



Legislative Assembly of Alberta

The 28th Legislature
Second Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Wednesday, September 10, 2014
9:32 a.m.

Transcript No. 28-2-3

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Second Session**

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

Casey, Ron, Banff-Cochrane (PC), Chair
Jablonski, Mary Anne, Red Deer-North (PC), Deputy Chair
Amery, Moe, Calgary-East (PC)
Barnes, Drew, Cypress-Medicine Hat (W)
Bilous, Deron, Edmonton-Beverly-Clareview (ND)*
Dorward, David C., Edmonton-Gold Bar (PC)
Eggen, David, Edmonton-Calder (ND)
Khan, Stephen, St. Albert (PC)
Sherman, Dr. Raj, Edmonton-Meadowlark (AL)

* substitution for David Eggen

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

Participants

Ministry of Treasury Board and Finance

Rod Babineau, Manager, Portfolio Analysis, Capital Markets

Rod Matheson, Assistant Deputy Minister, Treasury and Risk Management

Darcy Scott, Public Affairs Officer

Alberta Investment Management Corporation

Darren Baccus, Chief Client Relations and Legal Officer

Dale MacMaster, Executive Vice-president, Public Market Investments

9:32 a.m. Wednesday, September 10, 2014

[Mr. Casey in the chair]

The Chair: If we can, we'll call to order this meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund.

To begin, I'd like to just have everyone introduce themselves, please, for the record, starting here with the deputy chair.

Mrs. Jablonski: Good morning, everyone. I'm Mary Anne Jablonski, MLA for Red Deer-North.

Mr. Khan: Good morning. Stephen Khan, MLA, St. Albert.

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

Mr. Bilous: Good morning. My name is Deron Bilous, MLA, Edmonton-Beverly-Clareview, substituting for David Eggen.

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

Mr. Baccus: Good morning. Darren Baccus, AIMCo.

Mr. MacMaster: Dale MacMaster, AIMCo.

Mr. Matheson: Good morning. Rod Matheson with Treasury Board and Finance.

Mr. Babineau: Rod Babineau with Treasury Board and Finance.

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

Mr. Saher: Merwan Saher, Auditor General.

Ms Dotimas: Jeanette Dotimas, communications for the LAO.

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

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

The Chair: And on the phone?

Dr. Sherman: Hello. Good morning. Raj Sherman, Edmonton-Meadowlark.

The Chair: Thank you.

Mr. Amery: Moe Amery, Calgary-East. Good morning.

The Chair: Good morning.

I'm Ron Casey, MLA for Banff-Cochrane and chair of the committee.

I'll just go through our normal housekeeping items. The microphones are operated by the *Hansard* staff. Please keep cellphones, iPhones, and BlackBerrys off the table as these may interfere with the audiofeed. Audio of the committee proceedings is streamed live on the Internet and recorded by *Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website.

With that, I'd look for a motion to approve the agenda.

Mrs. Jablonski: I move that we approve the agenda for this morning's meeting.

The Chair: Okay. Thank you.

Those in favour? Opposed? The motion is carried.

The minutes of the May 27 meeting. Any errors, omissions? With that, I would look, then, for a motion to approve.

Mr. Khan: Mr. Chair, I'd submit a motion to approve the minutes from May 27.

The Chair: Okay. Thank you.

Those in favour? Opposed? The motion is carried.

Next, the minutes of the June 19 meeting. Any errors, omissions? Seeing none, I'd look for a motion to approve.

Mr. Khan: Mr. Chair, I'll make a motion to approve the minutes of June 19 for our meeting.

The Chair: Thank you very much.

All in favour? Opposed? The motion is carried.

Next, moving to the quarterly report, Mr. Matheson, I believe you're going to take us through this.

Mr. Matheson: I certainly will.

The Chair: Thank you.

Mr. Matheson: Thank you, Mr. Chair, and good morning to the members of the committee. I am here today on behalf of Minister Horner, who sends his regrets.

Before you is the 2014-15 first-quarter update for the Alberta heritage savings trust fund. The report was released to the public on August 27 along with the government's overall first-quarter report. I would like to just take a moment and highlight a few areas of the quarterly report.

The fund's fair value at quarter-end was 17 and a half billion dollars, the same value as it was at the end of the fiscal year. The fund earned gross income of \$478 million in the first three months of the fiscal year, and after investment expenses the fund recorded a net income of \$440 million. Of this, \$90 million will be retained in the fund for inflation-proofing, and the remaining \$350 million is payable to the general revenue fund.

For the quarter the fund returned 2.1 per cent. Breaking that down by asset class, the fixed-income portfolio had a strong quarter, with a return of 2.3 per cent. Inflation sensitives and alternatives were up 1.4 per cent on the quarter. The largest holdings in the portfolio are equities. They returned 2.5 per cent for the quarter, led by strong returns on the Canadian holdings, which were up by 6.4 per cent.

Now, I'd like to point out a couple of other notable items in this quarterly report. The highlights section on page 2 of the report provides an extensive outline on the renewed purpose of the heritage fund and the new endowment accounts that have been created within the heritage fund. I'd also note that the financial statements now include a new note. It's note 6 on page 20, and that note also provides information on those two new endowment accounts. This note will now be included in all the quarterly and annual financial statements for the fund, providing reporting on the amount that's in each endowment account and the amount that it transfers to the general revenue fund.

Finally, I'll note that during the quarter \$50 million of the \$200 million transfer to the scholarship fund, that is required under the Savings Management Act, occurred in the quarter, and the final \$150 million has now taken place.

With that, Mr. Chair, I'll just pass it over and see if Dale MacMaster from AIMCo has anything to add or that he would like to comment on, and we'd be happy to take questions.

Mr. MacMaster: I have no comments but would take any questions you might have.

The Chair: All right. Well, thank you very much. Questions? Mr. Bilous.

Mr. Bilous: Sure. Thank you for that report. Now, you know, I'm substituting in, so forgive me; I haven't looked at last year's reports. But the rate of return, at 2 per cent, seems a little low to me. I mean, I appreciate this is just for the first quarter, but my understanding is that the markets have been fairly strong recently. Are we on par, or is this below?

9:40

Mr. MacMaster: Actually, absolute rates of return have been very good the last few years. If you look at the heritage fund performance over the last couple of years, it's actually been quite strong. You're quite right in pointing out that this is just a quarterly report. I would say that it's fairly well on track. You know, the Canadian equity performance in particular, at 6.4 per cent, is quite high and a bit surprising, too, compared to all of the other components. That's a good thing for us, and we're pleased to see that.

Fixed-income returns. As you know, interest rates are very low. Going forward, fixed-income returns are probably going to be low, and that's why we favour equities.

But I would say, on par, that this report represents one quarter. We are long-term investors. We try and educate all of our clients to focus on the long term.

Mr. Bilous: If I can, just a second question to Treasury Board and Finance – and maybe it's out of your purview. I find it interesting how much money is being pulled out of the fund, right? It's \$350 million – is that correct? – that's coming out of the fund.

Mr. Matheson: Yes.

Mr. Bilous: Now, is that per quarter, or is it a percentage, depending on how the fund is doing?

