



Legislative Assembly of Alberta

The 28th Legislature  
First Session

Standing Committee  
on the  
Alberta Heritage Savings Trust Fund

Annual Public Meeting, Edmonton

Wednesday, October 3, 2012  
7 p.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

Anderson, Rob, Airdrie (W)  
Casey, Ron, Banff-Cochrane (PC)  
Dorward, David C., Edmonton-Gold Bar (PC)  
Eggen, David, Edmonton-Calder (ND)  
Kubinec, Maureen, Barrhead-Morinville-Westlock (PC)  
Sandhu, Peter, Edmonton-Manning (PC)  
Sherman, Dr. Raj, Edmonton-Meadowlark (AL)

**Ministry of Treasury Board and Finance Participants**

Rod Babineau	Manager, Portfolio Analysis, Capital Markets
Rod Matheson	Assistant Deputy Minister, Treasury and Risk Management

**Alberta Investment Management Corporation Participants**

Leo de Bever	Chief Executive Officer and Chief Investment Officer
A.J. (Pine) Pienaar	Senior Vice-president, Client Relations

**Office of the Auditor General Participant**

Merwan Saher	Auditor General
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**Standing Committee on the  
Alberta Heritage Savings Trust Fund**

**Public Participants**

Lillian Babiuk  
Petros Kusmu  
Lillian Shirt  
Jim Wood



7 p.m.

Wednesday, October 3, 2012

[Mr. Quest in the chair]

**The Chair:** Good evening and welcome. Thank you for joining us this evening to talk about the future of your Alberta heritage savings trust fund. My name is Dave Quest, MLA for Strathcona-Sherwood Park and chair of the Standing Committee on the Alberta Heritage Savings Trust Fund. Welcome to the 2012 annual public meeting of the Alberta heritage savings trust fund.

Before we begin this evening's meeting, I'd like to introduce you to all of the members of the standing committee. To my right is Mrs. Mary Anne Jablonski, MLA for Red Deer-North and deputy chair of this committee; Mr. David Dorward, MLA for Edmonton-Gold Bar; to my left Mr. Rob Anderson, MLA for Airdrie; Mr. David Eggen, MLA for Edmonton-Calder; Mr. Ron Casey, MLA for Banff-Cochrane; Dr. Raj Sherman, MLA for Edmonton-Meadowlark; Ms. Maureen Kubinec, MLA for Barrhead-Morinville-Westlock; and Mr. Peter Sandhu, MLA for Edmonton-Manning.

The Standing Committee on the Alberta Heritage Savings Trust Fund is an all-party committee of the Legislative Assembly. In a nutshell, we review and approve the performance of the fund and report back to Albertans and to the Legislative Assembly.

The President of Treasury Board and Minister of Finance is ultimately responsible for the fund and its investments. The department looks after setting the fund's long-term strategy, developing its investment policies, and monitoring the performance of its investments. Joining us on stage from the Department of Treasury Board and Finance are Rod Matheson, assistant deputy minister, treasury and risk management, and Rod Babineau, manager, portfolio analysis.

The Alberta Investment Management Corporation, or AIMCo, is responsible for making and managing the investments in stocks and bonds and other investment instruments within the fund's portfolio. Joining us from AIMCo are Dr. Leo de Bever, CEO, and A.J. (Pine) Pienaar, senior vice-president, client relations.

Tonight's meeting is being broadcast live on Shaw TV and webcast on the Legislative Assembly website. We encourage all those watching from home to contribute to our discussions through the online chat at [www.assembly.ab.ca](http://www.assembly.ab.ca) during this live broadcast. Just submit your questions, and the committee will endeavour to respond to and answer as many questions as possible in the time allowed.

We look forward to receiving your questions and turning the tables on you for a while. During the question-and-answer portion we'll be putting Albertans on the hot seat with a couple of questions of our own. We want you to help direct the future of your heritage trust fund. You can also have your say by answering our short online questionnaire at [www.assembly.ab.ca](http://www.assembly.ab.ca).

This meeting is being recorded by *Alberta Hansard*, and transcripts from this meeting will be available online.

Tonight's presentation will cover the history, the mission, and the future of the heritage fund as well as long-term performance.

I'd now like to start our presentation, so we'll turn the presentation over to the committee's deputy chair, Mary Anne Jablonski, to take you through the background.

**Mrs. Jablonski:** Thank you, David. The heritage fund was started in 1976 and has been a unique aspect of Alberta's finances for over 30 years. No other province has such a fund. From 1976 to 1983 the fund grew as 30 per cent of the province's oil and gas revenues went into the fund. From 1984 to 1986 the amount saved into the fund was reduced to 15 per cent of oil and gas revenues

due to the increasingly difficult fiscal situation facing Alberta. From 1982 onward all income from the fund has been transferred to the general revenue fund to meet the priorities of the province except for some ad hoc inflation-proofing in 1997, 1998, and 2000 totalling \$431 million.

Since 2005 the government has been making legislated inflation-proofing contributions. There was no inflation-proofing in '08-09 because the fund recorded negative income. There was also no inflation-proofing in '09-10 because inflation was negative; 2011-12 saw inflation-proofing of \$454 million. This year inflation is forecasted, so money will be retained in the fund provided that investment income is sufficient.

The value of the heritage fund depends on the amounts deposited into the fund, the amounts taken out of the fund, and the investment earnings of the fund each year. Beginning in 1986, we started using the fund's income to meet spending priorities, leaving the fund's value fairly flat until recently. The fund had grown to \$17 billion in 2008, its highest ever level, but was impacted by the 2008 market crash.

I'll now turn things over to Mr. David Dorward, MLA for Edmonton-Gold Bar, to take you through the income of the fund.

**Mr. Dorward:** Thank you very much. On average the heritage fund has earned almost \$1 billion in revenue per year since it was set up in 1976. By law all realized investment income from the fund less the amount retained for, as was mentioned, inflation-proofing is transferred to the general revenue fund of the government to be used to help pay for priorities such as health care, education, social programs, and, of course, infrastructure and capital expenditures.

In 2011-2012 strong performance in the fund allowed the fund to contribute \$344 million after inflation-proofing to programs, services, and, of course, keeping taxes in Alberta low. It's important to note that income from the fund is for the present generation of Albertans while the capital of the fund is for future generations.

The heritage fund has helped put the province in a solid fiscal position, and Albertans will continue to benefit from the fund's contributions. All those billions shown on the last slide add up. During the fund's 30-year history the fund has provided a little over \$33.4 billion for Albertans' priorities, including keeping debt reduced and now nil, health care, education, social programs, and, as I mentioned, infrastructure and capital expenditures.

In addition to that \$33.4 billion I mentioned, there are two additional endowment funds that make social and economic contributions in Alberta. The two important endowment funds, the medical research fund and also the scholarship fund, were funded from the heritage fund itself.

I'll just say a couple of words about both of those funds if I could. The Alberta Heritage Foundation for Medical Research endowment fund was started in 1980 with a \$300 million contribution from the heritage fund. The medical fund has been instrumental in funding research and advances in medical science and also has provided a competitive edge in the biotechnical industry. The medical research endowment fund, in fact, now has a market value in excess of \$1.2 billion.

The Alberta heritage scholarship fund – I'm sure many of you have had interaction with that fund through youth – was established with \$100 million transferred from the heritage fund in 1981. Each year millions of dollars of income earned from the scholarship fund help pay for Albertans' postsecondary education. The fund now stands, in fact, at over \$700 million.

When the government first began to draw on the fund's income, it represented about 13 per cent of government revenues. This

marked the highest relative contribution of the fund towards Albertans' priorities. It was also during this period, from about 1976 to 1982, that the fund saw the most active growth. As Alberta has grown over the years, the relative percentage of the fund's contribution has declined to now about 3 per cent of government revenues, averaging, as I said, about a billion dollars a year in investment income.

Now it's my privilege to turn the time over to Rob Anderson, MLA for Airdrie.

**Mr. Anderson:** Thank you, David, and good evening. I'm going to talk a little bit about the access to the future fund and then also about the mission of the heritage fund.

The access to the future endowment was established in 2005. This endowment was established to provide sustained funding for initiatives designed to enhance advanced education. The investment earnings of this portion of the heritage fund provide this funding. One example of how this money is being used is the development of the Lois Hole Campus Alberta digital library. This digital library will allow postsecondary students and faculty across the province to access the digitized resources and knowledge currently held in the individual libraries of postsecondary institutions. The access to the future endowment was created as a part of the heritage fund rather than as a distinct endowment. One billion dollars of the deposits made to the fund in the last two years have been directed towards this new endowment.

7:10

With regard to the mission of the fund, in the early 1990s Albertans were concerned about the sustainability of investment income. Many Albertans were wondering whether the fund should be sold off to pay down the massive debt that had been accumulated by the province at that time. In 1995 questionnaires were sent to Alberta households asking what to do with the heritage fund. After extensive consultation the government decided at that time that the mission of the fund should be to focus on maximizing financial return to allow current and future generations of Albertans to gain maximum benefit from the fund. The Alberta Heritage Savings Trust Fund Act states that the mission of the fund is to "provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns... for current and future generations of Albertans."

It is also important to note some tough realities. Since the fund was established in 1976, when adjusted for inflation, the fund today is now worth less than it was in 1976. This is largely due to many different reasons, but after the provincial debt was paid off in 2005, surpluses generally were used for spending purposes, and little was put into savings. Interest generated from the fund throughout the 2000s was used and put into general revenues for spending as well on core services. Also, when the fund lost money in 2008-09, the principal that was lost due to the stock market decrease was not replaced, so the fund today is still worth less than it was before the financial collapse of 2008 despite the stock market having fully recovered.

