Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee on the Alberta Heritage Savings Trust Fund

Monday, April 14, 2025
9 a.m.

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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)
Brar, Gurinder, Calgary-North East (NDP)
Ip, Nathan, Edmonton-South West (NDP)*
Kasawski, Kyle, Sherwood Park (NDP)
Kayande, Samir, Calgary-Elbow (NDP)
Stephan, Jason, Red Deer-South (UC)
Wiebe, Ron, Grande Prairie-Wapiti (UC)
Wright, Justin, Cypress-Medicine Hat (UC)

* substitution for Samir Kayande

Office of the Auditor General Participant

Tim Lamb	Principal

Support Staff

Shannon Dean, KC	Clerk
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Philip Massolin	Clerk Assistant and Executive Director of Parliamentary Services
Nancy Robert	Clerk of *Journals* and Committees
Abdul Bhurgri	Research Officer
Rachel McGraw	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
Amanda LeBlanc	Managing Editor of *Alberta Hansard*

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Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance
Brittany Jones, Director, Investment Strategy, Capital Markets
Stephen J. Thompson, Acting Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation
Justin Lord, Senior Executive Managing Director, Global Head of Public Markets
Amit Prakash, Chief Fiduciary Management Officer

9 a.m. **Monday, April 14, 2025**

[Mr. Yao in the chair]

The Chair: All right. 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. 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 I'll call on those joining by videoconference. We shall begin to my right.

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

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

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

Mr. Lord: Justin Lord, AIMCo.

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

Mr. Thompson: Stephen Thompson, Treasury Board and Finance.

Ms Jones: Brittany Jones, Treasury Board and Finance.

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

Mr. Ip: Nathan Ip, MLA for Edmonton-South West.

Mr. Kasawski: Kyle Kasawski for Sherwood Park, adjacent to the Industrial Heartland area, which is the economic driver of this economy.

Member Brar: Gurinder Brar, MLA for Calgary-North East.

Ms Steenbergen: Christina Steenbergen, LAO communications.

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

Mr. Huffman: Good morning. Warren Huffman, committee clerk.

The Chair: And now we shall go to those online. Mr. Stephan, will you start us off, please? Please remember to turn on your cameras.

Mr. Stephan: Good morning, everyone. Jason Stephan, MLA, Red Deer-South.

The Chair: Thank you, sir.

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

The Chair: Thank you, sir.

With that, for the record I will also note the following substitution. We have Mr. Ip for Member Kayande.

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 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.

With that, we will start off with the draft agenda, which was made available to all members. Does anyone have any changes or additions to make to the draft agenda? If not, I will ask that someone move that. Mr. Wright moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the proposed agenda as distributed for its April 14, 2025, meeting. Any discussion on this? With that, we'll just go to a vote. All in favour of, please say aye. Anyone opposed in the room or on the phones? I see none. That motion is carried. Thank you so much.

All right. Next we have the draft minutes from our February 6, 2025, meeting. Do members have any errors or omissions to note? If not, would someone like to move that? Mr. Kasawski moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the minutes as distributed of its meeting held on February 6, 2025. Any discussion on this motion? That said, in the room all in favour of, please say aye. Opposed? I hear none. On the phones is anyone opposed? No. All right. That motion is carried. Thank you so much.

The Alberta heritage savings trust fund third-quarter report for 2024-2025 was released on February 27, 2025. 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 operations 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 members may have.

I shall turn the floor over to AIMCo and Treasury Board and Finance. Please begin when you're ready, Mr. Thompson.

Mr. Thompson: Thank you, Mr. Chair. Good morning, Mr. Chair, committee members, and treasured colleagues. Thank you for the opportunity to speak today. My name is Stephen Thompson. I'm the acting assistant deputy minister of treasury and risk management for the Department of Treasury Board and Finance. I am joined today by my colleague Ms Brittany Jones, who is our director of investment strategy.

We are pleased to be presenting the '24-25 third-quarter results for the Alberta heritage savings trust fund. The third-quarter results of the heritage fund demonstrate resilience and a relatively strong performance across multiple asset classes. As of December 31, 2024, the total fair value of the heritage fund's investments stood at $25 billion, reflecting a strong fiscal year to date return of 9.0 per cent. Overall, this represents an increase in net assets of $7.2 billion since March 31, 2021. In the third quarter $2 billion was also contributed to the fund, as announced in Budget 2024. The addition of this contribution brings the total value of the fund to $27 billion at quarter end.

Budget 2025 included the announcement of an additional heritage fund allocation of $1 billion to be made later this year, when the province's cash results are finalized. The heritage fund's portfolio currently includes a 47 per cent allocation to equities, which have achieved a 14.2 per cent return year to date, led by strong performance in both foreign and Canadian equity. Fixed-income and money market investments represent about 22 per cent of the portfolio and have delivered stable returns of 5 and a half per cent fiscal year to date while inflation-sensitive and alternative investments, comprising roughly 30 per cent of the portfolio, have returned 4.0 per cent, reflecting varied performance across real estate, private infrastructure, and renewable resources. Private infrastructure performed particularly well, returning 12.4 per cent fiscal year to date, while real estate declined by 1.2 per cent.

It is worth noting that in the third quarter alone the fund generated $726 million in net investment income, contributing to our strategy of retaining and reinvesting earnings to secure the fund's long-term growth. This brings total income generated fiscal year to date to $1.85 billion. Overall, the fund remains closely aligned with its five-year real return target of inflation plus 4.5 per cent, reflecting the effects of disciplined asset management even amid market volatility.

Turning briefly to matters of governance, the establishment of the Heritage Fund Opportunities Corporation last fall represented a significant milestone. While the corporation's board has not yet been announced, we do anticipate the completion of the appointments process in the very near future. However, until the board assumes full oversight responsibilities, the department remains committed to maintaining rigorous oversight of the fund and ensuring a smooth and flawless transition. Once that transition is complete, the department will continue to oversee asset manager performance on an ongoing basis. The new governance structure of a corporation provides for increased independence with the board assuming responsibilities previously held solely by the minister.

This will conclude my opening remarks. Thank you for your time, Mr. Chair. I would cede the floor to our colleagues at AIMCo with your permission.

Mr. Prakash: Thank you. Thank you, Mr. Thompson, and good morning, all. It's a pleasure to be here. I'll start with providing just some brief organizational updates on AIMCo and then turn it over to my colleague Justin to describe the market positioning or outlook given the tumultuous events over the last few months.

Firstly, post the changes in November last year on the executive team at AIMCo, I'm happy to report that two of the three positions have been filled. The head of human resources is in place now and, likewise, the chief legal officer. The third open position, the chief investment officer: the search is commenced, and again, we expect to have that seat filled over the next few months. In the interim there's the executive investment office, in which Justin is head of public markets, Peter Teti is head of private markets. Myself, from a top-down perspective, and Ray Gilmour are part of the EIO, or the executive investment office.

