able to cushion the province in tough economic times.

Next slide. This is where things start to get a little bit interesting. In 1995 the province actually went to Albertans and asked them what they wanted to do with the funds. This decision – that was actually the tag line: can we interest you in an \$11 billion decision? At this time what happened was that 50,000 people responded to a questionnaire, and the general consensus was that they wanted to keep the heritage fund, but they weren't content with the status quo. This led to legislation changes that were eventually put into play in 1997.

At this time the government asked Albertans about the future of the heritage fund, and one of the things that they had said that they wanted was a focus for future generations and also generating better returns on long-term investments. As we saw in the earlier slide, there were the three investment divisions as well as the marketable securities. At this time the fund was then – this is actually also how the standing committee was born as well, from the 1995 survey.

On the next slide we can see that the governance around the fund was a little bit different. This was prior to some of those changes. When those changes came into play, the standing committee was born. The standing committee now reports back to the Legislature, and that has basically not changed since this time. At the time because return generation was something that was a greater focus, a transition plan was put into play. The old structure of the fund was – this is a little too linear to be exactly how it all played out, but the general idea was that the portfolio would transition, and a plan was made in order to do that.

The investment objectives of the fund – and these are still the objectives of the fund today and one that we take very seriously and AIMCo takes very seriously as well, too, that the purpose of this fund is to maximize long-term financial returns, so the investment decisions that are made for the fund have that at the top of mind. Additionally, however, we do make sure that we take a very good look at risks, and we don't take any undue risks or shoot for the moon in ways that would be detrimental to the fund in the long term.

Inflation-proofing is an interesting concept. The government was inflation-proofing the fund in a way, but it only really happened three times until 2005 and 2006, when it became mandatory. Prior to that, three times it had been done, but since 2005 this has become a requirement. Even with the legislative changes that were done in March, inflation-proofing was retained and will continue to be retained for the future. The inflation-proofing component was added in when the government was able to pay down its debt. The inflation-proofing today is based on the growth in the Alberta CPI, which is something I should add as well, because our performance targets are based on Canadian CPI but the inflation-proofing is based on the Alberta economy.

Now we get into the modern day and the governance around the fund as stated in the video. Treasury Board and Finance, so my team, are responsible for the long-term strategic asset allocation monitoring and reporting. This means taking a look at, basically, the long-term strategy and the investment objectives. AIMCo helps us by taking the investment policy statement that we've constructed and implementing that in a way that they think they can maximize returns inside of the confines of that particular document. The standing committee is very helpful in asking wonderful questions and hosting these meetings four times a year as well as this annual meeting and providing reports to the Legislature as well. We did put in here that AIMCo is at arm's length, because the difference

between us is that we set the long-term asset allocation for the fund, and then AIMCo provides the security selection component of that.

The amendment to the legislation was made so that it's easier to retain income within the fund. You will note from the year-over-year difference in value that this is meaningful to the fund and will help it grow quicker and faster over time. It's more difficult to withdraw income because there is an active component to it, and as stated before, there's no change to inflation-proofing because that is an important component of growing this fund over time.

The investment objective today, similar to when the fund was first put into inception, is to maximize long-term earnings, prudent risk taking, and reasonable return expectations, which is very important. Our return target for the funds – there are two return targets that we have that we monitor. The first is a real return target, which is CPI, so Canadian CPI plus 4 and a half per cent, and then there's an active management component as well. That's where the portfolio has a benchmark return that we measure against as though what a passive portfolio representation could possibly look like, and then AIMCo has a target to add 1 per cent in value through active management on top of that.

This is our asset mix at the end of the fiscal year. Broadly speaking, it's separated into three different components: fixed income, inflation sensitive, and alternatives; the long-term target being 20 per cent fixed income, 32 and a half per cent inflation sensitive, and then the remainder being in equities. These weights will adjust over time, but as of the most recent fiscal year-end they were fairly close to the long-term targets. Again, this is something where we work with AIMCo by giving ranges so that AIMCo is able to work within those ranges to overweight or underweight in areas where they think that they can add a little bit more value.

The portfolio highlights. We're very happy to report a market value of \$21.2 billion. This is substantial growth over the last little while. The five-year return on the fund – and we do measure returns over a longer term time horizon. You'll see in later slides that portfolio returns will be quite different over time. The five-year return is 6.4 per cent net of fees. The real return target was 6.7 per cent over five years. So that real return target has been creeping up over time due to the fact that the CPI has been moving higher. The five-year passive benchmark return was 6 per cent. That shows that AIMCo has added 40 basis points above the benchmark return in value.

6:20

Last year the portfolio return was 2.6 per cent for the year. The difficulty there was that the first half of the year, as we know, was challenging as far as both fixed income and equity investments going down. But we are happy to report that 2.6 was considerably higher than the 1.4 per cent that was measured by the benchmark returns.

This slide here is meant to show you what the five-year return was at each of the specific dates, and then that line across the middle is showing that real return target. The real purpose behind this slide is to show you that although we do have a long-term target return, there will be variability along that return over time, too. I'm happy to report that for, basically, the last quite some time the heritage fund has been very much in line with that real return expectation.

The portfolio returns. Again, this is also meant to show that these are one-year returns, so this was what the return was in each single year. You can see the '20-21 year, great rebound, very high return; '21-22, similar. However, we did struggle a little bit more in 2022-'23, and that was really driven by the broad market declining as well.

We did talk about the asset mix before. The five-year asset class returns are probably quite in line with what you would think that they are. Fixed income returns are quite a bit lower now because

we've been in the environment where we have had lower rates for quite some time. Inflation sensitive: this asset class is quite interesting and has done very, very well for us. This incorporates things like infrastructure, timberland assets, as well as real estate. These types of assets tend to have cash flows that can adapt to rising rate environments, and that has protected us. There are also other reasons that these investments have done well for us. Then over time equities have been one of the best performers for this fund as well. It's our most heavily weighted asset class.

The value at fiscal year-end – and I very much like this slide because it does show the growth over this last little bit. I think that this shows that there is a lot of positive momentum with the heritage fund, and we should all be excited about having an asset like this in our province.

Then the last slide here basically just shows how things have changed over time. The heritage fund has grown through net income being retained and deposits and nonrenewable resource revenue, but there has been a considerable amount of income transferred out over time as well. You can see the light blue within this slide. Those are deposits being made into the fund, which has definitely helped with its growth, and income is now being retained. So this chart will continue, I think, to look great into the future.

We're very pleased to report these results to the committee and to the general public, and we're happy to take questions.

The Chair: Ms Jones, thank you so much for that. We greatly appreciate that presentation.

With that, we will now ask Ms Akers and Dr. Puffer to provide AIMCo's presentation regarding the fund.

Dr. Puffer: We have just a brief opening remark, and then we'll go to questions. I just want to say that it is a real pleasure to be here with my colleague Suzanne Akers and our colleagues from Treasury Board and Finance, to serve the committee and the public. I'm particularly honoured to be in this room again, for my second time, in particular because my great-grandfather William Franklin Puffer was a member of the very first Alberta Legislature. He proudly represented Lacombe and advocated for fair play from the railways to the farmer, better roads and bridges, and an extension of the telephone system. The province has come a long way since 1905. You can actually go and visit him by appointment at the McKay Avenue school here in Edmonton, that was opened in 1905 and where the Legislature was first housed.

It is really a pleasure to be here serving Albertans, and with that we will happily take questions.

The Chair: Perfect. Well, thank you, all.

Before I open the floor to your questions, I would like to remind everyone that we encourage Albertans to join the conversation and submit your questions for the committee and our panel of experts. If you would like to participate, you may, again, come in person to the Queen Elizabeth II Building until 8 p.m., phone in by calling 1.888.892.3255 with a conference code of 764511, submit your questions via the web form on the committee's website, also you can e-mail questions to committee.admin@assembly.ab.ca, and you can also post questions on Facebook or X, which is Twitter, by using the #abheritagefund.

I would like to note that the committee has received a number of questions prior to the start of the meeting through e-mail and social media, and we will work to address everyone's questions during this meeting.