It is my hope and, I'm sure, the hope of everybody in this room that we can renew the vision that the late Peter Lougheed had for this fund, which is to make sure that we are saving for future generations so that future Albertans can enjoy the fruits of the extraordinary resources that we've been blessed with by this province.

I'll now ask Mr. David Eggen, MLA for Edmonton-Calder, to walk you through the governance of the fund.

**Mr. Eggen:** Thanks, Mr. Anderson. One of the principles of governance for the heritage fund is transparency. A detailed business plan is developed and voted on by the standing committee. The plan sets out specific investment objectives, goals, and strategies to achieve the heritage fund objectives expressed in legislation. Herein lies a fundamental problem. The heritage fund legislation limits this MLA group that you see here today to be no more than a caretaker committee, so the heritage fund cannot grow and fulfill its full potential as it was originally intended.

The heritage fund annual report is prepared and published within three months of the end of the province's fiscal year, which is March 31. The annual report provides a comprehensive review of the activity and results for every year. Every quarter an investment report is prepared for the heritage fund. This quarterly report provides information about the investments held by the fund and an overall review of the fund. These documents are always available on the website, [www.albertaheritagefund.com](http://www.albertaheritagefund.com). We have copies here, at the back of this room, or they can be mailed to you.

Another fundamental principle of the governance structure is accountability. This is where this all-party committee comes in. The standing committee is required by law, number one, to review and approve the business plan; number two, receive and review quarterly reports; number three, approve the annual report; number four, review the performance of the heritage fund; number five, report to the Legislature as to whether the mission of the heritage fund is being fulfilled; and number six, hold public meetings with Albertans such as this one here this evening.

This meeting tonight should be a time for us to become, in fact, more accountable and to recognize that Albertans have been very clear that they want to see their heritage fund grow significantly. That's the mission of the heritage fund as laid out by the Alberta Heritage Savings Trust Fund Act. If we cannot save and steward the savings from our nonrenewable resources, Albertans have told us time and again that they want to see the fund grow and provide savings for current and future generations. So that's what we're here to do.

The Alberta Heritage Savings Trust Fund Act sets out a standard of care in the management of investments. Benchmarks are also established to evaluate the performance of the fund's investments. For example, the Standard & Poor's/TSX composite index is used to measure the performance of the fund's Canadian stocks.

I will now allow Mr. Casey, MLA for Banff-Cochrane, to take you through the specifics of investment management.

**Mr. Casey:** Thank you. The legislation governing the heritage fund makes the President of Treasury Board and Minister of Finance responsible for managing the money invested in the fund. This responsibility has three key components: establishing investment objectives and policies under which the fund will be invested, which includes setting the target asset allocation for the fund; implementing the investment policy through day-to-day investment management; and evaluation of investment performance, including evaluation of the investment policies and the implementation of those policies.

In January 2008 the investment division of the Ministry of Finance became a Crown corporation called the Alberta Investment Management Corporation, or AIMCo. AIMCo is responsible for the day-to-day execution of the investment policies set by the government. The responsibility for investment objectives and performance evaluation belongs to the President of Treasury Board and Minister of Finance, who is supported by a team of professionals from the Department of Treasury Board and Finance in meeting this responsibility.

The investment objective of the fund is to maximize long-term financial returns subject to an acceptable level of risk. The fund has a long-term view and tries to look past short-term market turmoil. Strategies are targeted that can generate return on a consistent and repeatable basis.

Meeting the investment objectives of the heritage fund requires a global outlook. Accordingly, the fund's assets are invested around the world in a diversified portfolio of investments, which include stocks, bonds, and real estate. The widely diversified portfolio helps reduce risk but also enables the fund to earn higher returns than it otherwise would.

Cost is an important issue for the fund. The heritage fund's investments are pooled with other AIMCo clients to provide investment efficiencies. As a result of having about \$70 billion under management, AIMCo has a clear competitive advantage, resulting in lower investment management costs and higher net investment returns for taxpayers.

The pie chart illustrates the policy asset mix of the fund. This is the asset mix shown in the heritage fund's business plan. The policy asset mix guides the investment of the fund. Ranges are established for each asset class. This ensures that the fund has investments in each major asset class, which allows the manager the freedom to take advantage of their expertise by increasing or decreasing holdings. The policy portfolio is also an expression of the province's risk tolerance.

The fund has significant investment in equities, including foreign equities, U.S. and non North American, is broadly diversified by country, industry sector, and company, and has a significant component that is managed externally. The fund also has an important allocation to inflation-sensitive and alternative investments, which includes items such as real estate and infrastructure.

It's now my pleasure to pass things along to Dr. Raj Sherman, MLA for Edmonton-Meadowlark.

**Dr. Sherman:** Thank you, Ron. I'd like to welcome all of you to Edmonton-Meadowlark, first of all, and it's an honour for me to be here.

Overall the fund has had a positive performance for 2011 and '12, posting an 8.2 per cent rate of return for the year ended March 31, 2012. The return was largely due to strong performance in real estate and private equities. Every asset class with the exception of Canadian equities has had a positive return over the past year. As you've heard, we've generated a billion dollars, plus or minus, since the inception of the fund.

7:20

Now, growth in the fund is from two sources, performance of the fund and investments from nonrenewable resource revenue. Of course, we want to focus on the long-term performance of the heritage fund. The following chart outlines the historical performance of the fund over the past five years. The five-year results are still carrying two negative years, including the substantial loss suffered during the 2008 credit crisis. The fund has generated a five-year average annualized return of 2.7 per cent, down from the five-year average of 3.5 per cent last year. The heritage fund is expected to generate a rate of return of 4.5 per cent above inflation at acceptable risk levels over a moving five-year period. Over the last five years inflation has averaged 1.9 per cent.

As you all know, there have been challenges across the world in the markets. One major thing we do need to focus on is reinvesting nonrenewable resource revenue in the Alberta heritage fund. We've only invested \$3.3 billion since 1986.

It has been a great fund for this province and a great fund for future generations.

I would now like to turn the microphone over to Ms Maureen Kubinec, MLA for Barrhead-Morinville-Westlock, to explain the resource revenue.

**Ms Kubinec:** Thank you and good evening. It is critical that the fund grow with inflation to retain its ability to be a sustainable source of revenue. Since 2005 the fund has been protected against inflation. When inflation has occurred, money was retained in the fund to protect the real value of the fund. The only exception was 2008-09, when there was no income that was able to be retained. Then in 2009-10 there was no inflation, so no proofing was done. In 2011-12 \$454 million was retained. Future inflation-proofing will depend on income and levels of inflation. Including 2011-12, the fund has accumulated \$2.37 billion in inflation-proofing to protect the fund against inflation, \$431 million prior to 2005 in ad hoc inflation-proofing and \$1,945 million since 2005. Inflation-proofing will continue when required now that the accumulated debt has been repaid.

In the future the income from the heritage fund will depend on capital market returns and the amount of money invested in the heritage fund.

I now invite Mr. Peter Sandhu, MLA for Edmonton-Manning, to bring the presentation to a close.

**Mr. Sandhu:** Thank you very much. Good evening. Looking ahead, Department of Treasury Board and Finance officials continue to work with AIMCo to ensure that the heritage fund is being invested the best it can be. The department recently completed a comprehensive research study on currency exposure in the heritage fund. Risk management remains a priority, and both the department and AIMCo continue to look for innovative ways to both manage and measure risk.

Thank you.

**The Chair:** Thank you, members, for that. Just as a point of clarification the fund has been inflation-proofed every year, so its basic, or principal, value has not shrunk. There have been other avenues of savings that have been taken. In the early to mid-2000s over \$17 billion was saved in a separate fund, called the sustainability fund, to carry us through difficult times, so the surpluses have indeed been saved and invested in infrastructure.

We've been joined by a few of our MLA colleagues here this evening since we started. The Hon. Cal Dallas, MLA for Red Deer-South, the Minister of International and Intergovernmental Relations, has joined us. Good evening, Cal. The Hon. Kyle Fawcett, Associate Minister of Finance, has joined us in the group. Good evening, Janice Sarich, MLA for Edmonton-Decore, is with us. Good evening, Janice. Richard Starke, all the way from Vermilion-Lloydminster, is with us tonight, too. Good evening, Richard. And Bruce Rowe, from Olds-Didsbury-Three Hills, welcome. All right. We'll try to catch any others as they join us.

We now would like to have Dr. Leo de Bever, CEO of the Alberta Investment Management Corporation, talk about the markets, and we'll do the AIMCo presentation. Thank you, Dr. de Bever.

**Dr. de Bever:** Thank you very much. Good evening. As was mentioned earlier, AIMCo was created in 2008, and the objective was to try and deliver, by building a strong internal team, 1 or 2 per cent a year more than markets and stocks and bonds would give us. We've been at it now for four years. We've built a team. We're keeping \$75 million a year inside the province that used to go to outside managers, and in the last two years we actually have

been able to achieve that 1 or 2 per cent extra in a very difficult environment.

I'd like to show you the environment that we're working in right now, how difficult it is, the challenges we face, and what we think we can do to ameliorate some of the mediocre and choppy returns that we think we have to deal with. This is a map of the world showing what growth rates look like in various regions of the world. The story has obviously been that Asia has been growing. It's been trying to catch up with the standard of living that we have, but the rest of the developed world has had a tough time.