Outside of that, the business transformation that you've heard us speak about in the past: that initiative is on track and on budget. We still expect to have that delivered by the end of the year, and that's an initiative that will fundamentally improve the technology of our operating platform and give us a lot of scalability, better technology, better analytics, and sets up AIMCo well for the future over the next couple of years.

9:10

Thirdly, and not surprisingly, we've been spending a lot of time with our clients, including certainly our colleagues in Treasury Board and Finance, given the tariffs from south of the border and the knock-on effects on all aspects of the portfolio. Again, in our responses to the questions I'm sure we'll cover some of some of that ground.

Finally, one of the things that we are always keen on, given there's a whole range of client interaction as well as internal activities that are going on, is to solicit feedback from clients in a structured manner to see how we are doing, things we're doing well, and things we can improve upon. The last set of client surveys we received was November, December of last year, where we see an improving trend across multiple dimensions. We took a bit of a dip given all the changes that were announced, and clients were really keen that we move on to a more stable organization. As I said, the hiring of the executives moves us in that direction.

With that, I'll conclude my prepared remarks and turn it over to my colleague Justin.

Mr. Lord: Thank you, Mr. Prakash.

I'm going to provide a brief summary of the quarterly report from a performance perspective – Mr. Thompson has covered some of this already – as well as provide an update from a calendar-to-date overview of performance and then, finally, share some views on our current positioning within the portfolio.

The Alberta heritage savings trust fund 2024-2025 third-quarter report, as you know, encompasses the third quarter of the fiscal year that ended December 31. The third quarter saw the fund outperform expectations with a return of 2.9 per cent, .2 per cent above the benchmark, the benchmark return for the quarter being 2.7 per cent. As a result, the fund has generated $726 million in net income and was sized at approximately $25 billion as of the end of the quarter, the 31st. Also, reiterating that the fund has generated a 9 per cent fiscal return fiscal year to date, over the past five years the fund has generated a return of 7 per cent, which is .02 per cent lower than the benchmark returns of 7.2.

Starting off with calendar 2025 comments, this has certainly been a challenging environment for investors and financial risk markets in general. Risk assets are under pressure as global trade activity adjusts to changing policy and with respect to the tariffs and those related trade conditions. Investors are currently questioning the growth environment at a time when equity indices globally are relatively expensive, on top of which inflationary impacts and the changing trade policy only add to further negative sentiment or the question of future direction of risk assets. Public equity markets are lower year to date albeit off of the recent market lows given the tariff pause announced by the U.S. government.

The same can be said of global credit markets as we've seen credit spreads widen over the course of 2025, noting that we're still off of kind of the peak wides of the 2023 market. This is leading to additional economic uncertainty for investors, lenders, and businesses alike.

On the rates side this has also been a fairly peculiar start to the year as the bond market is incorporating many of these challenges as well. Adding to that, the potential sovereign investment flows as well as broader fixed-income market delivering that we're seeing play out in the steepening of the yield curve. That said, the diversification benefits of a balanced portfolio like that of the fund, that incorporates equities, fixed-income assets, private or alternative asset classes, is helping year to date as the fund is currently off low single digits, approximately 2 per cent year to date.

Moving to a top-of-the-house view, we do expect to be operating in a rather uncertain environment with an increased level of risk in the interim. We do not expect a central bank rescue or policy rescue to be a part of the short-term narrative here, and even if we think that a tariff pause or delay is positive, it can also be met with a muted response from investors.

As mentioned, the risk landscape has really changed over the first few months of 2025, and until we see stability from a macroeconomic data perspective, from an earnings perspective when talking about publicly traded companies in general, the broader risk environment should remain challenged. Currently the portfolio is underweight in public equities. That position is off-set by a slight overweight in fixed income and cash, leading to a defensive position given the current risk environment.

We're also very cognizant of the potential of any inflationary impacts from tariffs to impact our fixed-income investments as well or the rate-sensitive investments, as mentioned. While private markets are less impacted on a day-to-day basis, the same sentiment, growth, and valuation impacts will be felt over time, impacting deal flow, asset value in private equity, real estate, et cetera. We'd expect a little bit less sensitivity from our infrastructure or inflation-sensitive and alternative assets just given the underlying nature of those holdings and the cash flow being strongly linked to inflation as well.

We are sticking to our process across the asset classes, managing risk and liquidity in a diversified portfolio while looking for opportunities that these types of scenarios and these types of markets will bring about. The portfolio has an ample risk budget as well as significant liquidity from our defensive positioning to take advantage of opportunities across our product suite.

That will conclude my opening remarks as well.

The Chair: Thank you so much for that.

With that, we will now turn to the question portion, to our committee members. I shall open the floor if anyone has any questions. Mr. Kasawski, why don't you lead us off?

Mr. Kasawski: Thank you, Chair, and thank you, everybody, for your reports and being here today. I think maybe I'll just start off with your oral reports, just returning to that. Also, Mr. Thompson, you mentioned the opportunities corporation and that currently the department is in charge of it until you transition to an independent board. I guess I want to just get clarity here today. Will there be any investment decisions or have there been any investment placements made by the department, or will it all wait until an independent board is in place?

Mr. Thompson: Under the current structure the department doesn't make individual investment decisions other than with respect to asset allocation. The statement of investment policies and goals is developed by the department based on the minister's risk tolerance. The asset mix, the asset allocation is decided within the department level with discussions with our colleagues at AIMCo. That function will transfer to the Heritage Fund Opportunities Corporation once it's fully established. The department expects, as shareholder of that corporation, to still have input into that process, so the minister's risk tolerances and preferences will still be considered by the corporation, but ultimately the corporation will have final say as to the statement of investment policy goals, the asset allocation, and the oversight function with AIMCo. AIMCo will still have independence with respect to individual investment selection, and they will still be our asset manager.

Mr. Kasawski: Thank you. If I could just – do I get to follow up? Does anyone else have any questions? I'll go ahead, Mr. Chair.

The Chair: Yeah, you can have a follow-up. Go ahead.

Mr. Kasawski: Well, it's not a follow-up. I have a new question.

The Chair: Oh. Forget it then.

Mr. Wright.

Mr. Wright: Well, thank you, Mr. Chair and through you to our officials at the end of the table. I want to thank you all for taking the time to come join us today. Obviously, the heritage savings trust fund has been one of Alberta's biggest advantages to growing the future of this province. I do have some questions pertaining to the overall goals of the fund, specifically on page 7 of the report. There's reference to the Heritage Savings Trust Fund Act, which highlights the goal to manage Alberta's nonrenewable resource savings for optimal long-term financial returns.

