

Standing Committee on  
the Alberta Heritage  
Savings Trust Fund

Standing Committee on the  
Alberta Heritage Savings  
Trust Fund Annual Report  
2023-2024

April 2024



COMMITTEES  
OF THE LEGISLATIVE ASSEMBLY

**Standing Committee on the  
Alberta Heritage Savings Trust Fund**  
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## **STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND**

April 2024

Honourable Nathan Cooper  
Speaker of the Legislative Assembly  
of the Province of Alberta

Dear Speaker Cooper:

The Standing Committee on the Alberta Heritage Savings Trust Fund has the honour to submit its report covering Committee activities for 2023-2024, pursuant to section 6(4)(c) of the *Alberta Heritage Savings Trust Fund Act*.

Sincerely,

*(Original signed by)*

Tany Yao, MLA  
Chair, Standing Committee on the  
Alberta Heritage Savings Trust Fund

## Table of Contents

Members of the Standing Committee on the Alberta Heritage Savings Trust Fund .....	ii
I. Introduction .....	1
II. History of the Alberta Heritage Savings Trust Fund .....	1
III. Role of the Committee .....	2
IV. Meeting Dates and Motions Passed .....	3
V. 2023 Annual Public Meeting .....	4
VI. Statistics from the 2023 Annual Public Meeting .....	5
VII. Schedule of Annual Public Meetings: 2000-2023.....	6
VIII. Financial Results For 2022-2023.....	7
Appendix: Excerpt from the Alberta Heritage Savings Trust Fund 2022-2023 Annual Report (pages 8-10) .....	8

**Members of the Standing Committee on  
the Alberta Heritage Savings Trust Fund  
31st Legislature**

Tany Yao, MLA  
Chair  
Fort McMurray-Wood Buffalo (UC)

Garth Rowsell, MLA  
Deputy Chair  
Vermilion-Lloydminster-Wainwright (UC)

Andrew Boitchenko, MLA  
Drayton Valley-Devon (UC)

Kyle Kasawski, MLA  
Sherwood Park (NDP)

Eric Bouchard, MLA  
Calgary-Lougheed (UC)

Samir Kayande, MLA  
Calgary-Elbow (NDP)

Gurinder Brar, MLA  
Calgary-North East (NDP)

Ron Wiebe, MLA  
Grande Prairie-Wapiti (UC)

Hon. Grant R. Hunter, MLA  
Taber-Warner (UC)

**Substitutions Pursuant to Standing Order 56(2.1)-(2.4):**

Hon. Christina Gray, MLA\*  
Edmonton-Mill Woods (NDP)

Brandon G. Lundy, MLA†  
Leduc-Beaumont (UC)

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\* Substitute for Samir Kayande on January 30, 2024  
† Substitute for Andrew Boitchenko on January 30, 2024

## I. Introduction

Meetings of the Standing Committee on the Alberta Heritage Savings Trust Fund (the “Committee”) are open to the public. This report provides the highlights of the proceedings of these meetings.

Committee meetings are recorded in *Alberta Hansard*, and transcripts and minutes are available in the Legislature Library. All Legislative Assembly Committee meetings are audio- and video-streamed live on the Internet and archived. These audio and video archives as well as meeting transcripts are available on the Legislative Assembly of Alberta website, at [www.assembly.ab.ca](http://www.assembly.ab.ca). Committee proceedings are also broadcast on Alberta Assembly TV.

The Committee authorized the use of videoconferencing and teleconferencing for Members to participate in meetings remotely on the condition that the Committee may pass a motion to require Members’ in-person attendance at a particular meeting.

## II. History of the Alberta Heritage Savings Trust Fund

On May 19, 1976, the Alberta Heritage Savings Trust Fund was established by an Act of the Alberta Legislature.

The Act and subsequent amendments to it set out the sources of funds and how these funds might be invested. The Act also outlines the powers of the President of Treasury Board and Minister of Finance to establish investments under each division.