Mr. Matheson: No. Today, strictly in accordance with the legislation, the heritage fund act, under the current legislation all of the income of the heritage fund is transferred to the general revenue fund. It becomes revenue for the province in the general revenue fund except for – and I mentioned it – the \$90 million. What the legislation stipulates is that all of the income is transferred to the general revenue fund except an amount sufficient to inflation-proof the fund to keep its real value, so \$90 million. For the quarter, of the investment income that was earned, \$90 million will be retained in the fund. The balance is transferred to the general revenue fund in accordance with the legislation.

Mr. Bilous: Okay. So that's in accordance with the legislation. That's not just practice?

Mr. Matheson: No.

Mr. Bilous: It just makes me question why we're not trying to grow this fund and why we're siphoning off dollars as opposed to leaving it in the fund and increasing our savings account exponentially, really, if we kept it in there.

Mr. Matheson: If I could just follow up, the legislation that I spoke of does see a transition over the next three years, where three years from now all of the income of the fund will remain in the fund.

Mr. Bilous: Thank you.

The Chair: Thank you.

On this point, Mr. Khan?

Mr. Khan: Yes, please. Thank you very much. To this point, too, Mr. Bilous's first question, I want to say to the folks at the head of the table that I think you're being a little modest in terms of looking at how this fund has performed over the past couple of years. Comparing the returns to other funds of a similar nature, I think AIMCo has done a remarkable job and delivered tremendous value to the province of Alberta. You may be reluctant to toot your own horn, but I will.

Just for a little bit of perspective, for our first-quarter report here, sitting at 2 per cent, how would the fund compare to other sort of general, generic funds of this nature at this point in time over the first quarter?

Mr. MacMaster: That's a tough question because if you look within the funds that AIMCo manages – pension funds, endowment funds, and what we call special government funds, typically pools of fixed income – even within those 27 clients we manage money for, the objectives, the constraints are all different, so it's very difficult to compare apples and oranges. You probably see in the press, too, sometimes how AIMCo performs compared to, say, you know, Ontario Teachers' or CPP. Everyone, quite frankly, has a different asset mix, so the outcome will be different.

I would point to the total fund return for the quarter, at 2.1, versus the benchmark, 2 and a half. It underperformed slightly over the quarter, but again we're looking very long term. As you pointed out – thank you very much for doing that for us – I think that the fund has performed quite well.

Mr. Khan: Thank you.

The Chair: Mr. Dorward, you have a question?

Mr. Dorward: Yeah. What market segment in the Canadian returns that you mentioned were above the other ones, did well across the board in the Canadian sector?

Mr. MacMaster: Sure. One of the reasons why Canadian equities did so well was a shift in the marketplace away from more defensive sectors to more what we call cyclical or sometimes riskier sectors. Energy, for instance, did very well – it was up over 20 per cent, which is good for Alberta, too – and materials did well. That explains, largely, the Canadian outperformance of world markets.

Mr. Dorward: If I could keep going with one more?

The Chair: One more?

Mr. Dorward: Put me at the back of the list if you want.

On the highlights page, the second last paragraph, it indicates that the "disbursements will be a maximum of 4.5 per cent of the three year moving average market value of each of the endowments." How will these new endowments be accounted for within your system? Will they actually be accounted for separately so that you know? I don't know whether that's a Finance question.

The Chair: Mr. Dorward, I think we're going to be dealing with that next on the agenda.

Mr. Dorward: Okay. Sure. We'll pass on that one.

The Chair: Thank you.

Dr. Sherman: Mr. Chair, I wonder if I could ask a question.

The Chair: Yes, please. Go ahead.

Dr. Sherman: At the June 19, 2014, meeting we had asked Mr. Matheson, the assistant DM, a question: if the interest over the years from its inception had not been transferred to general revenues and the returns had all stayed in the fund and they were compounded, what would be the value of the fund today? To date we haven't received a response. I wonder if Mr. Matheson has had an opportunity to work on that.

The Chair: Well, Dr. Sherman, I did meet with Finance on this very matter. The question that I had and the question that Finance had was that this seems to be a research question, something that would be handled independently by members, that in fact at best this would be a hypothetical situation, that we're trying to project back 20 years or 30 years, and at best it would be an educated guess.

The other question I had was: what relevance does it have to our current quarter and to the year-end report that we're dealing with here with this committee? I think it's something where certainly you have the ability through your researchers to find that information out or to come up with an educated guess on it, but the truth is that it was the feeling of Finance and certainly my feeling that at best it would be an educated guess and really had no relevance as to our discussion of these two reports.

Dr. Sherman: Mr. Chair, with all due respect, the relevance is the fact that the mission of the heritage savings trust fund is to save nonrenewable resource revenue and grow it, and it helps to inform the policy-makers on good policy. We should be debating in the Legislature so we can actually give these folks even more money to manage because they seem to be doing a fine job of growing the fund or a fine job of getting good returns on the fund. The challenge is that we haven't been growing it.

The Chair: But, again, this is a going-forward committee. We're looking at the report today. We're looking at the end of last year's report, and the truth is that what we could have done 20 years ago has no relevance as to what the report is here. Those kinds of questions are ones that we need to make sure we address to AIMCo and to Treasury Board and Finance on a go-forward basis, and we have both the Fiscal Management Act and the Savings Management Act in place to ensure that we do grow the fund into the future.

So, again, I think it's obviously a question that's of interest to you, and I think you have researchers available to you to manage that, but it's not something that has relevance to this committee currently. It's something that Treasury Board and Finance felt extremely uncomfortable providing, a guesstimate as to what that number might be, because that's at best what it would be.

Dr. Sherman: Thank you.

The Chair: Thank you.

I'll ask Mr. Barnes to maybe introduce himself for the record.

Mr. Barnes: Thank you, Chairperson Casey. Drew Barnes, MLA, Cypress-Medicine Hat. Thanks to AIMCo and to Treasury Board for being here.

I have a quick question, please, about asset class return versus benchmark if you don't mind. When I look at the chart on page 4, I see the Q1 return from real estate at 2.2, just over half a point, 0.6 of a point, higher than your benchmark, and that in your equities your private return was 2.4, a full point over your benchmark of 1.4. My guess is that those two returns, 2.2 and 2.4,

are more subjective. It's harder to get the actual number as to what a piece of real estate actually appreciated or actually returned or what a private equity investment actually returned compared to, you know, checking what the Dow or the TSX was on a day when you're comparing our benchmarks for Canadian and global equities. I'd like you to talk for a minute about how hard, how objective you feel those rates of returns are, if there's some leeway.

Then that leads me to the next questions. I see that on your infrastructure/private debt and timberland your Q1 return was actually in the negative, way, way down from your benchmark. I wonder if you could touch on that. Again, I'm guessing that there's probably some subjectivity there. Then, if you don't mind, from a go-forward basis, what are we projecting for the next quarter, and what do you think inflation may do in the next little while to how you juggle your asset mix, please?

