Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Monday, April 22, 2024
9 a.m.

Transcript No. 31-1-4

Legislative Assembly of Alberta
The 31st Legislature
First Session

Standing Committee on the
Alberta Heritage Savings Trust Fund

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

Boitchenko, Andrew, Drayton Valley-Devon (UC)
Bouchard, Eric, Calgary-Lougheed (UC)
Brar, Gurinder, Calgary-North East (NDP)
Dach, Lorne, Edmonton-McClung (NDP)*
Hunter, Grant R., Taber-Warner (UC)
Kasawski, Kyle, Sherwood Park (NDP)
Kayande, Samir, Calgary-Elbow (NDP)
Wiebe, Ron, Grande Prairie-Wapiti (UC)
Wright, Justin, Cypress-Medicine Hat (UC)**

* substitution for Gurinder Brar
** substitution for Andrew Boitchenko

Office of the Auditor General Participants

W. Doug Wylie	Auditor General
Tim Lamb	Principal

Support Staff

Shannon Dean, KC	Clerk
Teri Cherkewich	Law Clerk
Trafton Koenig	Senior Parliamentary Counsel
Philip Massolin	Clerk Assistant and Director of House Services
Nancy Robert	Clerk of *Journals* and Committees
Abdul Bhurgri	Research Officer
Christina Williamson	Research Officer
Warren Huffman	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Christina Steenbergen	Supervisor of Communications Services
Shannon Parke	Communications Consultant
Janet Schwegel	Director of Parliamentary Programs
Amanda LeBlanc	Deputy Editor of *Alberta Hansard*

Transcript produced by *Alberta Hansard*

Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance
Brittany Jones, Director of Investment Strategy, Capital Markets
Stephen J. Thompson, Executive Director, Capital Markets

Alberta Investment Management Corporation
Amit Prakash, Chief Fiduciary Management Officer
Marlene Puffer, Chief Investment Officer

9 a.m. **Monday, April 22, 2024**

[Mr. Yao in the chair]

The Chair: Good morning, everybody. I'd like to call this meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order and welcome everyone in attendance.

My name is Tany Yao, and I'm the MLA for Fort McMurray-Wood Buffalo and chair of this committee. I'd ask that members and guests at the table introduce themselves for the record, and then I'll call on those joining in by videoconference. We shall begin to my right.

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

Mr. Hunter: Grant Hunter, Taber-Warner.

Mr. Wiebe: Ron Wiebe, Grande Prairie-Wapiti.

Mr. Bouchard: Eric Bouchard, Calgary-Lougheed.

Mr. Wright: Justin Wright for the charming constituency of Cypress-Medicine Hat.

Mr. Prakash: Amit Prakash, chief fiduciary management officer, AIMCo.

Mr. Thompson: Stephen Thompson, executive director, capital markets, Treasury Board and Finance.

Ms Jones: Brittany Jones, director of investment strategy, capital markets, Treasury Board and Finance.

Mr. Lamb: Tim Lamb, Auditor General's office.

Mr. Kasawski: Kyle Kasawski, MLA for Sherwood Park.

Member Kayande: Samir Kayande, Calgary-Elbow.

Ms Steenbergen: Christina Steenbergen, LAO communications.

Mr. Koenig: Trafton Koenig, Parliamentary Counsel office.

Ms Robert: Good morning. Nancy Robert, clerk of *Journals* and committees.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: And we're going to go online. Mr. Dach.

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

The Chair: Thank you so much.

Dr. Puffer. We still can't hear you. Can you log in and out maybe?

While we're waiting for that, for the record I'm going to note the following substitutions. We have Member Wright for Member Boitchenko and Member Dach for Member Brar.

We have a few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by the *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of meetings can be accessed via the Legislative Assembly website. Those participating by videoconference are encouraged to please turn on your camera while speaking and to mute your microphone when not speaking. Members participating remotely who wish to be placed on the speakers list are asked to message the committee clerk, and those in the room should signal the chair or the committee clerk. Please set your cellphones and other devices to silent for the duration of the meeting.

Dr. Puffer.

Dr. Puffer: May I be heard now?

The Chair: Yes. We can hear you loud and clear. You're 5 by 5.

Dr. Puffer: Excellent.

The Chair: Thank you so much for that. Could you just say your name for the record, please, Dr. Puffer?

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

The Chair: Thank you so much for that.

A draft agenda was made available to all members. Does anyone have any changes or additions to the draft agenda?

If not, would someone like to make a motion to approve the agenda? MLA Hunter moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the proposed agenda as distributed for its April 22, 2024, meeting. All in favour, please say aye. All opposed? On the phones, Mr. Dach, do you agree with us?

Mr. Dach: Aye.

The Chair: Attaboy.

Thank you so much. The motion is carried.

All right. Next we have the draft minutes from our January 30, 2024, meeting. Do members have any errors or omissions that they wish to note?

If not, would someone like to make a motion to approve the minutes? Mr. Rowswell moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the minutes as distributed of its meeting held on January 30, 2024. All in favour, please say aye. All opposed? Mr. Dach?

Mr. Dach: Aye.

The Chair: Attaboy. That's twice.

All right. The motion is carried.

The Alberta heritage savings trust fund third-quarter report for 2023-2024 was released on February 29, 2024. Members were notified when the report was posted to the committee's internal website. As committee members will be aware, the Alberta Heritage Savings Trust Fund Act mandates that one of the functions of this committee is to receive and review quarterly reports on the operation and results of the heritage fund. We are pleased to have representatives from AIMCo and Treasury Board and Finance here to provide us with an overview of the report and answer any questions that members may have.

I'm going to turn the floor over to AIMCo and Treasury Board and Finance. Please begin when you are ready.

Mr. Thompson: Thank you, Mr. Chair. Good morning, committee members and guests. My name is Steve Thompson. I'm the executive director of capital markets at the Department of Treasury Board and Finance. I'm joined today by my colleague Ms Brittany Jones, who is our director of investment strategy. I'm here to present the results of the Alberta heritage savings trust fund for the third quarter of fiscal 2023-24 on behalf of the department.

Over the quarter the return of the fund, net of fees, was 3.1 per cent compared to a benchmark return of 3.8 per cent. The value of the fund increased by $654 million to $22.1 billion and established a new all-time high, rising from the prior high-water mark of $21.6 billion, set in June of 2023.

Quarter to date and fiscal year to date returns share a similar story. Positive returns have been driven primarily by the public equity markets while inflation-sensitive and alternative assets such as real estate have seen declines in performance. Fixed-income yields have also been contributing positively to overall performance this fiscal year. Over the fiscal year to date the return on the fund remained positive at 4.0 per cent versus a benchmark return of 5.0 per cent, a lag of the passive benchmark return of 100 basis points fiscal year to date. Despite the challenging conditions, the fund generated an additional $386 million over the quarter, bringing total income generated to date of $1.5 billion. This was mainly driven, as we say, by the performance of global equity markets.

Over the longer term the heritage fund has two main performance targets. The first is to outperform a real return target of the Canadian consumer price index plus 450 basis points, and the other is to outperform a hypothetical passive benchmark by a margin of 100 basis points. Both are measured on a rolling five-year period.