Now, I know due to recent announcements that the plan is to grow this fund to at least $250 billion by 2050, ensuring long-term growth and financial stability for the province. I also understand that it's the intent to return back to the fund's original vision, and I think that's very important, especially in light of today's we'll say turbulent headwinds that financial systems and programs such as this face, in light of what's going on. I think it's important that we refocus on the reinvestment as well as the wealth sovereignty, strengthening government and promoting global partnerships by delivering high returns. Can you provide some more detailed overview of the intended vision of the funds and specific factors that will help achieve these goals?

And I have a follow-up after that.

9:20

Mr. Thompson: Certainly. Thank you, Mr. Chair, for the question.

When we look at the fund as established by Peter Lougheed in 1976, there were elements that were lost over time, and that was primarily an intergenerational transfer of the resource wealth within the province to future generations. The growth in the fund was intended to provide another source of income at a time, ultimately, when nonrenewable resource revenues are no longer available to the province.

What we're seeing now with the creation of the Heritage Fund Opportunities Corporation and with recent changes to the heritage fund process really to, you know, income retention and things that we've seen in previous budgets, contributions made into the fund for the first time in many years, is a return to that goal of having a large enough investment portfolio available to future generations to replace at least some of the lost revenue when natural resources inevitably dry up. That was the impetus in selecting a large number, the $250 billion by 2050. That magnitude of an investment could allow for revenue generation of, depending on the dividend that the province of the day selected, up to $10 billion, $15 billion a year to replace depleted natural resource revenues.

That had been lost over time. Up until recent years all of the income generated by the heritage fund was transferred into general revenue and spent on initiatives that were top of mind for the province. It really just went into the budget to fund budget priorities. That was significant. There was $47 billion, I believe, that was transferred to provincial revenues over the years, which meant that money did not have to be borrowed, did not have to be raised through taxes. But it also meant that the heritage fund did not grow over that time period, so we had a heritage fund that did not grow for decades until the changes were made, first, to – and this comes to the specifics that you're asking about in terms of how we're going to achieve those goals.

The most significant change that was made was to allow the heritage fund to retain its income. The growth that we've seen since 2021 is almost exclusively by retained income. You know, there is income generated by AIMCo, obviously, but the growth is from the retention of that and the compounding of that. That's where we've seen $7.2 billion grow over a relatively short time whereas for decades prior we had seen no growth whatsoever in the heritage fund.

The other avenue that's going to help us grow and hit our $250 billion target is new investment into the fund. We've seen contributions through the past two budgets of $3 billion into the fund, so, again, that increases the magnitude of the principle, allows for greater investment, reinvestment of proceeds.

Then the final sort of thrust of the redesign of the fund is the Heritage Fund Opportunities Corporation, an independent body dedicated exclusively to the investment management of the heritage fund, to its growth, to ultimately reaching its $250 billion mandate, rather than just as a portion of the department's responsibilities. We'll have a dedicated board of professionals, international and Albertan. We will have dedicated investment staff, and we feel that the results that will produce will drive us towards our ultimate goal.

Mr. Wright: Thank you, Mr. Chair, and thank you to the folks at the end. They answered my follow-up question in that question, so I'll turn it back to the chair.

The Chair: Fantastic.
We shall next go to Mr. Kasawski.

Mr. Kasawski: Thanks, Chair. I just want to turn over to – Mr. Lord was talking about central bank rescue; you don't expect any. If I may, I have no idea what that would look like. What would a central bank rescue look like?

Mr. Lord: Yeah. Certainly. Thank you for the question. The equity market in particular and investors for much of the last market cycle have relied upon liquidity or the expectation of any potential central bank activity to provide a bailout, so to speak, or what's known as a Fed put, or a policy change to protect investors. I think that it's evident that the change in tone from the U.S. government currently with respect to tariffs and trade policy is creating an environment that is quite unpredictable in the short term from an investment perspective. The fixed-income market right now is pricing at the front end of the curve some rate cuts in North America or globally as well. It just brings into question whether or not central banks are managing to certain targets with respect to inflation or employment. I think that's a debate that will play out in the market over the coming quarters.

The Chair: Go ahead.

Mr. Kasawski: Thanks, Mr. Chair. So then, just in curiosity, in terms of the heritage savings trust fund, I know I've heard that Warren Buffett has $300 billion in some sort of cash. I have a two-parter. One part is: how much do you think right now we're sitting on in cash as a percentage of our fund? The other part is: what is the value of U.S. Treasury bonds that we might hold in the fund?

Mr. Lord: I'm happy to chime in on that. As mentioned, we are currently overweight at the total fund level, and the fund would be overweight cash and fixed-income securities as a function of our defensive positioning and underweight equities. That number as of most recently, and it is a fairly fluid number, is approximately half of a per cent in cash, which would be defensive positioning.

I would have to follow up on the exact details of the U.S. Treasury holdings. There would be U.S. Treasury exposure at the fund level as a function of cash exposure but also as a function of underlying collateral exposure for some of the equity derivatives, et cetera. That number at the AIMCo total fund level is approximately $1.2 billion to $1.3 billion as of last week. Depending on the underlying allocations of each client, they would have a pro rata share of those U.S. treasuries.

Mr. Kasawski: Thanks very much.

Mr. Lord: Certainly.

The Chair: Next is Mr. Wright.

Mr. Wright: Thank you, Mr. Chair and through you to the officials at the end. It's really encouraging to see the fund's strong performance this last quarter. According to the report as of December 31 the fund achieved a 2.9 per cent return, generating $726 million. Can you provide some additional details on the underlying drivers of this quarter's positive return? Are there particular asset classes or market trends that help generate these results? Then I do have a follow-up that I'll go to afterwards.

Mr. Lord: Yes. Thank you. I'm happy to take that question as well. The 2.9 per cent return, the quarter net of all costs, was certainly a welcome result, building on the strong nine-month fiscal performance for the fund.

Notably strong performance, positive performance came from our equity and infrastructure divisions. Within infrastructure and some of our illiquid asset classes year-end adjustments to valuations of underlying portfolio holdings benefited the portfolio. Notable flagship assets such as Howard midstream, Alberta's Cando railway, and certainly our investment in and disposition of a data centre asset known as AirTrunk benefited the portfolio. On the latter item, AirTrunk was an investment that was made in the infrastructure portfolio in 2020, where $400 million of client capital was committed to a Sydney, Australia-based data infrastructure business. This position was exited at over a 30 per cent internal rate of return, generating a billion dollars in proceeds in 2024, certainly helping the infrastructure portfolio.

Within equities, more broadly Canadian equities and foreign equities: both generated positive rates of return in the quarter at 5.8 per cent and 3.2 per cent for foreign and Canadian equities respectively. There was certainly a very positive risk on a backdrop in the fourth quarter post the presidential election in the United States, following on the back of very strong earnings and supportive macroeconomic data in general.