9:50

Mr. MacMaster: Okay. That's a lot. I hope someone wrote those down. Why don't we start with the first part of the question, which was the performance of private equity and real estate? The real estate portfolio is valued according to, you know, principles and processes that are consistent with the business. The benchmark in that case happens to be a real estate benchmark. So there are real valuations put on those from independent evaluators of real estate, independent of AIMCo, for instance, and several sources are used. I'd say that it's pretty good. I would say that the returns that we get, the valuations that we get are best in class.

For private real estate: you're quite right in comparing that to the public markets. You know, in the public markets we get a daily price – a daily price – not necessarily a true valuation, though, do we? The markets, in fact, move a lot on emotions, fear and greed. That's what provides managers like us with opportunity, because we have a better chance to understand value by analyzing companies – okay? – and taking advantage of prices in the marketplace. Private real estate is marked, again, according to practices that are widely used in the industry, and it's audited by external auditors and, in fact, the Auditor General as well to make sure they're consistent. I would say that they're as true a picture of valuation as we can possibly get. What you see is what you see on those two.

In the case of infrastructure and timber, where you pointed out that the benchmark return was quite a bit higher for the quarter versus our portfolio, that highlights an interesting aspect of this. The benchmark in that case is actually an equity index benchmark – it's the Standard & Poor's infrastructure benchmark – so it trades in the market every day. That's the benchmark. As you know, equity markets have been very strong lately, so you see a fairly high return there of 7 and a half per cent. Infrastructure and timber are portfolios that are, again, marked less frequently and are designed to give us a return that we think is adequate over the long run.

I guess what I'm pointing out is that the market gyrates around. There's a lot more volatility in the day to day and even quarter to quarter of the equity indexes of the benchmark whereas our portfolio tends to be a lot more even-stein. The way to look at this is over the long run. Over the long run I might expect equity markets to return some type of risk premium over inflation, which might be 3 or 4 per cent, so going forward in the next 10, 15 years a return of, say, 6, 7, 8 per cent.

When we go out and buy private assets like timber, we have that in mind, our expectations, just a guess, of what equity market returns and fixed-income returns might be, and that helps to guide us. But the quarter to quarter that you see measured against this

benchmark will gyrate. Sometimes it will be up; sometimes it will be down. You could imagine that if we had a correction – and you've seen corrections in the stock market of 20, 30 per cent – well, we would see that benchmark down, say, 20 or 30 per cent, and our portfolio would be minus 2 or minus .5 here, very good, actually, in that case. So equity markets move around a lot. There's a lot of volatility. Our portfolios on the private side tend to be more stable.

Mr. Barnes: Is there a time, then, when you juggle the asset mix based on your long-term changes? You know, how are those decisions made? Is there a political part of that process, or is it all based on return?

Mr. MacMaster: We're strictly based on return. There is a process in place. We tactically, you know, and strategically tilt the portfolio as we see fit. There's a committee of investors at AIMCo that sits down and evaluates the expected returns on all of the asset classes, the costs that are involved in executing, and tilts the portfolio for those expectations.

I think there was one other part of the question.

Mr. Barnes: Yeah. Thank you. The last part was regarding inflation and what you may see as returns going forward for the rest of the year and next year and what adjustments you'd make in asset classes for that.

Mr. MacMaster: Sure. This is a best guess, as any forecaster would tell you, but we expect inflation to continue to be moderate, in the area of 2 per cent or slightly less. We expect interest rates to remain low for the near term but to gradually increase over the coming years. We expect returns on fixed income to be less attractive than equities, for instance, so we've tilted the portfolio more towards equities: heavier weight in equities and less so in fixed income, typically. That's it, in a nutshell.

Mr. Barnes: Okay. Thank you.

The Chair: Mrs. Jablonski.

Mrs. Jablonski: Thank you. I think Drew asked part of my question, but one of the concerns that I was interested in as well is that the timberland return, for example, is minus .5 when we had a benchmark of 7.5 – I'd like you to talk about that – the same as the infrastructure and private debt area. Then, when you're finished explaining those two areas, I'd like to know: who sets the benchmark for the total fund, and how is that set?

Thank you.

Mr. MacMaster: Okay. I think I addressed the first part of your question, but I will add something to that. I'm just looking at a table that I have in front of me that looks at longer term returns. If I look at timber, for instance, over the past eight years the return of the fund was 10 and a half versus the benchmark of 7.9. Again you see how, if you look longer term, the fund is on track. But, again, in any quarter, you know, we're likely to see these gyrations. Quite frankly, as investors we don't pay that much attention to them because we do want to focus on the long term, and we really believe these assets are good for the fund and for the province.

Mrs. Jablonski: Thank you. Then the overall benchmark for the total fund: who sets it, and how does it get set, please?

Mr. Matheson: The process that we employ: the department on behalf of the minister would establish a statement of investment policies that takes into consideration the broad objectives of the fund and then puts an asset allocation together which is given to AIMCo to manage, so the allocation to bonds and to equities and to real estate. So the client, if you like – I think Dale talked about the 27 clients – in delivering that statement of investment policies, would also provide benchmarks for the assets and the overall fund. That would be the responsibility of the client, to deliver to AIMCo the client's benchmarks for the portfolio.

Mrs. Jablonski: Thank you.

The Chair: Mr. Bilous.

Mr. Bilous: Yes. Thank you very much. These are just questions of clarification. I should have said at the outset that I recognize that the decisions on how AIMCo has managed or invested the heritage savings account have been quite good, so I want to congratulate you on a job well done.

Just questions under the real estate class or the percentage of the portfolio: is that invested in ETFs or REITs, or is that in physical real estate? How does that make up the portfolio?

Mr. MacMaster: A large percentage of that portfolio is directly invested in real estate, so hard assets. There may be a very small component invested in REITs, but the large percentage of this is invested in Canada and across the world in real estate, in hard assets, real estate assets.

10:00

Mr. Bilous: Okay. Can you break it down a little further than that? I mean, I'm assuming infrastructure is infrastructure, but are there any infrastructure real estate investments? Is it mostly commercial, or is it more land?

Mr. MacMaster: With respect to infrastructure?

Mr. Bilous: No. Sorry. With real estate.

Mr. MacMaster: We could get you a breakdown. It's office; it's retail. It's a broad, diversified portfolio, both Canadian-wise and globally. It really has, you know, very broad diversification across all the asset classes and around the world within real estate.

Mr. Bilous: Okay. Could you expand on private debt? You know, when I think about private debt, are you talking about private lending that AIMCo is doing? Can you talk about that for a minute?

Mr. MacMaster: Sure. We have a private debt and loan portfolio of roughly \$800 million. That portfolio is targeted towards European- and U.S.-based what we call middle market loans. It's diversified across industry, roughly \$10 million to \$20 million per loan. That's the portfolio. These are private securities.

Mr. Bilous: And how – what am I trying to ask? I'll leave that. I was just going to ask how you find investors for this. I mean, who are the typical clients that you're lending to?

Mr. MacMaster: Okay. We have partners that, you know, essentially feed us loans for us to evaluate. For instance, our partner in Europe is a large global bank, Lloyds Bank. If we were to enter what we call a club deal with three or four other lenders, we would work with Lloyds on every aspect of the transaction. We have a team in place at AIMCo that rolls up their sleeves and does their credit work and makes the evaluation whether or not to

invest. We have a similar arrangement with the U.S. with a number of partners that provide us with introductions to what we call club deals, small deals of three or four other partners that we know well, that we participate with.