Inflation has driven CPI-plus benchmarks higher, and this impacts both the real return target and the passive benchmark. Alternative assets such as private equity, infrastructure, and renewable resources have seen their CPI target benchmark return expectations rise as inflation has persisted. The target has increased 81 basis points since March of 2021. The higher target translates to asset class benchmark returns that the asset manager, AIMCo, is expected to surpass over the long run. Currently 31.4 per cent of the portfolio is invested in asset classes that should theoretically help to diversify the portfolio returns throughout the market cycles, including those where inflation is a concern.

Over five years the fund has returned 6.5 per cent. The passive benchmark returned 6.6 per cent over the same time period, leading to an active management return of negative 10 basis points, which is 110 basis points lower than the 1 per cent target. At the reporting date the CPI-plus-450-basis-point real return target was 7.0 per cent. Over five years this reflects a return 50 basis points lower than the real return target.

Lastly, over the quarter the fund incurred $49 million in expenses, $7 million higher than the same time last year. Fiscal year to date the fund has incurred $124 million in expenses, which is 37.8 per cent, or $37 million, higher than the investment expenses generated last year.

This will conclude my prepared remarks on the third-quarter results, and I will cede the floor to my colleague from AIMCo.

Mr. Prakash: Thank you, Mr. Thompson.

Good morning, Mr. Chair and committee members. Thank you for inviting my colleague Dr. Puffer and I to present to you this morning. My name is Amit Prakash, and as the chief fiduciary management officer at AIMCo I have overall responsibility for managing our client relationships as well as advising on asset allocation decisions and other investment considerations for our clients.

As part of my opening remarks I'll touch upon three topics: firstly, give you an update on one of the big initiatives we have undergoing business transformation; secondly, describe what we're doing on the people and talent front; and then, lastly, how we are executing on the corporate and investment strategy that was reviewed and refreshed roughly two years ago. But before I start with the prepared remarks, I also wanted to share with you the regrets that Evan Siddall, our CEO, sent to the committee. He was scheduled to be here this morning, but because of last minute health reasons he couldn't join us today.

About a year, slightly over a year ago we commenced on a review of our technology and operating platform with a view to make end-to-end improvements in terms of what we do and how we manage investment programs and pools on the platform. It was evident quite quickly that simply looking at technology in a narrow sense would be suboptimal and, in fact, is one of the key reasons why many other organizations fail when they are trying to make these types of changes; thus, the description business transformation, because it's equally about better technology but as much about better processes and ensuring that we are doing things in an integrated manner rather than a siloed manner.

9:10

We've been at it for about one year plus. A lot of it has gone into planning and making the assessments of what the platform would look like, and at this stage of the process we are close to making a final selection and would do so over the next month or so. Our clients will get a host of benefits from these changes, not the least of them as we go internally from 100-plus systems to roughly 20 systems which talk to each other more effectively than is the case right now. Again, the benefits range from more robust, better reporting, better analytics, the potential to improve the returns that our strategies have in that the teams are more focused on markets rather than cutting and pasting and doing manual chores.

Two other aspects I think are critical. The governance of this initiative given its scope and size: in addition to the management team, the AIMCo board is overseeing it, including approving the budget, et cetera. Then, lastly, we've spent a fair bit of time with clients, including our Treasury Board and Finance colleagues, to ensure that they have good line of sight and visibility into what these changes are, what the initiative is, and how we progress it over the last 12 months and over the next two or three years. So we're very excited that, you know, we're in that stage. We're excited that we're making this change, that'll make AIMCo a lot more effective and impactful and ready for the future relative to our current platform.

Secondly, also very important and another reason why these types of projects, initiatives fail at other institutions is not getting the organization ready for it. Change management is a critical part of it. People, the processes change, the systems change, the tools change, so it is important that the employees feel that they are well supported through the change. In many cases they need to pick up new skills, et cetera, so that's been a huge focus, including training, coaching, mentorship, and overall just helping with the transition.

Then, lastly, we did win an award as being one of the top employers of young people in the country. Again, really important. Talent is the life and blood of investment management, so that was a good acknowledgement by our youngest prospective employees, to win that award.

Then, finally, we keep marching down the road in executing on our corporate and investment strategy. One aspect of it was to expand internationally, so now we have an office both in New York and Singapore, relatively small footprints of roughly five individuals physically in each of those offices. The one in Singapore is focusing on real assets, primarily infrastructure, and then, beyond that, private equity, and the one in New York is focused on private debt and loan as well as building partnerships. The latter is particularly useful. It allows us to punch above our weight in many cases, amplify our voice, and be able to get better information, better access to deals and, the part that we've seen already, better economics in terms of lower fees, which flows through to our clients directly.

With that, I'll conclude my remarks and send it back to you, Mr. Chair.

The Chair: Thank you so much for your presentation.

We'll now turn to the question portion of the meeting. I'm going to open the floor to the committee members. Mr. Kayande, please go ahead. Start us off.

Member Kayande: For sure. Thank you, Mr. Chair. I just want to tug on that thread a little bit about the lower fees from having these offices. Not only do you have a new office in Singapore, but there's an office, I believe, in the process of opening or already open in New York, primarily to do private credit, I believe. Correct? How do you think about the risk-reward trade-off from the fee standpoint? Now what you're doing, I guess, is trading management fees for fixed operating expenses. Can you talk a little bit more about that, about how you think about that trade-off?

Mr. Prakash: Absolutely.

Marlene, should I get started? You've gone mute again, by the way.

Yeah. I'll get started. A great question. As we looked at, as we assessed that opportunity, it was really, really important to measure those kinds of things, but first and foremost is the value add, you know, ultimately, to our clients a lot, and managing the cost and the scale is really important. That's about five members. You know, it's a small footprint.

The second part: on the other side of the ledger is the scale on which these benefits apply. Let's say, you know, that we're able to negotiate five basis points lower on a $2 billion or $3 billion notional. That very quickly starts to pay for the office and then some fairly quickly.

There are two sort of major categories where those benefits accrue from, and both ultimately are about better economics in this sense. First and foremost, and the one I mentioned without mentioning specifics, is the ability to actually get overall lower fees by interacting with the investment managers in a more consolidated manner. Historically our different teams – if you were speaking with manager X on the public equity side, on the fixed income side, on the effect side, and you did it through silos, the ability to actually do that on a singular basis allows us to negotiate better fees. So that's what we've started to see. At least, there's one and perhaps two instances where that benefit applies, and it's the scale that makes it attractive.

The second part which we've been able to do – and there are more than two or three examples of that – is, particularly on the private credit side, the ability to not only invest in pools but also do co-investments or direct investments. What that does at the margin: those types of investments typically don't have a performance fee attached to them; therefore, the weighted average of the fees that we're paying tends to come down. Again, even on a $100 million deal it comes off by five basis points. That's quite material. Our private debt and loan book is roughly about $7 billion or so. Again, it'll be less than ideal to simply say: five basis points times $7 billion. That would be improper. But over time the idea is to move in that direction to the extent that we can. That is what will pay for the office and then some.