9:30

Lastly, private equity within the equity asset classes as well generated strong performance from a total return perspective, 5.4 per cent on the quarter. I will note that this did lag public markets or the public market benchmark as a whole, where you would have seen a detraction from a relative return perspective. Strength in the quarter from internal asset selection and portfolio composition also contributed to generating the 20 basis points of outperformance.

Mr. Wright: Thank you for that answer, sir.
Just my follow-up there: does AIMCo attribute this success to proactive portfolio management asset allocation decisions, or is it reflective of a broader market movement? And how can we also leverage this, ensuring that we get to $250 billion by 2050?

Mr. Lord: Certainly. From a total portfolio perspective, the benefits of asset allocation are present in the return, the exposure to the various asset classes that outperformed. The performance above the benchmark of 20 beeps would be considered proactive portfolio management and based on the decisions that AIMCo would have made. Certainly, that's more prevalent in public markets where you see these impacts versus their benchmarks on a day-to-day basis. With respect to the second part of the question of how we can continue to leverage the amount of this success in the future, we do remain steadfast in implementing investment strategy to generate both strong absolute returns as well as relative returns versus your benchmarks.

This is measured over a market cycle more broadly. Certainly, in close collaboration with our clients we've been reviewing each of our product types, as Mr. Prakash has mentioned, over the past three years to ensure that the strategy is aligned with clients' needs.

Maybe I'll just end with noting that if we're taking a step back over a 10-year period of time for the heritage fund, there has been a return generated of 7.9 per cent, which is approximately .6 per cent ahead of its benchmark results, speaking to the success of the process over a longer period of time, a full market cycle.

Thank you.

The Chair: Next we have Mr. Ip.

Mr. Ip: Thank you, Mr. Chair.

Mr. Lord, you mentioned the challenges of market volatility because of what we're seeing south of the border. I'm just wondering if there are any sort of short-term plans, actions, or strategies in the works to safeguard against what we're seeing in the United States in the short term.

Mr. Lord: Happy to expand upon that. I'll go back to our defensive positioning. In the current environment with an elevated level of uncertainty, a defensive positioning in our lower than benchmark equity weight, higher than benchmark fixed-income bond or cash weight is certainly one method. There are other strategies that the individual products will deploy to also protect against what would be an adverse scenario in risk markets, whether that is equity downside protection or whether that is a form of absolute return strategies that could benefit in those types of risk-off scenarios, which are all under consideration. We have exposure to a number of these types of strategies.

Ultimately, what we're wanting to ensure as a long-term investor with a diversified, balanced portfolio is that we have the ability to take advantage of some of the opportunities that other investors wouldn't be able to take advantage of if they weren't in a situation where we had excess liquidity or the ability to commit capital and be countercyclical in a risk-off environment.

Mr. Prakash: Mr. Chair, if I may add to that, please. In addition to some of the things that Mr. Lord described, many of the activities we engage in allow us to play that defence more effectively. For example, for each asset class the investment team is working in conjunction with the risk team. We have a good line of sight in terms of what part of the portfolio is likely to get impacted by tariffs, for example. For example, in a private equity portfolio, that the average fund owns, for the most part it is quite asset light. About two-thirds of it is based in the U.S. and therefore that gives you a bit of insight in terms of whether it gets impacted or not by the changing policy.

The second body of work that we have done and have been doing for a while is extensive scenario analysis, which allows us a 360 view and to do what-ifs on a tabletop to see how the portfolio may behave under different conditions. One of the ones that we had done a few months ago was around tariffs, and we had a baseline scenario and a worst-case scenario. Unfortunately, we ended on the worst-case scenario, though the outcomes have been better relative to what we had planned for. However, it is early days and the policy keeps changing.

Then, finally, which also Mr. Lord mentioned, one of the things we are doubly, triply focused on but certainly now and in general is the liquidity management. For example, the heritage fund liquidity level is about two and a half times if the great financial crisis were to be hit again, so it's really, really well positioned.

Finally, the other bit in terms of playing defence is looking at the counterparty risks such that, you know, we don't get surprised, as in the previous cycles, episodes, this has happened. You combine all of this, if you will, the defence manoeuvering with the offence, where the good liquidity position allows you to take opportunities as there are market dislocations.

Thank you.

The Chair: All right. Mr. Boitchenko, do you have a question, sir?

Mr. Boitchenko: Yes, I do. Good morning, everyone, again.

I have a couple of general questions regarding a benchmark. On page 2 of the report, deposit benchmarks for 2024 are set a bit high this quarter when compared to the last quarter. The targets are set to 15.5 per cent from the last quarter, and I think it's 13.7 per cent from this quarter. In the interest of clarity for Albertans at home or online, I would like to understand the process for setting benchmarks. Could you please share the benchmarks methodology and how frequently it is reviewed or assessed to ensure it remains aligned with the long-term goals of the fund to reach that $250 billion, I guess, at the end of the day? Specifically, could the ministry share, like, how do you in general set the benchmarks?

Ms Jones: Thank you very much for the question. The setting the benchmark process is – it's a wonderful question, and thank you for asking – definitely something that's on our radar all of the time and something that we work with AIMCo on. The process essentially starts by setting an asset allocation, and each of those asset allocations are set by looking at what's the expected return and what's the expected volatility of each of these different components that we're going to put into the portfolio. Then what we do is look at the different benchmarks that can be associated with these. So these benchmarks are really how we're going to assess the performance.

We've talked a few times already this morning about what passive and active management looks like. When we figure out what the assets we want in the portfolio are, we work with AIMCo on setting the different benchmarks. The policy benchmark that you have alluded to, that 13.7 per cent, is essentially a weighted average of the different benchmarks of the different components in the portfolio. That's why you're always going to see that policy benchmark moving because what it is is that it's really a passive representation of what the portfolio looks like. Anything over and above that – you see in this case, for example, the 2.9 per cent over the 2.7 per cent achieved quarter to date – shows value from active management. That shows that AIMCo and their work on behalf of the heritage fund is adding value over and above that benchmark.

That being said, benchmarks will always change over time. One of the best examples that I can think of is in some of the private markets. In private markets you've seen benchmarks evolve over time, and that's something that's continuously on our radar. So when we do our asset mix review, we choose the assets, we choose the benchmarks ahead of time – this is not something we're changing in the middle of the process – and then we work with AIMCo.

I will get AIMCo to just quickly touch on how they work with clients on a consistent basis to update those benchmarks within all the product descriptions as well.

9:40

Mr. Prakash: Thank you, Ms Jones. I'll give two examples to help better understand the response to the question. For public equity markets, think Canadian equities, the TSX composite is a well-known benchmark. It's on the evening news when markets go up or down, so that is well understood. Those types of benchmarks are relatively straightforward in terms of clients using it.