Mr. Bilous: If I may just ask a follow-up, Mr. Chair. The .2 per cent return: is that more reflective in this quarter that there either haven't been many private equity investments, which would obviously mean a low rate of return, or was it that there were a couple of investments that went sideways in that portfolio?

Mr. MacMaster: No, there's nothing that went sideways in the portfolio. The large part of that would be infrastructure, okay? What likely happened is that there were probably expenses in the fund. It's such a small negative return. There were probably expenses that we had in the fund, that come out of the fund to pay for, you know, legal fees and what have you, and no real change in valuations. That's likely what you're seeing here.

Mr. Bilous: Okay. I just have two really quick questions. I can't seem to find it, but I see that you have a percentage of equities that are Canadian. Can you tell me the overall percentage of the fund that's invested in Canadian markets, I mean between all the asset classes combined?

Mr. MacMaster: There is a table here on page 5 which shows the weights in equities.

Mr. Bilous: Right, but that's just equities. I'm curious if there's a figure where you included bonds, the fixed-income money market, and the inflation-sensitive, including real estate.

Mr. Matheson: I think this might answer the question. If you look at note 4, on page 17 of the statements there's a table that shows the foreign currency exposure overall within the heritage fund. Does that answer it? You can see that there was \$7.9 billion in total in various foreign currencies within the heritage fund.

Mr. Dorward: Does that mean that there's \$10 billion Canadian?

Mr. Matheson: Yes. The difference.

Mr. Dorward: Roughly the difference is that there would be \$10 billion Canadian there, sevenish billion foreign.

Mr. Bilous: Do you want to follow up on that?

Mr. Dorward: Well, why don't we stay . . .

Mr. Bilous: On the Canadian?

Mr. Dorward: I think we should have that in the report. I think people might be interested in a more broad way.

Mr. Bilous: Well, to add to that, I'm curious to know if you have a percentage – and maybe I've overlooked it – of the fund that's invested in Alberta. Do you have a number as far as a breakdown or even a breakdown under the equities if we can't do a breakdown of the whole fund?

Mr. Dorward: Can I jump in there, Deron?

Mr. Bilous: Sure.

Mr. Dorward: I've actually explored that before. It's difficult. What is Alberta? There are a lot of Toronto corporations that invest back in Alberta. It's hard to exactly get, you know, that kind of an answer.

I mean, getting back to page 5, it might be good, I think, for Finance to consider putting in that area a geographic listing. That might be of interest to folks, not only the asset mix but geographic as well.

Mr. Bilous: Can I just see if there's an answer to the question about Alberta?

The Chair: Yes. Please, let's go back to the list here, Mr. Bilous.

Mr. Matheson: Well, I mean, it is difficult to precisely say how much of the portfolio is in Alberta. How do you define Alberta? Is it Alberta based because their head office is in Alberta? Is it because they do business in Alberta? In fact, there is no target in the legislation for the heritage fund or in, for example, the statement of investment policies. There is no stated target with respect to investments in Alberta. I think the answer in the past to questions like that – you know, AIMCo's mandate is to maximize returns, full stop. They don't have a mandate to look at where the investment is based.

Mr. Bilous: I can appreciate that.

I guess, then, I'll try to refine the question here. Under equities, if we have, you know, the percentage that's in the Canadian market, I would assume that we could derive a number – and maybe it's a bit of a ballpark as far as the percentage of the Canadian market – a further breakdown, just looking at within the province and whether that's, you know, Alberta companies. I can appreciate that there are some companies whose head office may be in Alberta, but they may not necessarily be primarily investing within the province.

Mr. Matheson: I do think it would be challenging, but I guess we would be happy to go back and consider if there's a way that we could put a fence around what constitutes Alberta. Certainly, I would be happy to take that away. We'll look at it. We'll talk to AIMCo. We'll look at the information that we have and see if there is, in fact, a practical way to get that kind of a breakdown.

Mr. Bilous: Okay. Again, I'm not trying to task you with more work or anything like that. I'm just, you know, curious, and I have been asked by constituents and Albertans how much of our heritage savings account is invested back into our own province.

Thank you.

The Chair: Okay. Thank you.

Mr. Barnes.

Mr. Barnes: Thank you, Mr. Chair. Mr. Matheson, just a couple of questions. You just said something very interesting, that your goal is to "maximize returns, full stop." I appreciate that clarity. I have two questions that relate to that. First of all, when it comes to currency and the changes in valuation of currency compared to the Canadian dollar, whether it's the euro or the American dollar, I wonder: do you hedge that? Do you have a policy to try and take advantage of that? Is that part of the reason why we saw so much lower a return compared to the benchmark on the amount of that infrastructure that's all held outside of Canada? I'd like you to talk about that for a second.

Then compared to the phrase "maximize returns, full stop," there are some other foreign sovereign funds who make a definite decision to not invest in their own countries for fear that investing in their own countries causes inflation, raises inflation. Are you saying that that is not a consideration at all of AIMCo?

Can you answer those two, please?

10:10

Mr. Matheson: Sure. Let me take them in reverse order because I'll probably want Dale to help with the first question. With respect to the second, the language actually is to maximize return within a prudent or an acceptable level of risk. It's not to try to go out there and gamble. As far as the constraints you spoke of in some of the other truly sovereign wealth funds where they are sovereign and, therefore, do affect the economy within their own country – Norway is an example. The Alberta heritage fund is not a sovereign fund. It's a subsovereign wealth fund, I guess. So, no, we don't put any constraints; there is no consideration along those lines for the heritage fund. It is simply that the legislation requires maximizing return within an acceptable, prudent level of risk.

With respect to the first question, on hedging, Dale can maybe speak to the tactical aspects of the hedging on the foreign currency investments within the heritage fund.

Mr. MacMaster: Like all components of the portfolio, we do tactically move it around, including currencies. I would say that currencies are notoriously difficult to add value with on a tactical basis. We have been positioned with an overweight – like, the big call is Canada-U.S. typically with Canadian portfolios. There'll be a whole host of other currencies, including the euro, but the big one is typically Canada-U.S. We have been overweight U.S. dollars. And, as you know, the Canadian dollar has been under some pressure for the last few years, having moved from par down to roughly 90 cents. We do tactically address that, though.

The Chair: Thank you.

Mrs. Jablonski.

Mrs. Jablonski: Thank you very much, Mr. Chair. I'm looking at your note 6 on page 20, and it says that "the following accounts are established within the Heritage Fund to encourage innovation in Alberta and support strategic initiatives for the long-term benefit of Albertans and the Alberta economy." You can see that we have the four funds: the social innovation endowment account, the agriculture and food innovation endowment account, the Alberta future fund, and the advanced education endowment account. My question is: who manages each one of these separate accounts? Do we have a board that manages it? Who makes decisions? How is that money then filtered out into the community for the purposes that these accounts were set up for?