Marlene, anything to add to that?

Dr. Puffer: No. You covered it very well, Amit. Thank you.

Mr. Prakash: The other thing, just for completeness: I mentioned the other part, other than the dollars and cents. It also allows you to get into the game more appropriately, and that is just getting access to deal. You want to be the first or the second call rather than the 10th call on transactions, again, as our colleagues from Treasury Board and Finance are very aware, being in the markets themselves.

The Chair: A follow-up?

9:20

Member Kayande: Yeah. May I ask a follow-up? About that, getting in the game: I mean, $7 billion is certainly a significant amount of money. At the same time, it's not the same as, like, what Blackstone Credit can bring to the table, for example.

You know, I guess I get concerned when I see so many players moving into a space, the risk of it getting crowded, of course. Like, financial markets, new financial trends tend to get crowded very quickly. How are you thinking about the risk of that crowding, the risk of return compression? What I see – and these are credit investments, so you don't really know what they're going to do until we start seeing the cycle turn. How are you thinking about that specifically?

Dr. Puffer: I could take that one, Amit.

Mr. Prakash: Yeah.

Dr. Puffer: It's a really great question. The private debt and loan space is somewhat different from other asset classes in that it's a relatively new area of investing in this way. It's, you know, less than 10 years old, I would say, really, in its growth. The idea of this space becoming crowded is somewhat different from the idea of certain sectors of private equity becoming crowded at a moment in time or certain areas of something more narrow becoming crowded. The reason is that this space is where the banks for regulatory reasons and for risk management reasons and for capital allocation reasons have really exited the space of doing the lending to the kinds of entities that we lend to through our private debt transactions. This whole space is expanding in terms of the ability of the private debt investors to really be active. We're not at a point in this asset class where the opportunity set is shrinking.

The opportunity set, quite to the contrary, is continuing to grow. This is a space where there are large players, and we are partnered with several of the large players such as Blackstone, as you named. We have access to deal flow, that Amit referred to, that is really at the heart of where we want to be in the deal flow, and then we can pick and choose where we participate alongside to emphasize the areas that we think have the best opportunity set. But it's not a crowded space in that return potential is being compressed. It's still an area where the return potential is really quite strong, and we feel we're getting a very good, risk-adjusted return, subject to the fact that we have a very strong team who can be selective about which credits we are interested in based on fundamental analysis that is allowing us to keep our loan loss rates very, very low. It's because there's such a wide opportunity set in this marketplace today because of the banks having, really, exited. So it's not a crowded space by any means at this moment.

Does that answer your question?

Member Kayande: Yes. Thank you.

The Chair: All right. Next we will go to Mr. Wiebe.

Mr. Wiebe: Well, thank you, Mr. Chair. Thank you for being here and answering some questions. My questions will focus on the overall performance of the fund, and I'll start with the third quarter here. I'm just wondering: which asset classes have performed well over the last quarter, and which ones have not? Then, I guess, can you expand on the economic expectations for the year, and how do you forecast the fund going into the last quarter of this fiscal year?

Dr. Puffer: Great. I'm happy to take that one. The following asset classes really were the strong performers over the quarter. Fixed income did well, at 6.3 per cent, as interest rates started to come down in anticipation of the policy-makers considering cutting rates. They haven't done that yet, but that asset class performed very well because of that perception, at least, during that quarter. Equities were up 7.2 per cent, with Canadian equities up the most, at 9.2 per cent; global equities at 8.1 per cent; and private equities not as strong but positive at 2.3 per cent.

The ones that performed more poorly were some of the private asset classes. Real estate was down 5 and a half per cent, infrastructure was down 1.6 per cent, and renewable resources, which is related to our infrastructure – that is, more agriculture and forestry-type investments – was down 3.6 per cent.

Now, those reactions in those private asset classes have multiple reasons, some of which relate to the fact that with interest rates, although there was some anticipation that they would be dropping and did drop to some degree, the policy rates haven't come down yet, so many of these private asset classes, that are quite sensitive to interest rates, have not really fully adjusted to this existing higher level of interest rates. That makes doing business in these areas more challenging.

Real estate in particular, having been the weakest performer, has continued to suffer from some challenges, particularly related to the office segment, which, as you can imagine, is still reacting to the post-COVID reality – that is different across different markets in different parts of the world and in different cities across North America – but is continuing to adjust in that way.

As for the economic expectations, we continue to maintain a baseline outlook, really, across the last year. We expected the U.S. economy to really kind of find its way into a soft landing, so continuing to have modest economic growth even as policy rates are adjusting. The monthly data continues to show that the U.S. economy is surprisingly resilient; hence, the strong performance in equity markets; hence, the reluctance by the Fed to cut rates thus far because of a fear that inflation may continue to rear its head.

The Canadian outlook is a little less positive. The Canadian economy seems to be on the brink of some recessionary forces, perhaps a little bit of stagflation, and the Bank of Canada has an increasingly difficult problem to solve making the trade-off here. We are forecasting a mild recession for Canada, and we have the same view in the Eurozone: a slowing economy, sticky inflation in both Canada and Europe.

We ultimately think that inflation will be under control, but it's a delicate balance that the central banks are trying to manage at the moment. We don't have the crystal ball about performance this quarter, but as interest rates continue to stabilize here or begin to come down, the impact on some of those private asset classes, that has been quite negative, should dissipate, and we should see a bit of stability there. We should continue to see equity markets, you know, reasonably positive, provided economic growth is not stifled by the policy-makers.

Mr. Wiebe: Thank you.

The Chair: Did you have a follow-up, sir?

Mr. Wiebe: Yes. I would also like to talk about just the year-to-date returns. It is 4 per cent. It looks like 4 per cent is our rate of return year to date, which is 1 per cent below the benchmark. Similarly, the five-year rate of return is 6.5 per cent, which is .1 per cent below the benchmark. Now, the benchmark, I believe, is a reasonable benchmark. Why is it that we don't seem to be achieving to reach the benchmark? When I look at my own personal investments, these benchmarks are incredibly reasonable, so why can we not achieve that?

Dr. Puffer: Well, they are reasonable. But it is the case that the total portfolio benchmark is made up of individual benchmarks for each of the asset classes, and in some of the private asset classes those benchmarks that we look at are the rate of inflation plus a spread of 450 basis points. That's the benchmark for real estate and for infrastructure, for example. As inflation has risen and we've seen that hurdle increase from, you know, 2 per cent inflation plus 450 basis points, so 6 and a half, which is a good, reasonable benchmark when inflation is there – as inflation has spiked, we've seen that benchmark also be much higher as a result.

Now, the investments in real estate and in infrastructure and renewable resources do have some inflation protection characteristics in them, but they tend to react to inflationary pressures with a lag. So we have a bit of that lagged adjustment and a little of the adjustment that I expressed earlier in the capital gains or losses in those asset classes reacting to the higher discount rate that depress the current value of the investments. We've got a lag of reaction to keeping up with inflation. Think about it as, you know, the rents we can charge in some of our office properties or residential properties. You can't increase them simultaneously with inflation. It comes later. That comes later. The capital gains then turn into some losses when interest rates rise because of just the present value effect.