The second set of benchmarks associated with the private markets require a lot more analysis, a lot more consultation with our clients. For example, last year in consultation with clients, we changed the private equity benchmark from CPI-plus or from an inflation-based benchmark to a market-based benchmark, so now it's based upon a global equity index with some excess return added on top of that. The thinking behind the choice of benchmarks is fundamentally consistent with what Ms Jones said. Over the long term these benchmarks should reflect the expected return risk liquidity characteristics that our clients are seeking from that asset class. So from that perspective, those benchmarks may change from time to time, public markets less so, private markets, you know, maybe every few years if the market evolves, and that's what you see reflected in the policy benchmarks for the heritage fund.

Thank you.

Mr. Boitchenko: Maybe a quick follow-up here if I may. You have mentioned volatility, and, obviously, there have been many conversations regarding volatility these days. I'm just wondering how drastically this will affect the benchmark methodology going forward, you know, this short while here when we have the drastic volatility in the market. Do you have any specific plans on how to address these volatilities that we have on a daily basis?

Ms Jones: Thank you. The volatility is not necessarily going to cause a reaction where we go and change the benchmark quickly, but what you will see is volatility in that policy benchmark number, especially in the shorter term.

Mr. Boitchenko: Okay. Yeah. It kind of just – you know, you can't help but think about the volatility we have every day.

My next question would be a little bit more about inflation as well, you know, just to address that. Looking at the asset classes on page 2 of the report, I see that inflation-sensitive and alternatives account for 30.3 per cent of the fund's portfolio. It provides fairly steady returns, obviously, but I would like to explore some of the investments and their respective performances. First, I would like to understand more about the different property classes. Can the ministry provide a breakdown of commercial, land, industrial, and residential properties? What is your breakdown of that? I see that real estate has had some negative returns. Could the ministry provide some details on the surrounding factors that have caused this? So maybe a breakdown and then specifically on real estate.

Mr. Lord: Yes. Thank you for the question. I'll answer the first item with respect to the overall summary or a recap of the exposures of the inflation-sensitive, alternatives allocation at 30.3 per cent for the heritage fund. Within this, real estate comprises 16.7 per cent, of which 10.7 is Canadian and 6 per cent is foreign real estate; 11.2 per cent of the allocation is associated with our infrastructure portfolio; and renewable resources would make up 2.4 per cent of the exposure.

Now, as it relates to the categories with respect to commercial, land, industrial, residential, I'm going to speak a little bit to the real estate program overall. This would be just comprised of direct real estate holdings across the broader real estate product: approximately 30 per cent industrial exposure, approximately 30 per cent residential exposure, and 20 per cent office and 20 per cent retail. As mentioned, that is of the directly held allocations. You know, those numbers from a total real estate portfolio perspective would be slightly less, accounting for alternatives, fund allocations, and a small amount of public equity exposure in the real estate holdings as well.

The second part of the question I believe was referring to some of the negative returns from the real estate portfolio and what's driving that, what some of those factors are. Certainly, real estate did have a challenging quarter and year, as you'll see in the report, with the quarterly performance at minus 1.5 per cent. There have been large subsections of the real estate market, both domestically and internationally, that have been under pressure for quite some period of time. The best examples of the real estate assets that have been underperforming would be associated with office properties and some forms of nonprime or, you know, B- or C-class shopping mall properties. On the office front, certainly, there has been an oversupplied market in a number of domestic and international markets as of late that has led to significant valuation decreases for those buildings. We would see this more pronounced in our B- or C-class office buildings with lower amenities, tend to be older construction and less modern features overall. Class-A offices – these would be flagship buildings – have held up quite well in large urban areas in North America.

On the enclosed shopping mall comment, certainly, in the news as of late with the recent announcement from Hudson's Bay Company: this has provided another headwind for the sector overall. Very high-quality shopping malls in densely populated urban areas have continued to perform quite well as they attract tenants and shoppers, as they have been. Where you're seeing these malls on the periphery struggling with higher vacancy, that'll lead to, obviously, falling rents. A loss of tenants and/or anchor tenants, flagship tenants like Hudson's Bay, would compound that.

We do believe that the Canadian real estate market is showing signs of stabilization through 2024 and into 2025, and our outlook is that it will continue to improve throughout the year. We did see valuations start to turn positive in some areas at the end of 2024, which is encouraging after a number of difficult years. We do expect some pressure in certain foreign real estate markets to continue. Most of that would be focused around office holdings in general.

With that said, it's not all negative. The real estate investment team at AIMCo is finding attractive opportunities on behalf of the fund and clients across our key sectors of industrial, residential, multifamily, and grocery-anchored retail properties, where we are able to generate compelling rates of return and put additional capital to work and meet our long-term goals of the fund overall.

Thank you.

Mr. Boitchenko: Yeah. I don't see how much time we still have left there, but if I have . . .

The Chair: No.

Mr. Kasawski.

Mr. Kasawski: Thank you, Chair. I just want to return to our mission and stay focused on that, and that is to be good stewards of nonrenewable resource revenue. As AIMCo has been pointing out and we're all quite aware, we're in a volatile situation. The price of oil looked like it was just a hair below $62 right now, but we know that could change before the end of the meeting. Budgeting for $68 with our budget, which would have been a deficit budget, what is our prospect of being able to contribute to the heritage savings trust fund after this fiscal year if we stay in this low-priced oil situation?

9:50

Mr. Thompson: That speaks to the broader fiscal policy decisions of government. The allocation of funds into the heritage fund is now laid out in the Sustainable Fiscal Planning and Reporting Act, which governs, among other things, the allocation of surplus cash. There are four elements to the act. It requires a balanced budget, with certain exceptions such as the situation we find ourselves in now; limits year-over-year expenditure growth to population plus inflation; limits in-year expenditure growth to a voted contingency; and then sets out the policies for allocation of surplus cash, which is currently set at that the first 50 per cent of any surplus cash is to be allocated either to the repayment of maturing debt or contributions into the heritage fund. The remaining 50 per cent may be allocated in the same way or may be used by government for one-time initiatives that do not result in ongoing expenditure obligations. The third option has not been used to date under the act.

For the last two budgets we have seen $2 billion and then $1 billion contributed into the heritage fund. As you know, from Budget '25 we see the province in a deficit position for the next three years, which implies explicitly, really, that there will be no surplus cash available for allocation into the fund. The act does require that the budget be returned to balance within three years, so presumably in Budget 2026 we will see a path back to balance. Whether that includes a surplus will obviously depend on our fiscal fortunes. As you say, right now the pressure is downward on revenues, particularly with respect to natural resource revenue but also in anticipation of the impacts of the tariff and the global trade situation on the overall economic situation of the province.

The Chair: I will give the opposition side another opportunity at a round of questions. Sorry. Did you have a follow-up, Mr. Kasawski?

Mr. Kasawski: I have no follow-up, but I have many more questions.

The Chair: That's fine.

Let's go to Mr. Ip here.

Mr. Ip: I'm just going to switch gears a little bit. I am curious. When making investment decisions, are there ethical or sustainability guidelines when making those determinations to ensure that, you know, we're not inadvertently investing with a nonfriendly state actor somewhere overseas, et cetera?