You see growth rates in Japan, Australia, Europe, and North America in the 2 per cent range. Europe is negative. I mean, we've all been reading about the fiscal challenges there and the problems with the euro.

In North America Alberta is actually sticking out as a relatively strong area of economic growth. We have a relatively low unemployment whereas in most parts of Europe and North America employment has been a challenge. That's what that last line on the bottom says. We should be growing in the world at 5 per cent. We're only growing at about 2 to 2 and a half per cent. What that means is that there are no jobs for the people that are entering the labour market now.

We expect that this will likely continue for the next three to five years; in other words, very mediocre growth. We think that given all the creation of cash by central banks over the last few years, inflation at some point is going to pick up. We think that interest rates, for a while at least, will stay relatively low. That's because after 2008 I think everybody is a bit risk averse, and a lot of people would just as soon keep their money in cash rather than commit it to the stock market.

Because of that, we face something called the paradox of thrift. It's a term coined in the '30s, and it basically refers to the fact that if governments and consumers and corporations are doing what's in their best interest, the aggregate result will be suboptimal in that there isn't enough employment around to keep the economy growing. Governments are cutting back. Why are they cutting back? They are having fiscal challenges because of pension and health care issues. Consumers are cutting back because after 2008 they realized they had too much debt, so they're trying to save more, spend less. Corporations are not spending the earnings that they are accruing. You may have heard Governor Carney refer to the dead money that that creates. In other words, they're not investing because without growth what's the purpose of putting extra capacity in place if there's nobody to buy it?

We're likely to see weak growth, and that means weak job growth. The difference between the red bars, which is economic output growth, and the blue bars, which is employment growth, is productivity. We need productivity to increase the standard of living, but in the short run when you have high unemployment, it reduces the rate of job creation, so it's a double-edged sword.

What does that mean for the kind of return environment we face? Recently stock returns have been very modest. This chart goes back to 1980. If you put a dollar in the stock market in 1980, by the year 2000, at the peak of the market, that would have grown to \$11. That \$11 would have grown to about \$14 by 2010. You can see enormous gyrations in the markets in between.

The reason for that is that that early phase, where the market ran up, was probably too much of a good thing, and the next chart tries to demonstrate that. Those of you who put money in the stock market have heard of price/earnings ratios. This is a variant of the price/earnings ratio that is cyclically adjusted. It shows you the multiple that you have to pay in the market to buy stocks. When

that multiple is really high, that usually indicates a lot of danger. If you look at this chart, 1929 was a time of danger. You had a spike, and it caused a crash. You had the same thing in 1999-2000. You had a big spike and then a drop-off.

7:30

What's been happening recently is that instead of adjusting to the median line, that light blue line, central banks have been pumping money into the economy and keeping the level of stock prices relatively high. Now you get at that very uncomfortable place where prices are high, earnings are not growing because the economy is weak, so that means that there is probably some risk in the stock market in the near future as well.

Stock markets are choppy, but we still think that over, say, a 10-year horizon they will earn the heritage fund really good money. By the way, if I really knew what was going to happen in the stock market tomorrow, I probably wouldn't be working here. Okay? It's almost impossible to predict on a short-term basis what's going to happen. It's almost easier to forecast on a 10-year basis where stock markets are going, and we feel that given that we're long-term investors, we can afford to stay there.

If you look at interest rates, which is the other part of the asset mix that goes into returns on bonds, we've been in an environment where inflation has been declining. In the '70s inflation was very high. You may recall that in 1980 your bank, if you had a mortgage coming due, would say that if you hurried, you could still renew at 20 per cent. That was because interest rates were high in line with inflation. Then in the '80s inflation dropped; interest rates dropped.

We've now gotten to a level where that's likely to start reversing. Now, why is that? Again, central banks have been trying to prop up the economy. What that means is that sooner or later all of that money that's sitting there in the banking system is going to start to work, and we're going to have an inflationary bias in outcomes.

If you look at the composition of inflation, it's actually quite interesting. If you buy stereos or anything that you can touch, the prices have been relatively modest. The cost of services has been increasing. But the main swing factor has been food and energy, and we expect that to be the case again.

Given that inflation is picking up, that is going to have repercussions for interest rates. To some of you this may seem counterintuitive. Rising interest rates are actually bad for a portfolio of bonds because it basically means that the stuff you bought this year, when it comes due, is worth less, given the high rate of inflation, than what you paid for it in purchasing power. So between 1945 and 1980 was a really bad time to be in the bond market, but since 1980 it's been a terrific time. Bonds have earned more than stocks during most of that period, but that period is going to come to an end because we're now at a level of interest rates that is below the rate of inflation. The best thing that could happen in that market for the next few years is that returns are going to be low. The worst thing is that interest rates are going to rise and that returns are going to be negative. We're very concerned about that.

So given that context, what are we doing about it? We're sticking with very high-quality stocks, stocks that belong to companies that sell products that you have to buy. People have to eat. People have to buy cosmetic products, soap and stuff like that. Those companies tend to have a strong franchise that works no matter whether the economy is good or not. In the bond market we're trying to stay with short-duration, high-quality corporate

bonds because we feel that they are the best protection in case interest rates are going to rise.

We're also trying to find assets or investments that are not correlated with stock and bond markets, but that's a much taller order because the supply of those kinds of products is pretty limited. Then, finally, what we're doing is playing to the strength of the heritage fund, and that is that we can commit a lot of money on relatively short notice for a very long period of time. That can in principle capture something called the illiquidity premium. It's not free – you have to work for it – but it is available and can add 2 or 3 per cent, sometimes 4 or 5 per cent in private equity to the returns you can get in stocks and bonds.

We also are favouring certain sectors because we think that they are likely to do better than most. When you look at the four here, three out of the four play to the strengths of western Canada and Alberta. The first one is food. You know, people have to eat. You have a population that's getting more prosperous in Asia, and they want better types of food. We are 1 of 4 countries in the world that is a net food exporter that supplies into that market. So we're very active in trying to find opportunities that increase the productivity of agriculture because over the next 20 years output has to double in the food sector. Land supply isn't going to double, so the only way to balance that is to increase productivity.

We also feel that energy is a very good place to be. We're probably in the middle of an energy revolution that we haven't seen since 1900. There are all sorts of new technology coming on the horizon, and energy has been in the middle of every change in productivity almost since the dawn of creation when we went from pulling stuff ourselves to having horses and cattle to pull stuff for us.

Then we focus on materials because, again, Asia is building a lot of stuff to bring their economy up to the prosperity of ours. That requires a lot of copper, iron ore, coal, all sorts of materials that need to go into that.

Finally, this is a theme that we have been emphasizing more recently. I think some of the struggle in our economy is due to a very rapid increase in the rate of innovation. It used to be that productivity came about because we produced machines that were more efficient than the ones we used to have. Now we're producing software that is displacing brainpower, and that has tremendous repercussions in terms of changing the price of certain goods and improving the productivity of certain sectors.

I hope I've given you some insight in the fact that, first of all, we have a very tough environment to work in, that we have a strategy in place to deal with it, and that we hope that if that strategy is even approximately correct, it can add that 1 or 2 per cent to the annual returns of the heritage fund.

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

That concludes the formal presentation. I'd like to thank a few people before we open the floor to questions: on behalf of the committee thanks to AIMCo for providing the market update, thanks to the staff from Alberta Treasury Board and Finance for their participation and for providing all the necessary information regarding the heritage fund, and thanks to the staff from the Legislative Assembly Office, who provided support to the committee.

We're going to begin the question-and-answer segment a little differently this year. As you may know, the government is currently asking for public feedback on Alberta's financial future. The heritage trust fund is part of this equation, so Associate Minister of Finance Kyle Fawcett has asked the committee to incorporate questions about the future of the fund into our public meeting this evening. With that said, we're going to start off with

you in the hot seat and the committee asking the questions. We do ask that all speakers identify themselves, first and last name, for the record prior to speaking, if you would. Before I begin, I'd like to remind all of our viewers that they can be part of the discussion by participating in an online chat and by answering our online questionnaire, both accessible through the Legislative Assembly website at [www.assembly.ab.ca](http://www.assembly.ab.ca).

Now for the questions if you would give this some thought: first, what do you think the Alberta heritage savings trust fund should be used for? Should the focus be on funding Albertans' current priorities or generating income for future generations, to be used when nonrenewable resource revenues have begun to decline, or a combination of the two? Second, how should the money be deposited in the fund? Should it be on a regular basis to help it grow faster? Should we make contributions only when we have surplus funds? Give that some thought.

We'll open the floor now to discussion. We invite you to begin with your thoughts on the two questions, if you would, posed by the committee, and then please feel free to follow up with questions of your own. We have mikes here on both sides. We also do have some questions coming in online, but we'd certainly like to give priority to the folks here that have come down, so if you've got questions, I'd like to open the floor now. While you're thinking that over – you know where the mikes are – we will go to the online questions.

The first one is from "Chester." "What projects or programs has the investment income been used to fund over the past five years?" That one's fairly specific. Mary Anne, do you want to try that one?

7:40

**Mrs. Jablonski:** Sure. What I know about our fund is that in Alberta we have a growing population. Because of our growing population, people coming to Alberta to work, we have to make sure that we keep up with our schools and our hospitals, our roads, our waste-water systems, and all of our infrastructure. When people come to Alberta, we've heard, they don't bring their roads and they don't bring their schools, so it's up to us to build those things. As we put the interest income of the heritage savings trust fund into our general revenues, we then use what is in the general revenues to build infrastructure: schools, hospitals, roads, waste-water systems, and other forms of infrastructure.