I also must note that I have never seen such a large number of people from the public who are interested in a committee meeting. Usually it's filled more with bureaucrats and everything else, but to

that effect I wonder if you folks in the back could help me. If you think you want to ask a question, can you just raise your hand for me, please? At least one, maybe two, three, four. Okay; everyone is not being shy anymore. So at least five, six, eh? That just gives me a good idea. Thank you so much for that.

That said, I will now open the floor for questions from our live audience. Please be sure to state your name for the record before you begin speaking. Why don't we start from my right. Who all raised their hands again? Yes, sir. Please. Go to the podium there and please introduce yourself and ask your question.

Mr. Morin: Good evening. My name is Majella Morin. My question is: what is the constraint to having more contributions from the provincial government into the fund? Given that we've had some good years of oil and gas pricing, why is there not more money being contributed from nonrenewable resources?

The Chair: Thank you so much for that, sir.

Mr. Epp: I can answer that.

The Chair: Please, Mr. Epp.

Mr. Epp: Clearly, the government has made different choices. Last year, for instance, \$17 billion in debt was paid off. It would have been very difficult to put \$17 billion into the heritage fund at once and get it invested properly. But that was a decision. Similarly, this year, as was detailed in the second-quarter report this morning or afternoon, the government is projecting a surplus and one of the choices will be investing in the heritage fund or paying down debt, and that's government's choice to make.

One other thing I would say: it's easy to think about how much more money could be in the fund, but how much money was spent or used to lower taxes, or whatever that money that was transferred to the GRF was used for, certainly had benefits. I would say that, for instance, if we had higher taxes, more of the oil production in North America would have stayed in Texas, as an example. So it's important to consider both sides.

The Chair: Thank you so much, Mr. Epp, for that.

We'll now go online to one question. Mr. Rowswell.

Mr. Rowswell: Okay. Thank you. Mike Semeniuk asked on Facebook: "How much would it have been if the past 45 years of government had [allowed] the original Loughheed plan instead of spending it?" So, essentially, how big would it have been if we had kept the same pattern the entire 45 years? I don't know if that's a calculator question or . . .

6:30

Ms Jones: We're happy to take that question. We don't have a value and we will not put a value because there are so many assumptions that would go into that type of calculation. As you can see by the presentation and what Lowell has just said, considerable benefits have come back to Alberta from these types of investment. Unfortunately, we do not have a number to put on as to what the value of the fund would be because there are just too many moving parts and too many assumptions that we would have to put into that calculation.

The Chair: Thank you so much for that, Ms Jones.

With that, I believe there's someone on the left side that had a question. Who had raised their hand before? Yes. In the red – is it red? – jacket. Thank you.

Ms Khan: Sorry; I was cold.

The Chair: All good. Please step up, and please introduce yourself.

Ms Khan: Hello. My name is Irsa Khan. First of all, thank you in advance for answering my question.

I wanted to come and talk about AIMCo. AIMCo has always promised to responsibly invest the money of Albertans to build prosperity, security, and opportunity for future generations. Especially following the pandemic, we've seen them emphasize these promises as well as really highlight that Albertans can trust AIMCo to not only invest with responsibility but also with integrity so that, ultimately, Albertans can rest easy in retirement and so that we can have peace of mind about our futures.

As an Albertan I just really wanted to ask: how can Albertans, me and millions of others, rest easy in our retirements and have peace of mind knowing that AIMCo has invested \$200 million in companies that are actively profiting and participating in maintaining and facilitating the ongoing occupation of Palestine, and how we can go ahead and have peace knowing that our peace and our prosperity, opportunity for our future generations are being given to us through the slaughter of the prosperity, security, and opportunity of Palestinians and their future generations? How can we be at peace knowing that we have contributed to the advancement of 75 years of ethnic cleansing of an Indigenous people?

The Chair: Thank you so much for the question.

Is there anyone who's able to answer that?

Dr. Puffer: I'll start. Suzanne, if you'd like to add some comments.

The events that are happening in the Middle East at this time are tragic. You know, those events are not under our control, but we absolutely take seriously the points you raise. We operate with a global investment portfolio where we invest across the world in order to achieve diversification of the portfolio to benefit Albertans so that there is strong diversification across the asset classes according to the asset mix, that was mentioned earlier. We implement that through a very prudent approach. We operate according to our responsible investing policies and procedures.

We do take a very prudent approach in terms of evaluating the risk profile that takes into account environmental, social, and governance types of considerations and really take a close look at the risk profiles. The approach, you know, inevitably will mean that we have holdings in a wide variety of stocks and companies. The precise holdings that I think you're referring to are in public markets, in companies that have a very diverse holding, some of which may be affecting what's happening in that part of the world. We feel that we've invested prudently according to those policies and that the overall approach benefits Albertans in a holistic kind of way.

Ms Khan: May I follow up?

The Chair: Go ahead.

Ms Khan: Well, you said that, you know, you guys don't have responsibility for the events that are happening right now, nor did you have it for the past 75 years, but this has been going on for 75 years. From the Nakba and even before the Nakba people have been killed, there has been blood spilled, so I think that there's enough history for you to make a prudent decision on whether or not it is socially responsible for us to be investing money. BDS has talked about the companies that you guys have invested in for years now.

How is this responsible to Albertans, to know that our money is going towards a genocide of Indigenous peoples? Alberta has done so much damage, the Albertan government has done so much

damage to our own Indigenous people. We haven't even said sorry for that, and now we're participating in something else, hurting another group of people. How can I live on this land, how can I have a peaceful life knowing that my money is going somewhere and hurting people and taking lives, over 20,000 lost?

The Chair: Thank you for that.

Ms Akers: Well, I'll just reinforce what Marlene said earlier, which is that we're investing with the investment objective of the fund in mind, which is to make money over the long term for all Albertans. We don't have direct exposure to companies operating in that sphere. The exposure that we have, that has been discussed here, is very, very small, and it's through companies like Microsoft. I think we have to balance, through our responsible investing policy, the benefits to Albertans of investing in companies like that in the portfolio with our benchmark and our objectives versus the social responsibilities, and I think we've done that.

The Chair: Thank you so much, Ms Akers.

Next we're going to go to another online question, and then I understand we have a caller as well, so we'll go to the caller after.

Mr. Rowswell: Okay. I received an e-mail from Trudy Niggli from Milk River. She asked: "Can/has the heritage trust fund been used as collateral against provincial loans/debt?"

Mr. Epp: The answer is very simple: no. It's never been posted as collateral, but it does help our credit rating.

The Chair: To that effect, I think we can go now to the phones, and we have one caller with a question. Are you on the phone there? We're waiting for your question. Please go ahead.

Ms Parker: Yes. Can you hear me?

The Chair: Yes, we can. Please go ahead.

Ms Parker: Great. Okay. I heard the previous comment on the floor, saying that, you know, investment in Microsoft was small, but it's not. There are other investments. Chevron: the value of the shares is \$8 million. Chevron is the main international corporation extracting gas claimed by apartheid Israel in the east Mediterranean. It generates billions in revenues, strengthening Israel's war chest and apartheid system and exacerbating the situation. So it's not a small amount of money that AIMCo is investing.

That's why I want to bring to your attention that Ken Kroner is the chair of AIMCo. Is that correct? Do I have that correct?

The Chair: No.

Dr. Puffer: No. He's a board member and chair of the investment committee.

Ms Parker: Okay. Previously he was the senior managing director of BlackRock. Is that correct?

Dr. Puffer: Yes.

Ms Parker: And BlackRock has been criticized for investing in the arms industry, the human rights violations in China, and the backing of Israel's military. I just can't imagine, you know, given that he is supportive of that investment strategy, that there will be an eye on ethical investing. I don't see how we're going to be balancing the interests of Alberta's investment with ethical investing.

Thank you.

6:40

The Chair: Go ahead, Mr. Hunter.

Mr. Hunter: Mr. Chair, perhaps AIMCo can provide us with their criteria that they use for environmental, social, and governance. ESG is an important part of not just your organization but many investment firms. In fact, all investment firms, from what I understand, throughout the world use that as measures in terms of being able to find out what is an ethical investment, whether it's about environmental issues, social issues, or governance issues. So what are the measures that you use in order to be able to determine that?