Mr. Matheson: The first three are all pursuant to the new Savings Management Act. What that act does is that it takes a piece of the total of the heritage fund and says that we are going to notionally view, for example, in the case of agriculture, \$200 million of the total heritage fund as if it was a separate endowment, but it isn't, in fact. It is managed by AIMCo. They don't even know that that \$200 million exists on its own. It is simply, from their point of view, a part of the \$17 billion heritage fund. But notionally – and we report it now, and we will continue to report it going forward – that amount of the fund is treated like an endowment because it will generate income like an endowment fund would.

The idea is that the earnings that come off that endowment – so the earnings at 4 and a half per cent on \$200 million, which would be \$9 million – are transferred to Agriculture, and Agriculture through their voted appropriations would spend that \$9 million. So the minister of agriculture would be ultimately accountable. To your question on how the funds are spent and how they are satisfying the objective of supporting long-term benefits to Albertans and the Alberta economy, in the case of the agriculture and food innovation endowment, that would be within the purview

of the minister of agriculture through his voted appropriations. The legislation simply says that the \$9 million is transferred out of the heritage fund to Agriculture.

Mrs. Jablonski: May I ask a follow-up?

The Chair: Please.

Mrs. Jablonski: Is there any requirement for that department to show what they did with that \$9 million? We are trying to encourage innovation and that sort of thing. Does it just go into their voted budget items, or do they have to show that they used the \$9 million for specific purposes according to the reasons why we set up the account?

Mr. Matheson: Well, we're in the first year of this. I can't speak to how Agriculture will choose at the end of the year – they have a detailed ministry annual report. This will show up as part of their ministry financial statements and annual report. But I can't speak to, in the case of Agriculture or the social innovation, which is the Human Services ministry, I believe, how they will choose to publicly report.

Mrs. Jablonski: So we don't have an official requirement to report back on how they used the funds that came out of the endowments of the heritage savings trust fund?

Mr. Matheson: Certainly not in the Savings Management Act; there is no requirement for that.

Mrs. Jablonski: So they can use it for whatever they decide is the best use, not necessarily for innovation, et cetera.

Mr. Matheson: Well, I think they would certainly want to be within the requirements of the legislation on the \$9 million. The legislation speaks to encouraging innovation and supporting initiatives for the long-term benefit of Albertans. They would have to be mindful of that, but as I say, I don't know how they will choose to report that at the end of the period.

The Chair: Excuse me. I think we are getting into the next agenda item here. That's the next discussion.

Mrs. Jablonski: Thanks very much, Rod.

The Chair: I just have a couple of questions, again very close to what Mrs. Jablonski asked. I think I heard the answer. For example, on page 20 under note 6, under (b)(ii): "Effective on April 1, 2014 \$200 million is allocated to the Account from within the Heritage Fund." What I understood you to say was that, in fact, there is not an account, that it is simply a book entry, but when I read your report, your notes, it suggests that the money was transferred from the fund. Number one, is that accounted for anywhere? In other words, it's different than the general cash that sits in the account because now it has restrictions around it. Is there anywhere in this report where that's demonstrated?

Mr. Matheson: No, there is not. I agree that "account" could be construed to mean that you could actually find a separate account when, in fact, as I said, we've really notionally circled \$200 million within the heritage fund and said: that is what we're calling the ag and food innovation endowment account. It doesn't exist on its own. It is not invested any differently. It's just a notional piece of the \$17 billion. The reason that we will report on it separately going forward is because under the legislation the \$200 million, again, is notionally to be viewed as if it was a stand-

alone endowment although it's not. So it will grow or decline in accordance with the market. Like an endowment, it will generate income, and a portion of that income, 4 and a half per cent, will be transferred each year to the relevant departments.

Going forward, we will track it. We will report it as if it was a stand-alone account, so \$200 million this year. If the market has a 10 per cent rate of return over the year, then the \$200 million will become \$220 million, and 4 and a half per cent of \$220 million will be available to Agriculture. Then it'll keep going like that. The idea is that it will grow with the market over time and make more money available to the respective ministries.

The Chair: Thank you.

I guess, for my own education here, that on page 9 under Statement of Operations and Accumulated Surplus we have the transfer to the Alberta heritage scholarship fund noted at \$50 million. Now, I'm assuming, then, that that means that that is a separate, stand-alone account, that it is not held within the heritage trust fund.

10:20

Mr. Matheson: That is correct, and this line is also pursuant to the Savings Management Act, which requires that in this fiscal year, 2014-15, it's a one-time, special transfer. Two hundred million dollars will move out of the Alberta heritage savings trust fund, and it will go into the Alberta scholarship fund, which is a separate, stand-alone legal entity. So what we did in the first quarter was the first portion of that transfer, being \$50 million.

The Chair: And I believe you said that the \$150 million has already been transferred in this quarter.

Mr. Matheson: It has now been transferred as well, yes.

The Chair: And that will be, then, in the next quarter report?

Mr. Matheson: Right.

The Chair: Okay. Thank you.

Any further questions on the report? By the way, great discussion around this. You know, having sat through numerous of these, I think this is by far the best discussion we've ever had, maybe not from your point of view at the other end of the table but certainly from our view as committee members. I think it was very educational for all of us and very well informed, with good questions. So thank you. That's the way I see it.

With that, I wonder if I could have a motion, then,
to receive the 2014-15 first-quarter report.

Mr. Barnes: Those in favour? Any opposed? The motion is carried. Thank you.

Next we have an update on the annual reporting of endowment funds. It seems like we've been through this already a little bit, but I do think there's an interest in the committee having a larger discussion around this. Okay?

Mr. Matheson: are you leading this?

Mr. Matheson: I would certainly be happy to provide some comments and then take questions or have some more discussion on it. Perhaps it would be helpful to start with – I think what we find a lot of times is some confusion because we do have a series of endowment funds in the province that have the word "heritage" in their names. Today they actually legally have no connection to the Alberta heritage savings trust fund, but there is some legacy to them.

The two best examples are the Alberta heritage scholarship fund and the Alberta heritage medical research endowment. Now, both

of those were created under their own legislation back in the late '70s or early '80s, and I think the connection to the word "heritage" is, in fact, that they were seeded, if you like, with an initial allocation out of the Alberta heritage savings trust fund. In the case of the scholarship fund, there were \$100 million transferred or moved, under a voted appropriation, out of the heritage fund and into this new entity, and it was the same with the medical research endowment fund.

So those two funds now are separate, regulated funds, created under their own legislation. Under the legislation they are managed by the Minister of Finance. What that means in practice is that, just like the Alberta heritage savings trust fund, the minister establishes the broad set of investment policies, and AIMCo is charged with day-to-day management and investment of those funds. They do in fact treat them as separate entities. They are, I think as Dale said, part of what you'd call your clients.

The governance of it today is that the Minister of Finance under legislation is responsible for managing the investments of the fund. Under the legislation in both those cases money is transferred out of the endowment fund to, in the case of the scholarship fund, the Ministry of Innovation and Advanced Education, and in the case of the medical research endowment it is transferred to the Ministry of Health. Once it goes there, those two ministers have responsibility for how the money is spent, and it is done through voted appropriations. In the case of scholarships, the money that is moved from the endowment fund into Innovation and Advanced Education is used to support the scholarships that are given out by the advanced education department.