A new *Alberta Heritage Savings Trust Fund Act* was passed by the Legislative Assembly in 1996 and was proclaimed into force on January 1, 1997. The Heritage Fund’s mission statement is described in the preamble to the *Alberta Heritage Savings Trust Fund Act*, as follows:

**WHEREAS the mission of the Heritage Fund is to provide prudent stewardship of the savings from Alberta’s non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans.**

It is the responsibility of the President of Treasury Board and Minister of Finance, within 90 days of the end of the fiscal year, to prepare an annual report summarizing the operation of the Heritage Fund during the preceding fiscal year, including a financial statement that is audited by the Auditor General. When the report is completed, it must be approved by the Standing Committee on the Alberta Heritage Savings Trust Fund. Once approved, copies are provided to all Members of the Legislative Assembly as well as to the Clerk of the Legislative Assembly, and the report is made public.

The Alberta Investment Management Corporation (AIMCo), created as a provincial Crown corporation on January 1, 2008, functions as an investment manager for investment products assigned by statute to the President of Treasury Board and Minister of Finance. AIMCo’s objective is to create portfolios that match the financial goals, time frames, and risk profiles of its clients’ funds. AIMCo works to increase value for clients, maintain high standards of governance and oversight, and be cost effective. In addition to the Alberta Heritage Savings Trust Fund, AIMCo also manages the assets of Alberta’s pension plans, Government endowment funds, and select assets of other provincial public-sector bodies.

In March 2023 the *Alberta Heritage Savings Trust Fund Act* was amended to provide that all investment income be retained in the Heritage Fund unless the President of Treasury Board and Minister of Finance approves a transfer of any portion of the net income of the Heritage Fund, less the amount retained for inflation-proofing, to the province’s main operating fund, the General Revenue Fund.

### III. Role of the Committee

Section 6(4) of the *Alberta Heritage Savings Trust Fund Act* sets out the mandate of the Committee as follows:

(4) The functions of the Standing Committee are

- (a) to receive and review the quarterly reports referred to in section 15;
- (b) to approve the annual report of the Heritage Fund;
- (c) to review after each fiscal year end the performance of the Heritage Fund and report to the Legislature as to whether the mission of the Heritage Fund is being fulfilled;
- (d) to hold public meetings with Albertans on the investment activities and results of the Heritage Fund.

The Committee receives regular reports on the performance of the Heritage Fund and conducts an annual public meeting. The purpose of this meeting is to update Albertans on the management of the Heritage Fund and to solicit input from Albertans on the Heritage Fund's objectives.

The President of Treasury Board and Minister of Finance is responsible for the Heritage Fund's investments. The Minister is required to report on the performance of the Heritage Fund on a quarterly basis and to make public an annual report on the Heritage Fund after it is approved by the Committee. The annual report includes a financial statement audited by the Auditor General of Alberta. The Alberta Heritage Savings Trust Fund annual and quarterly reports are posted on the Alberta Treasury Board and Finance section of the Government of Alberta's website.

The Committee has made every attempt to fulfill its duties as required by the *Alberta Heritage Savings Trust Fund Act* and the Standing Orders of the Legislative Assembly of Alberta.



## **IV. Meeting Dates and Motions Passed**

The following motions were passed at Committee meetings, demonstrating that the mandate of the Committee and the mission of the Heritage Fund have been fulfilled.

### **November 6, 2023, Meeting**

**MOVED by** Mr. Kasawski that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the Alberta Heritage Savings Trust Fund 2022-23 annual report as distributed.

**MOVED by** Mr. Boitchenko that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the Alberta Heritage Savings Trust Fund 2023-24 first-quarter report as distributed.

**MOVED by** Mr. Bouchard that the Standing Committee on the Alberta Heritage Savings Trust Fund schedule its 2023 annual public meeting on Thursday, November 30, 2023, from 6 to 8 p.m. at the Queen Elizabeth II Building

**MOVED by** Mr. Wiebe that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the draft communications plan in support of the 2023 public meeting as distributed.

### **January 30, 2024, Meeting**

**MOVED by** Mr. Wiebe that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the Alberta Heritage Savings Trust Fund 2023-24 second-quarter report as distributed.