Dr. Puffer: The measures vary widely and include, in the environmental category, climate-related metrics, as an example. On the social side, as an example, we pay close attention to the supply chain and the treatment of labour, et cetera. On the governance side we pay close attention to diversity, equity, and inclusion type metrics. Those are examples of each category. In terms of, you know, political risk in related areas, it sometimes falls under the ESG category, sometimes falls under a broader category of risks that we examine. We endeavour to take a prudent approach that, as Suzanne and I both have articulated, balances the risk and reward. In some instances the involvement of various companies in certain aspects needs to be balanced against other aspects of how they are behaving.

Mr. Hunter: Can I just follow up on that? Does each company have an ESG score?

Dr. Puffer: Yes.

Mr. Hunter: Okay. And who determines that score?

Dr. Puffer: We have a team, our responsible investing, our social – sorry. Pardon me. We changed the name. The sustainable investing team works with our investment team to develop an evaluation for every investment that we make, private and public, that certainly meets certain size thresholds, and we work with outside data providers as well to score all of our investments in that fashion.

Mr. Hunter: Okay. Thank you.

The Chair: Thank you so much for that, Dr. Puffer.

With that, now we'll go back to our live audience here. Yes. You that just raised your hand, please go ahead. Again, please introduce yourself, and go ahead with asking your question.

Mr. Fisher: My name is Brad Fisher. Thank you for the opportunity to ask questions here. You had mentioned that the primary goal of the heritage fund is to maximize long-term returns. The problem is that the stock market is currently sitting at all-time historic highs, with a serious correction on the horizon. With every high there does come a low. If the fund is only making 6.4 per cent in five years and 2.6 per cent in the last year, how can you maximize the returns if the fund is not even outpacing simple inflation? Also, if the fund is performing at 2.6 per cent when we sit at historic market highs, my concern is: how will it look if the market were to even level off, let alone go on an aggressive decline?

My other question is: why is there no diversification into precious metals such as gold and silver when they have been known to historically outpace inflation and, of course, protect us, nations and provinces, through volatile and uncertain times?

Thank you.

The Chair: Thank you so much for your questions.

Ms Jones: I'll start, and AIMCo can help with this. The portfolio has a return objective, and we build an asset mix around that return objective. When the initial asset mix was created, it really was made to be globally diversified to achieve a specific objective. We did mention in the legislation as well that there's prudent risk taking that is involved with this, so what we're really looking for is a long-term, stable return. In the presentation we did show that our objective over the long term is being met consistently.

As far as the asset strategies go, that's something where the Department of Finance is consistently looking at this and looking at ways to advise the minister of things that can change in the future to protect the fund. Over time we do make small changes so that we can position the portfolio accordingly, and then we do work with AIMCo in this way as well. AIMCo does a lot to manage those risks as well, and Suzanne can talk to that a little bit more.

Mr. Fisher: Yeah. I agree it's important to diversify, but we must make certain that we don't di-worsify.

If I look at your layout of your investments there, to me, it's all eggs in one basket. It appears that it's diversified, but it's still within one asset class, which is the stock market. Paper assets versus physical hard assets, that one can physically hold on to such as gold, silver, and food: gold, silver, and food do really well during uncertain and economic volatile times. My concern is that we have too much exposure into paper assets, not physical assets.

The Chair: Thank you for that, sir.

Any comments or questions to that?

Dr. Puffer: Yeah. Your points are very well taken, but I would say that there is very good diversification and not di-worsification in this portfolio. As an example, if we just look at the performance over the past year, yes, indeed, it was not a fantastic overall performance, but what we did see was that the performance in inflation sensitive and alternatives was a solid 8.4 per cent, and that does contrast with – equities were not very good this past year, or the year ending in March, and fixed income was zero, but that's what diversification is about. That inflation-sensitive and alternative assets really came from real assets, as you're mentioning. Timberland, forest, and these kinds of assets make up about 3 per cent of the overall portfolio. So we do indeed have nonpaper assets as a very central part of the portfolio with commodity exposure.

Mr. Fisher: Yeah.

The Chair: Thank you so much, Dr. Puffer.

Dr. Puffer: Yeah.

The Chair: Sorry, sir. We're going to have to go back to allow everyone else to ask some questions.

With that, we'll now go to some of the online questions.

Mr. Rowswell: Okay. Thank you very much. We received an e-mail from Matthew McGrath of Edmonton. He asked: "What is AIMCO's employee count as at September 30, 2023? How many employees are located in Alberta and Ontario? Of those based in Ontario, what is their primary function ([for example] investments)?"

The Chair: I'm going to put a hold on this one for a moment here because the question is supposed to be regarding the Alberta

heritage savings trust fund. We seem to be straying away from that. If we could get someone to go through all those e-mail questions and just make sure that they're a bit more consistent with what they're . . .

Mr. Rowswell: Okay. I'll go to the next one here.

The Chair: Yes, please.

Mr. Rowswell: Okay. There are several e-mail questions asking about what existing accountability measures are in place for the fund's management.

Ms Jones: Treasury Board and Finance does speak to the minister. The minister is the trustee of the plan, and then we report to the standing committee, which then reports to the Legislature. So I believe that would answer that question.

The Chair: So in a nutshell, you're saying that it's all publicly accounted for in the public realm?

Ms Jones: Yeah.

The Chair: Thank you.

Mr. Rowswell: I've got another one here if you want.

The Chair: Why don't we put a hold on it.

Let's see. Can I get another raise of hands from the folks in the audience there? Right front centre of me, with the roll of paper in your hand, sir. Please, sir, if you could introduce yourself at the podium and please ask your question.

Mr. Hanus: Hello. My name is Frank Hanus, and my question is twofold. One is: what determines how much money, investment income will be returned above the inflation-proofing in the heritage fund? The second question is for the AIMCo people. How efficient are they in managing the investments? What is the management ratio, and what is the total return in comparison to the other funds in Canada of a comparable size?

Thank you.

The Chair: Thank you so much for that.

To our panel.

Ms Jones: May I just clarify the question about income? It was: how much will be . . .

Mr. Hanus: My question was: what determines how much money, or the investment income, will be returned in the heritage fund above the inflation-proofing amount? What determines it?

Ms Jones: Yes. It's an accounting equation, so it's tracked.

Mr. Epp: The government has stated that they intend to keep all earnings of the heritage fund within the heritage fund in the future. Obviously, as happened in the early 1980s, circumstances change. Hopefully, we won't have another national energy program, but you never know, right? We don't know what's coming in, so governments have to make a choice to invest or to use that money somewhere else. Sometimes those choices are ones that you or I would like, and sometimes they're not.

6:50

Mr. Hanus: All right.

The Chair: Sir, what was your second question there?

Mr. Hanus: For AIMCo: how efficient is AIMCo in managing the funds of the heritage fund in comparison to the investment management fees they charge to the heritage fund as well as total return on the heritage fund in comparison to the returns on the other comparable funds in Canada or in the U.S.?

The Chair: Thank you very much for your question, sir.

Dr. Puffer: Thank you. Yes. In terms of the efficiency AIMCo is absolutely committed to providing the heritage fund with transparency and accountability related to the investment management cost. We take two approaches to this. First, we benchmark our costs to a universe of more than 100 peer organizations globally through an independent service called CEM. Secondly, we compare our costs to the financial statements of our Canadian peers such as Canada pension plan and Ontario Teachers' Pension Plan. Through that independent CEM cost benchmarking provider, we know that among our peers on a five-year average AIMCo is below that benchmark cost by about 15 basis points or .15 of a per cent. So we are a very cost-efficient organization, and we deliver with a very efficient mindset.

In addition, we do compare AIMCo's internal costs using audited financial statements to our Canadian peers, that I mentioned. We have the lowest cost of these and other large Canadian pension peers such as the Maple 8 pension plans. In terms of comparing the total return, it's not really comparable. This is an endowment fund, so its asset mix is different from other peers like pension plans and so forth across the country. The relevant comparison really is against the benchmark objective and the benchmark itself.

The Chair: Thank you so much for that, Dr. Puffer.

Next we will go back to our online questions.

Mr. Rowswell: We received an e-mail from Ron Penrice of Red Deer. He asked: "Why is Aimcos management of the fund so under performing compared to CPP management"? He stated: "6.4 percent over 5 years as compared to 8 percent over 5 years on CPP."