Mr. Prakash: Yes. We have responsible investing guidelines that we share with the clients. We've had that for many years now. The focus of that, the inherent key principle of that, is how we invest both in Canada and across the globe. We adhere to certainly any of the international restrictions, Canadian restrictions, provincial restrictions, if there are, consistent with the laws and regulations. Likewise, if there are specific asks from the clients, that also governs how we invest on behalf of our clients.

Mr. Ip: Thank you.

No follow-up.

The Chair: No follow-up? Thank you very much.

All right. Next we'll go to Mr. Stephan. Just a reminder to everyone online here and in the room, I'll allow a primary question, followed by a follow-up if it's related.

Thank you.

Mr. Stephan: Well, that is most excellent. Thank you, Chair. I just want to follow up on a question in respect to the benchmark by my colleague from Drayton Valley-Devon. Page 19 of the report speaks about the benchmark, as I understand it, being CPI plus 4 and a half per cent. I'm just noticing that, say, the S&P 500, its compound annual growth rate was almost 11 per cent. I'm just wondering if the fund is looking at doing more passive management in terms of exchange-traded funds or index funds. I know that our investment costs are $54 million in this quarter and it looks like from an annualized basis approaching $200 million. I'm just wondering if we're looking at that opportunity in terms of some of the benchmarks. My understanding is that over a period of time our returns from active versus passive management, like an exchange-traded fund: usually there's a convergence over time in respect of that.

I'm just wondering as well if we are looking at making sure there isn't moral hazard in terms of some of our investment decisions. I know we had some unfortunate results from the VOLTS strategy, which is part of the public domain. That's an unfortunate result. I'm just wondering: in terms of making sure that we are careful and wise stewards of Albertans' money, are we looking at moving towards more of a passive lower cost strategy, which over the long run seems to have, you know, returns that are comparable? That's my first question.

Ms Jones: I'll start. Thank you for the question. There are a few in there. First, I want to just make a note. Sometimes we mention this in our opening remarks, but we didn't today. There are two different types of benchmarks that the heritage fund uses. One is a real return benchmark. That's the CPI plus 450 that we're looking at, and that one there is meant to be measured over a five-year basis. This is supposed to tell us if our asset allocation is achieving what we expected from it. Just a little bit of history on that. The CPI plus 450 five-year rolling target was set in 2011, and this was set when the portfolio was expected to be generating some type of fixed-income returns to be able to pay back to the budget.

When it comes to some of the other elements that you were talking about, so some of the volatility that we're experiencing, active versus passive management, there are lots of inherent trade-offs with these types of things. As we see more active managed portfolios, there are definitely more costs that are associated with that, but there are also expected performance benefits that can come from that as well. Then when we're looking at more passive investments, certainly, as you've said, passive investments can be cheaper, but on the other – a certain sense of alpha certainly is lower costs; however, on the other side you may experience more volatility with those. This is an active portfolio construction conversation that will continue to happen regarding the heritage fund, but it will be up to the HFOC board at the end of the day to approve an investment policy that would modify the existing heritage fund benchmarks such as this one.

Mr. Prakash: Thank you, Mr. Chair. Can we add to that, please?

The Chair: Yes, please.

Mr. Prakash: Let me start with the active versus passive. This debate has been going on in the industry for 20-plus years. I had more hair then, when I first engaged in that debate. The first thing we'll start with is that it's not an either/or question. Justin will share with us that we do use index solutions as well where appropriate. That's number one.

Number two, a big part of the portfolio or when we normally think about passive – you mentioned exchange-traded funds, et cetera. That typically touches the public markets, typically public equities, where you can buy relatively inexpensive exchange-traded funds. But even if you get to the fixed-income ones, very quickly they are a lot more expensive than what it costs AIMCo to manage them. The high-yield ETFs, for example, typically tend to be about 50 basis points. That's number two.

Number three, there is a fair bit of benefit from having public equities within the portfolio. The way we implement on your behalf, amongst other things, it's a very, very attractive source of liquidity as well as return generation in addition to providing market exposure.

That's sort of the more 5,000-feet view response.

Justin, if you would add to that, please.

Mr. Lord: Yeah. Certainly. Thank you. The use of index strategies or passive strategies is prevalent across the equity platform, in particular, at AIMCo. We do have passive product offerings on the platform for client allocation as well. I will note that this becomes a total portfolio risk discussion as well at the asset-class level. When allocating to a passive strategy, you're essentially determining your security selection or your individual weightings as a function of the constituents or the methodology of that underlying index.

10:00

Interesting or relevant commentary right now as we've been talking to clients frequently over the last number of years about the concentration of the U.S. equity benchmark, either MSCI U.S. or the S&P 500, given its concentration in what is known as the magnificent seven, or large-cap technology, and consumer names, the concentration of which is a function of, obviously, the outperformance of those names as well. We're seeing some of those impacts impair the returns of U.S. equity indices currently as valuations compress and investors look to raise capital.

From AIMCo's perspective we have the ability to generate passive returns via a number of different tools. That would be using the S&P 500, as an example, either ETFs or derivatives, the latter usually being favoured given it preserves some of the structural competitive advantage for our clients of preserving liquidity and allowing for excess return to be generated using a number of different strategies as opposed to individual stock selection or relying solely upon individual stock selection versus a benchmark.

But very valid question and commentary. Certainly, a debate that will continue to carry on in the market.

Mr. Stephan: I have a supplemental kind of connected question if that's okay, Chair.

The Chair: Go ahead.

Mr. Stephan: Yeah. On page 10 of the report – and this kind of goes again to the type of investments AIMCo is engaged in – I noticed that we have levels 1, 2, and 3 for valuing our investments. Of course, level 1, as I understand it, is publicly traded type investments, where the value is very easily ascertainable. I note that Norway, for example, which has the largest sovereign fund in the entire world, as I understand it, is almost exclusively if not exclusively level 1 type of investments or at least the vast majority.

My sense, when I'm looking at page 10 – and I stand to be corrected. It appears that the majority of the investments that AIMCo is making – while it does have some index, you know, kind of level 1 type of investments, the vast majority of those investments are levels 2 and 3, where there's less liquidity and less transparency, not intentionally, but it's harder to ascertain at any point in time the fair market value of these investments because they're not as liquid. Can we just kind of comment on why we're moving? My understanding is that over time the composition of the fund has moved more from level 1 towards a higher concentration in 2 and 3 whereas we have other funds like Norway, the largest fund in the world, which seems to be in 1. Could you talk about kind of the decision where we have sort of more concentration in 2 and 3 versus 1?

Thank you.

Mr. Prakash: Thank you. Great question. Let me start with some quick definitions and then respond to your question directly. Firstly, level 1 holdings are where you directly own shares, so you hold 1,000 shares of Royal Bank, for example.