In the case of the foundation for medical research endowment fund, that money, again, is moved over to Health, and the Minister of Health is then responsible. Within the Ministry of Health the funds are then transferred by grant or voted appropriation to Alberta Innovates: Health Solutions. Alberta Innovates: Health Solutions has its own annual report and reports every year on how it spends its money. So I think those are the two legacies that have the word "heritage."

The third one, that I'll just mention briefly, is the fund called the Alberta heritage science and engineering endowment, a similar construct. It was created later than the first two but was also created by legislation and has exactly the same model. The fund is a stand-alone fund with its own audited financial statements. The Minister of Finance is responsible for managing the investments of the fund using AIMCo. Under legislation money is transferred every year from the fund to the Minister of Innovation and Advanced Education, who in turn uses grants, voted appropriations to transfer those dollars to the various Alberta Innovates. There's Alberta Innovates: bio, Alberta Innovates: energy, and Alberta Innovates: tech futures. This year \$38 million was transferred from the endowment to Innovation and Advanced Education, and that became part of the \$133 million total appropriation that went to Alberta Innovates – bio, energy, and tech – a very identical kind of structure to the first two. So those are the three stand-alone endowments and sort of how they were created, how they're currently governed and accountable.

Then I can talk some more, if you'd like, about the two new ones that were created this year within the heritage fund, that, as you say, Mr. Chair, we've already spoken a little bit about. But I might pause there and see if that helps with the first three.

The Chair: Mrs. Jablonski.

Mrs. Jablonski: Thank you. You mention that Alberta Innovates: Health Solutions, which comes from the heritage medical research

endowment, gets the money and reports every year on how it spends its money.

Mr. Matheson: Yes. They produce an annual report. They have audited statements, and they produce an annual report.

Mrs. Jablonski: Excellent. Do the other funds do the same?

Mr. Matheson: Yes. All the Alberta Innovates – in fact, I have copies – produce their own annual reports with audited statements, so Alberta Innovates: energy, Alberta Innovates: Bio Solutions, and Alberta Innovates: tech futures.

Mrs. Jablonski: Thank you. Good to know.

The Chair: No further questions on that part, I guess.

I did have a question on the new funds we've created. For example, if we look at the agriculture and food innovation, it says that a maximum transfer is calculated as 4.5 per cent. It doesn't tell us where those funds go. It just says: into general revenue. If I'm looking at this report, I'm saying: "All right. This money is being pulled out of the heritage trust fund, but at the same time I don't know where it goes." It just goes into general revenue and then disappears into a void.

Is there any way within these statements that, again, we can add a little more detail here that simply explains that those funds are transferred to general revenue, transferred then to Agriculture, and that Agriculture will be the reporting body for that fund so that for someone reading this quarterly report, it's very, very clear, if they want more information on the use of those funds that came out of the heritage savings trust fund, that in fact there's an accountability but that it's with the other ministry? It's more an information item contained in the report that, I think, would help to clarify for all of us.

Right now, when funds are transferred to revenue and if that's the only statement, well, if I had part of a lifetime, I could likely find out that some of those other accounts went to Alberta Innovates, but it would take me on quite a sleuthing exercise to determine that.

10:30

Mr. Matheson: Did you want me to comment now?

The Chair: Sure.

Mr. Matheson: I mean, I think this is a bit of a work-in-progress as far as how we're doing these financial statements for the heritage fund. This first quarter was our first attempt at trying to bring some transparency in terms of how those new, notional endowments within the heritage fund will work. Certainly, your comments are welcome, and I know that we'll continue to try to improve the reporting on this. But, you know, as you said, the legislation requires it to be transferred to the general revenue fund, which means in reality that it goes into the ministry of agriculture. The ministry of agriculture's annual report now going forward will show as revenue a \$9 million transfer out of the heritage fund into their ministry revenues, and then they will report in their annual report on all of their expenditures. One would assume that they will do some specific reporting on how they are using their \$9 million.

Mr. Khan: Can I get on this point?

The Chair: Okay. On this point, Mr. Khan.

Mr. Dorward: I was on this point, too.

The Chair: Oh, you were on this point? Well, you can be second on this point.

Mr. Khan: Mr. Matheson, I'm thankful for your explanation, and this is more of a dialogue than a question. I think we're touching on a point that delivers some information and some value to Albertans. We have an issue with our Alberta heritage savings trust fund in that, you know, we have a lot of conversations about the fund growing and how much we're growing the fund. There's this thought that the fund should be larger and any money that's not in the fund somehow vanished into thin air or didn't deliver value to Albertans in some way, shape, or form. There are some things, that Mr. Matheson talked about, that are very quantitative and easy to qualify in terms of the scholarship funds that are derived from our Alberta heritage savings fund, that we can show Albertans: you know, it didn't vanish into thin air; this is how we as Albertans have benefited from this money. Mr. Casey, again, touched on that fact that the money goes into general revenue, and then to degrees it's difficult to follow the dollars to find out how Albertans are benefiting from those monies that go into general revenues.

I think we have an opportunity with the new funds, as you said – and I'm not certain that this is the job of AIMCo; it's the job of the respective ministries to which that money flows – to somehow be able to show Albertans that the heritage savings trust fund dollars that come into their ministry have resulted in A, B, C, D, and E benefits to Albertans. If there's some way that this committee could influence the reporting being tracked, I think that could be a tremendous benefit to all Albertans.

The Chair: Thank you.

Mr. Dorward.

Mr. Dorward: Thanks. Yeah, that would just fit perfectly along with what I was going to say.

Mr. Khan: Aren't you glad I went first?

Mr. Dorward: I'm absolutely thrilled that you went first.

I don't think it has anything to do with our particular report as we see it here, but there is absolutely a need. Our committee and the Alberta heritage savings trust fund are to deal with the fund as it is and the activities of the fund and not with things that went out of the fund.

But I want to add my voice to the conversation that what we might be missing is a savings report to Albertans. This would form part of that. I mean, I would like to bring in AHSTF and the scholarship fund and also the research endowment fund into that fold and all of the savings. We in Alberta have been trying to and want to more in the future talk about the fulsome savings that Alberta does have, including the contingency fund, which should be part of that, a discussion of all of those in one place. But I don't know that we specifically on this committee are the body, if you will, that would direct the creation of that. I'd maybe take that back to the minister. I don't know who releases that, at what time, whatever.

I totally agree with my colleagues that if you try to grab something, it just tells you that you'd get some yeah, but, which are: "Well, there's the heritage savings trust fund." "Yeah, but we've also got money over there; yeah, but we've also got money over there." It would be good to have a report, similar to this one, that does lay that out clearly for Albertans so they can see in a nice graphical form on the third page that those are the total assets of Alberta, including this piece.

So I totally agree with what they're saying. I don't think it has anything to do with us here today, but it's been a great discussion.

The Chair: I think there are pieces, though, that do have to do with what we're doing today. You know, I think that what you're talking about, Mr. Dorward, is a much broader report. Treasury Board and Finance, I'm sure, would love to have that conversation with you.