Dr. Puffer: Thank you. I'll take that. The Canada Pension Plan Investment Board has a very different mandate than AIMCo as a total fund and of the heritage fund itself. The asset mix is very different. They take a much more aggressive approach in terms of exposure to return-seeking assets, so as a result their long-term performance is a higher number.

The Chair: Thank you so much for that, Dr. Puffer.

With that, can I get again a show of hands in the back there? Right directly in front of me in the centre. Please go ahead, sir.

Dr. Ascah: Robert Ascah. I was here last year. I was the sole public member in the audience, so I'm very happy to have encouraged more people to come and speak out.

I really have a number of questions, but I suppose I find some of the comments a little troubling from the officials here. One of the problems I think the heritage fund standing committee faces is the lack of transparency. Global peers, which AIMCo and others like to hold themselves accountable or comparable to or don't, depending on the circumstances, give great detail on all the investments. I'm thinking of the Norwegian pension plan. You can go on the internet and find out how many shares of Suncor – and we do not have that today. I think that your committee would be well apprised to be recommending to the government that all the investments, including those of the heritage savings trust fund, be public because, after all, as the government proclaims, it's our money, not the government's money. Sorry about the rant on that.

My question, really, is to Treasury officials, and that is the answer which I think was really disingenuous to the question about how much the heritage fund would be worth today. The answer was that, oh, there's a whole bunch of variables. But there aren't, really. There is a historical track record of resource revenue of which we can go back 40 years and take 30 per cent of. Then we have a historical track record of the investment returns. So I'm very disappointed that we do not have officials that at least can do some simple spreadsheets, and I think it's a disservice to this committee to give answers like that in public.

The Chair: Thank you very much for that, sir. Sounds like just more of a comment, so I think we can respect that.

Was there any response to that?

Mr. Epp: Dr. Ascah says that there aren't that many variables and we know what the returns were. Do we know what oil patch activity would have been if we had a higher tax rate?

Dr. Ascah: That's irrelevant, Lowell.

Mr. Epp: No. It isn't.

Dr. Ascah: That's a canard, totally. Totally.

Mr. Epp: Okay. I mean . . .

Dr. Ascah: We are talking about resource savings. We're not talking about tax policy.

Mr. Epp: So the money, the 45 . . .

Dr. Ascah: I mean, you're making political statements here, and we don't have the minister. You're talking about low tax rates.

The Chair: That's fine. Thank you very much, sir. I greatly appreciate your comments on that.

We're now going to go to the online question.

Mr. Rowswell: Okay. We received an e-mail from David Carlson from Edmonton. He asks: "What limitations are placed on government to restrict them from cashing out the fund?"

Mr. Epp: The legislation, the Alberta Heritage Savings Trust Fund Act, has no method that allows the government or anyone else for that matter to take money out of the fund other than that the investment earnings can be taken out of the fund only if Treasury Board approves it, and the only amount that can be taken out is the amount above inflation. So '21-22 earnings above inflation were \$1.25 billion, and that was retained in the fund. Theoretically, Treasury Board, had the law existed at the time, could have approved a transfer out, but they did not.

The Chair: Thank you so much for that, sir.

With that, we will now go to our audience. I believe it's you on the left. Yes. Please go ahead.

Marija Cvetkovska: Hello. My name is Marija Cvetkovska. I listened to the whole presentation. I remember getting the Rutherford scholarship about, I think, like, five, six years ago. I was so happy when I got it. Oh, my gosh. I got good grades, and I was able to go through university with this amazing reward.

Unfortunately, now knowing what I do, I don't think I would have wanted this reward. I know that the purpose of this company, AIMCo, is to maximize long-term financial terms and to avoid risk. Why is there no ethical consideration to this risk? Why is it that if basic human rights are violated – like, there's no water, there's no

electricity, there's no shelter in many places in Gaza. We choose to continue on this basis of risk when we don't have any boundaries or ethical considerations for human lives. We talk about investing our money and that the money has to be secure, and the money is the only focus, but I think that there should be at least a boundary when it comes to human lives.

7:00

AIMCo owns more than 200 million shares in companies profiting and participating in the illegal occupation of Israel, 201,497,996 to be exact. I'm going to go through three of the biggest investing opportunities that AIMCo makes, the first one being Microsoft. AIMCo owns more than \$141,055,945 into Microsoft, and Microsoft has a history of deep engagement with the Israeli high-tech industry and close ties to the Israeli military. Over the years the company's Israeli subsidiary, Microsoft Israel, has been providing services to the Israel government, the Israeli Ministry of Defense, and providing cloud services to the Israeli military and security bodies in Israel.

Another one of the big investments, like, ownerships, that AIMCo has is with Airbnb. This is \$17,778,025. Airbnb offers listings of accommodation in illegal settlements on occupied Palestinian and Syrian land.

And, lastly, I'm going to go over to Motorola Solutions, which I believe is \$16,088,840 within the investments. This is a U.S.-based communications company and a surveillance company. Its equipment is installed in illegal settlements and in the separation wall in the West Bank, and it's used by the Israeli military, police, and the prison service.

Yeah. I just really want to know why this ethical consideration isn't taken into place. I do know that investing and money standards and all of this are very important to keep up some sort of – I know we're in a recession – future economic prosperity potentially, but I do know that these boundaries should be respected and have to be respected. It doesn't matter about the money. We cannot keep investing into these . . .

The Chair: Thank you very much.

Marija Cvetkovska: Please don't interrupt me.

We cannot keep . . .

The Chair: Actually, we'll stop you right there. Thank you so much. Your question has actually already been asked by your friend.

I mean, personally, I can comment on Motorola as a former paramedic firefighter. Motorola is used by emergency services right across our province and across the nation. Fire departments and ambulances rely on that technology to help save lives, as an example.

Marija Cvetkovska: That's not the same use. I'm not saying to . . .

The Chair: No. I'm sorry.

Marija Cvetkovska: I'm just saying that we have to, like, see where the money goes.

The Chair: Please. I'm sorry. I need you to please sit down and be respectful. I'm good enough to allow you to speak and to discuss your values even though it really doesn't have anything to do with the heritage savings trust fund.

Let's just continue on. Please go to someone online.

Mr. Rowswell: Yeah. We've got a few questions here relative to specific investments, and I don't know how to handle it. I'll just say the names of some of the specifics, and maybe you can talk in broad categories or something about that.

George Gorski was wondering about waste-to-energy power plants in and around Calgary and Edmonton to eliminate methane emissions. That's one.

There's another one here that was asking about guidelines for investment into cannabis, tobacco, military equipment, and it was more this ethical, the ESG, question that got asked previously. It's kind of similar. I'm just wondering if you want to respond to specific investments or how you go about that type of stuff.

Dr. Puffer: I'll make a comment or two. With regard to some of the more ethical considerations, there is a detailed report on responsible investing that I would point the public to. I think we can just address those by pointing people to that report. It contains a lot of information that is relevant there.

I will reiterate that we do not invest directly in issuers considered to be members of the tobacco industry. We do not invest directly in companies considered to be manufacturers of nuclear weapons and other munitions and so forth. But, otherwise, all of our investments are considered responsible investing and sustainable investing considerations, as I mentioned earlier. There are many investments that we look at in terms of the climate side and the energy transition side that are undergoing some – a lot of our initiatives are centred around that in our infrastructure portfolio and in a new set of initiatives that we are beginning as well specifically related to the energy transition.

Mr. Rowswell: On the website, what was that title that you could look up?

Dr. Puffer: The most recent one was called the responsible investing report.

Mr. Rowswell: So people can go on the website and look that up there?

Dr. Puffer: Yes.

Mr. Rowswell: Okay. All right.

The Chair: Thank you so much for that.

Can I get a show of hands in the back again?

Seeing none, we do actually have several from online.

Mr. Rowswell: We received a question on Facebook from Tana Macnab. Now, you've kind of answered this question a little bit, too, but they were wondering if you had access to the same investment pools as CPPIB.

Dr. Puffer: I think what I can say is: not so much through the same investment pools – we're separate pools of capital – but there are certain instances where we partner with CPPIB and other of the large Canadian pension plans as investors in certain specific investments. There are a number where we partner as equal owners or in varying degrees with the various other institutional investors, including the other pension plans.

