



Legislative Assembly of Alberta

The 28th Legislature  
First Session

Standing Committee  
on the  
Alberta Heritage Savings Trust Fund

Wednesday, June 20, 2012  
9:03 a.m.

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

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

Quest, Dave, Strathcona-Sherwood Park (PC), Chair  
Jablonski, Mary Anne, Red Deer-North (PC), Deputy Chair

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Casey, Ron, Banff-Cochrane (PC)  
Dorward, David C., Edmonton-Gold Bar (PC)  
Eggen, David, Edmonton-Calder (ND)  
Kubinec, Maureen, Barrhead-Morinville-Westlock (PC)  
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**Standing Committee on the  
Alberta Heritage Savings Trust Fund**

**Participants**

Ministry of Treasury Board and Finance

Hon. Kyle Fawcett, Associate Minister of Finance

Aaron Brown, Director, Portfolio Management, Capital Markets

Jac MacDonald, Public Affairs Officer, Communications

Rod Matheson, Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation

Leo de Bever, Chief Executive Officer and Chief Investment Officer

A.J. (Pine) Pienaar, Senior Vice-president, Client Relations



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[Mr. Quest in the chair]

**The Chair:** Well, good morning, everybody. I'd like to call the meeting to order. Welcome. My name is Dave Quest, MLA for Strathcona-Sherwood Park, chair of this committee.

I'd like committee members to introduce themselves, including the representatives from the Department of Treasury Board and Finance, AIMCo, office of the Auditor General, Leg. Assembly, and all else present around the table. We'll start with our deputy chair, to my right, please.

**Mrs. Jablonski:** Thank you, Mr. Chair. Good morning, everybody. I'm Mary Anne Jablonski, MLA for Red Deer-North.

**Mr. Eggen:** Good morning. My name is David Eggen. I'm the MLA for Edmonton-Calder.

**Mr. Dorward:** My name is David Dorward, and I'm the MLA for Edmonton-Gold Bar.

**Mr. MacDonald:** My name is Jac MacDonald. I'm with communications, Treasury Board and Finance. Good morning.

**Mr. Pienaar:** Pine Pienaar, AIMCo.

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

**Mr. Fawcett:** Kyle Fawcett, Associate Minister of Finance.

**Mr. Matheson:** Rod Matheson with Treasury Board and Finance.

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

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

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

**Mr. Casey:** Ron Casey, MLA, Banff-Cochrane.

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

**Mr. Sandhu:** Good morning. Peter Sandhu, MLA, Edmonton-Manning.

**Ms Kubinec:** Good morning. Maureen Kubinec, Barrhead-Morinville-Westlock MLA.

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

**Mrs. Dacyshyn:** Corinne Dacyshyn, committee clerk.

**The Chair:** All right. Again, welcome, everybody.

Just some reminders here. The mike consoles are operated by the *Hansard* staff, so there's no need for members to touch them. If you could keep the cellphones and BlackBerrys off the table, please. They can interfere with the audio feed. Audio of the committee proceedings is streamed live on the Internet and recorded by *Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website.

Everybody has a copy of the agenda. I need a motion to accept the agenda. Mr. Sandhu. All in favour? Thank you.

I'd like to thank members for accommodating today's fairly full agenda. We'll need to move right along. Certain issues do require

immediate review by the committee in order to meet the requirements under the Alberta Heritage Savings Trust Fund Act.

We'll move on to the third-quarter report for 2011-12. Everybody should have a copy. This report was posted on the committee's internal website for today's meeting. I'd like to turn things over to the hon. associate minister to address this report, and then we'll open the floor to some questions.

Minister.

**Mr. Fawcett:** Sure. Thank you very much, Mr. Chair. I don't have much to say about this report. Obviously, it's a bit older. The committee would have met in February to review this report, but many of us were very busy at that time, and we weren't able to do that, so it is at the table today.

The information here is about six months old. We have a fresher update of the report in the annual report, and I think that should probably be the focus of our discussions. Therefore, unless there are any questions specific to the third-quarter report, I suggest that we actually just move on to the final annual report.

Thanks, Mr. Chair.

**The Chair:** All right. We still need a motion to receive that, so I need somebody to move that

the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2011-12 third-quarter report on the Alberta heritage savings trust fund as presented.

Mr. Dorward. All in favour? All right.

I do have to just step back here to item 3, which is approval of the June 12, 2012, committee minutes. Everybody should have a copy. Any errors or omissions? In that case, I need a motion to approve those minutes. Mr. Eggen. All in favour? Thank you. Carried.

Okay. We'll go to the draft of the 2011-12 AHSTF annual report. The draft of the report was posted on the internal website. Members are reminded that this draft report is confidential. Once approved by the committee, final copies will be printed by Alberta Treasury Board and Finance, and copies will be distributed to MLAs by the chair, thereby making the report public.

I would now ask the hon. associate minister, again, to give us a review of this report. If you're ready, Minister.

**Mr. Fawcett:** Thank you very much, Mr. Chairman. Good morning to all of the members. I'm happy to speak to you today on behalf of Minister Horner, who sends his regrets. The purpose of my remarks is to provide a brief overview of how the Alberta heritage savings trust fund performed in the year 2011-12.

First, I'd like to make a few remarks about the actual report itself. Officials from the department met with you last week and provided an orientation on a few things, including a brief introduction to the annual report. The report went through a revision last year. The goal was to add sections that told more of the heritage fund story. Some of the things that were added were the historical timeline, a heritage fund Q and A, and a section on governance.

One thing to note is the map graphic that was added to page 7 as the department tries to enhance the accessibility of the report.

Also, please note the inflation-adjusted market value graph at the bottom of page 5. This graph was requested by the committee at the January meeting, and I wanted to note that the department followed through with this request.

9:10

Now, let's move on to the results. Overall the heritage fund had a good year, not spectacular but solid. Results were above inflation and above the fund's targets. The fund earned \$798 million in

2011-12, posting an 8.2 per cent return. Of that, \$454 million was retained in the fund for inflation-proofing, and \$344 million was transferred to general revenues to pay for things important to Albertans like health care, education, infrastructure, support for our seniors and the vulnerable, and keeping taxes low.

The fund's actual net income fell \$172 million short of the net income forecast in the heritage fund 2011-12 business plan. This is primarily due to weaker than expected returns on equities, especially Canadian stocks. On the upside there was strong growth in fixed income and strong growth in inflation-sensitive and alternative investments. Leading the way were global equity, income-bearing securities, and real estate.

Referring to the charts on page 14, you can quickly get an idea of how different investments are performing relative to their benchmarks. Overall the fund exceeded its total target return earning, as I mentioned, 8.2 per cent compared to the 5.6 per cent policy benchmark. The 2.6 per cent in excess of that benchmark is the value added by the fund's investment manager, AIMCo. Still on the same page the fixed income and money market portfolio earned a 9.8 per cent return, exceeding its benchmark by .1 per cent, due in large part to the addition of mortgages to the portfolio. The fund's inflation-sensitive and alternative portfolio earned a 16.4 per cent return, easily surpassing the portfolio's 10.5 per cent benchmark return. The equities portfolio returned 3.6 per cent, not much of a return but it was in excess of the portfolio's target for '11-12.

The eurozone crisis really started coming to a head in the months before the 2011-12 business plan was completed, so the resulting equities plunge in the first two quarters of this fiscal year, especially in Canadian equities, was reflected in the benchmark return.

As I mentioned, the fund is managed for the longer term, but it is important to realize how one bad year can really have an effect going forward. You may have noticed that the fund has a five-year return of just 2.7 per cent. That number includes the 2008-09 year, when the fund lost about 18 per cent of its value. We all know what the circumstances were surrounding that particular year. That performance skews the average five-year trend downward, and it obscures how well the fund has been performing over the last three years: 8.2 per cent this year, 10.4 per cent in 2010-11, and 17.8 per cent in 2009-10. It also highlights the need for diligent portfolio risk management.

To wrap up, Mr. Chair, looking forward, it's really clear that there is still a fair bit of market uncertainty ahead. It remains to be seen if the eurozone can come to terms with the sovereign debt crisis there and, equally important, that investors are convinced that proposed measures are adequate, attainable, and desired. This is why it is so important that the fund continues to take a long-term, global, diversified, and prudent approach to investing.