On these particular endowments where the funds are coming out of here, I mean, I'm not suggesting that we would have those endowments necessarily reported here, but because this ends up being a public document, you want this to be as informative as possible and as easy to read as possible for the average Albertan. If it is nothing more than to say that it tracks the money, that when it goes to general revenue, in fact, that money is then transferred to Agriculture – and here is the link to that report – or that the reporting on the endowment will be through Alberta Agriculture so that it's clear from this statement that the money is set aside or is withdrawn from this account, that there is a way to track it at least on paper so that we don't have to go through this exercise of trying to put aside all the what, but, . . .

Some Hon. Members: Yeah, but.

The Chair: . . . yeah, but. Sorry. It was a new term. I love learning new things.

I do think that kind of information being here only adds a couple of lines but adds a huge amount of clarity. Maybe it's just me that read . . . [A cellphone rang] That would normally cost big money in my world, but we'll let you go this time.

Mrs. Jablonski: My apologies.

The Chair: Maybe it was just me that was confused by "The Account" because, of course, it's in capitals. I guess there was an assumption that everyone knew what the account was.

Mr. Dorward: That's a yeah, but.

The Chair: Yeah, it is.

Again, when I pick this up, I believe that the average person is going to understand that the account is in fact an account. If that's not the case, then, again, just a sentence at the front end that says that these monies, the \$200 million or whatever, are not withdrawn from the heritage trust fund but stay there and earn revenue and are accounted for separately. Just something very simple. It doesn't have to be complicated or long. I think that any clarification we can add to this section would be really appreciated by everyone.

Mr. Saher: Mr. Chairman, may I ask a question just to help me understand all this?

The Chair: Certainly.

Mr. Saher: Thank you very much. My question is to Mr. Matheson. Earlier, in relation to the transfers to the general revenue fund you said that there is a scheme in place, a legislative scheme, to bring those to an end, I think you said, within three years.

Mr. Matheson: The income from the heritage fund will stay within the heritage fund, yes.

Mr. Saher: In relation to these notional funds – I do understand that, but I need clarification – it won't be notional if there is a

transfer with respect to these notional funds out of the heritage fund to departments. That will actually be a reduction in the assets of the heritage fund.

Mr. Matheson: That is correct.

Mr. Saher: Okay. Thank you.

Just for complete clarification, in relation to the four funds that are talked about in note 6, as of the first quarter no transfers had been made out of the fund with respect to those four.

Mr. Matheson: Yes, that is correct. No transfers had yet taken place.

Mr. Dorward: Of income.

Mr. Matheson: Yes.

Mr. Saher: Of income. Thanks very much.

The Chair: Yes, Mrs. Jablonski.

Mrs. Jablonski: Thank you. Just a clarification on the notional funds: the social innovation endowment account is notional, correct?

Mr. Matheson: Yes.

Mrs. Jablonski: The agriculture and food innovation endowment account is notional. The Alberta future fund: is that notional?

Mr. Matheson: Yes, in the sense that what the legislation says is that every year, again, \$200 million within the heritage fund will be notionally acknowledged or set aside for the purposes that the legislation has for the Alberta future fund and that every year for 10 years \$200 million will be treated that way. So in theory it could be removed under voted appropriation, and if it isn't, it will continue to grow. It will grow by both the market returns on the heritage fund itself – and every year it grows by \$200 million – so 10 years from now, if nothing is withdrawn under that legislation, it would be \$2 billion plus whatever the market has done over 10 years.

10:40

Mrs. Jablonski: Okay. Then the advanced education endowment account: is that notional?

Mr. Matheson: Well, that, again, is notional in the sense that it forms part of the 17 and a half billion dollar heritage fund. When it started, a billion dollars was actually transferred into the Alberta heritage fund to begin this. That was under the Access to the Future Act. A billion dollars was put into the heritage fund, so it now just forms a part of the body of the heritage fund. It's not separate. You can't go in and say: those stocks belong to that billion dollars, and those stocks belong to the rest of the heritage fund. It's all part of the corpus, the body of the heritage fund. Then under legislation, again, a portion of the income on that billion dollars is transferred every year into the access to the future fund, which is, again, a separate, stand-alone fund outside of the heritage fund and within the Ministry of Innovation and Advanced Education.

Mrs. Jablonski: Thank you.

The Chair: Mr. Dorward.

Mr. Dorward: Yeah. Just building on our Auditor's comment, I wonder if we shouldn't have in note 2 an accounting policy

relative to the amount of money that stays in. I mean, maybe we didn't think that it was important before because it was pretty – I mean, inflation-proofing, I'm talking about, and the amount staying in. Then maybe with respect to legislation it requires a description of how it's going to change over time. Please consider that in note 2 as an accounting policy.

Can I just say one other one? I wasn't going to say anything, and I certainly don't think it affects this report, but when we have – and it does lean towards what I'm saying. Certainly, if you look at the report and you go to page 1, the third page of the report, it says, "Asset Mix as at June 30." You can infer that this is to June 30, but it doesn't say it on the front page, and I'm just thinking that when people internationally or Albertans who maybe aren't so oriented to a government fiscal cycle – could the department consider having "June 30" on the front page or sooner in the report? First quarter means a whole lot to us insiders, but it may not mean so much to a foreign person, looking back into Alberta, saying: "Well, what is their first quarter? They know it, but we don't necessarily." I'm just wondering if we shouldn't have a date, an indication on there somewhere.

Thank you.

The Chair: Thank you.

Any further questions or comments? On the telephone, anything?

Okay. Thank you, Mr. Matheson: a good dialogue here, I think. As you point out, this is a bit of a work-in-progress, so as we see the next quarter come forward, if you can take some of our comments into consideration, it would be appreciated. I assume that at the next quarterly report we will have a similar conversation, hopefully one that says: you've absolutely nailed it; this is perfect.

Mr. Matheson: We will certainly take into consideration all of the comments today.

The Chair: All righty. Thank you.

Moving ahead to communications update, as committee members are aware, the committee's 2014 annual public meeting is scheduled to be held in Edmonton on Thursday, October 9, from 4:30 to 6:30. The location for the meeting is Lister Centre at the University of Alberta campus. In order to expand the reach of the public meeting province-wide and in the interests of keeping all Albertans informed on the fund, the public meeting will again be broadcast live on Shaw TV, with the ability to ask questions on Twitter as well as a system allowing Albertans to phone their questions in for transmittal to the committee.

The major components of the public meeting will follow a similar format to last year, including a simple reception following the meeting, giving committee members the opportunity to speak with attendees. This year's addition is a keynote speaker. We have received confirmation that Professor Randall Morck from the School of Business at the University of Alberta will address a public meeting on the subject of sovereign wealth funds.

Further to the communications plan approved by the committee, communications is moving forward with initiatives to promote and execute the public meeting. A document was posted on the internal website, and I will now ask Jeanette Dotimas to explain these initiatives more fully.

Ms Dotimas: Thank you, Mr. Chair. As the chair mentioned, we have a few of the supporting activities to promote the public meeting already under way. We have the heritage fund introductory and educational video from last year, that's been updated to reflect the additional endowment funds that were established within the fund for 2014. We have a link to that video,

that was posted on the committee's internal website for the committee's review, and that was posted yesterday. We have the abbreviated version of the video, which remains unchanged from last year and that can still be found on the committee's external website as well, which is at assembly.ab.ca. The 30-second promotional video we have updated as well to reflect the 2014 public meeting information, and those are scheduled to run on air on Shaw TV beginning the 25th of September, leading up to the October 9 meeting.