Mr. Rowswell: Is that private or public or both?

Dr. Puffer: Both.

Mr. Rowswell: Both. Okay. All right.

The Chair: Do you have another online question for us, sir?

Mr. Rowswell: I'm just trying to summarize, because some of them are kind of similar.

The Chair: Do we have anyone on the phones at this time? All right.

Is there anyone in the audience in the back? Go ahead, sir.

Dr. Ascah: Well, thank you, Mr. Chairman, for inviting me back to ask a question and maybe make an observation. There's a deep concern in this room, as you can tell, about investments that are being made by AIMCo on behalf of the heritage fund. I guess the question is really to you as the chair. Will you be willing to take this back to the Minister of Finance and ask him to personally examine, with his officials, to get more clarity with respect to where these monies are going? There's no doubt that the actions of corporate entities are complicit with certain state governments and that this has very dire consequences on people's lives, and I would humbly submit that this is a very important, pressing issue. It's not eco fascism that we're talking about here. It is a matter, literally, of life and death.

Institutional investors have enormous power globally through their choices of investment. What they've been saying over the past 10 years with ESG is that everything is good. We have all of these rules and systems, but I think a lot of academics and a lot of investigative journalists are quickly coming to the conclusion that that is not the case and that ESG is more greenwashing than anything else.

Again, with respect, I hope the committee has listened to the people that have made the presentations here tonight and will take that back to the minister.

Thank you.

7:10

The Chair: Thank you so much, sir, for your comment.

Just for everyone's awareness, this is a public hearing. Everything is recorded; everything is published. People from Treasury Board and Finance and the minister's office are aware of everything, and they have the ability to respond if necessary.

With that, we need to allow the members from the public, whenever possible, to have their questions prior to the elected officials having their questions. That said, we'll go back to the members, but if there is time, we will allow both sides to ask questions.

Mr. Rowswell: This one – I kind of passed over this before because I think, Lowell, you kind of answered it – is from Deb Gordon, and it's describing the government's current plan for the future of the heritage fund. I don't know if you can respond to that, because that's the government making those decisions, but relative to your future plans or whatever, just, you know, relative to how you might follow government direction or whatever, maybe how that process works.

Mr. Epp: I would say that our understanding, from what the government has said, is that the income is going to be retained by the fund. Some of the Alberta fund may be used for additional deposits. Those sorts of decisions will necessarily have to be made once we know the size of the Alberta fund. That's a government priority question.

Mr. Rowswell: Yeah. That's why I skipped over it the first time, but I thought we'd get a shot at it.

I think there's a phone call.

The Chair: Mr. Huffman, do we have someone on the line now?

Mr. Huffman: I think we do. We can throw to her and see if she's unmuted.

The Chair: Hello there. If you're on the line and you have a question on the phone, can you please go ahead with your question? Please introduce yourself.

Ms Wagner: Hi. Good evening, guys. If you could explain a little bit more on a lot of the, like, rules around arm's length, when the Minister of Finance might be able to decide to take things in or out, and how the rules in the heritage fund are related to other countries that have the same type of funds like the heritage fund; Norway, for example. What are Alberta's rules and definitions on what counts as arm's length, and how could the minister decide to use these funds? If you could talk about that, that would be great.

Thank you very much.

Mr. Epp: Yes. The AIMCo Act allows the minister to direct them to do certain things, but the AIMCo Act also says that AIMCo must act in the best interests of their clients. This topic has been discussed with AIMCo officials; I can assure you of that.

Which one would they choose? Well, they would choose to stay with their clients and do what's best for their clients. I don't know how else to say it or how to explain it more. The government does not get involved in investment decisions.

Ms Jones: Yeah. The current set-up is, really, that the department is the owner of the statement of policies and goals, and as stated in our initial presentation as well, it sets out the rules that AIMCo operates within. We set the expectation for the portfolio, and then AIMCo uses their skills and expertise in risk management and investment management to actively manage those funds within those constraints. We're involved in the asset allocation, so the long-term strategy. AIMCo is involved in the implementation, and that's where we are not directing their security selection decisions, because that's in the realm of their expertise.

The Chair: Thank you so much for that, Ms Jones.

Now, I understand some of the questions that we currently have online are all questions that have already been asked; they're . . .

Mr. Rowswell: They're similar; yeah.

The Chair: . . . of the same theme. We have no more callers.

So with that, we're going to go to His Majesty's Loyal Opposition. Mr. Kasawski, please go ahead with your first question.

Mr. Kasawski: Thank you, Chair Yao. It's interesting; it was brought up a couple of times, so I do want to bring it back to Treasury. Maybe it's just something that we can have as a report back to the committee at the next meeting. I thought the question was a good question, and then I went and looked it up. I think the policy was the Lougheed policy of 30 per cent of resource revenue.

I understand – actually, I don't understand how to invest that much money, but I understand that maybe there's a lot of variables that are going on. But if it was just like: this much resource revenue came in 19 – whatever the fiscal years would be. If you can organize it as well as possible from 1976 to today and then just say, "30 per cent of resource revenues would equal this," you can put it in my chequing account, which gets .01 per cent interest, or just have no value, just what would that bulk number be? That would be a number that would be of value, I think, to report back to the committee. It's got to be findable, right?

Ms Jones: In a way, but it would be based on the fact that the asset mix would have had to be the same over time, and their scalability of investment – there’s many different factors and constraints that come into that. As we stated in the initial presentation, in 1995 the structure of the fund changed considerably as well, too. Those are factors where you have to think about how that has changed over time as well. There are many variables. We can take this back to the drawing board, but . . .

Mr. Kasawski: Could I get a . . .

The Chair: Go ahead.

Mr. Kasawski: Could I get a cash value? Not an investment value, but just how much cash would we have pulled from revenue? I know that’s too . . .

Mr. Epp: I don’t understand why the member can’t look at the same statements we would have. Oh, sorry, but yeah. That’s all – we’ve got the annual statements. They’re public.

Ms Jones: We can point to one specific page within the annual report that has the history. Pages 17 and 18 of the annual report would be helpful as well.

Mr. Kasawski: That would show the resource revenue.

Mr. Epp: No. It shows what has gone in and out of the fund.

Mr. Kasawski: That’s not what I’m asking.

Mr. Epp: I know.

Mr. Kasawski: The resource revenue that the province has received, I’m going to guess probably mostly from royalties: that’s a value. Multiply it by 30 per cent, keeping it simple math for me. What would that cash value equal? Could you report that back to the committee?

Mr. Epp: We certainly could. I don’t see the value.

Mr. Kasawski: I would love it. I think the public would love it, too.

The Chair: Thank you very much, Mr. Kasawski.
With that, we’ll go to Mr. Bouchard.

Mr. Bouchard: Thank you very much. This is a pretty general question, but there’s often a lot of misinformation out there on how AIMCo operates, particularly with regard to its relationship with elected officials. Does AIMCo act on the advice of elected officials, or have they ever acted on the advice of elected officials, and will they ever act on the advice of elected officials when it comes to the investment strategy of the fund?

Dr. Puffer: I could take that. AIMCo does not act on the advice from elected officials. All investments are made based on the best interests of our clients according to our fiduciary duty and the Albertans that we serve.

The Chair: Thank you for that, Dr. Puffer. Very short and sweet.
Do we have someone online?

Mr. Rowswell: Yeah. I’ll ask this question. You’ve kind of shown what it’s worth at the end of the last fiscal year. This question relates to November 19, 2023, what the value of the fund might be. I don’t know if you can even come close to that because this report goes to the end of the last fiscal year.

Ms Jones: We did publish the second-quarter report today, and the asset value was \$21.4 billion.

Mr. Rowswell: Twenty-one point four billion. Okay. That came from Ross Feist from Calgary.

The Chair: Thank you so much for that.

We will next go to Mr. Kayande. You had a question.

Member Kayande: Thank you, Mr. Chairman. A question about how you think about abandonment liabilities in your hydrocarbon portfolios of the heritage savings trust fund. There are direct investments in hydrocarbon-producing assets that have abandonment liabilities. Those abandonment liabilities are calculated according to various different accounting standards in different countries. Do you normalize and standardize for those when you are looking at the investment performance? And secondly, how do you think about what the abandonment risk is if it turns out at some point the resource is no longer there?