9:30

Those two things impact those asset classes in a way that, on an annual basis, leaves the performance being behind the benchmark, but when you look at the returns across a longer time horizon, which is how we really think about it, when you look at those asset classes, the behaviour is quite strong. So over a 10-year horizon we've beaten the benchmark in both of those asset classes when you look at it over a sufficiently long horizon. You think about it as that the CPI plus benchmark for those is either flat or has been rising with recent inflationary effects, but it doesn't have much volatility whereas these asset class valuations tend to have some volatility that will cancel out over time and eventually lead to positive returns. The investment horizon is really where the focal point needs to shift. In any given year we may outperform; we may underperform. This past year has been one where that combination of events has led to underperformance in those particular asset classes.

Within the public asset classes we were either at or a little bit above benchmark, and that tends to be fairly consistent. In private debt and loan we had strong returns but, again, a little bit below what the benchmark says. But that asset class, for example, continues to offer strong, high single-digit returns that beat the overall fund benchmark over time. So it's a short-horizon, long-horizon issue, and it's the current economic environment having had a combination of events that had negative impacts on some valuation.

Does that answer your question?

Mr. Wiebe: Sort of. Yeah.

The Chair: Next we have Mr. Kasawski.

Mr. Kasawski: Thanks very much, and thanks for the presentation and opening comments. The question – I just want to refer to the report, and maybe give me an education on the value of the fund. There's this fair value hierarchy. I got very excited about all the level 1 investments, but there aren't any level 1 investments, and there are all level 2 and level 3 investments in our funds. Just explain to me why this is amazing and why this is great.

Mr. Prakash: Yeah. Great question. We follow standard accounting, public-sector accounting, standards for our valuation and how we report the heritage fund and indeed to all the rest of our clients in Alberta. The answer to your question – you know, why is it more level 2 and level 3 rather than level 1? Just for context there are different levels of securities that the accounting standards describe. The first one is if you bought RBC shares, publicly available. Then there is the second category, where it is less liquid and you have to look at comparables and you have models, and then you have when you buy bridges and airports, et cetera. Those are the three categories.

Philosophically, the way we want to think about the heritage fund pool of capital of $22 billion: the areas that it wants to play in are where typically the millions and millions are not playing, where you have relative advantage. Thus, you know, we've spoken a lot about private credit this morning, but you have investments in infrastructure. You have investments in real estate. Even within equity there are clearly parts of it which are in the more liquid public equity, but a lot of it is nonvanilla. Partly, it is that the market, if you will, on average compensates investors where you are actually stepping into parts of the market which are away from where, for example, a lot of the mutual funds apply. There is a deliberate reason to be focusing the dollars in areas where you have the potential to do better and earn that risk premia, if you will, in geek speak, relative to being in the markets, and that gets reflected in the accounting underlying the holdings of the heritage fund.

Mr. Kasawski: I'm good with that.

I think I saw earlier there was about $6 billion maybe in cash in the fund right now. Are we taking kind of a Warren Buffett approach, that we're just going to sit to have that relative advantage in the marketplace and you're not seeing the deal flow come through that is attractive for the fund?

Mr. Prakash: Marlene, should I go?

Dr Puffer: Yes, go. You can start.

Mr. Prakash: Yeah. Okay.

No. By and large, for all of our clients, including heritage, these strategies or these portfolios are fully invested. Where you typically see cash is when there are derivatives overlaying it, so if you have, for example, an equity feature or a total return swap, for $100 worth of exposure that you are getting to the derivative, there is approximately $100 worth of cash. That cash is typically what you see in a portfolio, but it has market exposure.

Mr. Kasawski: Okay. Thanks.

The Chair: Next we will go to Mr. Hunter.

Mr. Hunter: Thank you, Mr. Chair and through you to the members for coming. I've got just a couple of quick questions here. When I've come to these, I've always asked about inflation and about the threat of inflation to our fund. It's almost like you can see it coming, but because it's a big ship, it's tough to move it one way or the other, and you've said that before. I'm going to ask this question again a little differently. The federal government's policies – you know, carbon tax increases, quantitative easing, debt increasing – are all contributors to inflation. Obviously, the Bank of Canada has said that. They've actually indicated that. I guess one of my questions is: how does the fund or how does AIMCo hedge against these policies?

Dr. Puffer: That's a great question. I explained a little bit of the dynamics in the previous answer, in the performance of some of the private asset classes. The ability to hedge against inflation is somewhat limited in asset markets. We can do so through some of the sort of inflation-related assets – real estate is one, and infrastructure is another – and in those what we rely on is the link in the income component of those asset classes to inflation. But as I mentioned earlier, it has a bit of a lag in its ability to work, so that inflation linkage is a bit over the longer term as opposed to in the very same time period that inflation begins to hit. We'll be able to see some of that income component in those asset classes increasing next year as we've had inflation last year, for example, so it's a bit of a lagged process.

There are some other areas. You know, commodity-related exposures, that we can gain indirectly through some of our public equity holdings, are another area where inflation-hedging properties exist, but it is somewhat limited there. We can also hedge in the sense of working on how we view the fed policy reaction function and how we position the fund in both the fixed-income markets and the equity markets and in the combination of our allocation across those public markets in anticipation of what we think the policy-makers are going to do in reaction to inflationary pressures.

In the past year the expectation continued to be up until I'll call it the third calendar quarter that interest rates were rising and continuing to stay high in order to fight inflation. So when you see that, staying a little bit underweight fixed income, because when interest rates rise, fixed-income securities drop in value: we can play it through that mechanism. As well, in that environment oftentimes equity markets tend to underperform in certain sectors, so we can look at various sectors that are more inflation sensitive and less inflation sensitive. There are a lot of small under-the-hood bets that we can take in the adjustment of our portfolios in the public markets in response to what we think the policy-makers are doing as well. Those are the mechanisms.

Does that make sense?

Mr. Hunter: Yeah.

Mr. Prakash: If I may add one more thing, one of the bits that helps portfolios such as heritage is also on the public equity side though typically it's not thought of as an inflation hedge in the way infrastructure or real estate is. But if you think about Air Canada's airfare going up or Amazon's charges going up, ultimately at least some portion of the inflation ends up showing as earnings; therefore, over the longer horizon that tends to be one of the slower moving aspects as well.

9:40

Dr. Puffer: Yeah. Certain segments of the equity markets.

Mr. Hunter: Okay. I do have another question. It's not really related to this. Recently the Premier has indicated that we are going to push for $250 billion up to $400 billion in the Alberta heritage savings trust fund by 2050. How does that play out in terms of our economies of scale and being able to get better returns if we were to actually get to those levels?

Dr. Puffer: That's a really good question. We have, you know, a lot of mechanisms in place today that are already positioning all of AIMCo's clients well in taking advantage of scale. At $160 billion today we're able to face the market on behalf of all of our clients as a larger entity that is gathering the benefits of scale in the market. So imagine that when we face our counterparties, we're able to negotiate better pricing. As Amit discussed at the beginning, we are able to negotiate better fees, for example, with our partners as we're bigger, in their minds, as a strategic partner. So we already do a lot to benefit from scale.