As this report demonstrates, some investments lose, and some win. We believe there are opportunities in inflation-sensitive and alternative investments. That includes things like infrastructure, timberland, real estate, and other less liquid assets. AIMCo continues to transition our portfolio in accordance with the statement of investment principles and guidelines approved last year, eventually bringing these types of investments up to 30 per cent of the fund's total value. Obviously, the department will continue to monitor risk and work to ensure the fund's assets are invested properly while still allowing AIMCo to operate independently with the ranges provided to them.

I also want to indicate to all members of the committee that you can be assured that Albertans are going to have the opportunity to be part of discussion as the government consults on our fiscal framework, a discussion that will obviously include the Alberta

heritage savings trust fund as well as other savings funds that the province holds, what they're used for, and how we can invest money in them.

That concludes my remarks on the heritage fund's annual report. I would be happy, Mr. Chair, to take any questions. If I can't answer them, I'm sure the representatives from AIMCo or department staff can assist you in that matter.

Thank you.

**The Chair:** Okay. Are there comments from reps from Treasury Board or AIMCo? No. Very good. Are you ready for questions? All right, then.

Mrs. Jablonski.

**Mrs. Jablonski:** Thank you, Mr. Chair. On page 9 of the draft annual report we see the transfers to the general revenue fund. This is to whoever can best answer this question. I know that we have to hold a certain amount back from our earnings to inflation-proof the heritage savings fund. Other than that, is there a formula about how much is transferred to the general revenue fund from the earnings of the heritage savings fund?

**Mr. Matheson:** The formula is actually embedded right in the heritage fund act. What the heritage fund act says is that all of the income is transferred to the general revenue fund except for the amount that is retained for inflation-proofing, and it goes on to then specify that there is a formula for how the amount of inflation-proofing is calculated. Effectively, we look at what the inflation in Alberta was as calculated by a particular GDP deflator and multiply that times the value of the heritage fund. That's how we arrived at the \$454 million that was going to be retained in the fund. The residual is transferred to the general revenue fund.

**Mrs. Jablonski:** Just to clarify, then, the only provision that we have is to keep back enough to support the fund from inflation, and then anything after that just goes right to the GRF.

Okay. Thank you.

**The Chair:** All right. Mr. Sandhu.

**Mr. Sandhu:** Good morning, Chair. I'd like to ask a couple of questions. With the ongoing goal of maximizing long-term returns for Albertans, I was wondering how the heritage fund investment model accounts for and helps to mitigate change in the value of currency. Does the fund hold futures or swaps of some kind?

**Dr. de Bever:** The issue of currency hedging is always problematic, and we've had discussions in the past about this. A larger proportion of assets is being exposed to foreign currency with the asset mix changes that have been imposed, and there has been some discussion about whether part of that should be hedged. But hedging is a double-edged sword. Sometimes the returns on, say, equities are negatively correlated with currency, so if you hedge the currency, it may actually aggravate the problem rather than help it. So far the exposures are unhedged.

**Mr. Sandhu:** Second, to supplement, I want to ask you about other sovereign wealth funds around the world, regarding how they manage the difficulty of currency shifts and how that could be applied to the heritage fund. To my knowledge Norway's oil revenue fund invests almost exclusively outside of Norway, and Norway does this to reduce the upside pressure on its currency and to diversify its asset base. As we all know, Norway is a small country whereas Alberta is a province that is part of a larger country. Do you believe that in the pursuit of a consistent long-

term return the heritage fund could be at an advantage by investing solely outside of Canada?

9:20

**Dr. de Bever:** Canada is only a small part of the global capital market, so over time the allocation has been shifted outside of Canada. I think there's still merit in having some Canadian assets because, obviously, the money is going to be spent in Canada at some point, but I would say that I'm quite comfortable with the foreign allocation that's been made. When you look at Norway, Norway is much smaller in relation to the rest of the world than Canada is relative to the rest of the world, so I don't think that where we are is a bad place to be. I think totally being out of Canadian assets is problematic as well. I'm comfortable with where we are in terms of foreign allocation.

**The Chair:** Dr. Sherman.

**Dr. Sherman:** Thank you, Mr. Chair. To those from AIMCo, congratulations. You've done a good job in the past year. I'm pleased to see that there was \$33.4 billion generated from the trust fund since its inception.

I have two questions, one for the representatives of AIMCo. In a climate where every Albertan is working, the economy is as good as it gets, and oil is at a hundred bucks a barrel, would it not be prudent to be saving more in the fund beyond just inflation-proofing?

**Dr. de Bever:** Well, that's a policy decision, and I'll leave that to Finance and the Assembly to settle. I just manage the money. You know, you should have that debate in the Legislature or with the representatives from Finance.

**Mr. Fawcett:** Mr. Chair, just to answer that question as the question was asked by the member. I think it's important to note that at the end of my opening statement was that this is a discussion that this government is going to have moving forward. You know, obviously, as I mentioned in my opening remarks, the investment income that does go from the heritage savings trust fund to general revenues does go to pay for the services that Albertans use like health care, like education as well as to keep our taxes low. I think that as we move forward in having those discussions over the next six months, Albertans are going to have their say in what that balance should be.

**Dr. Sherman:** Part 2 of the question, I guess, is to the officials from Treasury Board since you're in charge of the income and expenses of the province. At this time if we have to dip into the interest from the savings, in the policy discussions should we not be looking at taxation as a form of increasing revenue? You want to save when times are good so you can actually use these proceeds when times aren't so good. If we can't save today, when can we save?

**Mr. Fawcett:** Well, to answer that question, Mr. Chair, I think it's important to realize that since the 1993-94 fiscal year the province has gone from a net debt of about \$8.3 billion to net financial assets of about \$28.1 billion today, which includes the last crisis, that started in 2008. Over that period the government has actually created about \$36.4 billion in savings, and that's money that has gone to pay down the debt that was accumulated over the late '80s and early '90s as well as some money that has gone into the heritage savings fund in the mid early 2000s as well as going into the sustainability fund, which we know has been very valuable in keeping the services that Albertans needed over this last term of economic turbulence.

**Dr. Sherman:** Perhaps I should be a bit more specific.

**The Chair:** Dr. Sherman, I think we're just going to move on. You've had your two questions. I'll put you back on the list, though.

Mr. Dorward.

**Mr. Dorward:** Yeah. I'm staying more to oversight than policy, and I'm not exactly sure who should answer the question. Could I get a little bit more detail on the mortgage portfolio in the sense of: what is it? Who's legally on the line? Do we go through a pool to access that type of investment? Then I would also be interested in knowing about the mortgage administration side of that and whether we touch that side of it.

**Dr. de Bever:** The mortgages are mostly in Canada, and they're mostly in very high-quality buildings and retail plazas and things of that sort. I think we're doing the administration inside now. I don't quite understand your question about legal liability. I forgot exactly how you phrased it.

**Mr. Dorward:** Well, I just wanted to know whether AIMCo signs the mortgage document.

**Dr. de Bever:** Yes.

**Mr. Dorward:** Okay. That was the portion I had there.

**Dr. de Bever:** Okay.

**Mr. Dorward:** Mortgage administration: is that a very big task right now?

**Dr. de Bever:** No, it's not.

**Mr. Dorward:** There's a small number of large mortgages, I understand then.

**Dr. de Bever:** That's right.

**Mr. Dorward:** All right.

**Dr. de Bever:** We've been expanding into the U.S. market, and the reason we've done it there is that this location of the U.S. market has created some very unusual opportunities to pick up a higher return. As you know, in Canada the returns are very hard to come by because we largely survived the 2008 banking crisis. In the United States that was not the case, so there's a shortage of mortgage providers. We have a small portion that we deploy there at very, very nice incremental returns.

**Mr. Dorward:** Thank you.

**The Chair:** Very good.

Mr. Eggen.

**Mr. Eggen:** Yes. Thanks, Mr. Chair. Thank you for your presentations as well. I'm happy to hear from the Associate Minister of Finance that his government is interested in a discussion around the heritage fund and, as Dr. de Bever mentioned, that any change to capital investment or injection into the heritage fund requires legislation. I just think both anecdotally that Albertans have a strong appetite for long-term savings using the heritage fund as a mechanism, and I think that where we are in regard to our economy here in Alberta and our position in the world points to the prudence of making more capital savings,

investing more money into the heritage fund besides just maintaining it at a certain level.