The second, level 2, is if you held exactly the same shares but you held it through a fund structure, so like an ETF, that you mentioned in the first part of the question, or a mutual fund or any type of commingled vehicle or pool vehicle. The exact same investment; just the vehicle by which you own is different. The level 2 that you see on page 10 effectively just reflects the fact that our clients, including the heritage fund, invest through pooled vehicles where not only the heritage fund owns that pool, but it is also owned by the other clients of AIMCo. The exact same exposure, but simply the fact that since multiple clients invest in that vehicle, there is a structure around it which allows multiple investors accessing the same investments. That's the level 2.

I'd suggest, without taking a very close look at the Norges Bank portfolio, the way NBIM manages it, because there's only one client, there isn't really a need to have a pool structure. As soon as you go from one client to more than one, you need a pool vehicle, which is what AIMCo utilizes. This is consistent in the industry, whether it is BlackRock, commercial managers such as that, or other peers in Canada such as the British Columbia analog to AIMCo or the one in Quebec.

That's how the level 1 and level 2 holdings are reflected on page 10. I hope that answers your question.

The Chair: Thank you for that.

Mr. Stephan: Could you speak to level 3?

Mr. Prakash: Yes. Level 3 investments are the private market type investments for which typically you need other methods of valuation separate from the public markets, where you can simply go to the stock exchange or to the dealers and get valuation. The pricing of illiquids such as a real estate building or infrastructure or a pipeline, et cetera: those all sit within the level 3 bucket. Given the portfolio allocation that heritage has to those types of asset classes, that is reflected in the level 3 securities within the portfolio.

The Chair: All right. Next we'll go to Mr. Kasawski.

Mr. Kasawski: Thanks, Mr. Chair. I just wanted to go look at – since the mass firing of the board at AIMCo we've now got five board members, and I think there's usually room for 10. I would like to get an update on where we're at with replacing board members.

Then, just inside that, with that five, who are currently the board members that sit on the investment subcommittee?

Mr. Thompson: With respect to the entire committee the maximum is actually 11.

You're correct. There are currently five. We are in the process of reviewing several candidates to be included, I would say, in the near term to the board. There is a process set up with an AIMCo nominating committee reviewed by the ministry, reviewed and approved by the minister. Those appointments are in process. I believe it's in the three to four candidate range. I'm not sure that we're getting directly to 11, but that's sketchy information; I'm not a hundred per cent sure on that. I don't want to lead anybody down a path on how many people we're looking at. There is certainly the desire to fully staff that board but appropriately and with qualified personnel.

With respect to the investment committee I don't think I have that information. To my colleagues at AIMCo, would you know?

Mr. Prakash: We can do that as a follow-up . . .

Mr. Thompson: We can come back with that. Happy to answer.

Mr. Prakash: . . . with the different committees in place and who the members are and who are chairing those committees.

Mr. Thompson: But I would say, with a board of five, the investment committee is likely most of those five.

Mr. Kasawski: Yeah. Thanks.
Just a follow-up, Mr. Chair.

The Chair: Go ahead.

Mr. Kasawski: The firing, the reason for it was cost savings, so I guess my question is for Mr. Lamb. Is the Auditor General investigating or reviewing that event and the changes that have happened to the AIMCo board since?

Mr. Lamb: I have no comment on whether we're doing any type of investigation at AIMCo right now.

Mr. Kasawski: Okay.

The Chair: Mr. Wiebe.

Mr. Wiebe: Thank you, Chair, and thank you to AIMCo for being here. If we look at the asset classes on page 2 of the report, I am seeing that 30.5 per cent of the portfolio is allocated towards foreign equity and 7.9 per cent is allocated towards Canadian equity. International investments have become a major topic of conversation lately, especially with the consistent changes to the trade with global partners. You may have touched on this already, but I'm just wondering if the ministry can provide some additional insights of the safeguards that exist in the fund, given the uncertainty of the global markets.

10:10

Mr. Lord: Thank you for the question. I'm happy to provide some commentary, but I will ask our colleagues to weigh in from Treasury Board and Finance as well, if they'd like. Not to be repetitive, but some of this does fall back onto overall portfolio diversification as a whole. From a portfolio construction standpoint we typically see clients allocate across our equity platform. That would be Canadian equities, global equities, some emerging market or small-cap equity products as well. In general there tends to be a larger allocation to global equities and a smaller piece to Canadian equities.

This reasoning can be thought of as twofold. It's a function of the opportunity set, and I've mentioned the diversification. From a perspective of the opportunity set the Canadian equity market is quite small compared to global equity market cap. Canada represents approximately 2 per cent of global equity market capitalization. Certainly, the number of companies is lower, the size of companies is smaller, et cetera. When talking about the opportunity set as well, the Canadian market tends to be concentrated in financial companies, in a number of energy, materials companies as well. You see the overall concentration much different than global equity markets.

The same can be said for global markets as well, with differing concentrations across information technology, communications, et cetera. The Canadian market doesn't necessarily have the same type of exposure to some of the sectors that have been generating fairly consistent earnings growth as of late: technology, telecom, media, health care as well. The portfolio benefits from this diversified approach to equity allocations overall.

I think that about summarizes. Is there any part of the question that I can recap?

Mr. Wiebe: No. That's good. Thank you.

The Chair: I'll give the final question here today to Mr. Ip.

Mr. Ip: Thank you, Mr. Chair. My final question for today, anyways, really pertains to the interplay between the Heritage Fund Opportunities Corporation and AIMCo. Broadly speaking, I understand that the HFOC is to direct policy for the heritage savings trust fund, but the investments will still be managed by AIMCo sort of broadly. That's the structure, but it seems like, from a governance perspective, there may be some overlap or some duplication. I'm wondering if the members here could explain the delineation of the governance roles between this newly created corporation, between HFOC, and AIMCo and what it ultimately looks like, why it's necessary. I think it's a bit of a conundrum for the outside observer.

Mr. Thompson: It's a great question. You know, as we step up the HFOC, it will hopefully become more obvious what the roles are meant to be. I think the most basic way to think of it is to look at the rest of AIMCo's clients. All of the pensions, even MEPP, for example, have either a corporation or a separate board responsible for the oversight of the investment policies and goals, the asset allocation, and the day-to-day interactions with AIMCo as the investment manager.

AIMCo's role as investment manager will remain unchanged for the legacy assets that are within the heritage fund. Within the Heritage Fund Opportunities Corporation, though, there will be the opportunity for direct investment by that corporation in very specific investment vehicles. We'll have more information about what those look like as the corporation is properly stood up and as those funds are deployed. As you know, or as we've said earlier, $2 billion has been directed into the fund from Budget '24, and another million or so will be directed from Budget '25. That cash has not yet been deployed. The cash: as it's deployed, some of it will be deployed into legacy AIMCo portfolios and some of it will be deployed directly by HFOC itself. Again, this would be in private or liquid space likely, but we'll have more details as to the specifics of the investment policy once the corporation is fully operational.