**The Chair:** Okay. Thanks, Mary Anne.

The next one is from "bill22." "Regarding the investment objectives for the fund can you please elaborate on what you mean by diversification regarding a global outlook?" Dr. de Bever, I'd say that's yours.

**Dr. de Bever:** The idea is: say you put all your money in the Canadian economy. The Canadian economy is subject to certain pressures. When it goes down, all your assets go up and down at the same time. If you diversify by region, chances are that not all regions are going to be in recession at the same time, so you get diversification by country.

We also get diversification by stocks and bonds, meaning that stock and bond markets aren't perfectly synchronized. In fact, on average they're nearly unsynchronized but not always. What that means is that when the stock market is strong, bonds might be weak, but between the two you get a better balance than if you didn't do that.

As I pointed out in my talk, we're trying to diversify also into returns that are not related to what's going on in stock and bond markets. It's sort of like: don't put all your eggs in one basket.

Make sure that you've got different things going on that will hold up your return at different times. We're doing that. For instance, there was a discussion of infrastructure. We do make investments in infrastructure because they provide us with relatively stable returns because they tend to be in regulated industries where on a year-to-year basis as long as your equipment is working, you get the return. We diversify by different types of assets, by different types of regions.

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

A question from the floor. If you could just state your full name for the record, please.

**Mr. Kusmu:** Yeah. My name is Petros Kusmu. I'm the vice-president external of the students' union at the University of Alberta. I had a question in regard to the access to the future fund. I was just wondering if I could kind of have a brief update as to the fund's status right now. It's my understanding that the innovation fund, a subsection of it, isn't currently accepting applications, and the renaissance fund isn't that active. I don't know if this is a question that would be better directed to the Ministry of Enterprise and Advanced Education. That's just kind of my general question.

**The Chair:** We'll give that to either of our department officials, whichever of you would like to answer that.

**Mr. Matheson:** Well, I'm not sure that I'll be able to provide too much of an answer either because I think your question specifically on how the money coming out of the access to the future fund is used is a question for the Department of Enterprise and Advanced Education.

**Mr. Kusmu:** How often is it replenished? Is it replenished every year from the heritage fund? Is that the understanding?

**Mr. Matheson:** Yeah. The way it works is: \$1 billion was deposited into the heritage fund and is earmarked as the access to the future fund; 4 and a half per cent of that \$1 billion every year is transferred to Enterprise and Advanced Education for them to spend for programs.

**Mr. Kusmu:** Okay. Great. Thank you.

**The Chair:** We'll take another online question, then, Mary Anne.

**Mrs. Jablonski:** Okay. Our next question is from a viewer. His name is "Yukkie." "Does the Heritage Fund have a strategy to purchase Precious Metals or stocks like the Central Fund of Canada?"

**The Chair:** That sounds like another Dr. de Bever question.

**Dr. de Bever:** Yes. Gold or precious metals are a difficult thing to invest in because they have no intrinsic value. They used to be used as a reserve asset, but in the last 10 or 20 years more demand for gold has been related to consumer demand in Asia because in those countries people don't trust their banks, so the next best thing is that you buy something that is very small and has big value. Opportunistically we do invest in precious metals. We do it mostly through companies that mine precious metals, but on occasion we take opportunistic positions based on an assessment as to whether gold is cheap or silver is cheap. But we don't do that too often.

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

No more on the floor? All right. We'll take another online.

**Mrs. Jablonski:** Our fourth online question is also from "bill22." "Is the fund looking at new revenue streams beyond current investment strategies? How does the fund benefit Alberta beyond just being an emergency fund?"

**The Chair:** Well, we'll give that one to – any takers? David Dorward.

**Mr. Dorward:** This is actually a good question. We hope on the committee that we hear from Albertans regarding this because we want to know what Albertans feel about the upcoming budget of the Alberta government and certainly the options relative to the revenue streams for the fund itself. I assume that means increasing the size of the fund that was alluded to. We do sincerely want to learn these things and get the thoughts of Albertans, so we, all of us on the committee, can make informed decisions about what kind of recommendations we would make to the Assembly.

I don't think we have any new revenue streams contemplated coming up real soon. Of course, that would be contained in a report that we would pass on to the Legislative Assembly for the Legislative Assembly to make the decision relative to the recommendation that we would make.

**The Chair:** Okay. Thanks.

There was a second part to that question: How does the fund benefit Alberta other than just being an emergency fund? Actually, it's not really set up for emergencies, but how does the fund benefit Alberta beyond that? Mr. Anderson.

**Mr. Anderson:** Well, yeah, technically the heritage fund isn't really an emergency fund. The sustainability fund, which is separate from the heritage fund, is really the emergency fund, so to speak. When revenues are low, the idea is that you can tap into that sustainability fund to avoid having to cut core social programs. But the real question, why I think we're having the survey questions here, is the discussion about, you know: what is the purpose of this fund; how are we going to use this fund going forward?

Again, I think we've all had a chance over the last couple of weeks to kind of look over some of the words and the policies of the late Peter Lougheed. His vision for the heritage fund, as he communicated it, was to make sure that we save a portion of our nonrenewable resources from today for future generations so that when future generations come to a point when oil and gas aren't worth as much as they are today, which may not be that far off, we can use the interest from that heritage fund to replace our reliance on oil and gas revenues so that we can continue to, you know, keep our schools open, so that we can continue to move forward in our health care system and build the roads and infrastructure that we need to attract people to Alberta, so that we don't become a have-not province, so that we don't have to raise taxes very high.

I think that's one of the questions: do we want to go back to that legacy and start building the fund again to achieve that purpose? Right now it certainly isn't large enough to achieve that purpose today but maybe could be in the future if we renew our efforts on it.

**The Chair:** Okay. Thanks, Rob.

Question from the floor, sir?

**Mr. Wood:** My name is Jim Wood, and I'm pleased to see there are about twice as many people here as there were last year. Thank you very much. That's a pretty tough thing – isn't it? – since we're running second fiddle to the Blue Jays' last game. Wow.

7:50

In addressing question 2 and also, Mr. Anderson, your comments, page 1 here – I don't know if I'm reading this right or not – shows \$15.2 billion at 2011 and 2012, \$16.1 billion. Okay. That's \$900 million, right? How many people in Alberta? Three million? Okay. Dividing that out, that's \$300 per person per year. Now, you yourself, Mr. Anderson, said that this is a fund for the future. Forty years from now the oil sands, according to the *Globe and Mail*, if you saw the *Globe and Mail* today, are going to be the lake district. If you haven't seen that, it's an interesting article. The new lake district is the oil sands.

Anyway, when that's gone, that means that at 300 bucks a year, that's \$12,000. Now, 40 years from now what's 12,000 bucks going to do? Not a whole bunch. So in response to number 2, that number has got to increase. I mean, I'm retired, but before I retired, I was putting away more than 300 bucks of my own money each year. Now I'm living not too bad. I still drive a Toyota Corolla instead of a BMW like most of the vehicles out here in the parking lot, but I'm okay. I'm okay, but I was putting away more than 300 bucks, and that's what these numbers tell me right here, that you're only putting away 300 bucks for my grandchild. It needs to be a lot more than that.

Thank you.

**The Chair:** Sure. That's what we're here to talk about. What is our future saving strategy going to be? We know what it has been up to now. We've got the \$16 billion in the heritage fund. The sustainability fund was at \$17 billion and has definitely been drawn down. There are a few billion in endowment funds. There are billions that have been invested in infrastructure, so we do have the most modern infrastructure in North America.

We're in the very fortunate position in this province where we have choices about how we're going to invest and how we're going to save. One of the reasons we're having this conversation and we continually do have this conversation is that we will likely be back into a surplus position in the next few years. That is a very, very rare situation globally, as Dr. de Bever had said. Again, I think we're very blessed to be having this conversation at all about what we're going to do with our savings, and that is why we're here.

Thank you so much for your comments. We invite any other comments and questions, of course, so come on up.

In the meantime, Mary Anne, what have we got online?

**Mrs. Jablonski:** We have another question from "bill22." I think you have to perhaps state the purpose of this meeting because we have "bill22" asking: "Can the public put forward strategies and or proposals for use of the fund?"

**The Chair:** Well, the short answer is yes, which is what we're doing right now, but if anybody else would like to elaborate, please do. Dave Eggen.

**Mr. Eggen:** Thank you, Mr. Chair. Certainly, that is the purpose of this meeting here this evening. I think that perhaps we should open up the discussion a little bit to what could be the future of this heritage trust fund and how it could function not just five years down the road but 20, 30, and 40 years down the road.

I've been a student of other trust funds around the world, and perhaps one of the most interesting ones was started in Norway. They were very aggressive putting their resource revenues into a trust fund. They put up 96 per cent of their oil revenues into the fund so that it's not just a rainy-day fund or an emergency fund; it becomes a substantive thing unto itself that you can use the

interest from to pay for government services – right? – without having to even use the principal.

There are a number of lessons we can learn from that. I know there are differences between a sovereign nation and a province, but just think of the fund as being this much larger thing that we can use to truly save money for future generations, not just paying for roads and so forth here and there but using the interest to pay for a large portion of the government operations here in the province. I think that that is an interesting possibility.

**The Chair:** Okay. Just to supplement that, because we're not unique, there are savings funds in different jurisdictions around the world, only a few that are resource based, and Norway is one of those. It is fair, I think, to make some comparisons, but we are culturally different, of course. While we're making the comparisons, because the Norway example does come up quite frequently, I think we need to be clear that the sales tax in Norway is 25 per cent. There is a 1 per cent asset tax, so if you've got a home paid for and maybe a couple of hundred thousand dollars stashed away at retirement – say you're worth \$700,000 – you write a cheque to the federal government there every year for \$7,000. You're dealing with some of the highest corporate taxes in the world. Culturally it's quite different.