7:20

Dr. Puffer: That’s a very specific question.

Member Kayande: I’m thinking specifically of Pieridae and Howard midstream.

Dr. Puffer: Hmm. I think what I would like to do is defer to my colleagues to put an answer together for you on that point, if that’s okay.

Member Kayande: Great. Thank you.

The Chair: Thank you so much for that, Mr. Kayande.
With that, we will go next to Mr. Hunter.

Mr. Hunter: Thank you, Mr. Chair, and I’d like to thank the officials for coming and presenting today. I’m actually interested in what the fund invested in Alberta, so what that asset mix is and maybe just if you could provide a breakdown about that. I recognize that you don’t need to go into the minutiae of it, but you know this is a fund that’s generated by Albertans for Albertans, yet I think there’s about less than 5 per cent that is invested in Alberta. Now, I’m not saying that I’m advocating for you to invest more in Alberta. I’m just saying: what’s the reason for that? If you could provide maybe some clarity on that.

Mr. Epp: The rationale is that if oil is going well, we don’t need the income from the heritage fund. If oil is going poorly, that’s when we need it. Investing in oil gives us more of the roller coaster, if you will. It parallels our existing revenue base. So we have made the choice to diversify. The heritage fund is still heavily involved or heavily invested in all kinds of Alberta projects. Our Albertan energy companies are some of the largest in Canada. And AIMCo – the benchmark weight is weighted on size. So as Suncor gets bigger and has a bigger market capitalization, the heritage fund’s investments in Suncor will go up. But, again, the primary reason is that we want the heritage fund to be a counterbalance to our other revenues.

The Chair: Thank you so much for that, Mr. Epp.
Do we have anyone online?

Mr. Rowswell: Yeah. We do here, actually. Okay. I’ll ask this question. There are several questions about how much was initially invested in the fund in 1976, and you gave us that kind of history. I’m just wondering if I might, you know, expand, because there are different nuances to those questions. Do you have a summary of

how much has been put in, how much has been taken out, given what it's worth today, over the time frame? Like, is that an easy number to tell us about?

Ms Jones: Yeah.

Mr. Epp: In the middle of the annual report, just before the annual financial statements, there are details that show the transfers into the fund and transfers out of the fund as well as the amount that's been retained over the years for inflation-proofing.

Mr. Rowswell: So I can look at the report and see what . . .

Mr. Epp: Yes. Just as an example, \$42 billion of income has been taken out of the fund. Three and a half billion dollars, in addition, has been spent or invested on capital projects. Brittany showed the range of investments that were made many years ago. So social housing: down the street from where I live, there's proudly displayed a heritage fund logo on some social housing projects. I don't know. Does that answer the question?

Mr. Rowswell: Yeah. I think so. You know, the one was just: how much was it initially? And I think it was \$2 billion.

Ms Jones: It was worth \$2.2 billion at the end of its first fiscal year.

Mr. Rowswell: In 1976, \$2.2 billion. That's what we know. Okay. Go ahead.

The Chair: All right. Mr. Cyr, you had a question.

Mr. Cyr: Thank you. Mr. Epp, it's been a long time since you and I sat across from each other, and the last time I was in the opposition role. It looks like you've really kept the fund moving forward, and I really thank you for that. I also thank you for the presentation you did earlier. It did bring some real enlightenment for myself. It's good to see that the fund is growing, and we have full confidence in what a great job our AIMCo group is doing for us.

My question, actually, is revolving around a piece of legislation that we just moved through the House. That's the Public Sector Employers Amendment Act, 2023. Now, with that act what we're seeing as a government is that it's been hard for our ABCs to be able to hire those right people for these very important positions like managing AIMCo. My question to AIMCo and the ministry: are you seeing a real struggle in getting that talent that we need to be able to because of the restrictions, and what do you see as a potential solution that we could move forward with that would be a success for us to make sure we get the best management team possible for our Alberta heritage trust fund?

Thank you.

Mr. Epp: I'll let my colleagues from AIMCo speak to the attraction and retention of employees specifically, but the government over the past number of years has worked with AIMCo, worked with ATB Financial, other Crown agencies and evaluated the compensation framework that they are using. They're all published. They're quite detailed in the annual reports. You know, as far as from the government's perspective or the department's perspective, I should say, there are links to some of their risk-based pay to performance, and it's not just investment performance, necessarily. It's client objectives as well and – I don't know – it's broad based, and from what has been presented that I have seen and other members of the department and the government have seen, it is comparable to other similar institutions.

Dr. Puffer: I could add a few comments there. Well said, Lowell.

Indeed, our compensation structure is based on market salaries, and we do compare against similar institutions across the country, the so-called Maple 8 pension plans as an example and other peers, and we endeavour to be in the right zone to be competitive with them. We have on an annual basis a market review on the actual and target compensation against those peers, and we have an independent compensation adviser to our board, and that is their main concern as a board: are we able to attract and retain the best people for the roles that we have?

I would venture to say that, yes, we can, and we have in this past year. For example, I joined in January. Suzanne joined last year. We've been able to hire quite a number of very strong senior-level people, and our compensation is competitive. As Lowell said well, it is an incentive-based compensation plan. A very significant component is linked to achieving our client objectives.

The Chair: Thank you so much for that, Dr. Puffer. With that, do we have anyone online?

Mr. Rowswell: Not yet. There are some coming but not quite yet.

The Chair: That's fine. We have Mr. Brar who has a question.

Member Brar: I don't specifically have a question, but I just want to say to the people who have raised the concerns regarding the investments: I want to thank you for raising those concerns. This is why it is important that people in the public should come out and have their important say.

Thank you.

7:30

The Chair: Thank you so much for that, Member Brar. All right. Anyone online yet? Mr. Bouchard, please go ahead.

Mr. Bouchard: Okay. This past spring legislation was introduced that would allow the fund to retain all of its net investment income. Can you provide your best estimate on how much faster you expect the fund to grow under the new rules compared to under the previous legislation?

Mr. Epp: If you look at the past performance over a number of years, there has been some growth through retained earnings for inflation-proofing, but quite frankly inflation was very low for most of the last 10, 15 years, so not much was retained. More will be retained in the future, and with the magic of compound interest it will grow faster. I can't predict how fast, because if I could predict future returns, well, I'd be a lot richer.

Mr. Bouchard: Thanks.

The Chair: Thank you so much for that, sir. Member Kayande, please go ahead.

Member Kayande: Thank you. A question about – in your annual report I seem to recall that there was just a tremendous return on decarbonization investments and renewable energy. I wanted to congratulate you on that. Can you talk more about what the future holds for you in that asset class, how you think about that, how we can leverage that? It was a very, very bright spot in an otherwise kind of very, very difficult year.

Dr. Puffer: Indeed. Thank you for the question. The renewable resources did outperform their benchmark. They earned a 41 per cent return compared to a 7.6 per cent benchmark, and the five-year

returns have also been really impressive at 16.4 per cent over a benchmark of 6.7 per cent. So you've hit the highlight. Over this past year it's largely been driven by strong rural land price appreciation, specifically in Australia and specifically around some of our investments that are housed there. In particular, the forestry investment trust – we call it FIT – is the majority of the renewable resources exposure, and that was revalued up by about 40 per cent as of the end of calendar 2022. That was, you know, based on third-party appraisal reports, the tree crop, and underlying land assets, and that was again driven by favourable commodity price forecasts as well and comparable land transactions in the region at the time. There's a very rigorous process here for valuing, and that is an example of the types of resources that are there.

We have a number of other assets that we're contemplating putting into the renewable resources that will become – one was just publicly announced, in fact, this past week. It's, again, in Australia, and it has to do with raising cattle in Australia. We're quite excited about that investment as a renewable resource, and we have very strong plans in terms of the carbon footprint of that platform in order to improve that.

We also have a number of strategies we are looking at specifically in the transition space, so reducing the carbon footprint of a variety of sectors and very specifically targeting those.

Member Kayande: Can I ask a follow-up?

The Chair: A follow-up? Go ahead.