I think your question is: is $250 billion, then, becoming too big in terms of being able to benefit from scale, and do you start to see diseconomies? Well, I think the answer is that it takes quite a while to get too big, and I don't think that's too big. We have allocations to private markets, for example, that have very large, you know, pools that we can – there's a very large investment opportunity set there. Public markets have a lot of capacity globally. Domestically: a little bit more challenged as you get into more scale.

We have the ability to, you know, learn from our larger sovereign wealth fund partners and other pension plans that are much larger than AIMCo is at this time. We have the Caisse de dépôt, CDPQ, and the Canada Pension Plan Investment Board and GIC in Singapore as examples that are all much larger than we are today. It's the same sorts of strategies that we're using today that do scale very well. Working with external partners who are global experts and finding the strong balance of where to work with external partners and when to do coinvestment activity, when to do direct internal investing activity: it's all the same types of dynamics. Don't forget that capital markets will grow over time between now and 2050, when you're expecting to get to $250 billion or more, so the capacity of capital markets will have grown commensurate with that capital base.

The Chair: Mr. Kasawski.

Mr. Kasawski: Oh, thanks very much, Mr. Chair. I appreciate the Member for Taber-Warner bringing up that aspirational goal by the Premier, that $250 billion to $400 billion by 2050. I just appreciate that Mr. Thompson provided last meeting the report about our nonrenewable resource revenues and where that's been over the years. Last year we were at the second-highest amount of nonrenewable resource revenue ever for us, I think $17 billion, and we were able to contribute to the heritage savings trust fund I think about $2 billion if I have that right. So if we, you know, get $2 billion a year for the next, I guess, 24 years, 26 years, is it possible for you to come back with a – well, if you can comment on what we need to contribute in order to get to this $250 billion or $400 billion. How do we model our plan to get this? It feels very aspirational. I love the vision.

Mr. Thompson: Yes. There will be a detailed report released by the Premier's office. I believe her latest update was for fall of this year. That will detail exactly how we would plan to get to between $250 billion and $400 billion by 2050, which, as you know, aligns with our net-zero commitments of carbon neutrality. There is not a lot more detail I can provide at this time. There's a lot of work ongoing at the moment. We are working with some external consultants. We are modelling those numbers. I can tell you those numbers are realistic. They do envision varying levels of contribution or retention of assets in the fund, and that's why there's such a range of $250 billion to $400 billion. Obviously, $150 billion is a large gap between the top and the bottom, but the details will be released publicly in the fall of this year.

Mr. Kasawski: Just so I heard you, you said that they are realistic?

Mr. Thompson: They are realistic. Yes. They are based on return expectations that we believe are achievable.

The Chair: Mr. Rowswell.

Mr. Rowswell: Thank you. I'm always intrigued by private equity and how we deal with that. I understand, given what you said, that in Singapore part of what they're focused on is private equity – I think I heard that right – and that real estate was a big part of that private equity component. So the last-quarter returns haven't been as good as they've been in the past. I know I've asked the question relative to "How is it valued?" and it's independent people out there doing their thing. So I just wondered if you can give us some of the reasons for the weaker performance in Q3 and what you're expecting going forward, or are we going through a time of kind of relative weakness of the private equity side? What portion of the private equity is real estate, and is that why that problem is there? Start with that.

Dr. Puffer: Yes. I could take that, Amit.

I'll just clarify that private equity as listed in the reports is not real estate. Real estate is a separate asset category, so there is no real estate holding in the private equity line. Private equity is companies in which we invest directly that are in a variety of businesses and sectors, including technology and health care and so forth.

You said there was something else that you thought was inside private equity. I'm sorry.

Mr. Rowswell: Your Singapore office.

Dr. Puffer: Yes.

Mr. Rowswell: Like, you mentioned that . . .

Dr. Puffer: Yeah. So the Singapore office is actually focusing primarily on infrastructure at this time in Asia, looking at opportunities there. The deal team that is in Singapore now is in the infrastructure area of the team. We do have some private equity funds and external funds in which we are investing that do invest in Asia, and we are working with them on some private equity opportunities in Asia. But it's relatively small at this time.

In terms of this past quarter the 2.3 per cent return for private equity would equate to an annualized rate of over 9 per cent. So it's not a bad return on private equity. We do hope to aim for double-digit returns in our private equity space on an annual basis.

We did see in that quarter that the private equity markets have been a little bit slower because of macroeconomic headwinds. Those higher interest rates have impacted business activity in general. Public equity market volatility has also played a role in slowing down some of the private equity markets. And then the third thing that has slowed down some of the activity and impacted valuations is that deal flow has just been smaller, and many institutional investors have reached or are near their capacity in terms of their investment levels that they're aiming for in the private equity space. That whole private equity market is kind of finding its new equilibrium in this environment of higher interest rates and a shift in both supply and demand, so the activity levels were relatively slow.

We continue to look at this asset class and encourage you to look at this asset class on a relatively longer investment horizon, which is its reality. Most of the investments that we undertake have a five- to 10-year or slightly longer hold period.

9:50

Mr. Rowswell: Okay. Thank you.

You mentioned that interest rates going up was an issue. You know, the projection that they might fall going forward: do you need a world-wide pattern towards that? Like, if we started to reduce our rates because we were more in jeopardy – you talked about a slight chance of a Canadian recession and that the Americans were well situated, so we may be more likely to reduce interest rates than, say, the Americans. World-wide, if that's the case, if we reduce ours and they don't, is that going to stifle kind of your projections on what might happen?

Dr. Puffer: Well, in terms of the private equity markets our portfolio is focused primarily in the U.S. and in Europe. We have a little bit in Canada as well, but it is primarily focused in those two other markets. The dynamics there are what matter the most for the private equity asset class as we invest in it.

If we do see that the U.S. cuts interest rates before Canada does, that actually may lead to a relative unwinding of the Canadian dollar depreciation that has happened of late. That has a little bit of impact in terms of our translation impact of the currency impact. When we earn returns in U.S. dollars, if the U.S. dollar depreciates, those returns are a little bit less in Canadian dollars. In some asset classes we hedge that risk. In some asset classes we don't hedge that risk. It depends which asset class we're talking about.

Currently in private equity we do hedge that risk, that currency risk. We may be shifting that as we are re-evaluating the benchmark against which we're investing in that asset class. That will come down the road, but given where we invest in private equity, it really is primarily what the Fed is doing and the European Central Bank that will impact the environment for us.

The Chair: Mr. Kayande.

Member Kayande: Thank you, Mr. Chair. I'm going to ask again about abandonments, which I believe I asked about two meetings ago perhaps. I appreciate the exceptional response that I got regarding abandonment accounting. My sense of it is that basically management has, like, an impression of what abandonments will cost; therefore, that's kind of what the fund manager uses. The reason why I want to ask a little bit more about this is because there are credit investments especially that are nonrenewable resources that are subject to abandonment risk.