What the Norwegians have done is – you're right – they've dedicated all of that resource revenue to savings, but there is a substantial cost to the average Norwegian with respect to some huge taxes that we don't have here in Alberta. That is one of the questions we have to ask ourselves and be aware of. The more we put away in resource revenue, the more we need to generate revenues in other areas. We have got to decide as a province what we want to do about that.

Anybody else on the floor? The mike over here, please.

**Mrs. Babiuk:** My name is Lillian Babiuk. I'm probably the least sophisticated and most ordinary person in this room. My concern regarding the fund is the present inadequate hospitals and the deadly roads like the one to Fort McMurray. What is the fund doing for ordinary people like us? While large amounts of money are being saved, causing a lot of jealousy from the other provinces, we the ordinary citizens do not have adequate hospitals, roads, infrastructure, and so on. While we save money, we cause other provinces to hate us.

**The Chair:** I'm going to give that one to Ron Casey, a former mayor, so very familiar with the infrastructure demands of municipalities and infrastructure demands in general. If you'll take that one, Ron.

**Mr. Casey:** Sure. Well, I think that over the years we have seen investment back into hospitals, education, infrastructure. That's one of the reasons why when people ask the question, "Why isn't the fund larger than it is today?" it is simply because a lot of those funds have been used to reinvest. In my opinion that reinvestment is in fact investing for the future, investing for your children. Without that infrastructure we wouldn't have a healthy economy. We wouldn't have the resource activity that we have here today that drives this province.

So the truth is: have we put enough into that? I think we've put everything into education and health care that we possibly could with the fiscal restraints that we have and still be able to sustain the fund. Is that enough? Well, that's a question for certain, but over the years we've put \$34 billion into infrastructure improvements in the province. This is a direct result of this fund. That's not an insignificant number.

**Mrs. Babiuk:** Well, you know, it kind of means nothing when people are in hospitals and can't get medicine, when people are dying on the roads to Fort McMurray. What does the trust fund do for dead people?

**Mr. Casey:** The truth is that part of the fund is for the future generation. That's why the fund was set up. That's why it was established. It's to sustain future generations, but we've also consciously used some of those funds over the years to build infrastructure and to supplement the income for the province. You know, there isn't an endless supply of money. We can't do everything, but if we want to have a heritage fund for future generations, then we need to continue to reinvest in it.

**The Chair:** Okay. Maureen Kubinec, you wanted to supplement.

**Ms Kubinec:** Yes. Just to supplement, the task of this committee is to find the balance between what a certain segment of the population thinks we need to spend it on and another segment of the population who thinks we need to save, save, save. So we have to find the balance and then make those recommendations to the government to implement.

**The Chair:** Dr. Raj Sherman, we'll let you supplement.

8:00

**Dr. Sherman:** Thank you for that question. As Maureen said, the task of this committee is how we manage the fund. The question that you ask is a broader policy question beyond this particular committee. One is: how do we manage the money that we're currently spending? That's probably something that we don't want to get into here, but we do have to look at that. We can't save money if we can't prudently manage our budget. Then there are the broader policy questions of: "Should we look at progressive taxation? Do we have fair taxation?" So our revenue streams and our expenditure streams: really, with oil at 90 bucks to 100 bucks a barrel we should be saving money today into this fund, but unfortunately that is not the mandate of this particular committee. That is more a broader policy question that we discuss or debate over in the Legislature.

**Mrs. Jablonski:** We have another question from online. I think it's supplemental to Lillian's question. This viewer is anxious to have her question answered because she sent it to us twice. This is from "Sherry." "Can the fund be used to twin the road to Fort McMurray if it is for Albertans?"

**The Chair:** Peter Sandhu, would you mind taking that one?

**Mr. Sandhu:** Thank you very much. This heritage savings fund is for the future generations, not that we can use it here and now. When there is no oil, then we can use this money for the future generations. The last 36 years we've already spent \$34 billion for infrastructure's goals, roads. This is for the future.

Thank you.

**The Chair:** Just to clarify that, the principal can't be used to fund that, but the interest, or income, could definitely end up financing infrastructure projects.

We'll take another one from the floor and then a couple more online.

**Mr. Kusmu:** Thanks. I had another question in regard to the access to the future fund, and hopefully it's not as specific as before. I was just kind of trying to get a better understanding of how the access to the future fund is actually funded. It's my

understanding that there was a lump sum, \$1 billion, kind of put in the fund '06-07-ish. Like you said earlier, around 4.5 per cent of the heritage fund's income is put into the access to the future fund. Besides that, is there any other means of increasing the access to the future fund? Is that something under the purview of this committee? Is it something that they would consider, I guess you could say, in regard to that? That's a two-part question, I guess.

**The Chair:** Finance may take another crack at that one, but it is, again, more in Advanced Education. Certainly, if you'd like to comment, that would be great.

**Mr. Matheson:** Mr. Chair, I'd be happy to answer at least the first part of the question, and the committee may or may not have a view on the second part. I'll just try to explain sort of the history of it. As you say, in about 2006 the government at the time made a commitment to put a billion dollars – when they created the access to the future fund, rather than have it as a separate endowment or pot of money, they chose to put the money into the heritage fund. The legislation says that they earmarked 4 and a half per cent of that billion dollars. That is actually inflation-proofed, so it works out to be a little bit more than 4 and a half per cent every year. Four and a half per cent of the billion dollars, which is \$45 million a year, is transferred out of the heritage fund and put into the access to the future fund, which is under the purview of Enterprise and Advanced Education. The question of putting more than the billion dollars into the heritage fund is a policy question for the government.

**The Chair:** Go ahead, Mary Anne, to supplement.

**Mrs. Jablonski:** Thank you. During the presentation we did talk about two separate funds that have been developed from the heritage savings trust fund. One is the Alberta Heritage Foundation for Medical Research endowment. That is a separate fund that has actually grown to \$1.2 billion from a \$300 million contribution. So that's a separate fund, and it's grown. I'm wondering if you're getting to suggesting to us that we should have a separate fund from the heritage savings trust fund to have an endowment for access to the future. That might go along with the Alberta heritage scholarship fund, which was established with \$100 million that was transferred, and this fund for helping students in postsecondary is now more than \$700 million. What I'm hearing from you, and you can let me know if I've got this right: are you telling us that we should have a separate fund for access to the future?

**Mr. Kusmu:** I'd have to get my thoughts a little bit more collected on that issue, but more money to postsecondary always sounds good to me. Investing in, you know, the future generation and making sure that everyone is getting an education is never a bad thing. What are your thoughts on it, I guess?

**Mr. Dorward:** Young man, you should probably just say yes. We on the committee thank you very much for this. Thank you for presenting it in that way. This will be something that we'll discuss at the committee level to see if there's some kind of recommendation we should make, where with the two endowment funds that were set up, there's some kind of a continuation of those kinds of ideas. Thank you for that idea.

**Mr. Kusmu:** Well, thank you.

**The Chair:** I think Rob Anderson would like to respond to that one, too, so go ahead.

**Mr. Anderson:** Yeah. Absolutely. You know, there's no reason why we can't have more than one fund. This is the thing. Sometimes I think we think: "Okay. Well, the heritage fund has to include, like, 18 different things." The heritage fund, if you look back to the debate when it was first introduced by Premier Lougheed in 1976, was really meant to be, you know: we could put this money aside today from these massive royalties that we're collecting so that one day in the future when oil is not worth as much, we'll have something to replace that revenue with. So that's kind of the purpose of the heritage fund.

If we could manage our money appropriately now, if we could get back into surplus, there's no reason why we can't build the heritage fund and also start setting up some of these separate endowment funds specifically earmarked for education, for scholarships, for these types of things. I think we can do all of it. What the heritage fund, if we build it up properly, will allow us to do is just that. When oil and gas monies go down, we'll actually have these revenues ready to go so that we can continue to fund core programs and build other funds like education and scholarship funds and so forth.

Have you ever been to Michigan? I don't know if you've ever been to Michigan. Michigan used to be the richest state in the United States of America during the '60s and '70s because, of course, it was the home of the auto industry. It was just a monster economically. It's now one of the poorest. If you go to Detroit, it's a mess. It's just incredible to see how you can be so rich and wealthy and then you can just collapse. They can't fund schools. They can't fund all these roads that they built. They can't maintain them. So there's a warning in that for us. Yeah, we're the richest now, but if we don't properly plan and save for the future, one day we may be like Michigan. We can have all these schools and universities built and no money to run them, no money to maintain them. So I think that that's one thing to add into the equation.

**The Chair:** Okay. We'll take Dr. Raj Sherman, and then we're going to carry on.

Go ahead.

**Dr. Sherman:** Sorry. I appreciate that question about funding education. Really, let's go back to the mission. It's one of the two questions up there. The mission of this fund, the intent of the fund is "to provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns for current and future generations of Albertans." So why would we have to save nonrenewable resource revenue? Norway started after us and put \$576 billion in theirs. Kuwait started in '76 and put in \$296 billion. We can't save if we can't balance the books.