Mr. Ip: A follow-up, Mr. Chair, is: how will HFOC report back to perhaps this committee or ultimately be accountable to public members of this elected body?

Mr. Thompson: That's a great question. The intention is that HFOC will sit at this table to speak to the heritage fund results. As a corporation responsible for the investment policies and goals and oversight of AIMCo's activities AIMCo will remain at the table, and the department will also remain at the table to speak to the heritage fund as a shareholder, asset owner.

The Chair: With that, I see no other questions, so 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 so wish. Thank you all again for your hard work.

I shall now look for a member to move a motion to receive the fund's 2024-2025 third-quarter report as distributed. Mr. Kasawski. Moved by Mr. Kasawski that

> the Standing Committee on the Alberta Heritage Savings Trust Fund receive the Alberta heritage savings trust fund 2024-25 third-quarter report as distributed.

Any discussion on this motion?

With that, can I get all in favour of, please say aye. Anyone opposed? Online, anyone opposed? Fantastic.

> That motion is carried.

Next, 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 tabled in April 2024, which covered the activities of the committee for the 2023-24 fiscal year. The draft of the 2024-25 report was posted to the committee's internal website for members to review. Do members have any questions or comments regarding the draft report of the committee?

Mr. Kasawski: It's a good report.

The Chair: It certainly is.

I shall now look for a member to move a motion to approve the draft report. Mr. Wiebe moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund approve the draft annual report of the committee's activities during 2024-25 as distributed.

Any discussion on this motion?

With that, all in favour of, please say aye. On the phones, all in favour, please say aye. Good enough. Anyone opposed? No.

> That motion is carried.

This report will be tabled in the Assembly at the earliest opportunity, possibly as early as today.

With that, 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 would be looking at an evening meeting in October. However, we can decide a specific date and time at our next committee meeting, which will take place in June, when we review the heritage fund's annual report. 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 the best option is likely to continue to use these committee rooms. I will open the floor to any comments on this.

Perfect. I like it.

We should also discuss the format for the meeting. The last public meeting of the committee was held on November 6, 2024. Members of the public were able to ask questions in person, by phone, 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'd suggest that the committee continue to use these methods to allow the public to engage and ask questions of the committee. I shall now open the floor to discussion on the format of the meeting and any suggestions on what members would like to do differently.

10:20

Perfect. If there are no other comments, then we will begin the planning process for this year's public meeting. Next the communications plan. In years past the committee has directed LAO communication services to prepare a communications plan in support of the public meeting. We have Christina Steenbergen from LAO communication services joining us today, and I'd ask her to give us an overview of what the plan might typically entail.

Ms Steenbergen: Thank you, Mr. Chair. When we did our communication planning in the past for this particular committee, we've kept it at about a $40,000 budget, but we do have low-cost, medium-cost, and very high cost options. I would recommend keeping it pretty in line with last year and doing a little bit more focus on digital advertising. We are doing some out-of-the-box advertising this spring with different campaigns. I'm hoping by June we'll have a better idea of what that could look like. Again, last time we did billboards and print advertising and a lot of digital social media advertising as well.

The Chair: Fantastic.

Any questions for Ms Steenbergen? Mr. Kasawski.

Mr. Kasawski: Thanks, Mr. Chair. You know, using this platform and thinking about digital advertising, what I'm hoping we can maybe talk about is that when I look at, like, the political landscape of the world and someone like Elon Musk that's made comments about Canada not being a real country, whether I think it's appropriate for us to be using even a little bit of money that we're spending on digital advertising towards the platforms that he owns. Is it possible that in a communication plan going forward we could avoid spending any money on probably that specific platform that Elon Musk owns?

The Chair: I'll open that up for discussion. Mr. Wiebe.

Mr. Wiebe: Yeah. I don't see a reason to change any of the advertising just because a platform – you know, it's not personal. It's just a platform that we could use to get our message out, so I think it's perfectly fine.

The Chair: Perhaps, Ms Steenbergen, is there a cost associated with using any of these platforms?

Ms Steenbergen: Sure. Yeah. Thank you, Mr. Chair. I don't want to speak out of turn, but the LAO does have an X account. There is a subscription fee to it, but we use it. You have to pay for the subscription to be able to advertise with X, so it's already paid for in that sense. The cost with the X advertising is pretty minimal, and actually for politics it's probably one of the best mediums in terms of the audience that would be interested in this particular meeting. While I understand your concerns, I do think it would be a lost opportunity to not use X, but that said, we can also look at the different platforms and move the money around.

The Chair: Mr. Stephan.

Mr. Stephan: Sure. To me, the paramount goal here is to provide maximum transparency and information to Albertans. We should be more agnostic on the platform; rather, what will allow the maximum number of Albertans to be aware of and have accountability of AIMCo and its performance? That, to me, should always be the paramount consideration here, so whatever will accomplish that goal in the most cost-efficient way is the approach that should be used.

Thank you.

The Chair: Go ahead, Mr. Kasawski.

Mr. Kasawski: Yeah. Thank you, Chair. I'm not saying drop the account; I'm specifically talking about paid advertisement. If it's posting and we're already posting, I'm not suggesting any change to that. I'm just saying that if it's something like Facebook, where you pay to boost a post or you pay to get the advertisements into circulation, I just think there are a lot of platforms out there – there are probably a dozen digital media platforms out there – and the one that Elon Musk owns isn't one that I think we need to pay extra money to right now.

Ms Steenbergen: Yeah. Thank you, Mr. Chair. I can definitely take that into account, and when we put together the plan, I will look back at last year's campaign and actually the year before because the year before we didn't actually pay for the subscription. I can look at the numbers and see kind of what the benefits are, and I will include that in the plan for the presentation in June if that works for you.

Mr. Kasawski: That'd be great.

The Chair: Fantastic. If there are no more questions, then, I'd like to thank Ms Steenbergen for her participation today.

I'll look to a member to move a motion to direct LAO to prepare a draft communications plan for our review at the next meeting. Mr. Ip 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 2025 public meeting for review at an upcoming meeting of the committee.

Any discussion on this motion?

All in favour in the room, please say aye. Anyone in the room opposed? On the phones? Yes. Perfect. Thank you so much for that.

That motion is carried.

Are there any other issues for discussion today?

Seeing none, the next meeting will occur in June after the release of the fund's annual report. Please stay tuned for that final date to be announced.

If there's nothing else for consideration today, I'll call for a motion to adjourn. Mr. Rowswell would like to move that the April 14, 2025, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned. All in favour, please say aye. On the phones? Fantastic. Anyone opposed? Perfect. That motion is carried. This meeting is adjourned.

Thank you so much.

[The committee adjourned at 10:27 a.m.]

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