We have the 30-second radio advertising campaign that is also in progress. We have the radio spots in various stages of production at the moment, and those are slated to run the week prior, so October 1 up until the 9th of October as well. Those will be running on campus radio across Alberta and news information radio stations in Calgary as well as in Edmonton.

We have print advertising campaigns beginning on the 29th of September with placements in Alberta's weekly newspapers, and October 4 is when we begin the Alberta daily newspaper runs as well.

The statistics cards that have been traditionally provided to the committee and all Members of the Legislative Assembly will be sent to all of the constituency offices. They, of course, are going to be updated to reflect the fund's performance for 2013-14, and the target date for distribution will be the 19th of September, with the card being updated on the committee's website as well.

The first of two e-cards will be sent by the chair to the Members of the Legislative Assembly on September 18, and a second one will be sent out on October 6, which will serve as a reminder about the public meeting.

Lastly, a reminder that although the live broadcast will take place at 4:30 to 6:30 this year, there will be a rebroadcast of the public meeting later on that evening, beginning at 7 p.m.

Thank you.

The Chair: Thank you.

Questions from any of the committee? Mrs. Jablonski.

Mrs. Jablonski: Thank you. You did address partially my question about the public meeting, and that was to ask you: what was the time that we conducted that meeting in the past couple of years? I did think that 4:30 to 6:30 was a change.

Ms Dotimas: Yes. It was 7 to 9 p.m. traditionally.

Mrs. Jablonski: Then you said that it – okay. I have a concern there, and that's because a lot of people will just be getting home from work and that sort of thing. I guess they could make arrangements to participate in that public meeting through our website and Twitter and whatever social media we use. You said that it would be rebroadcast, but then they can't participate during the rebroadcast. So I'm just wondering why we made the decision to move to an earlier time.

Ms Dotimas: I'm going to get Mr. Casey to address this. Thank you.

The Chair: Sure. Well, I think the whole effort here was to try to engage a younger audience and particularly the university students. We want to start to engage people, at the beginning of their careers, in the fund and in this conversation. There seemed to be a very strong feeling that if we wanted students to be engaged, we needed to basically have it at the end of their class day, that, in fact, if we held it at nighttime, they'd be off doing other things or

studying or whatever. So we wouldn't necessarily be able to attract the number of people that we'd hoped to.

10:50

Having it at that period of time, we felt we'd be able to get more of an audience, number one, which was also the reason to have a guest speaker, one that was recognizable to the students, because, hopefully, the business school, at least the students, will recognize the professor and want to come and hear what he has to say and will stay and become engaged in the whole discussion.

It was difficult to find a time that worked for both. Well, this decision has already been made previously, so it's difficult to back out on it now. But that was the rationale, to try to engage a younger audience, certainly a university-level audience. But by being able to phone in and various other means of being able to watch the meeting live, hopefully we'll be able to engage, you know, other people in the public that, in fact, have an interest.

Mrs. Jablonski: Thank you for that, Mr. Chair. I would just suggest that we compare the attendance numbers. I certainly hope that the assumption that we'll get increased attendance and an increased attendance of the university students – I sure hope that does end up being a result, but I'd like to see the comparison after the meetings.

Thank you.

The Chair: Mr. Khan.

Mr. Khan: Yeah. Again I think I beat Mr. Dorward to the punch here on this one. You know, being involved as the past chair in coordinating the meeting and having some insight into how hard our very committed staff work in putting that meeting together, at the end of the day, in terms of audience in the seats I think in the last couple of meetings we've been – you know, you wonder whether the incredible effort to put on a really good show translates to results in bums in the seats, so to speak. Frankly, we've had low numbers the last couple of times, and I know there was a lot of consideration put into: how do we just increase more of an audience, more people engaged in this process? I think we all agree that if we have more people in the audience, we're going to have a better meeting.

This was a strategy that I'd like to commend the chair for pursuing. I completely agree with our deputy chair that we should at the end of the meeting do a comparative as to actual audience members and also see if it has any impact in terms of the audience online and on television, do that comparative and see if our objective has been met.

I just thought I'd add that additional perspective, Mr. Chair.

The Chair: Okay. Thank you.

One of the things is that most of our communication ends up being around this meeting. I know that that's a major function of the committee, but at the same time I do think that if we want more people engaged in this meeting, we need to engage people throughout the year. So I think that's something that our committee, since public communication is sort of our major function here, needs to seriously consider.

I spoke with a group yesterday at lunchtime and spent most of the time talking about the heritage trust fund and just really the

quarterly report and the year-end report. People at the end of it said: "Gee, you know, we had no idea. We had no idea that that's what was happening. We had no idea about the Fiscal Management Act. We have no idea about the savings plan." You know, people really don't have much of an understanding of what the fund is. They hear a bit of, for lack of a better term, rhetoric in the press, but that's really all they hear.

So I do think that we need to think going forward here about how we get this information out in a meaningful way throughout the year to try to build an anticipation towards a meeting. Rather than depending on a one-month communicational plan, maybe what we need to start to think about is a 12-month communication plan where each time we have a quarterly report, in fact, we do a communication plan around that quarterly report and we look at different ways to get that information out. I know we do that now. We make it public, and we put it out there, but to be honest, I'm not sure it hits the street in any meaningful way. So that's something that our talented staff here can come up with some thoughts on, I'm sure, and this committee can think a bit about.

Moving ahead, I'm assuming we'll be getting some updates as the weeks go on here. All right. Thank you.

The next one is on the website and the number of hits on the website. Is anyone speaking to it? I guess everyone has the report here in front of us if there are any questions around the report. Extremely detailed. Any questions around the website, number of hits, type of information? Extremely detailed. So thank you very much for that.

Mrs. Jablonski.

Mrs. Jablonski: Thank you, Mr. Chair. Just a quick comment. When you look at the numbers, we can see that over the years the numbers of hits are increasing. I find it very promising that more people are checking out the website and are looking into our heritage savings trust fund, because it is usually a topic of conversation in our coffee shops. It's good to see that a lot of people are going to the website to get the facts.

Thank you.

The Chair: Okay. Thank you.

With that, we'll move ahead to the next agenda item, which is other business. As you know, the committee is required to report to the Legislature annually. This report is usually provided to the committee for approval at the September meeting because it outlines the activities of the committee on the heritage fund fiscal year reporting timeline. Also, the report usually includes a brief recap of the previous year's annual public meeting. Therefore, I'd recommend that we hold off on reviewing the committee's annual report until December, at which time the report could include the recap and the results of both the 2013 and 2014 public meetings at the same time. That's really just for information, just to inform people that that's the process we will follow this year.

The date of the next meeting is October 9.

Thank you, all, for attending. Very good meeting, very informative meeting, and a very good education process for all of us.

With that, I will call for a motion. Mr. Barnes.

Those in favour? Opposed? No one ever opposes adjournment.

[The committee adjourned at 10:58 a.m.]