Beyond this committee we politicians have to address the tough issues of not selling off pieces of the family farm to pay the daily bills. That's essentially what we've been doing for a quarter of a century. We've only invested \$3.3 billion into the fund since 1986. That's it. It's grown quite well, actually, a billion dollars a year. It's generated \$33 billion. So if we actually put more money into the fund – you know, we propose having a postsecondary endowment fund for lowering your tuition, a fund for municipalities so that they could build infrastructure in a regular, sustainable fashion, a smaller fund for the arts and for amateur sports. I think it would be great to have these endowment funds.

This fund, as you've heard, has done a lot of good things for this province. We just need to put a couple of hundred billion dollars in here. Again that goes back to the greater policy decision of the government having the courage to have fiscal restraint when times are really good yet still providing the citizens with the

services they need and also having the courage to address the issues of taxation. Unfortunately, this committee will not be making that decision. But I fully agree with you. We would love to have a number of funds. We'd love to have \$600 billion in the bank and be living off that interest.

**8:10**

**The Chair:** Okay. We're going to move on to another question. Again I would remind the committee that we are getting into some discussions about policy decisions that are well beyond the purview of this committee. If we could just focus on some discussions narrowing it back down to the heritage fund, it would be greatly appreciated.

Next question.

**Mrs. Jablonski:** We really do appreciate the people that are chatting with us online. We're getting some really good questions. We have a number of questions that I hope we can get to before the end of this session.

Another comment from "bill22." He says: "Using the online chat tonight is a great way to provide your ideas on use of the fund." I agree.

The next question is from someone who identifies themselves as "Student." "Student" says:

The Norway "oil fund," the Government Pension Fund, was set up in 1990 as a fiscal policy tool to support long-term management of the country's petroleum revenue. Today, the fund is valued at around \$600 billion US. How come Alberta has only been able to contribute \$3 billion more to the fund since 1986?

**The Chair:** I'll take the first part. We've covered some of this, but for the people who have just joined us, first of all, making comparisons of the two funds, the Norway fund is actually a pension fund primarily as well as a savings fund, but AIMCo, so Dr. de Bever and friends, are actually managing assets of about \$70 billion for us. I think if we're going to make the Norway comparison, we'd have to compare theirs to our \$70 billion. We'd also have to consider the fact that Norway is a country. Alberta pays anywhere between \$8 billion and \$20 billion a year into federal equalization that we don't see again. Do the math on that over 10 or 20 years, and you're talking about massive amounts of money. Again, Norway has a 25 per cent sales tax, a 1 per cent asset tax. Those are questions we have to ask ourselves when we're making those comparisons.

Having said that, everything is on the table, here, for discussion. Interesting points.

David Dorward, I think you wanted to supplement that one.

**Mr. Dorward:** Well, I kind of don't, but I kind of do because, you know, it is of interest to Albertans. There are a lot of people who do ask this question, so we as MLAs – this is the answer that our chair just gave us. On the other hand, Albertans are interested in this area, so I feel like it's necessary to answer the question. Certainly, I ratify everything there, but there are a few more facts that people need to understand.

The gross domestic product, that is the amount of business done, in Norway versus Alberta: it's at least more than twice the size of Alberta, so you've got more generation of things happening. The resource tax on a business that's taking oil revenues in Norway is 70 per cent; if you go and buy groceries in a store, the tax on consumption is 14 per cent; if you go and buy a fridge, it's 25 per cent besides all of the taxes that our chair just mentioned. To say nothing of the fact that the population of Norway comparatively

with the square footage size of Norway is completely different than Alberta and, indeed, Canada.

So it defies comparison. It literally is not able to be compared the same way. However, I felt I should say some more facts because it is of interest to Albertans, and that's what we're about tonight: listening to Albertans and trying to respond to their concerns.

**The Chair:** Okay. Well, we've actually got a lot of questions coming in online now, so we're going to move on and ask the committee members if they could condense their answers a little bit in the interest of getting to as many questions as we can.

What's the next one, Mary Anne?

**Mrs. Jablonski:** The next one is from "Stephen Clark." "What is the relationship between AIMCo's \$322 million in expenses in fiscal March 2012 and the Heritage Trust Fund returns of approx \$1 billion?"

**The Chair:** Somebody has been doing quite a bit of reading and so on.

Dr. de Bever, if you could respond to that one, please.

**Dr. de Bever:** The \$300 million, or whatever it was, refers to the cost of running the \$70 billion, not the \$18 billion or \$19 billion or \$16 billion in the heritage fund. The bulk of that cost is actually for the very labour-intensive asset classes like private equity and real estate and infrastructure. The reason it was particularly high last year is that part of the compensation to managers is on performance. In the last year or two, as I indicated to you, performance has been very good, so that has contributed to costs. But with the net contribution we manage the assets for about .4 per cent of the fund – .4, .45 – depending on the asset mix of the specific fund. That is by international and national standards average or below average, depending on the year and depending on the context.

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

Another one, Mary Anne, online?

**Mrs. Jablonski:** Yes. Our next question is from "Wrigley." "Wrigley" asks: "Why does the province not limit the withdrawal from the heritage fund to 4 1/2% per year similar to other endowments around the world?"

**The Chair:** Anybody care to take that one? We'll take Mr. Anderson and Mr. Dorward, supplemental.

**Mr. Anderson:** Thanks. That's a very, very good suggestion. I know that the Associate Minister of Finance is here listening to all these suggestions. That's a very good suggestion.

One of the problems is – and I really respected and appreciated the explanation that Mr. Dorward gave about some of the problems with directly comparing Norway with Alberta. That's absolutely true. There are some problems comparing it directly, but the question still has merit.

I think most people agree that, you know, the fund being worth less today than it was in 1976 when adjusted for inflation is not acceptable. I think we have to understand that one of the reasons it hasn't grown faster than the rate of inflation over these past 30- however many years that it's been in place is because every year the government has decided – it's a policy decision. Some people are going to agree and some people are going to disagree with it, but they've chosen to take the money that has been earned on the fund and invest it in programs and roads and bridges and all these other things that have been talked about as well as a little bit for

inflation-proofing in the odd year. About six or seven of the years that the fund has been in existence it's been inflation-proofed. The downside to that is that that money has been removed. If it had been left in the fund every year, just the interest earned on the fund, the fund would be approaching the \$100 billion mark today.

It's a really interesting question. In these next 30 years if we were to just leave the interest alone in that fund, possibly that could allow us, using the power of compound interest, to really build this fund in a way that wouldn't mean sacrificing funding for other core social programs. That's certainly a good question: keep more money in the fund on a year-to-year basis.

**The Chair:** Those are some of the points that we're getting here. That's what we're here for this evening, to see what the public's feeling is about where we should be going with the fund.

David, you had a supplemental? We'll try to keep them short.

**Mr. Dorward:** Yeah. Thank you, "Wrigley," for that question. I want to just maybe go back to what Mr. Wood said earlier a little bit.

When we talk about the increase or the decrease, indeed, of the fund, we on the committee understand that when a balloon gets moved, pushed one direction or another – i.e., it expands the fund or contracts it – there has to be an equal opposite reaction in something else. So those options, just putting my accounting brain into gear, are that the province has to grow in the amount of business done here, which means we bring in more taxes and things like that. We have to increase the debt of the province. So if we were to leave more money in the fund, maybe we have to increase the debt of the province. We have to either have higher taxes or higher royalties or, indeed, we lower spending and spend less on hospitals and the roads and the infrastructure. It's almost a situation where we would love to have the advice of people in terms of what they think, but sometimes we should address the counterbalance to that.

**8:20**

Getting back to what Mr. Wood said, the other provinces across the country: instead of having a positive savings of \$300 per person, indeed British Columbia, for example, has a deficit per capita of \$7,700. Every single person in British Columbia has a debt of that. That goes all the way up to Ontario, who has a \$17,000 debt per person. Certainly, we have been successful in the province, very successful in keeping debt away from us yet spending the money that Albertans want. The fund hasn't grown, but should it? That's what we're here to ask tonight.

Thank you.

**The Chair:** Mr. Dorward is a chartered accountant, for those of you that don't know, so those numbers have to be right.

Next question.

**Mrs. Jablonski:** We'll move on to another viewer, who is identifying themselves as "LBee." They have a comment, and then they have a question.

I think contributing to our heritage fund is very limited, due [to the fact] that Alberta is a "Have Province." Alberta has to pay millions to federal government, millions to the "Have not Provinces" . . . millions in taxes, etc. So trying [to] be like Norway, is like comparing apples and oranges.

Then "LBee" asks:

I came into this [conversation] late, but I would like to see the AB Heritage Savings Trust Fund go directly toward Albertans in [the] form of "Free Health Care" paying for the best and [most easily] accessible, fast and free. Paying for the Best Health Care is benefiting all Alberta residents.

**The Chair:** Is there a question there or just the comments?

**Mrs. Jablonski:** Well, would anybody like to comment on this comment?

**Ms Kubinec:** I would like to say that I'm really glad to hear the two suggestions because I think part of our purpose here tonight was to ask you your opinions of the questions that are on the screen. I'm really pleased to hear that we've got these suggestions coming in.

**The Chair:** Okay. Great. Thank you for the comment.  
Now we'll go with a question.

**Mrs. Jablonski:** Another question that we have is from "Terry21." "How does the fund invest in the entrepreneurial startups in Alberta? New [companies] will be our future and will likely be a great investment."

**The Chair:** That's an interesting question. Dr. de Bever, you oversee that fund. Would you care to take a crack at that one?

**Dr. de Bever:** It's a very tough question, and the reason it's tough is that investing in small companies is very, very labour intensive. There are several initiatives under way by both the federal government and some local initiatives to try and solve that puzzle. My view is that it probably can only be solved by harnessing the information that individual Albertans have about possibilities for small companies in Alberta, getting them to the stage where we can make our contribution.