In the spirit of those things and with the committee assembled here today, I have a motion that I would like you to consider. I did a bit of research on the heritage trust fund and how we are positioned to make greater capital investment in the heritage trust fund. There are actually two motions here, and one is a little bit separate. We could maybe address the first one first here and have a discussion about it.

I think there's one change that was identified for me. I apologize, but we can just put it in there. My first motion, then, is that the committee chair would write to the Minister of Finance and Treasury Board – and since we have the associate here today, we can say it verbally, too – urging the government to adopt a policy of putting a portion of any fiscal surplus into the heritage trust fund as long as the balance of the sustainability fund exceeds \$2.5 billion.

I chose to put that last part in there because I think there's a mechanism or a law in place that already has that. I'm not suggesting the prudence of the utility of the sustainability fund, but I'm suggesting that, you know, if we can send a message from this committee that we should put extra capital savings into the heritage trust fund, that will help to precipitate that discussion over the next six months, and maybe we can, as you say, debate this in the Legislature in the fall.

That's my first motion, Chair, and thank you for the opportunity.

9:30

**The Chair:** There's a motion on the floor. Discussion?

**Ms Kubinec:** I'm just wondering if it's maybe a bit premature, that we need to have the discussion first. That was my sequence of events, the way I think, that before we pass this motion, we should have a full discussion involving everyone.

**Mr. Eggen:** Sure. I'd just, you know, strike the iron while we're all here. I thought maybe it would be a good opportunity for us to hear what people think about. Since we're all on the heritage trust committee, what we're taking into this committee with us, what our thoughts are, and a frank discussion about those thoughts, I think, might be good. I've heard a few people expressing a desire for capital investment and more investment in the heritage fund. I'd like to hear what other people think about that, too, so that we can perhaps create a larger discussion that, like I say, I think there's an appetite for out there in the province right now.

**The Chair:** All right. Mrs. Jablonski.

**Mrs. Jablonski:** Thank you, Mr. Chair. I think that savings for anyone, a family or a government, is a really good thing, and I also would encourage that. However, at this time in our history, when we have the demographics of an aging population, when we expect another million people coming into our province – so, obviously, there are going to be lots of infrastructure costs – and are still trying to provide the health care that our Albertans expect, for a number of good reasons I think that, first of all, we have to leave this kind of policy up to the Minister of Finance and the Legislature. I see that you are directing this to the Minister of Finance.

**Mr. Eggen:** Yeah.

**Mrs. Jablonski:** However, I just think that at this time in our history, because of the demands that we have, because of demographics, and because of the increase in our population and

the needs that we're going to be facing, maybe the policy that we have in place right now is the best policy.

**Mr. Eggen:** Yes, and I don't disagree that we have lots of demand on our public dollar. You know, it doesn't have to necessarily be all of one thing or all of another. I think that a balance – just like having a portfolio in your own family investment, you save some and you spend some. You save long term for some, and you save short term for others like school or mortgage or something like that. Again, if we rationalize our revenue base and take an honest look at how we collect money and ensure that we do have a surplus and then put some of the surplus into the heritage fund and some into other funds and for regular expenditures, I think that's what Albertans would be most satisfied with. Again, I'm putting this forward as a mechanism by which we can express ourselves. I appreciate the Member for Red Deer-North for that kind of thing, and I encourage other people to say what they feel as well.

**The Chair:** All right.

**Mr. Dorward:** Just being somebody who would go back, I guess, to the basis upon which we were formed, I go back to the act to see that this standing committee is to review and approve annually the business plan; to receive and review the quarterly reports; to approve the annual report; to review after each fiscal year the performance of the fund, which I think we're supposed to be doing today; to report to the Legislature as to whether the mission is being fulfilled; and to hold public meetings, which is also on the agenda today, with Albertans on the investment. I didn't see policy on that list, and I'm not sure why we would support a motion that tends to speak to the government relative to policy. We have a heritage trust fund. We have policy already established by the Assembly. Far be it for me to support a motion which tells the Assembly what to do with a fund that's already been established.

So for my comments I'll stick to the report as it's been presented and ask questions respecting it, Mr. Chair.

**The Chair:** Mr. Fawcett.

**Mr. Fawcett:** Thank you very much. Maybe I can just provide a bit of further insight into this for the committee's purposes in making the decision on this motion. As I mentioned in my opening remarks, one of the mandates that I have as an associate minister – and I'm quoting specifically from the mandate letter that I received from the Premier – is: “engaging Albertans in a discussion of the future role of the Heritage Savings Trust Fund and options to build the fund.”

I think this motion would be putting the cart before the horse, so to speak. We're going to be engaging in that process, like I said, over the next six months. We're in the process of determining what that sort of engagement looks like. I do make a note of some of the commentary from the last meeting of the Standing Committee on the Heritage Savings Trust Fund regarding Mr. Dorward's comments about the specific role and the ability for members of this committee to be involved in the discussions around the heritage savings trust fund and decisions.

I think what's very, very important, one of the things that we will be looking at and reviewing, is the overall governance of not just the heritage savings trust fund but of our other savings funds as well and the specific roles and mandates of the minister, this committee, AIMCo, the department, that sort of thing. As we finalize what this consultation looks like, that might be something that we come back to this committee for advice on.



However, the substantive policy stuff regarding what we're using nonrenewable resource revenue for, how we intend to save money, how we intend to get rid of our reliance on nonrenewable resources, what the role and purpose of the heritage savings trust fund is is something that we want to go out and talk to Albertans about. It is something that when we engage the Legislative Assembly, we will be engaging that policy discussion through the standing policy committee on securing our economic future because those are really policy questions. But, like I said, we are looking at what potential there may be to have this committee look at the overall governance of these things and review that and come back with some recommendations.

As we finalize what this consultation will look like, I think this committee will have a better idea of what we're trying to achieve and what our objectives are. That's why I just think that this motion is probably a little bit too premature and probably not appropriate for this particular committee anyway.

**The Chair:** All right. Thank you, Minister.

Also, I would like to welcome Mr. Anderson to the meeting.

If there are no further questions – this is on the motion?

**Mr. Anderson:** On the motion.

**The Chair:** I'm sorry. Mr. Dorward, do you have another?

**Mr. Dorward:** No. Not on the motion. I'm sorry.

**The Chair:** All right. Mr. Anderson on the motion, and then we will call the question.

**Mr. Anderson:** All right. Thank you, Mr. Chair. I'd like to commend the member, Mr. Eggen, for this motion. You know, there are certainly parts I agree with, parts of it that maybe I would tweak a little bit. I think that it's entirely appropriate as it pertains to the heritage fund that we talk about ways that we can build that fund and, if we have agreement on this committee, that there's nothing wrong with urging the government to do something about it. I don't think that that's not in the mandate of this committee. Obviously, we can't implement any policy or anything like that, but certainly we can urge the government to do things that will help build the fund.

I remember several questions from committee members around the table to Dr. de Bever a couple of weeks ago specifically asking him: are there things that we can do as a government to help you grow the fund? He didn't have too many things to say at that point. I think it was a government member that asked that question, and I think it's entirely appropriate.

From my perspective and from my caucus's perspective, the Wildrose, we of course ran on something, urged the passage of the balanced budget and savings act during this last election. We had roughly 440,000 Albertans support us in that. What it specifically said with regard to the heritage fund is that we would invest 50 per cent of all surpluses into the heritage fund. I think that's a very fair number. It's very flexible because it's only when we have a surplus, which, unfortunately, there hasn't been for a while. Assuming we do get back to surplus, it would make sense to put some money into that fund to build it and leave the interest that's earned every year in the fund so that we can eventually build it to the point where it's worth \$100 billion, \$200 billion so that we can replace our reliance on oil and gas revenues from year to year.

9:40

I think that this is a very fine motion. I don't necessarily have an opinion on the sustainability fund exceeding a \$2.5 billion

condition. I don't know. But the first part, "the committee chair will write to the Minister of Finance urging the government to adopt a policy of putting a portion of any fiscal surplus into the Alberta Heritage Savings Trust Fund," I can wholeheartedly support, and I'll be supporting the motion.

**The Chair:** All right. Dr. Sherman, and then we are going to the question.

**Dr. Sherman:** I'd like to applaud the member, David Eggen, for putting this forward. Just looking at the mission of the heritage fund, the mission is to provide prudent stewardship of the savings from Alberta's nonrenewable resources by providing the greatest financial returns on those savings. The whole point from the inception of this fund was to save money from nonrenewable resources for once they run out. It's not about putting surpluses into this fund; it's about putting in nonrenewable resource revenue as the principal which these good people would manage and which would grow.