## **V. 2023 Annual Public Meeting**

Part of the mandate of the Standing Committee on the Alberta Heritage Savings Trust Fund is to hold meetings to inform Albertans of the activities and financial results of the Alberta Heritage Savings Trust Fund.

The 2023 public meeting took place on November 30, 2023, at the Queen Elizabeth II Building in Edmonton, Alberta.

### **Standing Committee on the Alberta Heritage Savings Trust Fund Members in Attendance**

Tany Yao, MLA, Chair

Garth Rowsell, MLA, Deputy Chair

Andrew Boitchenko, MLA

Eric Bouchard, MLA

Gurinder Brar, MLA

Scott J. Cyr, MLA\*

Hon. Grant R. Hunter, MLA

Kyle Kasawski, MLA

Samir Kayande, MLA

*\*Substitute for Ron Wiebe, MLA*

### **Ministry of Treasury Board and Finance Participants**

Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management

Brittany Jones, Senior Manager, Portfolio Analytics and Research

### **Alberta Investment Management Corporation (AIMCo) Participants**

Suzanne Akers, Chief Risk Officer

Marlene Puffer, Chief Investment Officer

### **In-person and Telephone Public Participants**

Robert Ascah

Duncan Kinney

Marija Cvetkovska

Majella Morin

Brad Fisher

Tracy Parker

Frank Hanus

Cynthia Wagner

Irsa Khan

Legislative Assembly Office Communications Services provided the Committee with a communications plan that outlined options to promote the annual public meeting. The goal of the Committee was to reach out to Albertans to provide a status report on the Alberta Heritage Savings Trust Fund and to give them an opportunity to learn more about how the Heritage Fund's investments and proceeds are managed.

The Committee chose advertising options to reach as much of the general public as possible. Albertans were encouraged to attend the meeting in person or to watch the broadcast of the meeting on television or through the online stream and to phone in, e-mail, and post questions to social media about the Heritage Fund. The meeting was promoted through traditional advertising such as print and radio media and supplemented with social media and other low- and no-cost initiatives.

An educational video on the Heritage Fund was shown at the beginning of the public meeting.

## VI. Statistics from the 2023 Annual Public Meeting

### Five-year Comparison of Public Meeting Audience Reach\*

	2023	2022	2021	2020	2019
<b>In person</b>	16	1	N/A	3	17
<b>Telephone</b>	3	3	0	7	N/A
<b>Online</b>	75	61†	62	127	68
<b>Social media</b>	851	573	488	1,024	979
	YouTube (131)	YouTube (--)<‡	YouTube (54)§	YouTube (178)	YouTube (155)
	Facebook (851)	Facebook (537)	Facebook (288)	Facebook (720)	Facebook (794)
	X (Twitter) (75)	Twitter (36)	Twitter (146)	Twitter (126)	Twitter (30)

### Questions Posed to the Committee and Panel in 2023

E-mail	6
Telephone	3
In person	8
X (Twitter), Facebook, and YouTube	12

### Post-meeting Survey Results

#### How did you hear about the meeting?

Social media	4
Newspaper ad	2
MLA	3
Media notice e-mail	1
Media coverage	1

#### How engaging did you find the public meeting?

1 – Not engaging	0
2	3
3	2
4	5
5 – Very engaging	1

#### How did you watch the public meeting?

In person	63.6%
Alberta Assembly TV	0%
Assembly website	18.2%
Facebook Live	18.2%
X (Twitter) Live	0%
YouTube	0%

#### To which age group do you belong?

18 to 25	9.1%
26 to 35	0%
36 to 45	18.2%
46 to 55	9.1%
56 to 65	18.2%
66+	45.5%

#### Do you feel more informed about the Alberta Heritage Savings Trust Fund than you did before the meeting?

Yes	72.7%
No	27.3%

#### Where do you currently reside?

Edmonton	5	Olds	1
Lacombe	1	Red Deer	1
Medicine Hat	2	Sherwood Park	1

\* Unable to track viewership statistics from Alberta Assembly TV.

† Corrected error in 2022 online views from 120 to 61.

‡ Following the 2022 public meeting, the live-stream video was unintentionally deleted on YouTube and the data associated with it cannot be recovered.