We're one of the few pension plans or endowment plans in North America that has a significant venture capital or small investment program. It's very, very tough to make it pay. Given that my objective is to earn the highest return, I've been very cautious in terms of expanding there.

It also gets us onto a slippery slope in the sense that we've been trying to be very clear that there are no political objectives that we manage to. In this case, you're trying to achieve a certain internal Alberta objective as well as an economic objective. You have to make it clear that you separate the two. If the government were to give us a mandate to do this with certain limits imposed on it, we would look at it, but it's not what we are currently chartered to do. I'm supposed to find the best opportunities across the globe. I do not have a mandate to either be in Alberta or not to be in Alberta. We do have a disproportionate amount of our assets in Alberta for some of the reasons I mentioned in terms of the sectors that we find of interest, but we haven't concentrated so far on the small enterprises that are under the discussion here.

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

Just to clarify: there are many other opportunities, but AIMCo's responsibility or objective is to get the highest return possible on the heritage fund and some of our other investments.

What's next, Mary Anne?

**Mrs. Jablonski:** Once again we have from "bill22" a comment and a question. This is what we're here to hear tonight, what the thoughts and ideas are from Albertans. "Bill22" comments: "Let's have the fund grow new industries that are sustainable, industries that build assets that generate revenue and that are recession proof whether or not oil is above or below \$80!" That's his comment.

His question: "Is the panel happy with current strategy to grow and replenish the fund? If a new idea to improve this further was put forth how would the decision be made to pursue it?"

**The Chair:** That's an interesting question: is the panel happy? [interjections] It would probably be fairly obvious to most which members of the panel would be happy and which ones would not necessarily be happy. I think the answer to that one is fairly clear.

I'm sorry. What was the second part of the question, Mary Anne?

**Mrs. Jablonski:** He wanted to know, if we are given a suggestion, how we pursue that to make it happen.

**The Chair:** Well, at this point we're very much in the information-gathering process, so this is the consultation phase. Of course, there'll be other discussions beyond that about what direction we take, but at this point we are gathering that information.

Go ahead, Dave.

**Mr. Dorward:** This committee isn't going to make the decision. There are 87 MLAs in the province of Alberta. By the way, I should have mentioned before – I meant to – for anybody listening now on television or streaming or here that, indeed, those 87 MLAs are really interested to hear your input, whether it's tomorrow or a week or a month from now. They all have the ability to bring those thoughts that you have back to the Assembly, and that's where this committee's report would go. Then it would be a debate in the Assembly as to the direction that would be taken. As for myself, I'm hearing some good things. We will be discussing them as a committee, and it forms the report that we give to the Assembly. Then the Assembly goes from there.

**The Chair:** Go ahead, Dr. Sherman.

**Dr. Sherman:** To the previous question. Since the government has posed these questions, I think it allows us a bit of flexibility to answer these questions.

The number one rule of savings is to always pay yourself first. That's exactly what Premier Lougheed did. He made sure that Alberta was paid first and the money was saved. That allows you to exercise fiscal discipline. You know, the Alberta heritage savings trust fund in providing benefits to Albertans, as you saw on the slides earlier, made up 15 per cent of the budget, the returns from the fund. Today, a quarter of a century later, it's only 3 per cent.

I agree that we shouldn't compare Alberta to Norway. I think we should compare Alberta 2012 to Alberta 1986. We need to go back to see what fiscal policies Premier Lougheed had with respect to spending and how the province earned its income with respect to taxation. If we did what Premier Lougheed did today policy-wise on taxation – putting money away, paying yourself first, having progressive taxation, and using discipline during the good times – I believe we could start putting a lot more money away and give these fine people billions upon billions of dollars to manage.

Really, the stock market returns, the equities, the interest rates, and the bonds, you know, will do plus or minus 1 or 2 per cent, but they're not going to do 15, 20 per cent on returns. The key is how much money you actually put in there and then just making sure that these fine folks keep growing it better than the international markets are. So that's the real issue.

We do have to address the issues of spending and taxation. Until then, really, we're going to keep spending all the money that we're generating from the growth just to pay the daily bills. We're down to 3 per cent from 15 per cent. This is why Albertans need to answer those questions. Should we put away money every year? I personally think absolutely yes. We should save for this young

fellow and all these students every year. We should put it away so that their kids have something 25 years from now.

Thank you.

8:30

**The Chair:** All right. Probably we need to point out, when we're talking about growth and spending or the shrinking of the percentage of the heritage fund, that we have added a million people to this province in the last 10 years. The population is over double what it was in 1986.

Are there any comments from the floor just back to where the initial questions were or even based on some of the comments and so on that we've had online? Nothing at this point? All right. In that case we will take – oh.

**Mr. Kusmu:** Apologies. I hate to take over the mike so much.

**The Chair:** Don't apologize for asking questions. That's what we're here for.

**Mr. Kusmu:** I figured I'd just take this moment to kind of state my own comments. I think this is great, first of all, and I really appreciate that you guys are taking it to this stage and giving the opportunity for people to engage with the government online as well. I think that's fantastic. "Bill22" seems to be really enjoying this, so that's great.

My own personal comment on this is that obviously I'm, I guess, a little bit biased. I like to see investments in education but also investments in other areas and sectors of Alberta. When it comes to, you know, what we're going to do with the heritage savings trust fund, I think the spirit of it really reflects nicely, especially with education.

With Alberta's economy in the past being really focused on energy – I guess it was a very strong energy economy – why not invest in making sure that Alberta is a knowledge economy in the 21st century? What better way to that than investing in education? That's kind of my personal opinion. I do acknowledge that there are other aspects and facets that the government has to invest in, but that's my little 2 cents, I guess, for today.

Also, I want to say thanks, all, for hosting this really awesome session. I'm looking forward to future consultations.

**Mrs. Jablonski:** I'd like to respond to that, Mr. Chairman.

**The Chair:** Absolutely.

**Mrs. Jablonski:** Petros, I can tell you that you're preaching to the choir. I know that every single person up here knows that everything starts and ends with education. We all have life experiences, and we all know that when you run into situations and you scratch your head and wonder why there's so much poverty and tragedy, a lot of it has to do with lack of education. We know that we can't expand and we can't grow without postsecondary education.

So we're there with you. We'll do the best we can to make sure that we invest along with our students to ensure that they get the best postsecondary education possible. We already have one of the best elementary and high school educations in the world; we're number three. So thank you very much for your comments.

**Mr. Kusmu:** Thank you.

**The Chair:** Thank you, yes, for speaking to the priorities for young Albertans and all Albertans, really. We very much appreciate that.

I'm just going to go with Dave Eggen. I think you were next.

**Mr. Eggen:** Sure. Thanks. Just briefly, I think that as we move forward in this discussion, it's important for us to not get into an either/or sort of mentality. We are investing in postsecondary education like never before and must continue to do so, and we need to save more money in the heritage trust fund.

Let's take a look back 20 years ago. What's changed in Alberta from then till now? The difference is that we were able to invest and expand, let's say, our postsecondary education and health care and infrastructure and put significant amounts of money into the heritage trust fund because we realized a higher return for the energy resources that we have in this province. We've lost that edge. The royalty rates have been reduced significantly over those 20 years. Correspondingly, the heritage trust fund has become stagnant. We're just a caretaker here. We're, like, mowing the lawn and shoveling the snow, but we're not building anything – right? – with the heritage fund right now.

So it's going to require, again, a spending strategy but, more importantly, a revenue strategy that helps us to realize the full capacity and value of the resources that we're selling here in the province right now. This heritage trust fund is just a shadow of that larger elephant in the room that we need to address honestly over these next two years.

**The Chair:** Okay. We'll take a question from the mike here. Ma'am?

**Ms Shirt:** My name is Lillian Shirt. I am Cree, a descendant of the Great Wandering Spirit. I am 72 years old. I'm labelled as an aboriginal urban Indian. I have treaty status from the Cold Lake First Nation. I've never used my status. I couldn't to raise my children. We were not allowed to go past grade 9 with the residential school act. Grade 9.

This is 2012. How many of my people are at university studying alongside you, studying about real estate, studying about the oil industry, space and science, genealogy, technology? How many of my people are there at the university studying those? They're not.

Your question: what do you think the Alberta heritage savings trust fund should be used for? I think that, one, that money should be used to upgrade all those years of education that my people have lost, also an education trust fund set aside, like Princess Beatrice did for Hawaii, for future children, yet unborn. She understood that education was the key to a livelihood.

All of you are MLAs very close to the reservations. I don't see any of those big-mouthed chiefs, as we call them, sitting here speaking for us, speaking for my people of Alberta, to protect our heritage. A lot of the oil, the gas, the minerals come from the ground on the reservations. That's my personal thought. My personal thought on that is that money be set aside for education for our children and people of my age who were denied their educational rights. I studied Alberta history and the history of Canada, but I had to pay for my own schooling. I wanted to study international law, but I was not allowed because there was no money there for me.

I thank you for being here. I don't want our words to be falling on deaf ears anymore. I would like a better education, our own universities, our own cultural heritage programs, our own land where we can go and study and pray, as it says in the international bill of rights. We don't have a place to go and pray. We don't have a place to go and pray. That's the basis of livelihood. That's the basis of humankind, the spiritual foundation. We can teach our children that.

**The Chair:** Okay. I'm going to ask you to wrap it up right there, if that's okay, but we very, very much appreciate the comments.