I would like to amend part of this motion, get rid of the words "any fiscal surplus." We should be saving on an annual basis a proportion of the nonrenewable resource revenue. What I've seen from the books is that not one cent has been saved in a quarter century, in one generation and half a lifetime of nonrenewable resource revenue, in this fund. So I would amend that by saying that the government adopt a policy of putting a proportion of nonrenewable resource revenue into the fund each and every year. That was the intent of the fund. I think we can probably debate the sustainability fund. I think we'll probably need more than 2 and a half billion dollars when the economy turns. We'll need more than 2 and a half billion dollars to ride over the rainy days. But in principle it should be nonrenewable resource revenue going into the fund.

**The Chair:** All right. Is everybody clear on the amendment? We're well over into policy here now, so we'll have a very brief discussion on the amendment, call the question, and then call the question on the original motion.

**Mr. Anderson:** Well, thank you for that amendment, Dr. Sherman. Congratulations on your vote of support over the weekend, by the way.

I understand your premise, you know, or what you're stating there, that we should be saving every year. We absolutely should. I think that it's deplorable that our heritage fund is now worth less in real dollar terms today than it was in 1976, when Peter Lougheed established it. It is just amazing that we have not saved any money since then in real terms, inflation adjusted. It's really a travesty to our children, to future generations, and to ourselves, frankly.

However, I do think that the problem with just putting a set portion of revenues into the heritage fund is that because we have such a volatile revenue stream, it doesn't make sense, in my opinion, when we're in a deficit position to still be attached to putting 30 per cent or 40 per cent or 20 per cent, whatever it is, of oil and gas revenues, which could be \$2 billion, \$3 billion, \$4 billion depending on the percentage, into the heritage fund. All it's doing is making our cash shortfall. We're essentially borrowing. We're essentially taking money and then being forced to borrow from other places in order to save. I just don't think that's a reasonable thing to do.

Whereas with a surplus strategy, which the Wildrose and, apparently, now the NDP are advocating, which I'm glad to see – I hope that Mr. Fawcett will look into this when they're having their discussions with Albertans – if you can control your

spending, if you can get back into surplus and the revenue problem takes care of itself, you can actually take a fixed portion of that surplus money and put it away. So you're not ever putting money towards the heritage fund in a way that would hurt front-line core social programs like health and education or which would cause the government to have to borrow money or raise taxes in order to balance their budget.

So I will not be supporting the amendment.

**The Chair:** All right. We're going to go to the question on the amendment, then. Actually, I'll get the clerk to read it. There are a few scratchy notes on there.

**Mrs. Dacyshyn:** The amendment to the motion moved by Mr. Eggen is that

the committee chair write to the Minister of Treasury Board and Finance urging the government to adopt a policy of putting a portion of nonrenewable resource revenue into the Alberta heritage savings trust fund every year.

**The Chair:** All in support of the amendment? All right. Opposed? The amendment is defeated.

Now we're going to go to the original motion, which I will also get the clerk to read one more time for the record.

**Mrs. Dacyshyn:** Okay. Moved by Mr. Eggen that

the committee chair write to the Minister of Treasury Board and Finance urging the government to adopt a policy of putting a portion of any fiscal surplus into the Alberta heritage savings trust fund as long as the balance of the sustainability fund exceeds \$2.5 billion.

**The Chair:** All in favour of the motion? Opposed? The motion is defeated.

**Mr. Anderson:** Mr. Chair, could you read into the record my support of that motion just now?

**The Chair:** Do you just want your own opposition recorded, or do you want a recorded vote?

**Mr. Anderson:** I don't care how you do it. I just want to be recorded as supporting it.

**Mr. Eggen:** Stick me in there, too.

**The Chair:** All right. That works.

Okay. I guess you had another motion, Mr. Eggen, if you want to bring that forward now.

**Mr. Eggen:** Yes. Thank you. I'll try to make this very brief. You know, we look at the parameters of this board and some members talked about the performance of the board. I think this next motion has a direct sort of effect on the performance of the heritage trust fund and the parameters by which we move forward on the heritage trust fund. I heard this mentioned in our last meeting as well about ethical investment policy. I was intrigued about it, so I just wanted to direct our researchers for this committee to investigate ethical investment policy in general and specific to the heritage trust fund.

I just think that it would be both prudent and best practice by this committee if we do move forward on investigating this. I'm not bringing forward a set of parameters by any means but, rather, just to investigate this as a way to help us make the best decisions on investing the heritage trust fund in an ethical manner. I spoke just briefly to the AIMCo chair, Dr. de Bever, before the meeting,

and he certainly has information that could help direct the researchers in this regard.

My motion, then, is that the committee direct its researchers to investigate the implications of instituting an ethical investment policy for the Alberta heritage savings trust fund.

Thank you.

**The Chair:** Very good. Thank you.

Discussion? Mrs. Jablonski.

**Mrs. Jablonski:** Thank you, Mr. Chair. I would like to note that in 2010 the Alberta Investment Management Corporation became a signatory to the United Nations principles for responsible investing. I think that the principles for responsible investing as laid out by the United Nations achieve the goals that Mr. Eggen is trying to bring forward. Because we are a part of that agreement and because AIMCo makes those decisions using the principles for responsible investment as a guideline, I believe that we are considering the important things for our environmental positions and our ethical investment as well. I believe that we are already participating in that sort of thing with AIMCo.

9:50

**Ms Kubinec:** I would agree with the last speaker on this one.

Also, I think that this is directing researchers, and if we know that we have this policy in place, do we need to have them doing more work, that has already been done?

**Mr. Eggen:** Well, I mean, at the very least I would like to see how that is directly applied to our heritage savings trust fund decision-making. I base this on our discussion from last meeting, where it seemed like it was less than clear. Perhaps they can have latitude in their research, and perhaps that latitude would just be how we are directly applying this UN directive to our investments. That would be good for me. Right? It doesn't have to be a big thing.

**The Chair:** Dr. de Bever, would you like to comment?

**Dr. de Bever:** Yes. Now, further to what the vice-chair said, would it be useful if we provided you with the UN PRI documents to put your mind at ease that this really is part of the thinking that goes into our investment policies? I mean, that would be a good start, I think, and then you can decide whether that's enough.

These policies: you have to be very careful how far you go because sometimes you end up on a slippery slope that involves making decisions on the basis of views that may not be shared by all Albertans. Keeping it relatively high level is probably your best course. But I'm happy to provide the documents if that's helpful.

**The Chair:** Yeah. If those documents could be provided through the clerk, Dr. de Bever, that would be good.

**Mr. Fawcett:** Further to my comments earlier, as part of the Alberta Heritage Savings Trust Fund Act the minister is required to set the statement of investment policy and goals. It was mentioned last meeting – and I think it's true – that the Department of Treasury Board and Finance does not have any specific policies or goals in this particular area but that AIMCo has through their own operations adopted some of those, as Mrs. Jablonski mentioned.

Again, the minister is responsible for setting those goals, and as part of the overall review and consultation we are doing on the heritage trust fund, I'm sure those investments policies and goals will be reviewed and amended as part of this process.

**The Chair:** All right. Thank you.

We'll go to Mr. Anderson, then Dr. Sherman.

**Mr. Anderson:** Thank you, Mr. Chair. I will support this NDP amendment for the second time in the same meeting. That's a record for me. I think that this is fine. You know, we have researchers. I think it's a healthy thing for them to be doing something, and I think that this is a very good start.

The United Nations sometimes gets it right, and sometimes maybe their viewpoints don't line up completely with what Albertans are thinking with regard to what's ethical and what's not ethical. I think that it's incumbent upon us as the elected members of the people of Alberta to make sure that what the UN is saying and, therefore, the policy that we have in place right now pertaining to our investments in the heritage fund is in line with the values of the people of Alberta, whether it's women's rights or whether it's environmental issues or what have you. There's a whole gamut of things.

It could be that after looking at this, it's just fantastic and that our values in Alberta are the same as the United Nations' values. That could be the case. But they might also be a tad different. I think that it would be a very good use of research resources to investigate whether that is the case and maybe have a really open discussion or discussions in this committee once we have that information at our fingertips.

Perhaps the researchers could also look at other jurisdictions. What is Norway doing? What do they do with their fund? What does Alaska do with their fund with regard to this? Do they just use the UN standards, or are there other standards that they have in place? Just take a look at some of those other jurisdictions and how they've handled it.