§ Corrected typographical error in 2021 YouTube views from 154 to 54.

## VII. Schedule of Annual Public Meetings: 2000-2023

<u>Meeting Date</u>	<u>Location</u>
October 30, 2000	Fort Saskatchewan
November 7, 2001	Whitecourt
November 7, 2002	Olds
November 5, 2003	Grande Prairie
October 5, 2004	Redwater
October 18, 2005	Calgary
November 2, 2006	Vermilion
October 10, 2007	Red Deer
October 16, 2008	Edmonton
September 24, 2009	Calgary
October 20, 2010	Lethbridge
October 20, 2011	Edmonton
October 3, 2012	Edmonton
October 2, 2013	Edmonton
October 9, 2014	Edmonton
November 26, 2015	Edmonton
October 27, 2016	Edmonton
October 26, 2017	Edmonton
October 25, 2018	Edmonton
October 24, 2019	Edmonton
October 29, 2020	Edmonton
November 25, 2021	Edmonton
October 27, 2022	Edmonton
November 30, 2023	Edmonton

## VIII. Financial Results For 2022-2023

During the 2022-2023 fiscal year the Alberta Heritage Savings Trust Fund “earned a market value return of 2.6 per cent, outperforming the passive benchmark return by 1.2 per cent. Over the past five years, the [Heritage] Fund has earned an annualized return of 6.4 per cent, and over the last ten years it has earned 8.4 per cent, surpassing the passive policy benchmark by 40 basis points and 70 basis points, respectively.”<sup>1</sup>

During 2022-2023 the Heritage Fund had a net loss of \$114 million.<sup>2</sup>

As a result of the amendment to section 8 of the *Alberta Heritage Savings Trust Fund Act* in March 2023, \$1,247 million in investment income for 2021-22 was retained in the Heritage Fund in 2022-23.<sup>3</sup>

As of March 31, 2023, the Heritage Fund’s asset portfolio consisted of equities (46.2 per cent), inflation-sensitive and alternative investments (34.0 per cent), fixed-income investments (19.5 per cent), and strategic opportunities (0.3 per cent).<sup>4</sup>

Highlights of the Heritage Fund’s financial results are contained in “The 2022-23 fiscal year in review,” an excerpt from the Alberta Heritage Savings Trust Fund 2022-2023 annual report (see Appendix).

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1 Alberta, Ministry of Treasury Board and Finance, *Alberta Heritage Savings Trust Fund 2022-23 Annual Report* [Edmonton: TBF, 2023], p. 11.

2 *Ibid.*, p. 23.

3 *Ibid.*, p. 18.

4 *Ibid.*, p. 1.

## The 2022-23 fiscal year in review

The Heritage Fund realized a return of 2.6 per cent in the fiscal year 2022-23. Net financial assets at the end of the fiscal year were \$21.2 billion, representing an increase of \$2.5 billion year-over-year. The Fund has benefitted from investment returns in addition to a contribution from the government of \$753 million and the retention of \$1.25 billion in investment income earned in 2021-22. The portfolio is well positioned to take advantage of current and future opportunities.

Interest rate increases in Canada and in other countries had a large influence on the markets and investment returns during the year. The rate increases had the most significant impact on the publicly traded assets held within the equities and fixed income asset classes. A decline in equities and fixed income, at the same time and of this magnitude, had not been witnessed for over forty years. The new year commenced on a robust note, further building upon the positive momentum that began in the public markets in the third fiscal quarter of the 2022-23 fiscal year.

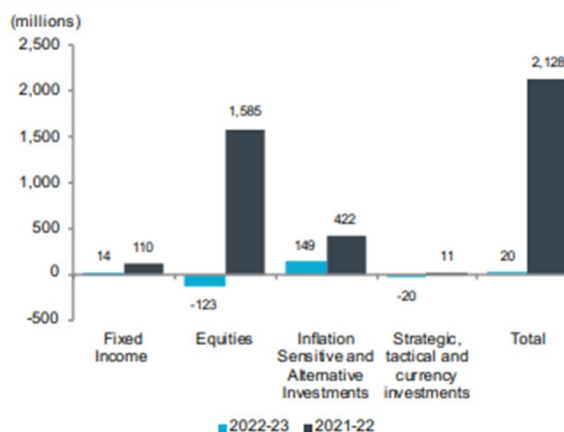
Equity investments, which make up almost half of the Heritage Fund's portfolio, experienced substantial volatility during the fiscal year. Global economic uncertainties, geopolitical tensions, and changing investor sentiments drove fluctuations in equity prices. Additionally, supply chain disruptions, rising input costs, and labour shortages affected specific sectors, causing divergent performances across industries. Portfolio managers had to be nimble in their approach, capitalizing on sectors poised for growth while managing risks associated with market fluctuations.