Frankly, if we look at the example of something like Razor Energy, where there was, you know, a loan that went bad and then was closed out with a return of some assets and then it files for bankruptcy and then, of course, the bankruptcy court, the estate, can look through all of those transactions and then go after potentially lenders for the abandonment risk as well, do you think about that when you're doing some of these workouts or when you're entering some of these deals, like, what the potential for the abandonment risk being accepted by the heritage fund is?

Mr. Prakash: Thank you for that question, a detailed question, I should say. It's a two-part answer. The first one is that we will come back with a more detailed response. We had, I believe, presented a few months ago, but happy to refresh that. Secondly, more generally we absolutely think about not only abandonment but all aspects of the life cycle of any of the investments that we make, anywhere from a governance perspective to an environmental perspective and just the old-fashioned business review of a prospective investment.

Sorry I don't have any more details, but we will follow up in a written response.

Dr. Puffer: Yeah. And our focal point in the oil and gas sector is primarily midstream onwards, so it's not terribly directly relevant to our investment decision-making at this time.

Member Kayande: Okay. Thank you. I appreciate that.

I guess my concern is that we have a head of government who has said that the taxpayer should support abandonments, and what I want to ensure is that the heritage savings trust fund is not in some way back-dooring some of these acceptances of abandonment risk, especially after the Redwater decision, where the estate is liable for environmental liabilities first. I'm just not sure that management disclosure of abandonment risk, which is, you know, probabilistic, is present-valued, is actually reflective of abandonment risks that come due quickly. It would give me a great deal of comfort to see what the abandonment-exposed investments in the heritage fund are to see if this is a big deal or not.

Mr. Prakash: Happy to take that as a follow-up and provide a written response.

The Chair: Thank you so much for that.

Mr. Bouchard.

Mr. Bouchard: Thank you, Mr. Chair. Page 13 provides a breakdown of the fund's investment in debt securities as of the end of 2023, separated by credit rating. The percentage of investment-grade securities in the fund has gone down from 62.9 per cent on March 31 to 60.3 per cent on December 31, 2023, while the percentage of speculative-grade securities and unrated securities have both increased slightly over that same time period. My question: how are the decisions made regarding the amount of credit risk acceptable within the fund through debt securities?

Dr. Puffer: Thank you. First, I will just remind the committee that the drivers of the credit risk position in the portfolio are really ultimately driven primarily by the investment policy. The fund has allocated about 20 per cent to fixed-income assets. We were a little bit overweight at 22.3 per cent, including the cash and equivalents that we noted before. We do have some discretion to make allocations across bonds, mortgages, which are part of the fixed-income allocation, and private debt and loan based on how we view these various segments and the risk-reward trade-offs. As I mentioned earlier, the private debt and loan allocation is one that we see as being a very strong opportunity.

Those movements you noted by a couple of percentage points are relatively minor, in our view, from one period to the next. They move around as a result of market movements of other asset classes as well to some degree in terms of the percentages. These are primarily, though, a focus of the function of the funding positions between mortgages and private debt and loan.

The heritage fund invests in universe bonds, mortgages, and the private debt and loan pool. These are the three areas where the investments in credit security of the various ratings can occur. This, you know, largely is noise in moving from one of these asset classes to another. It's not an explicit view of taking more risk in the book in order to achieve the returns. It's just a bit of happenstance in the allocations of this past period.

Mr. Bouchard: Thank you.

A follow-up: were there any specific economic considerations that drove the change from March to December of 2023?

Dr. Puffer: A little bit. You know, the universe bond pool had a little bit of an overweight-to-credit risk, and that actually performed well in the quarter, which also would have increased the allocation to the unrated securities a little bit in the portfolio. Credit risk did become a little bit more attractive in the year as the spreads available in the credit markets did widen a little bit as there was increasingly a little bit of concern around whether or not the soft landing in the economy would really take hold.

So we took advantage of some of those opportunities in the market.

Also, we've been very active in the mortgage markets, where we invest in very high-quality securities in the mortgage market, and we've found the ability to get some very good deal terms in the mortgage market. It has been really quite attractive and really favourable for all of our clients. We continue to have, as I mentioned earlier, an overweight to the private debt and loan area, and we continue to see a really good backdrop to that. Really, if anything, over that quarter the spread widening created a little bit better opportunity for the kind of risk profile that we think is appropriate.

10:00

Member Kayande: If we can jump back to that $250 billion to $400 billion. The analysis is yet to come, so I'm wondering, then, how you know that it's an achievable goal.

Mr. Thompson: That's a fair question. You know, as the committee is aware, we have conducted SMX studies on the fund over the last year and a half, which provide different scenarios for investment into the future, and we have followed some of those scenarios to the track of $250 billion to $400 billion.

Member Kayande: What did some of those scenarios in which we hit $250 billion or $400 billion look like?

Mr. Thompson: I can't speak to that today. That will be disclosed in the report from the Premier's office in the fall.

Member Kayande: Okay. Thank you.

The Chair: Mr. Wright.

Mr. Wright: Thank you, Mr. Chair and through you to our folks at the end of the table here. On page 2 it notes that private infrastructure makes up approximately 11.6 per cent of the portfolio's assets, representing over $2.5 billion of market value. Can you elaborate and give some examples of these types of investments and what holdings would fall under this category?

In addition, I also see that private infrastructure as an asset class has performed generally well over the last 10 years, with returns often around the 8.1 per cent mark. Though there has been a slight decline over recent years, are there some specific strategies to determine what type of private infrastructure the funds are invested in?

Dr. Puffer: Absolutely. Happy to elaborate on our infrastructure portfolio. Infrastructure, as you say, is about 11.6 per cent of the portfolio, or 2 and a half billion dollars. It's very meaningful. This category is quite broad, and I'll give you a few examples. Broadly speaking, infrastructure is really about owning the essential assets critical to all of our daily lives. You know, the underlying kind of plumbing of the economy where we invest in areas like pipelines, midstream energy, utilities, power producers, telecom towers, lines and operators, transportation assets like toll roads, container ports, airports, renewable energy assets such as wind and solar are all examples. A few quick examples. I'll just talk geographically briefly as well, that about half of the infrastructure portfolio is in the United States, and then the remainder is primarily in Canada, Australia, Chile, Brazil, the U.K., and a handful of others.

Sectorwise, we have a very broad allocation across the sectors that I mentioned, and I'll highlight a few examples. We have S-Power. Our AES Clean Energy is a significant holding, and it is one of the largest renewable power producers and a really leading renewable project developer in the U.S. They generate or store renewable electricity via wind, solar, battery technologies. We have a very strong relationship with that entity, and we are looking at various ways that we can continue to grow. They have a significant demand for capital. We have actually a very large investment there, and we're looking at ways that we can continue to support that entity in the way that we need to.