**The Chair:** I think it's important that we get that information from Dr. de Bever first, just as a comment.

We'll go Dr. Sherman, then Mr. Casey. Then we're going to the question.

**Dr. Sherman:** Thank you, Mr. Chair. This is an important point. Just as we want our children to get an education and be in an honourable profession and career and earn an honest living versus selling drugs and having a dishonest living, it is important to set the moral bar. As the hon. member said, there are many in the United Nations that are very honourable nations, and some could do a bit better job. What are your checks and balances with respect to investment policy? Some nations, unfortunately, in the United Nations employ child labour; some have flagrant human rights violations, horrible environmental regulations and violations. What are your checks and balances in where you invest? If sometimes a mistake is made, have you had problems? How do you rectify those situations?

**Dr. de Bever:** Eighty per cent of it is common sense. In other words, it isn't good business to associate with companies that have environmental issues or, you know, in some way violate the standards of the community in terms of how they handle child labour or whatever. What I've found is that there is a lot of grey. For instance, we had a discussion before this committee. Norway objects to investing in General Dynamics because it makes war material, but they fly F-16s. To me that's a bit of a double standard, and that's often where you find yourself. You have to be consistent in terms of how you approach things. What we do in many cases is no more than just say: look; I don't want to be associated with a company that is so far out in left field that it becomes a problem.

Now, are there circumstances where you do have issues? Look at Apple. Apple had an issue with their manufacturer in China. I think those kinds of situations are best resolved by engaging a company and trying to make a change. The exclusion principle on responsible investing isn't always the most productive. In fact, a number of organizations like ours stay involved with companies that have problems to try and resolve them by engagement. There are different tactics you can follow.

You have to be careful in terms of what kind of instructions you want to give us because it may limit our ability to promote the objective that you're trying to achieve, which is better stewardship and better ethics and less child labour and so on. That's the point I'm making. I can't think of any company we're involved in that anybody in this room would say, "Well, that is just patently beyond the pale; you shouldn't be investing in this," but it's almost self-selection.

When a problem arises, we engage services that make us aware of particular situations, and we take their recommendations seriously. We don't always agree with them because there is a lot of grey, but you should be comforted that we do look at this and we do have people who look on our behalf towards ferreting out where the problems might be.

**Dr. Sherman:** Is that information that can be made available? Is that made available publicly?

**The Chair:** Dr. de Bever has already committed to supplying that information to the committee through the clerk.

**Dr. de Bever:** Which information are we talking about specifically?

**The Chair:** Dr. Sherman, what are you looking for specifically?

**Dr. Sherman:** These instances, actions that you have taken: is it standard policy for you to report that publicly somewhere or to inform the members of this committee?

**Dr. de Bever:** Well, us not investing is not a reportable event. Us making an investment is a reportable event. We can have a discussion if there is a conflict over an investment, but we don't have anything outstanding that says that we deliberately are not investing in this.

**10:00**

The only one that is outstanding is a directive by the government not to have any active positions in tobacco. In other words, the government has a lawsuit against tobacco companies, and we've been instructed to stay away from tobacco stocks other than to the extent that they're involved in market indices. So say you have a Canadian stock market index and there's a tobacco company in there, to the extent we get our exposure through market swaps, we don't exclude tobacco, but we don't have any active exposure to tobacco. That's the only directive that we have received from government.

**Dr. Sherman:** Okay. Thank you.

**The Chair:** Thank you, Dr. de Bever.

**Mr. Casey:** I guess this motion really makes the assumption that there is no policy in place right now, and what I'm hearing is that there is, but the committee simply hasn't had access to that information. So I think what Dr. Sherman was just saying was, in fact, the same thing, that we would like to know what that policy is, what that direction is, and what drives that decision-making. This motion talks about researching to "investigate the impli-

cations of instituting . . .” Well, that’s making the assumption that there is nothing there. So this motion is really redundant if, in fact, there is a policy there. Let’s find out if there is a policy before we put a bunch of people to work needlessly, because I happen to believe our researchers do have things to do.

**The Chair:** Thank you, Mr. Casey.

The motion is that

the committee direct its researchers to investigate the implications of instituting an ethical investment policy for the Alberta heritage savings trust fund.

All in favour of the motion? Opposed? The motion is defeated.

We’re going back to the annual report now. I did have a couple of other questions, but that was some time ago. Mr. Sandhu, do you still have a question on the report?

**Mr. Sandhu:** Thank you, Mr. Chair. To continue my earlier line of questions, interest rates have remained near historic lows across the western world for some time now, lower and longer than I think anyone could have predicted even three years ago. What strategies has the fund adopted to account for this seeming, at least over the near term, new normal?

**Dr. de Bever:** I’m not sure there is a new normal. I just gave a presentation to Finance about the things that keep me awake at night. The problem is that we may be at one of those junctures where there’s going to be some big shifts. We have a concern about the bond market because, obviously, with yields at zero on German bonds, for example, and very low rates in North America, that can’t be sustained. Interest rates in the long run have to be positive after inflation, and that means that being in bonds may not be such a good thing going forward. So that concerns me. On the equity side at least in the short run that may be very turbulent, with a trend being flat to down. So these things are concerning. What they imply is a market return on the fund’s assets that is very low in terms of conventional stocks and bonds.

What we’re trying to do about it is hide as much money as we can in places where the return is likely to remain reasonably high. That comes back to the discussion that the associate minister had about unlisted assets and the private sphere, where we think the returns are going to be better for some time than they are in the listed markets.

As I’ve said before in this committee, anyone’s ability to forecast where markets are going on a short-term basis is very limited. We try to do the best we can, but we keep a long-term focus in mind and try to do the best for Albertans in terms of protecting the capital, which isn’t easy. It’s not just currency. It’s what’s happening in bond markets, stock markets, political shifts. The fundamental issue that’s facing us is that a lot of what’s happening is not driven by markets. It’s driven by governments, governments trying to deal in Europe, for example, with fiscal imbalances. The movements that they make have a very big impact on the conditions we face in stock and bond markets.

**Mr. Sandhu:** A supplement. Has the fund changed its equity versus interest-bearing securities balance in response to this shift?

**Dr. de Bever:** Has the asset mix changed? It has changed somewhat. In consultation with Finance we’ve been trying to put more money in unlisted assets because we feel that the illiquidity premium that can be harvested there with good management is substantial, but it has not been dramatic. I would say that on average we’ve tried to put a bit more risk into it because – and this is part of Alberta Finance – a bit more risk, if it has the return, is

advisable. I think on average we’ve marginally increased risk and shifted assets from listed to unlisted assets.

**Mr. Sandhu:** Thank you.

**Dr. Sherman:** Markets go up, and markets go down. Sometimes, depending on what position you’re in, it’s good either way. I’m glad the goal is for AIMCo to actually perform better than the market swing. That’s a good thing. Can you tell me what happens when we don’t perform as well as expected, as the market performs? What processes do you have in place, any accountability measures, to review why we haven’t done so well? And if we do well, what are the rewards and incentives? If you could comment on that.

**Dr. de Bever:** Okay. First of all, the bulk of the return in the heritage fund will always come from markets, so the volatility that you see on one-, two-, five-, and 10-year bases mostly comes from markets. The active strategies, if they work, will be able to contribute 1 per cent, maybe 2 per cent if you’re good. Again, there is volatility in there as well.

Your problem is that we’ve got people at AIMCo that are trying to give you an active return, but the question is: how good are they at doing it? If you reverse the problem and you say, “Suppose I know exactly how good these managers are, what is the likelihood that they still will underperform the market in any given year?” The answer is 40 per cent. What is the likelihood that they will underperform under a four-year basis? It’s still 30 per cent. So what I’m saying to you is that the markets are volatile, but any attempt to do better than market is volatile. I think that we’ve built a capacity at AIMCo now to contribute 1 or 2 per cent extra in the long run. That’s really the reason that AIMCo was founded, to try and do that, but achieving that in any given year is very, very difficult. I mean, we’ve now had two back-to-back years where it’s worked pretty well. But we have humility as a corporate value for a reason. Just when you think that you’ve got it all figured out, something will happen to teach you that you don’t.

In terms of the reward system in the long run 95 per cent of the net value-added of the company will go back to the heritage fund and our other clients. A nickel out of every dollar goes to compensate the internal and external managers that we retain to try and achieve this.