Member Kayande: Yeah. Absolutely. Are there any exits associated with these, or are they basically increases on valuation? And, secondly, are they renewable because they are an offset revenue, then? Is that how it is? Like, why is it in that portion?

Dr. Puffer: Why are they in that category?

Member Kayande: Yeah.

Dr. Puffer: The renewable resources consist primarily of agricultural, forestry, that sort of thing; in other words, you know, resources that renew themselves and regrow. That's what we mean.

Member Kayande: Okay.

The Chair: Thank you so much for that.

Now, I believe we do have someone on the line who has a question. Please, on the telephones, go ahead with your question.

Mr. Kinney: Hello. Thanks for taking my call. My question is pretty basic, but it does involve the people who are there, like, actually checking some things. Because individual kinds of equities and stocks aren't disclosed in your reports, I just have to ask: how much and if the Alberta heritage savings trust fund owns shares in Hewlett-Packard, Chevron, Caterpillar, Boeing, General Electric, Primo Water Corporation, Palantir Technologies, Motorola Solutions, Cisco, Dell Technologies, Microsoft, and Airbnb?

The Chair: Thank you very much for your question. I didn't hear your name, though. Please introduce yourself out of respect to everybody.

Mr. Kinney: Oh. I was introduced by the person, but I'll repeat my name. My name is Duncan Kinney.

The Chair: Thank you very much for that.

Mr. Kinney: And I'm happy to repeat the company names again if you'd like.

The Chair: That's fine. Thank you so much. I think we got that.

Ms Akers: I don't have the exact figures of what we own in those companies. I'm sure if they're in benchmarks, we probably own some of them, and some of them are pretty major names. Again, that would be in line with our investment policy or what we're trying to do for our clients and with the lens of risk management as to what those companies add to the portfolio.

The Chair: Thank you so much for that.

Mr. Kinney: Do you know how many shares you own in these companies or not, is my question.

Ms Akers: I don't have it in front of me at the moment.

Dr. Puffer: Yeah. I do not have it in front of me either at this moment.

Mr. Kinney: So, like, I know that AIMCo has shares in these companies because SEC's disclosures show that you do, but you're telling me, in a report to the public about the Alberta heritage savings trust fund, that you can't tell me what the Alberta heritage savings trust fund is invested in, specifically some of these blue chip, large American tech companies and other large companies that I'm talking about?

Ms Akers: I did not bring a list of the holdings with me to the meeting, but I could follow up with that.

Mr. Kinney: Or a PDF that you can consult?

The Chair: Thank you very much for the question online. We appreciate that.

With that, we'll now go to – do we have one online?

Mr. Rowswell: We've got some here. There have been a few here that are wondering about investing in social programs, which is not really a question for you guys; that's a question for the government. And there's another one here comparing to Norway, but you've answered that one already as well. There are a couple of those.

There was one here, though, from Niel Cameron, and he'd like to know

what power Albertans have in regards to choosing their investment firm. If Albertans are frustrated with Aimco and would like to have a different management firm assume control of the fund, how would that be accomplished? What are the options the Alberta government has if they determine Aimco is not performing as expected?

Mr. Epp: Well, there are many options. The government owns AIMCo, so that would make it a little more difficult to change investment managers, but certainly the government has the power to appoint new board members or a new chair, which happened a few years ago, so there are measures. If the government was so upset with AIMCo – I honestly can't imagine it – I assume it would require legislation to change, to shift the investment managers.

Mr. Rowswell: Okay. Yeah. That's the question he asked.

The Chair: Thank you so much for that.

Does anyone in our audience have a question that they may wish to ask? Go ahead, sir. And, again, just for the record please state your name and then please ask your question.

Mr. Hanus: Yes. My name is Frank Hanus. I've got a question for AIMCo. Has AIMCo got a policy for investment in socially friendly and environment friendly companies, so that they are not, like it was mentioned before, even investing in companies which are involved in bad governance or environmental destruction? Do you have such a policy? Also, is the heritage fund invested in it? I remember in the past it was – for example, the tobacco companies were excluded from the investment of the heritage fund. Is it still the policy, or is it something similar to it?

Thank you.

7:40

The Chair: Thank you very much for that. I think that question has been answered already, so thank you so much for that, sir.

With that, we will go now to Mr. Boitchenko. You have a question, please.

Mr. Boitchenko: Thank you. For the record my name is MLA Andrew Boitchenko. First of all, I want to start with thanking, you know, the public for coming and asking questions. It's always good to have, I guess for the first time, such a good turnout. And thank you for answering the questions.

My question would be based more on the long-term strategy of the investment fund, specifically on page 5 of the annual report, that states, "The design of the asset mix is an important aspect of the [fund's] long-term strategy and seeks to produce returns within the total risk limits of the Fund." My question is: have there been any major recent changes to the asset mix of the fund? Then I have a follow-up as well if I can.

Mr. Epp: The last major change in the investment policy, the asset allocation section, anyway, was done in 2011, which is, I will admit, probably too far. But I would also say that the investment policy that currently exists has served the heritage fund well.

That being said, we are looking at and studying the asset allocation. There's nothing more to say because we haven't presented recommendations to our minister, but we expect to do so in due course.

Mr. Boitchenko: Thank you.

The follow-up question has been kind of partially answered, but I will give you a chance to maybe give a full response. How often is the asset distribution revisited or been changed? I understand the last time was in 2011, right?

Mr. Epp: A major change.

Mr. Boitchenko: Do you have a policy to kind of indicate how often you would revisit the long-term strategy?

Mr. Epp: There is no formal policy on how often we revisit. Again, I will say that we haven't done it often enough. But I don't know how much it would have changed. That being said, I think the investment environment now is different than it was 10 years ago. We've got inflationary pressures. That's a major one. We've got interest rates moving up. That changes the ball game a little bit.

We are doing a study, and when it's complete and the minister has approved it, a new investment policy will be published on our website for all to see.

Mr. Boitchenko: Perfect. Thank you.

Ms Jones: I can add one success story. We did make a minor change within the last year, which was actually adding more room to the private debt and loan allocation that we had, and that has served the fund very, very well. That, again, is available within the report to see those . . .

Mr. Boitchenko: So you're occasionally kind of revisiting and restructuring it.

Ms Jones: Yes. Where opportunities are available, we will look at those opportunities.

Mr. Boitchenko: That's good to know. Thank you.

The Chair: You have one online?

Mr. Rowswell: Yeah.

The Chair: Perfect. Please go ahead, Mr. Rowswell.

Mr. Rowswell: Okay. We've talked about ESG a little bit, and you have a way to do that. This is kind of from the other side. It's from Chris Gibson. He's concerned whether you're curtailing investments in energy companies given just transition and stuff like that. Like, do you do that, or is that just all part of your ESG-type stuff, right?

Dr. Puffer: I can address that. We have substantial investments in the energy sector through our public markets, through our private markets, including through infrastructure as one of our asset classes that is involved in the heritage fund. As I mentioned earlier, we are in the midst of developing a new strategy that is specifically focused on energy transition. We don't have a net-zero commitment in the fund within the context of that. We're very aware of the cost benefits, the dynamics of climate change, and the impacts on the various sectors and are taking a very balanced and prudent approach. That does not involve divesting out of any particular energy space but taking a close look at the pluses and minuses. We do have substantial investments in the energy sector.

Mr. Rowswell: Okay. I've got Sherry Thoveson.

The Chair: I think Mr. Epp wanted to answer the question.

Mr. Rowswell: Oh, I'm sorry. Go ahead.

Mr. Epp: Thank you. I would point out that the legislation regarding the heritage fund act requires it to maximize long-term earnings. There are no social policy mandates or other mandates such as overinvestment in the energy industry, so to speak. It's focused, and we have had many discussions with AIMCo along those lines.

The Chair: Thank you so much for that, sir.

You said you had one more question online.

Mr. Rowswell: Yeah. I've got a few more here. There's Sherry Thoveson, I think, with a Facebook question. She had a similar question that was asked about transparency, and I think you've answered that, but I just want to make them aware that I'm asking their questions.

Another one, Smallboy Marie, is wondering about money earmarked for First Nations. Do you have anything that you do around that, or is that more a government social question?