Howard Energy Partners is another very significant holding, a diversified energy platform business. It has strategically located midstream, downstream assets in the U.S., mainly with long-term fixed-fee contracts that make up the majority of the revenues. We like that because we like our infrastructure investments to have a core of income generation that is low risk. Howard Energy owns and operates natural gas, crude oil pipelines, natural gas processing plants, refined product storage terminals, deepwater dock and rail facilities, fracking facilities, hydrogen production, some renewable diesel logistics, and so forth, a lot of midstream assets in Texas, New Mexico, Oklahoma, Pennsylvania, and also in Mexico. Primarily traditional energy there, and they've been a very active player in the market.

There's another energy example I can point to in Puget Energy, but I think I'll turn to Cando Rail & Terminals. That's an industrial and short-line rail owner-operator that we're very proud of here in Canada. It's Canada's leading provider of specialized rail operating services, that really supports industrial shippers in optimizing their supply chains. They connect into the class 1 railways by using Cando's operating capabilities and the network of multipurpose rail terminals. They operate more than 40 industrial rail yards, nine terminals, and a short line, and their customers are really blue chip, primarily in Canada. So those are some terrific examples.

What was the second part of your question?

Mr. Wright: You know, I think you've handled the vast majority of that.

Mr. Chair, if I could ask just one follow-up question.

The Chair: Absolutely.

Mr. Wright: There was a recent article that the RBC, Royal Bank, has put up in regard to Budget '24, and I just want to read one excerpt because I have a question about how this will impact our private infrastructure investments. It says that

> if this budget is passed, the capital gains tax inclusion rate [will be] set to change. The federal government's 2024 budget proposes a few modifications to how capital gains [taxes will be impacted]. Here's a rundown of the changes:
>
> - For all corporations and trusts, the capital gains tax inclusion rate will increase to 66.67% – up from 50%.

Now, would any of those direct changes of this proposed budget that's before our federal counterparts have long-term impacts on the returns that we'll see for these types of private infrastructure projects?

Dr. Puffer: Certainly, the places that we are invested in Canada will have an impact. As you know, nearly all of our clients are tax exempt, so direct impacts on the investments held by our clients are somewhat limited, but clearly higher capital gains taxes may have a dampening effect on some of the valuations and profitability of some of our entities.

The Chair: Do we have any other questions on the floor for our guests? Mr. Kayande.

Member Kayande: Yeah. I just want to tug on that thread a little bit about private equity, which is an excellent question from my colleagues across the way. I know that I just saw there that BCIMC – it's in the media – is thinking about selling some of its private equity stakes, and I'm just wondering, because, as you know, there's, like, an overall issue of lack of liquidity, lack of deal flow that impacts exits: are you seeing that as well? Are you concerned about it? Are you looking to be a seller into that market? Are you looking to be a buyer in that market?

Dr. Puffer: Thank you. That's a really good question. The secondary markets in private equity that you're talking about, where assets that are private investments that may be sitting within private equity funds are traded, are becoming more active. It's really a relatively new marketplace, and it's a marketplace where two-way flow is becoming more common. In other words, it used to be that most of what was happening in secondary markets was sales of assets where the funds may be making room to deploy the capital into things that were perhaps better performing, and oftentimes they were selling things that they were willing to take a significant discount on in a secondary market in order to free up that capital.

I would say that that discount is shifting now to be, in many instances, a much smaller discount as more and more players like us are playing on both sides. So we may sell some assets into the secondary markets from time to time, but we're also buyers in the secondary markets both in terms of our own more direct investing as well as the funds in which we invest. We're playing both sides, as are many of our counterparts. There's more two-way activity in that market, and it's shifting the way that pricing is getting determined in the private equity market.

So when you ask: am I concerned about that activity? Not really. In some instances it presents an opportunity for those of us who may have some capital to deploy. It's a good thing. It's creating an additional source of exit or monetization of private equity assets where in some instances the discounts may be large; in some instances the discounts may be small. It's good activity.

Mr. Prakash: One other aspect, sort of thinking about the public-private aspect, which has been quite interesting over the last, call it, 10 years or so: if you look at the data of the IPOs or companies that, you know, are listed, particularly in the U.S., which is by far the most liquid capital market, that number has started to come down and has come down persistently. Think about Netflix, Tesla, et cetera: fully grown at $100 billion, what used to be 50 years ago, 25 years' worth of growth on the public markets. You're starting to see a lot of that type of activity happening in the private space rather than public. Does it change 10 years from now? Time will tell. But, certainly, the direction of travel is that a lot of that activity, those opportunities are in the private space.

10:10

Member Kayande: That's really interesting because I didn't think about the correlation between secondary private markets and secondary venture capital markets, I guess. What do you do with that? Like, I'm sorry; it's a very open-ended question, but it seems like everybody has been talking about this shift. It's very real. It means that the earliest stage, high-growth companies are essentially inaccessible in public markets. Economic theory would say that that should actually paradoxically increase the risk premium of trading in these things, yet now you're talking about very small illiquid stakes. You know, how do you see the market reacting to that, I guess is my question?

Mr. Prakash: Right. In an almost flippant response, you know, we quite shamelessly look at ways to make money for our clients, for the heritage fund, so to the extent that this provides an opportunity through private equity rather than public equities, that is where we go focus our energies and bandwidth and then work with clients to help guide to the extent that's helpful. We're seeing this across the globe. While most of the research published has been around the G-7 markets, clearly you're seeing that in India; you're seeing that in other parts of Asia as well.

The Chair: Before we continue, I just want members to know that we do have some other process that we have to go through, so this is a final ask for any questions anyone may have for our guests.

Seeing no other questions, this concludes our discussion of the report. Thank you to our guests from Treasury Board and Finance and AIMCo for being here today. You're welcome to leave the meeting now or remain if you wish. Thank you, guys, so much. Really appreciate it.

I'll now look to a member to move a motion to receive the fund's 2023-2024 third-quarter report. Mr. Hunter moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund receive the Alberta heritage savings trust fund 2023-24 third-quarter report as distributed.

All in favour, please say aye. All opposed? On the phones, Mr. Dach?

Mr. Dach: Aye.

The Chair: Thank you, sir.

> That motion is carried.

Hon. members, section 6(4)(c) of the Alberta Heritage Savings Trust Fund Act requires the committee to "report to the [Legislative Assembly on] whether the mission of the Heritage Fund is being fulfilled." The last report to the Assembly was made in March 2023, which covered the activities of the committee for the period from January 2022 to March 2023. The draft of this year's report was posted to the committee's internal website for members to review, and the report covers the activities of the committee during the 2023-2024 fiscal year. Do members have any questions or comments regarding the draft report of the committee?

I'll now look to a member to move a motion to approve the draft report. Mr. Hunter moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund approve the committee's draft annual report of its activities during 2023-24 as distributed.

All in favour, please say aye. Anyone opposed? On the phones, Mr. Dach?

Mr. Dach: Aye.

The Chair: Thank you so much, sir.

> That motion is carried.

Okay.

Mr. Hunter: Mr. Chair?

The Chair: Yes, sir.

Mr. Hunter: Just to provide clarity, are you not supposed to ask: is there any discussion?

The Chair: Yes.

Mr. Hunter: Okay.

The Chair: Is there any discussion?

An Hon. Member: I'll catch you on the next one.