### Investment income

The Fund generated gross earnings of \$20 million and a net loss of \$114 million, after investment expenses of \$134 million. This is only the third time that the Heritage Fund reported a net investment income loss since its inception in 1976. Net investment earnings were \$1,949 million lower than estimated in Budget 2022. The main driver of the difference between the budget and actual results were the challenges faced by global markets during the first half of the fiscal year.

Equities historically have been the strongest source of income due to performance and their high overall weighting within the portfolio. Interest-bearing securities bring in stable income in a way that is less risky than other alternatives. Inflation-sensitive investments represent assets that have cash-flows strongly correlated with inflation, such as rent. The adaptability of the cash-flow stream and ability to add value in unconventional ways makes this asset class valuable to the Fund.

#### INVESTMENT INCOME BY ASSET CLASS





Equity investments produced a loss of \$123 million during 2022-23. In comparison, this asset class produced \$1.6 billion in income during the 2021-22 fiscal year. Equity valuations were depressed in the first half of the fiscal year, following a series of interest rate hikes. Changes to the equity platform by the asset manager also had an impact on the timing of asset dispositions, and caused some losses to be realized earlier than expected. Positive sentiment in the latter half of the year propelled equity valuations higher, however, these returns were not sufficient to overcome the losses realized earlier in the year.

Fixed income investments produced only \$14 million during the fiscal year because of rising interest rates, which caused significant decreases in market values for fixed income. These losses were offset by positive interest payments received during the fiscal year.

Inflation sensitive and alternative investments were the biggest contributor to earnings in the 2022-23 fiscal year, providing \$149 million in earnings. Investments in this asset class produced consistent cash flow streams due to the ability to pass inflation increases on to customers. In recent years, this asset class has provided consistent, positive returns to the Fund.

Strategic investments, which allow the asset manager to take advantage of difficult to classify opportunities contributed a loss of \$20 million during 2022-23.

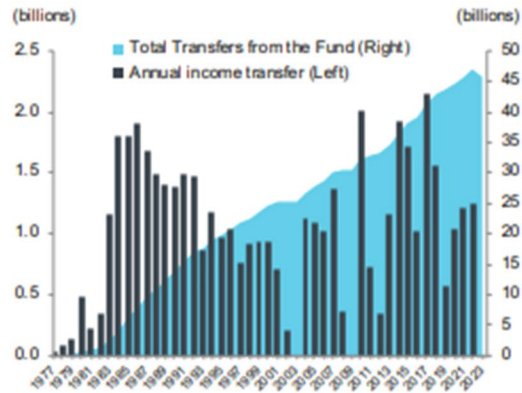
### Transfers, contributions, and inflation

The Heritage Fund was established in 1976 and was funded by allocations of non-renewable resource revenue. Initially, 30 per cent of resource revenue was deposited into the Fund. The allocation was reduced to 15 per cent starting in 1983-84 and it was terminated after 1986-87. A total of \$12 billion in non-renewable resource revenue was deposited into the Fund. The Heritage Fund received \$3.9 billion in deposits from 2005-06 to 2007-08.