Mr. Epp: Yeah. Back in the '90s a decision was made by the government of the day to separate the investment decision and the policy decisions, so the heritage fund at that time, as Brittany mentioned earlier, refocused on making the best long-term returns, and social policy investments such as, well, you name it, I guess, were government's business, so no mixing of the two.

Mr. Rowswell: Yeah. That answers this similar question. I just want to make sure this person knows that I've asked the question about: if we ran into a situation where we needed to cash in the heritage trust fund, you know, would Albertans have a referendum on it or not? But that's not really in your bailiwick. That'd be more on the government side of things.

Mr. Epp: Well, right now the legislation is completely silent on taking money out. Other than that income over inflation-proofing, there is no formal or legislated ability to take money out of the fund.

Mr. Rowswell: So that would have to be a government legislation decision?

Mr. Epp: Yes.

Mr. Rowswell: It's not really related to what you guys do. Yeah. Okay.

All right. That's it for my questions.

The Chair: Thank you so much for that.

Ah, Mr. Kayande, please go ahead.

Member Kayande: Thank you. So we have heard tonight, for sure, more requests for greater transparency on investments and disclosures. Is there analysis that you've done or that you're willing to do on how the heritage savings trust fund investment disclosure differs from those who are known to be best in class? I'm thinking about CalPERS, for example, where you know everything that they're invested in, including, you know, the various different GPs and LPs. Has that been proposed, or has that been contemplated? Is that something you're willing to do?

Mr. Epp: It's been discussed, and the government, working with AIMCo, has decided that the portfolio's returns could be harmed if it was live information. Now, other parties have made a different decision, but that reflects the discussion that's happened.

Member Kayande: So is it a political discussion, or is it an administrative discussion? I mean, CalPERS has clearly decided that the harms that they suffer, if any, are less than the benefits that they gain from providing that disclosure. It's certainly not real time, but there is very, very – what's the word? It's very clear, and there's a lot of it.

Mr. Epp: It's not a political discussion; I can assure you of that. It's purely economic.

Member Kayande: So do you have analysis, then, that you could provide us on what the trade-offs are?

7:50

Mr. Epp: No, we do not.

The Chair: Thank you so much for that, Mr. Kayande.

With that, we now go to Mr. Bouchard.

Mr. Bouchard: Thank you. Asset classes, like infrastructure and renewable resources, have outperformed their benchmarks by a large margin. Page 11 of the report shows that emerging market equities have underperformed their benchmark both in the last year and the last five years. As we know, emerging market equities are generally more volatile due to greater sensitivity to economic shifts. My question is: what are the advantages and disadvantages of this type of investment?

Dr. Puffer: Thank you, Mr. Bouchard. That's a very good question. Emerging market equities have indeed underperformed in this last cycle.

I'll start with the disadvantages because that's highlighted by that performance. They've certainly struggled to deliver that positive return relative to developed markets. We've had regional challenges such as in Brazil, China, and certainly Russia, where we really didn't have exposure, and they are often subject to more regulatory, political risk and so forth. We do feel that over the long term they do have a place in a well-diversified portfolio and at a modest allocation in terms of, you know, how much is allocated to emerging markets.

Some of the reasons to continue to have some exposure to that area include that they do offer exposure to, typically, economies that are faster growing – hence, sort of the emerging part of the emerging markets – with younger workforces, rising standards of living. That relationship between the stock market performance and emerging markets and that long-term economic growth is a long-term relationship. We certainly do understand there are volatile years, and it's important to have diversification, again, across emerging markets in order to avoid some of the disadvantages.

There's a risk premium or a return premium that comes with that, that is expected from these economies in transition, and these markets tend to have lower correlation with the developed market, so some of the same principles that Lowell mentioned earlier around diversification do tend to help. Despite their relative underperformance of late, we still believe they have a place in the portfolio.

Mr. Bouchard: Thank you.

Can I follow up, Mr. Chair?

The Chair: Yeah. Go ahead.

Mr. Bouchard: Is there any other reason to expect underperformance to continue?

Dr. Puffer: Well, there are certainly pockets of risk in this current environment in the near term, China certainly being one that is reverberating through various emerging markets. So, you know, we have our eye on those risks, and it certainly is affecting our positioning in our developed market portfolios as well because there are some indirect exposures to emerging markets that we also manage quite actively. Yeah. There are certainly still some concerns in the near term.

The Chair: Do we have anyone left online?

Mr. Rowswell: No, we don't.

The Chair: Mr. Huffman, do we have anyone on the phones?

Mr. Huffman: Not right now.

The Chair: No worries.

With that, we'll go to Mr. Kasawski.

Mr. Kasawski: Thank you very much. This week the government brought forward a motion in the House, and in it it stated that they are actively implementing an emissions reductions and energy development plan to achieve a carbon-neutral economy by 2050, which is in line with Canada's international commitments. Then back to that topic of risk, in terms of long term that's 26 years till it'll be a net-zero economy, so when you're making assessments of risk and looking at long term, how do you evaluate that?

Mr. Hunter: Point of order.

Mr. Kasawski: Then in terms of that iterative process . . .

The Chair: A point of order has been called.

Mr. Hunter: Mr. Chair, under Standing Order 23(j) I guess I'm just trying to understand the relevance – or sorry; (b) – in terms of how this is specific to the report that we're supposed to be talking about here today. I'm just trying to understand that. The member is an MLA. I mean, in terms of asking questions that are not relative to this for the public, I understand that, but as a member I'm just not understanding the relevance here.

The Chair: Counterpoint?

Mr. Kasawski: Well, I'm not sure. I haven't got to my question. I think it's probably pretty relevant to my question. The question is about risk. How does a 26-year window to a net-zero economy factor into an investment risk? And then the follow-up to that, supplemental, would just be: in terms of requiring policy from Treasury to work to AIMCo, is there any policy that is needed from Treasury to AIMCo to adjust to this mark in the sand of a 2050 net-zero economy? But I'd start with risk as my basis.

The Chair: Sorry. I need to rule on this, I guess.

Mr. Kasawski: Oh, sure. Well, that's the question. Yes. So I guess you have a point of order.

The Chair: I need to, yes. I do need to address the point of order.

It is a bit of a stretch, what you're asking, that that's relevant to the heritage savings trust fund. I guess I'd ask the members – is that within the scope to ask?

Mr. Huffman: You decide.

The Chair: Yeah. I decide. I know.

Mr. Kasawski: I guess, Chair, if I can just briefly, it brought up that there was a mention – I think someone said that we do not have a net-zero commitment. That was fine, but that triggered the thought: well, that's interesting; we're making a commitment to an economy that's net zero. Back to investment, how do we consider that when we are growing the Alberta heritage savings fund? That seemed very relevant to me.

Mr. Hunter: I guess the counterargument is that that is a hypothetical question, which is really what 23(b), the point of order, is. This is a question that'd maybe be asked in question period, but in terms of the focus tonight it's on past performance of AIMCo and what they've done. I guess, you know, as a forward question, that's a great question. I think it would be a very good question to ask in question period, but in terms of tonight's responsibility it's to be addressing the past issues.

Mr. Kasawski: I don't think it has to be addressing the past, Mr. Hunter. I think we're talking about the fund and its assessment of risk with a 26-year window and long-term investments. I don't know what that means.

The Chair: All right, then. I'm going to say that there's no point of order there. It's a bit of a stretch, but I would allow the question. But that said, we are out of time. With that, we have run out of time.

Before I close, I would like to sincerely thank all of you for your participation tonight. I think that I can speak on behalf of the entire committee when I say that we have enjoyed spending the evening with you and engaging in conversation about your Alberta heritage savings trust fund. In turn, we hope that you have found the meeting informative and valuable. We tried to address as many of your questions and comments as possible in the time allocated for tonight's meeting. There is a survey posted on the Assembly's website and Facebook as well as X, or Twitter, accounts seeking your opinion on tonight's meeting and how we could improve it for next year. Any feedback that you can provide would be greatly appreciated.

To everyone who interacted with the committee or watched the proceedings this evening: thank you so much for your interest and participation. Your engagement regarding the fund and the work of the committee is greatly appreciated. We look forward to next year's meeting.

The 2023 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund is now adjourned. Thank you all so much.

[The committee adjourned at 7:58 p.m.]