**Dr. Sherman:** Thank you.

**Mr. Casey:** I just had a question on the investment expenses: 37 per cent higher than last year.

**Dr. de Bever:** What page? I knew this question was coming.

**Mr. Casey:** Page 10.

**Dr. de Bever:** Page 10. Okay.

**Mr. Dorward:** Page 36, line 7.

**Mr. Casey:** Okay. But page 10 in the report.

**Mr. Dorward:** More detailed.

**Mr. Casey:** I know; nevertheless, 24 per cent higher than the budget. I’d like some clarity around what exactly is included in expenses for equities and inflation-sensitive. I’d like to understand that. Also, the administration expenses went from \$7 million to \$9 million in a year when we didn’t have the performance, so I’m just

curious as to why the administration expenses would have gone up \$2 million.

**10:10**

**Dr. de Bever:** Okay. There are a couple of aspects to this. As we discussed earlier, the asset mix has shifted towards more labour-intensive unlisted assets, so that causes the unit costs, even if we do it very well, to go up. Now, we've taken some measures to reduce that in the sense that when we do things internally, it's only one-third to one-fifth of the costs compared to doing it externally. But it's still true that if you shift from simply stocks and bonds to private equity or infrastructure or mortgages or whatever, the cost is higher. So that's one component.

The second component is that in a year like last year when performance relative to market is good, the performance component of fees and costs goes up, right? That's good because, as I just said, if 95 per cent of any incremental return goes back to the clients, that's a positive.

The third thing is that, as we indicated, as you shift to unlisted, you have a start-up cost. As you're buying assets and creating new structures to do that, there's a fixed cost to that: legal, organizational, and in some cases, something called a J-curve effect, meaning that when you're aiming for a higher long-term return, what you're buying into is higher short-term cost to achieve that. So you're seeing all those things going on here.

The other thing to keep in mind: in some cases it's not just costs that matter; it's costs relative to what you get for them. In a number of cases we've invested, for instance, on the mortgage side. The move into the United States yields us an extra 250 basis points, or 2 and a half per cent, but it costs us an extra half a per cent to do that. So if you look at just costs, that doesn't look very good, but if you look at it in terms of returns relative to costs, it works well.

All of those factors were at play last year. I think in the long run you should expect that we will run a fund like this for about .4 or .5 per cent annually. That would tend to be the long-run cost. It's primarily driven by the choices that we've made in the asset mix allocation because the assets that have been emphasized have a higher cost of operation.

**Mr. Casey:** Thank you.

**The Chair:** Mr. Dorward.

**Mr. Dorward:** Thank you. Mr. Casey prudently covered my question.

**Mr. Casey:** Great minds think alike.

**The Chair:** All right. Mrs. Jablonski.

**Mrs. Jablonski:** Well, thank you, Mr. Chair. I would like to note, as stated at the beginning of this meeting by Associate Minister Fawcett, that for the 2011-12 fiscal year the heritage fund earned \$798 million, an 8.2 per cent return. That's about seven times higher than what my savings account earned at the bank. As of March 31 the fund's fair value of \$16.1 billion was \$800 million higher than last year. I think these are very admirable results, and I thank you and congratulate you, Dr. de Bever, and AIMCo. I also want to express my sincere appreciation for your many sleepless nights. They obviously have contributed to what I consider to be an outstanding performance. So thank you very much.

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

**The Chair:** All right. Thank you.

Now we need to approve the report, but there is one very small change on page 6 of the draft, second paragraph, and it's simply that it's suggested that the annual meeting held in October of 2011 "was televised for the first time." It was actually televised for the second time. I think that Lethbridge was televised. A small error there. So we need a motion that

the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2011-12 Alberta heritage savings trust fund annual report as circulated, with that one revision.

**Ms Kubinec:** Okay. All in favour? Opposed? Seeing none, the motion is carried.

All right. Item 6, the public meeting. Under section 6(4)(e) of the act the committee is required "to hold public meetings with Albertans on the investment activities and results of the Heritage Fund." Since 2000 one public meeting has been held per year. Looking ahead, we're going to need to make some decisions today so that the committee staff can proceed with making the necessary arrangements. So this is sort of just keeping Albertans informed about what's going on with the fund. We'll chat a little bit further on that.

Being the only member that was on this committee previously, I did have the opportunity of attending the Lethbridge meeting and the Edmonton meeting, and they're very informative events. The annual public meeting is usually held in October before the fall sitting of the Legislature. We don't need to set a specific date today, but I would encourage members to keep this in mind. Once the availability of a meeting facility has been determined, then the committee clerk will poll the members for their availability.

What we do need to do is set the location for the meeting. Over the past few years the meeting has been held in various locations around the province. You should have in your information a list that we pulled off of those locations where the meetings have been held in the past.

The previous committee felt it would be appropriate to hold a meeting in Edmonton to save travel costs and since there's been a decision to broadcast these public meetings on Shaw TV. That was done successfully for two years in a row. There were also other means for the public to participate during the meeting last year, which we'll hear about in the communications plans.

I do need a motion that the 2012 annual public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be held in Edmonton in October 2012.

**Mrs. Jablonski:** Do we have discussion before or after that motion is made?

**The Chair:** We can have some discussion right now.

**Mrs. Jablonski:** Mr. Chair, I note that in 2011 a meeting was held in Edmonton. I understand the concern about travel costs, especially right now, but I would suggest to you that for the greater good of the province Red Deer is a more central location, available to Calgary and Edmonton and many rural areas. So I would suggest that we hold the meeting in Red Deer. We also have great Shaw facilities as well.

**The Chair:** Thank you.

**Ms Kubinec:**

**Ms Kubinec:** Yes. I'm in agreement that we should be moving it around the province – I feel quite strongly about that – but I was thinking Grande Prairie myself. Just to have that presence around the whole province, even though it's more expensive, I think is worth it. Albertans deserve it.

**The Chair:** I'll just relay my own experience. Thinking back to the Lethbridge meeting, we had our whole committee and staff fly down to Lethbridge at, I would think, some significant expense. We rented a small auditorium/studio at the University of Lethbridge, I think it was. It was on one of the campuses.

**Mrs. Dacyshyn:** The city of Lethbridge.

**The Chair:** Okay. Sorry. City of Lethbridge.

It was quite a production and, again, probably a fairly expensive one. I'm going to let Tracey Sales speak to this after, but I think our total attendance was six people. So, really, the value was in the live streaming and the televised more than the actual physical location. I don't recall what the attendance numbers were in Edmonton.

Tracey, could you just speak to how we sort of arrived at this?

**Ms Sales:** Yes. Thank you, Mr. Chair. Certain locations will facilitate the technological aspects a little bit easier than others. That being said, a larger centre is really all we require, so that doesn't necessarily prevent the committee from moving the meeting. It would just assist with the technological aspects if we chose a larger centre.

**10:20**

That being said, the turnout at the Edmonton meeting was around 20 people actually at the meeting. What we've sort of been focusing on in the past three years is less on the actual participation at the meeting and focusing more on reaching Albertans beyond the public meeting through the television broadcast as well as through the live stream. The live stream last year had 60 people at any given time. Of course it goes up and down, but I think 60 was the maximum. So we've been focusing more on those aspects as opposed to people showing up to the actual public meeting because it's been our experience that that hasn't been as successful.

The other thing to keep in mind is that as soon as we start allowing people options such as television and Internet access to the committee meeting, they will be less likely to show up in person because we've given them so many very easy options as far as how to participate.

Those are a few things for the committee to think about.

**The Chair:** What's the estimated television audience? I'm not sure if you said, Tracey.

**Ms Sales:** Oh, I'm sorry. The first year it was 6,000, and last year it was 5,000.

**The Chair:** All right. Very good.

**Dr. Sherman:** Chair, I have the solution to your problem. We want a diverse group of people from all over the province to attend. We need to be able to broadcast it. I just happen to know this fantastic mall in the west end where people from all across the nation, the world, and this province, tens of thousands each and every day come. It just so happens to be in the constituency of Edmonton-Meadowlark. We also have Shaw studios in town. That will restrict our cost. We can advertise it in the mall. We can advertise it on the television and the radio. There are radio stations in the mall. I suggest we hold it in Edmonton-Meadowlark at the mall.

Thank you.