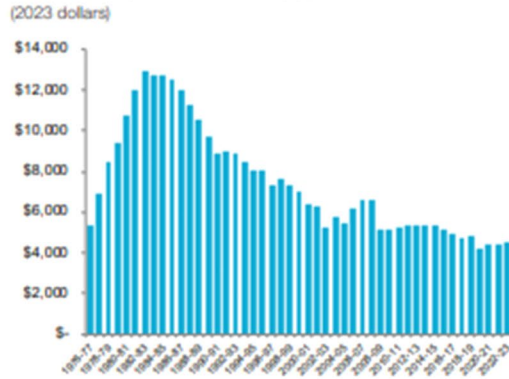
Income transfers from the Fund to the government's General Revenue Fund began in 1982-83 and since then \$42 billion has been transferred to the General Revenue Fund. During its first 11 years, the Fund was also used to pay for capital projects and to seed other endowments. Between 1976 and 1995, \$3.5 billion was used to pay for capital projects and transfers of just over \$600 million were made to other provincial endowment funds. Since inception, a total of \$45.8 billion has been transferred from the Fund.

The requirement to inflation-proof the Heritage Fund began in 2005-06, after the Province had repaid its accumulated debt in 2004-05. Prior to 2005-06, investment income retained for inflation-proofing occurred three times with a total of \$431 million of investment income being retained by the Fund. Since 2005-06, earnings of \$4.6 billion have been retained in the Fund for inflation-proofing.

### INCOME AND CUMULATIVE TRANSFER TO GRF



### MARKET VALUE INFLATION ADJUSTED PER CAPITA



During 2022-23, the value of the Fund grew by \$2 billion due to the government actions. The investment earnings of \$1.25 billion from 2021-22 were retained with the Fund, instead of being transferred to the General Revenue Fund. The government also transferred \$753 million into the Heritage Fund during the year.

The Fund's per capita market value has declined significantly since peaking in 1983 when the value of the Fund was about \$12,380 per Albertan. At the end of 2022-23, the market value was approximately \$4,500 per Albertan. This decline has been caused by three main factors. First, the allocations of resource revenue was terminated in 1986-87. Second, most of the Fund's earnings have been transferred out of the Fund and into the General Revenue Fund. Third, Alberta's population has more than doubled since 1976, growing from approximately 1.9 million people to over 4.6 million people.

The retention of investment earnings within the Heritage Fund will cause the per capita value of the Fund to reverse the downward trend that began in 1983. The immediate impact will come mainly from the retention of earnings in the Fund. Over time, however, the investment earnings will become more important due to the impact of compounding those earnings.

## Investment expenses

The Fund's investment expenses were \$134 million during the 2023-23 fiscal year, \$42 million lower than the prior year due primarily to a decrease in performance-based expenses. The relative cost of the Fund was 0.7 per cent, 0.2 per cent lower than in 2021-22.

### INVESTMENT EXPENSES

(millions)	2023	2022
Total investment expenses	\$134.00	\$176.00
Increase in average investments	5.0%	9.2%
Investment expense per dollar invested	0.7%	0.9%

## Asset mix

The target asset mix for the Fund is split into three main categories: 20 per cent fixed income, 32.5 per cent inflation sensitive and alternative investments and 47.5 per cent in equities. The asset mix is a main driver of returns for the Fund. The investment manager is permitted to overweight or underweight these asset classes to take advantage of sectors that are outperforming.

### ASSET MIX (LONG-TERM TARGET ASSET MIX)

	Target	March 2023	March 2022	Policy Range
<b>Fixed income</b>	<b>20.0%</b>	<b>19.5%</b>	<b>18.4%</b>	<b>15-45%</b>
Deposits and short-term		0.6%	0.4%	0-25%
Bonds, mortgages and private debt		19.0%	18.0%	10-35%
<b>Inflation-sensitive and alternative investments</b>	<b>32.5%</b>	<b>34.0%</b>	<b>30.8%</b>	<b>15-40%</b>
Real estate		19.1%	19.2%	10-20%
Infrastructure		11.6%	9.2%	5-15%
Renewable resources		3.3%	2.4%	0-5%
<b>Equities</b>	<b>47.5%</b>	<b>46.2%</b>	<b>50.4%</b>	<b>35-70%</b>
Canadian		7.9%	9.0%	5-15%
Global developed		26.1%	28.5%	20-65%
Emerging markets		3.3%	3.5%	0-10%
Private		8.9%	9.4%	0-10%
<b>Strategic opportunities</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0-5%</b>