The Chair: All right. Someone is taking a peek at my notes here.

All right. We need to discuss location and format. Under section 6(4)(d) of the Alberta Heritage Savings Trust Fund Act the committee is required to hold an annual public meeting to inform Albertans about the status of the fund. This meeting has traditionally been held in October, before the start of the fall sitting of the Assembly. Following this practice, we'd be looking at an evening meeting in October. However, we can decide on the specific date and time at our next committee meeting, which will take place in June.

This meeting has been held in the committee rooms here on the second floor of the Queen Elizabeth II Building since 2015. These rooms have all the technical requirements and support to host and broadcast the meeting with ample ability to accommodate any members of the public who attend. The committee could choose to hold the meeting off-site, but I think the best option would be to continue to use these committee rooms.

I'll open the floor to any comments about this. Please discuss. Oh, a very robust discussion, I see.

Mr. Dach: Attaboy.

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

We should also discuss the format for the meeting. The last public meeting of the committee was held on November 30, 2023. Members of the public were able to ask questions in person, by phoning in, by sending questions through e-mail, social media, and a web form on the committee's website. These methods have been used for the past several public meetings and have been successful in encouraging public participation. I would suggest that the committee continue to use these methods to allow the public to engage and ask questions of the committee.

I'll now open the floor to a discussion of the format of the meeting and any suggestions on what members would like to do differently. Concerns, questions, comments?

Mr. Rowswell: It's been working so far.

The Chair: It does appear to be working so far.

I see that there are no other comments.

With that, we'll begin the planning process for this year's public meeting. We'll let all the hard work be done by the LAO staff. Everyone nods their head. Excellent.

All right. The communications plan. In years past the committee has directed LAO communications services to prepare a communications plan in support of the public meeting. We have Rhonda Sorensen and Christina Steenbergen from LAO communications services joining us today, and I would ask them to give an overview of what a plan might typically entail. Please go ahead.

Ms Steenbergen: Thank you, Mr. Chair. Just quickly, historically for this particular public meeting we do use all forms of media that we can – digital, print, and signage – just to get people to the building. Last year, because of the election, we were pretty tight for time, so we did utilize comms plans from the past. A large portion of the budget, which is usually about $40,000, historically has been put on print ads, which reach about 500,000 people. That said, there's no way to actually track those print ads and how many people are coming to the meeting or coming to our website based on those print ads, so I would recommend perhaps moving some more of the budget into digital advertising. If the committee so desires, we'll continue with what we've been doing because it has been working, but we are certainly open to suggestions or recommendations from the committee for how they'd like to see things go.

In addition to using social media for advertising, we do put out a news release. We have several no-cost options as well. We'll create graphics and posts and e-cards that members can send out to their constituencies to let them know as well.

I think that covers it pretty quickly. We do tend to get a lot of engagement on our social media and digital platforms, especially in the meeting as well. That includes Twitter, Facebook, Instagram, and YouTube as well.

The Chair: Thank you so much for that.

Are there any questions from the members to Ms Steenbergen?

Mr. Hunter: I've been on this committee many years except for when I was a minister. We spend $40,000. Most of the time the same six people show up – that's the reality; you know, I enjoy their passion for this sort of thing – except for last year, which was different. I'm just wondering. You talk about: there's no way of being able to identify whether it's successful or not. Well, I've been around for about nine years now, and I can tell you that it hasn't really moved the needle.

I'm just wondering, you know: for $40,000 – I mean, it's $40,000. Do we need to do that in order to be able to actually increase it? It seemed like last year something was leaked to someone, and they said something that wasn't really true, and then all of a sudden we had a lot of people come. Maybe we need to just go through the media and do a media story saying that this is what the Alberta heritage savings trust fund is and if you're interested. That's free advertising.

10:20

Ms Steenbergen: Yeah. Absolutely. I don't disagree with you. I think that putting more – $40,000 is a lot of money. What I'm saying is that with the print advertising – we're trying to push people to the website, the Assembly website, so they can either watch live or just kind of understand a little bit more about it, because we do put some information online, right? But you're right. It is the same few people. We do put out a media release. We can certainly put more out, you know, a little bit further out from the meeting, and if we wanted to boost our social media, we can target different audiences as well if we want to try and engage a younger audience or just put out some more educational posts to try and get people to understand what the meeting is for and why it matters. We can certainly take that into consideration when we're developing the communications plan and come up with some options.

The Chair: The Member for Calgary-Elbow.

Member Kayande: Thank you, Mr. Chair. I'd like to support the notion of spending directionally more on digital than on print. In my own efforts, certainly, the Meta Platforms and YouTube are, like, just absolute beasts. It seems like a very cost-effective way to extend reach, and it may lead to some sort of a change in how that annual meeting is perceived and who shows up. It's a great idea.

Thank you.

The Chair: Mr. Rowswell.

Mr. Rowswell: Thank you. Of the $40,000, how much did print cost?

Ms Steenbergen: Through you, Mr. Chair, I'm just looking at last year's. We spent $27,445.78 on print. That did go to 81 communities and, like I said, reached about 512,000 people.

Mr. Rowswell: Yeah. And we feel compelled to do that because we want to support those newspapers other than just doing news releases that they could pick up and put in as a report, right?

Ms Steenbergen: Absolutely.

Mr. Rowswell: But maybe they don't do that if we don't support them. Like, there are, you know, conflicting goals there.

Ms Steenbergen: One thing is that a lot of the smaller papers, unfortunately, are publishing less and just going to digital. So you're right. There is a balance because some of these more rural communities don't necessarily use social media as much, or they just kind of rely on their local papers. We can also look at doing community newsletters. We can also perhaps look into radio, which also can be a significant cost, but it could also reach more people.

The other option is that, of the print, there were 12 of them that reach the Edmonton metropolitan region, so we could just limit the print advertising to closer to home, which might bring more people. The ones that would be more likely to come in person would see those.

The Chair: Any other concerns, questions for Ms Steenbergen?

Seeing none, Ms Steenbergen, thank you so much for your participation today. I greatly appreciate that.

I'll now look to a member to move a motion to direct the LAO to prepare a draft communications plan for review at our next meeting.

Mr. Hunter: So moved.

The Chair: Mr. Hunter moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund direct the Legislative Assembly Office to prepare a draft communications plan in support of the 2024 public meeting for review at an upcoming meeting of the committee.

Any discussion on the motion?

All in favour, please say aye. Anyone opposed? On the phone, Mr. Dach?

Mr. Dach: Aye.

The Chair: Thank you so much, sir.

> That motion is carried.

Are there any other issues for discussion today?

Seeing none, the date of the next meeting will be in June, after the release of the fund's annual report.

If there's nothing else for consideration today, I will call for a motion to adjourn today's meeting.

Mr. Dach: I so move.

The Chair: Mr. Dach moves that the April 22, 2024, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned. All in favour, please say aye. On the phones? Thank you so much. That motion is carried.

The meeting is adjourned. Thank you, all, so much.

[The committee adjourned at 10:25 a.m.]

Published under the Authority of the Speaker
of the Legislative Assembly of Alberta