**The Chair:** Okay. Well, we'll get a plug from every member about having it in their own constituency, obviously.

**Mr. Anderson:** Well, if we hold it at the water park and everyone wears a bathing suit, I think we actually could increase the total amount of participation if we advertise that.

**An Hon. Member:** Decrease.

**Mr. Anderson:** Oh, decrease.

As much as I would love to have it in the booming metropolis of Airdrie, I actually think that I agree with the chair on this. You know, we don't move the Legislature around. We don't hold it in Calgary and then in Lethbridge and then in Red Deer. We hold it in Edmonton. From a cost basis I think that if we can save some money out of the budget by holding it here, the real key is to make sure it's very well advertised for online, television, et cetera. That's where people are really going to do that. Instead of flying people around, if we could save some money to maybe better advertise it and do more to get the word out, I think that would be a better use of funds.

**The Chair:** Okay. Just to repeat, I think that if we'd had stronger attendance numbers at some of the out-of-town meetings, then we could probably justify it, but it does sound like most of the audience, if you like, is not on-site.

I'm going to go back to that motion that

the 2012 annual public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be held in Edmonton in October 2012.

I need somebody to move that.

**Mr. Anderson:** I'll move it.

**The Chair:** All right. Mr. Anderson. All in favour? It's carried. Thank you.

Okay. We'll need to communicate that – good point, Mr. Anderson, about advertising – so at this point we'll invite Tracey Sales, communications consultant with the Legislative Assembly Office, to present a brief overview of the communications plan. Then we'll open the floor to questions after that, brief ones as the clock is ticking down a bit now.

Tracey.

**Ms Sales:** Okay. Thank you. Before I dive right in, I just want to mention that I did ensure that the plan was general in scope just to allow for the possibility of a location change, so there is a little bit of allowance for refinement following this meeting once I take a look just simply because it is in Edmonton again. That being said, the initiatives that I'm recommending are very similar to what we did last year because it did prove successful.

We are talking about promoting the public meeting locally. That would of course be within the city of Edmonton. We're talking about possibly promoting through the meeting site. We haven't yet chosen a venue, of course. However, in the past some of the venues that we have chosen have proven to be extremely active as far as community events and that sort of thing, so we will explore any options that they can provide us as far as promoting the event, whether it be through their own signage, their websites, or the site itself.

The statistics card is something that we've actually been using for quite a few years now. It's just a very small factual card that we hand out to the public. It has a little overview of how the fund is doing and a brief background statement. It's just a very quick and easy reference for the public to have information, and it drives them to the website for further information on the fund.

As I was saying before, one of the goals is to extend the reach province-wide, so of course we are recommending the broadcast

on Shaw once again. We're also recommending that we promote public participation online, so with the broadcast we would also recommend live streaming it. As well, integrating the online chat option proved very successful at last year's meeting. It does allow those not at the meeting to not only see what's going on but to actually interact with the committee, which, I think, is one of the things the committee would like to encourage.

In order to let the rest of the province know that they can access this meeting beyond the borders of Edmonton, we will ensure that it is advertised province-wide, so we are recommending that there be province-wide newspaper advertising as well as online advertising to supplement. Shaw has agreed to again help with promotions through their network – and they have done that for us pro bono for the last couple of years – so we will have the television advertising for that on Shaw as well. Of course, there will be certain situations that require media relations and those sorts of components, so we'll make sure that those are covered throughout the process. We will ensure that all the information is posted to the website for this committee. Then we will measure the results once the meeting is over.

That will take us to an estimated \$44,600 for the communications budget.

**The Chair:** All right. Thank you.

Are there any questions? Mrs. Jablonski.

**Mrs. Jablonski:** Thanks very much for that. The update statistics card is always a handy thing, especially for MLAs to hand out to their constituents. I know that in my constituency there is a lot of interest in our heritage savings fund. I have two questions. The first one is: how are the 5,000 that you have in your budget here distributed to the public? Secondly, I wonder if you could consider doubling the amount that you produce, depending on where those 5,000 go, and maybe providing each MLA, all 87 of us, with a number of cards to have for us to distribute in our own constituencies.

**Ms Sales:** Thank you for that question. I believe in the past we have ensured that these stat cards were updated far ahead of the meeting, and I believe that we have actually mailed them out to the constituency offices for MLAs. That being said, the actual amount that is sent to each, I think, was maybe about 50. If there is interest, we can definitely extend the print run and produce more.

Once we have distributed to the MLAs, the remainder have always been brought to the public meeting and handed out to the public there. We can definitely increase the print.

**Mrs. Jablonski:** Thank you. I would suggest that you look at the number that you're producing and ensure that all MLAs do receive a number of cards, as you have done in the past, so that they can hand them out to their own constituents and, of course, have enough for the public meeting as well. We've increased our number of constituencies, our population has increased, so you might want to look at that number.

**Ms Sales:** Okay.

**The Chair:** Very good. Thanks.

Mr. Dorward.

**Mr. Dorward:** Yeah. I second everything you just said. I think MLAs are to represent the individuals in their area. I know that in my area, if I make it a point to do this – and I'll have a comment to the chair, perhaps, on that – I could probably give away 200 or

300 or 400 of those cards to people if I got them by, say, August 15 or the end of August and I had six weeks prior to the meeting and they had an invite to the meeting right on there with some financial information of what's going on and the highlights. That would be extremely attractive for me to be able to take to a seniors' location or whatever it is in the area. So I definitely would like to get more cards, for sure.

**10:30**

Then, also to the chair, I wonder if it would be appropriate to send a request – I don't know if request is the right word – or suggestion to the MLAs throughout the province that they touch, if you will, if I could use that word, the heritage savings fund two to eight times in that six weeks from the end of August till the meeting in their speeches or their interactions. Let's mention it when we're out and about so that we would get people aware that this meeting is being held and that they should interact with the meeting as Albertans. If we encourage MLAs to do that in that period of time, I think that we will increase the number of people that understand the fund better and see the results of it and the good things that are there for Albertans to benefit from in the fund in the future and provide feedback to us as legislators.

**The Chair:** I think that's a very good suggestion. I think it's incumbent on all of us, not just committee members, to be promoting this event, for sure.

Dr. Sherman.

**Dr. Sherman:** Thank you. I wonder. A quick, inexpensive way to advertise through the MLAs' offices would be – you know, many of the incumbent MLAs' offices, and I don't know about the new ones, have hundreds if not thousands of people who have sent us e-mails. If you can send an e-vite to every MLA office, with the push of a button we can disseminate it, and people can actually look at it and use technology. It will cost you a little bit of time and a push of 87 buttons, and we can invite tens of thousands of people.

**The Chair:** All right.

**Mr. Dorward:** Do we have a Twitter tag for the heritage trust fund?

**Ms Sales:** We do not. However, there are social media options that this committee can explore that may be provided through the larger Legislative Assembly, so we will definitely look into that.

**Mr. Dorward:** Can you advise us of one and work on that and develop that? In my tweeting I can start firing that out and see if we can develop a bit of a following within the Twitter world.

**Ms Sales:** This is very good. Thank you very much. I really appreciate that this committee has chosen to be very actively involved in the promotion. Knowing now that you are all willing to participate, maybe what I can do is come up with a few initiatives and supplement the plan, and then we can e-mail it to the membership, and then that way we're very strategic in our direction, if that's all right.

**The Chair:** Sounds like a good idea, good suggestions.

I do actually need a motion to move forward with that, that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2012 communications plan, and we'll call that "as revised" because of the suggestion of the e-vite and Twitter and Mr. Dorward's suggestion that we as MLAs also become involved in that.

**Mr. Eggen:** Just to get clarification, the date has not been set yet.

**The Chair:** The date has not been set.

**Mr. Eggen:** But it will be in October in Edmonton.

**The Chair:** We'll be aiming for some time during the two weeks before the session starts. Okay?

**Mr. Eggen:** Okay. Perfect. Thanks.

**The Chair:** So depending on facility.  
Mr. Fawcett.

**Mr. Fawcett:** Just wanted to make a comment that because of the work that we will be doing through the Department of Finance and Treasury Board as well on this, we'll make sure that the department is working in conjunction to make sure that, you know, people aren't confused about any consultations that might be happening over here or whatnot and that it's very clear as to what's going on and what the event is and is not.

**The Chair:** Good point. With all that going on, we might need that whole water park after all, Mr. Anderson.

I do need somebody to move that motion. Mrs. Jablonski. All in favour? All right. It's carried.