Thank you so much for being here. I think you make a good point. You don't have to be a chief or a CEO. Anybody could come and speak here tonight. That's what it was for. So thank you very much for coming forward and doing that, and we understand where you think the focus of the fund should be.

**Ms Shirt:** But before there's education, we need to have a place, housing, which we don't have.

Thank you for telling me to go and sit down.

**The Chair:** Well, we do have a number of questions left.

Some of those matters are federal, and most of them are outside the purview of this committee. However, your comments on focusing on education and some of the aboriginal people's priorities: we hear you loud and clear.

Thank you.

**Ms Shirt:** Ke nanas koom tina wow. Thank you all.

8:40

**The Chair:** All right. Mary Anne, what have you got next?

**Mrs. Jablonski:** The questions are coming in very strong. Once again we have a comment and a question from "Yukkie." "Yukkie" says: "Dr. Sherman hit the nail on the head – growing the Heritage Fund is only possible if gov't spending is kept under control and fingers are kept out of the Heritage Fund cookie jar." That's his comment. His question is: "Funds going into general revenue makes it difficult for Albertans to see where exactly it's being spent. Q: Is it possible to earmark funds to specific projects?"

**The Chair:** Do you want to take that one, Dr. Sherman?

**Dr. Sherman:** I think it's possible to do anything that we want to do and that the government wants to do on spending. We believe in open, transparent government. We need to understand why we're making certain decisions, and Albertans need to know what's happening with every cent that's coming into the treasury. We need to prudently manage all of our finances, including the money generated by this fund, and see where that money is going. You deserve that; all Albertans deserve that.

**The Chair:** Well, just to clarify, every expenditure over \$5,000 is actually completely accessible to the public in documents that we call the blue books, the most transparent in the country.

Back to the question, I took a question on CBC Radio yesterday almost exactly like that one. So we have heard that, and I'm sure we'll continue to hear that. Of course, billions from the heritage fund have gone into some very worthwhile infrastructure projects. I would think that perhaps there is an opportunity for it to be earmarked, if you like, more closely so that we know where those heritage dollars flow. I would think there would be a way to do that.

**Mr. Dorward:** First, I do have a little bit of a follow-up for Lillian Shirt as she came forward. What I wrote down is Faculty of Native Studies, and I'm going to take some of the thoughts that you had there and certainly give that some kind of thought as to how we can strengthen that maybe. There are some ideas there.

Relative to identifying last year the funds provided to the general revenues, about three-quarters of a billion dollars went into general revenues. Now, we spend in this province, to put that into context, \$39 billion. So the question from "Yukkie," I think seemed to be: should you take the three-quarters of a billion dollars and tell people which of the \$39 billion that we spent was

that money? I guess we could. There's a cost to doing that. Do you drive down the road and say: that was a heritage one, and that wasn't? Or do we take a certain amount of the health care budget of \$15.6 billion and say: well, that's .6 of that, so this part was . . . We'll give it some thought and discuss whether or not that communication should be there.

Thank you for the question.

**The Chair:** Okay. Mary Anne.

**Mrs. Jablonski:** We're going back to our chat, and "bill22" says that "the lovely woman" who was standing at the microphone, Lillian, "has got it! Improve everyone's access to education while protecting cultural heritage and cultural diversification." Thank you, "bill22." I think we agree with you on that.

Moving to the next comment, that comment is from "Angie." She says: "I would hope to see the Fund used more to invest in industries that are going to grow revenue."

Then we move to a question. This sounds like a question for an accountant, to me, and this comes from "cam\_mo\_dad." He says: "Considering current investment returns and what it costs to run the province annually, what is the amount of principal that would be required to sustain the province using only proceeds from the fund?"

**The Chair:** Yeah. Sure. David, if you want to take it, and then Dr. de Bever, if you have any comments on that.

**Mr. Dorward:** Well, no. I'll pass it straight over to Dr. de Bever. He can do that quick math, I think.

**Dr. de Bever:** Well, Rod and I were just saying that you need \$40 billion in revenue. So at, say, 6 per cent, that's 16 times 40, that's – I don't know.

**An Hon. Member:** Six hundred billion.

**Dr. de Bever:** Yeah. Six hundred billion in principal to run the government.

**The Chair:** Okay. There's your answer: \$600 billion based on today's rate of return.

All right. Got another one?

**Mrs. Jablonski:** Our next question is from "BigWhite47," who says: "Please do not use HT funds to target specific groups, interests of splinter groups with specific interests which [do] not reflect the common good of all Albertans." That's his comment. He then asks: "Please clarify what % of HT fund assets are spent on administration."

**The Chair:** Well, Dr. de Bever, that sounds like one of yours again.

**Dr. de Bever:** I think I mentioned that already. It's only .4 per cent. If you have a mutual fund, you realize that that is a very, very low cost. It's not just administration. It's the cost of all the investment professionals. I should clarify that even now, with all the changes we've made, 60 per cent of that cost goes to external managers to manage 15 per cent of the assets, and 40 per cent goes to manage 85 per cent of the assets. So we are trying to be very frugal, and we're trying to do as much very cheaply. When you do the math, we can do things internally for about one-third or one-fifth of the cost than if you do it externally, but the problem is, of course, having the expertise onboard to do all the things that a fund like this needs to do.

**The Chair:** Okay. Thanks very much, Dr. de Bever.  
Mary Anne, another online.

**Mrs. Jablonski:** We'll go to "BigWhite47," who says, "Preserve at all costs the equity and growth of the fund. Could you establish a percentage share of interest to become compound interest in the fund?"

**The Chair:** Mr. Dorward, do you want to take a crack at that?

**Mr. Dorward:** I would need to hear it again.

**Mrs. Jablonski:** Okay. "Could you establish a percentage share of interest to become compound interest in the fund?" So keep some of the interest in so that we can compound it, establish it.

**Mr. Dorward:** Well, I apologize that I don't totally understand the question, but this isn't the last opportunity to ask it. You can certainly send it to any of us on the panel in an e-mail. Perhaps the inflation-proofing is the answer to this one. Anybody from Finance understand that better?

**Mr. Matheson:** Sorry; I don't.

**Mr. Dorward:** Yeah, the inflation-proofing is kind of doing that. It's allowing the fund to stay at what a basket of goods would buy every single year going forward so that we don't lose value in the fund, and that effectively means that inside the fund we are compounding on the amount that we're leaving in there because of that inflation-proofing. I apologize for not understanding it better.

**The Chair:** I was going to give Rob Anderson an opportunity to comment.

**Mr. Anderson:** I think it's a very good suggestion. The problem with just inflation-proofing is that – I mean, just look at your fund, your future stats here. It was \$17 billion in 2008, it's \$16.1 billion in 2012. Now, we know that part of the reason was that there was a loss during the 2008 market crisis, but that money was never replaced when the fund had a good market year the next year because all the interest that was made other than inflation-proofing was taken out.

I think this is kind of the first easy step. I think that "BigWhite47" – I wish people would use their real names – is dead-on in that. If we could just do that first thing, which is to leave the interest in the fund no matter what, the power of compound interest over a 10-, 20-, 30-year period would be enough to grow the fund immensely without even having to invest all that much additional oil and gas revenue into the heritage fund. I think that's something that this group should definitely take a look at, possibly recommending to the Assembly and the government that if we did that on a go-forward, that would certainly be a good first step to building this fund at a much greater rate.

8:50

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

We're going to take one more question online, and then we may need to wrap it up.

**Mrs. Jablonski:** Well, we have another comment and another question. The comment is from "bill22." He says: "The fund should be used to develop programs and industries that maintain and leverage our human resources as well as natural resources to keep them in Alberta for future generations to benefit from!" That's the comment, and that's something we need to consider.

The question is from "Yukkie." Mr. Anderson questioned that name, but it's spelled Y-u-k-k-i-e. I'm not sure how to pronounce it otherwise, so I'll continue to say "Yukkie." His question is: "Instead of investing globally, wouldn't there be direct benefit by investing in Alberta? Why send money out of the province to invest in a project on the other side of the world?"

**The Chair:** Okay. My first question is: how do you know that "Yukkie" is a he?

**Mrs. Jablonski:** No woman would call herself "Yukkie."

**The Chair:** I don't think that there's a member on this panel who hasn't been asked exactly the same question. I know, Dr. de Bever, that you've got a pretty good answer to this. Please go ahead.

**Dr. de Bever:** Well, you should understand that implicit in the way we run money for the province is another consideration. The revenues of the province are very dependent on energy and on the local economy, so part of diversification is, actually, to not have the investments also be dependent on the Alberta economy. That's a form of regional diversification that's very important. In other words, we've been asked in a number of cases not to overinvest in oil and gas because we already have the risk associated with the return on oil and gas. So for us to invest some more in it in some sense just duplicates that risk. I think that diversification is an important issue, but I do understand that in some cases people say: well, if you can make money inside the province on a good opportunity, will you do it? And we have done that.

**The Chair:** Okay. Thanks for that.

That will have to be our last question. I would like to thank everybody for their participation tonight. It was great to see more people out with this one-on-one here than we've had for some time. I'd like to thank those who watched at home and who participated on our online chat, especially "Yukkie."

Thanks for your questions. We tried to address as many as possible in the time that we had this evening. For more information about the committee and its mandate in relation to the Alberta heritage savings trust fund – and we did go slightly beyond that this evening, but we had some great discussions – visit the Legislative Assembly website at [www.assembly.ab.ca](http://www.assembly.ab.ca).

We'll now adjourn the meeting. Thank you so much for joining us this evening.

[The committee adjourned at 8:53 p.m.]