Then, also, because of the summer break we do need to get that responsibility down to a smaller group, so I need a motion that the Standing Committee for the Alberta Heritage Savings Trust Fund authorize the chair and deputy chair to work with the communications consultant and approve advertisements and any other public meeting materials which may be required prior to the committee's next regular meeting, which will be in September.

**Ms Kubinec:** I'll make that motion.

**The Chair:** All right. Ms Kubinec. All in favour? That's carried. Thank you.

Just for information, Alberta Treasury Board and Finance is responsible for the Alberta heritage savings trust fund website and have been asked by previous committees to provide quarterly updates on the usage or hits on this site to help track public interest in the fund throughout the year. Unless members do not wish to receive these brief updates, we will continue with this practice. A memo addressing website hits for the period of January to June 2012 was included with this briefing material for the meeting. Are there any questions on that? Mrs. Jablonski.

**Mrs. Jablonski:** Mr. Chair, I'm totally amazed with these statistics that have been presented to us. I'm looking at all the numbers of the people in Edmonton, Calgary, Toronto, Vancouver, Red Deer, Lethbridge who have looked at our website and am amazed that every time I go on the website somebody knows that I'm looking at it. I guess that's what technology does for us.

The one question that I would have if somebody can answer this for me, please. On a number of pages – pages 4, 6, 8, 10, 11, and 14 – in the charts they show, first of all, the number of visits, and to date we've had 7,700 visits. The duration of the visits is about one minute and 44 seconds. The new visits are about 75 per cent, and then there's a bounce rate. I don't understand what bounce rate means. It's a bounce rate of 58 per cent, but I don't know what it means. Can somebody tell me what bounce rate means in the Google analytics for our website?

**The Chair:** Very good. Mr. MacDonald.

**Mr. MacDonald:** Thank you, Mr. Chair. I'm actually just filling in for somebody who's ill today, but I will endeavour to get that information and get it back to you through the chair if that's okay.

**Mrs. Jablonski:** That's good. Thank you.

**The Chair:** All right. If we can do that through the clerk, that would be great.

Okay. On other business Tracey Sales has some information in response to Mrs. Jablonski's question last week regarding the cost of a householder to inform Albertans about the heritage fund. Tracey.

**Ms Sales:** Thank you. I believe you've all received a copy of this. Basically, with the committee clerk's assistance we looked back into the history of this committee, and we actually have not done a householder. We have done mail-outs to specific locations with the goal of promoting the public meeting, but we've never actually done a general householder. I also contacted Canada Post, and there is an estimate for what a householder would be. Of course, this is very general. Based on an 11 by 17 sized householder, the basic pricing would be about \$144,335.58. As I was mentioning at the last meeting, in the past we have chosen not to do such an initiative simply because it was cost prohibitive.

**Mrs. Jablonski:** Thank you, Tracey, for that information. It's really important information and very expensive. But with our Department of Finance going forward and doing consultation with the public, perhaps it's something that I could discuss with the department about producing some materials that would go to all households regarding the heritage savings trust fund in conjunction with what they're doing. I would be satisfied at this time to not pursue this with this committee; however, it's something that I still feel strongly about, just maybe not through this avenue. Thank you very much for that information.

**The Chair:** A couple of other questions.

**Mr. Anderson:** I do applaud Mrs. Jablonski on finding out this information. I think it is important that Albertans understand their heritage savings trust fund. I think this is a little bit cost prohibitive myself, so I agree wholeheartedly with what Mrs. Jablonski just said.

**10:40**

I know a lot of us have e-mail lists that people can register for so that if an MLA has a newsletter or something like that, they can send out that information. These can range from, you know, a few hundred to a couple of thousand people per MLA, depending on the MLA. Is there something we could do where we could allow people to sign up for a regular e-copy of an update so that they could get the information kind of guaranteed? They could forward it to their friends and colleagues if they want. If they're in the financial sector, maybe they'll have more interest. Whatever the case is, they could actually go onto the site, type in their e-mail address, and then that would just become part of a building e-mail list. You could update people that way, essentially with no cost. Has any thought been given to that?

**Ms Sales:** No, not by communications from my office. Generally speaking, we support the public meeting primarily in the promotion of the public meeting. That being said, based on what you're saying, my thought right now is that once we explore the



social media avenues, that actually might be a really good way of disseminating information, as you say, simply because we're inviting people to become a friend of our site or to follow tweets from the Legislature and those sorts of aspects. That could actually be used as an avenue to sort of achieve what you're suggesting as well. So definitely we can try to achieve what you're suggesting, I think, through some of the initiatives that might already be in the plan.

**The Chair:** Mr. Anderson, we do also post a stats card on the committee's website. I'll get the clerk to maybe expand on that.

**Mrs. Dacyshyn:** Well, I just wanted to point out that the stats card is there, so anyone who wanted to actually find the information could do so by logging onto the committee's website. It's posted on the government's heritage fund website as well. I just wanted to point that out.

**Mr. Anderson:** That's awesome.

Just as someone who has a little bit of a background in marketing, it really is very effective if you actually get people to proactively sign up because people are just so busy that they generally aren't going to log on. If something pops into their mailbox, you know, it tweaks their interest. It allows them to get some information every quarter, every year and then pass that on to their friends. And it's dirt cheap.

**The Chair:** Any comments?

**Mr. Fawcett:** I think that this is something that the Department of Treasury Board and Finance can look into as well.

In addition to that, I think that one of the pieces that we are looking at doing over the next six months is providing a strong education campaign about the heritage trust fund and not just that but from an overall government perspective some of the other savings and endowment funds that we have.

**Mr. Dorward:** Bounce rate is the percentage of individuals that did not go past the first page. So they looked at the first page, and they didn't go beyond that. A low bounce rate means you've enticed people to continue inside the site.

Just a question on the cost of the householder. Is that first pricing? And it's okay if you don't know the answer to this specifically, but you know how people have "no junk mail" on their mailboxes. Does it actually get to everybody because Canada Post will put it in a mailbox that says that they don't want junk mail, unaddressed mail, or is this not going to get to everybody anyway because Canada Post will not put it in mailboxes that say that they don't want unaddressed mail like junk mail? Do you know the answer to that one?

**Ms Sales:** Specifically, no. I do know that this would be considered an unaddressed ad mail campaign although I don't believe that it would be considered junk mail.

**Mr. Dorward:** But during an election time, for example, Canada Post does put election-related information into mailboxes that say that they don't want junk mail.

**Ms Sales:** Right. That as well would be considered an unaddressed ad mail campaign.

**Mr. Dorward:** Right, but we're not in an election time. I just wanted to know – my comment was that I don't think that this is necessarily getting to all Albertans anyway if it doesn't go into everybody's mailbox. My understanding is that there's about 22 per cent or something like that that say that they don't want it and that may not get it because Canada Post may not deliver it. Therefore, it's not in these numbers.

**Ms Sales:** Well, thank you for the comment. I'm not positive, but I believe it would not be considered junk mail.

**Mr. Dorward:** Yeah. You'd want to probably find out if it's really getting to everybody if you did walk down this route.

**The Chair:** Good comments. Thank you, everybody.

**Mrs. Jablonski:** Just a question. I hope this is an appropriate time to ask it. You know, I'm very excited about the return that we have showing in our draft report for the heritage savings fund. A question of confidentiality. Are we required to not post this yet on Twitter or Facebook until it is distributed to MLAs in the Legislature? What is the process or the rule here? Can we go ahead and let everybody know the great news, or do we have to wait till we make sure that the Legislature and the MLAs receive the report?

**Ms Dean:** Mr. Chair, would you like me to speak to that?

**The Chair:** Please.

**Ms Dean:** I don't have the act in front of me, but I believe it's section 16 that provides that the committee is obligated to provide the report to Members of the Legislative Assembly, and upon doing so, it becomes public.

**Mrs. Jablonski:** So then we shouldn't put anything on Twitter or Facebook or anything until we take that step. Is that correct?

**Ms Dean:** That would be correct.

**The Chair:** Okay. Thank you.

Are there any other business items? All right. Well, that being the case, the next meeting will be at the call of the chair, likely mid-September. Then we'll review the first-quarter report on the fund for 2012-13 as well as the action plan for the public meeting. Again, that will be early September.

If there are no further questions, then I need a motion to adjourn, please. Mr. Sandhu. All in favour? Thank you, everybody.

[The committee adjourned at 10:47 a.m.]





