



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

**ANNUAL REPORT**

2010-2011



**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**

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**Chair:**

JANIS TARCHUK, MLA  
Banff-Cochrane

**Deputy Chair:**

DOUG ELNISKI, MLA  
Edmonton-Calder

**Members:**

ALANA DeLONG, MLA  
Calgary-Bow

HEATHER FORSYTH, MLA  
Calgary-Fish Creek

GEORGE GROENEVELD, MLA  
Highwood

ART JOHNSTON, MLA  
Calgary-Hays

HUGH MacDONALD, MLA  
Edmonton-Gold Bar

DAVE QUEST, MLA  
Strathcona

DR. KEVIN TAFT, MLA  
Edmonton-Riverview

September 2011

Honourable Ken Kowalski  
Speaker of the Legislative Assembly  
of the Province of Alberta

Dear Speaker Kowalski:

The Standing Committee on the Alberta Heritage Savings Trust Fund has the honour to submit its report on activities for the 2010-2011 fiscal year.

Sincerely,

*[Original signed by Chair]*

Janis Tarchuk, MLA  
Chair, Standing Committee on the  
Alberta Heritage Savings Trust Fund

c. Dr. W.J. David McNeil  
Clerk of the Legislative Assembly of Alberta



## CURRENT MEMBERS

**JANIS TARCHUK, Chair**  
MLA, Banff-Cochrane (PC)

**DOUG ELNISKI, Deputy Chair**  
MLA, Edmonton-Calder (PC)

**ALANA DeLONG**  
MLA, Calgary-Bow (PC)

**HEATHER FORSYTH**  
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**GEORGE GROENEVELD**  
MLA, Highwood (PC)

**ART JOHNSTON**  
MLA, Calgary-Hays (PC)

**HUGH MacDONALD**  
MLA, Edmonton-Gold Bar (AL)

**DAVE QUEST**  
MLA, Strathcona (PC)

**DR. KEVIN TAFT\***  
MLA, Edmonton-Riverview (AL)

\*Dr. Taft replaced Ms Blakeman by motion of the Assembly on February 23, 2011

## TECHNICAL AND ADMINISTRATIVE SUPPORT:

### Alberta Finance and Enterprise

Hon. Lloyd Snelgrove	Minister, Finance and Enterprise, and President of Treasury Board
Tim Wiles	Deputy Minister
Rod Babineau	Manager, Portfolio Analysis, Capital Markets
Aaron Brown	Director, Portfolio Management
Sandie Hay	Manager, Financial Accounting and Standards
Nick Kaczmarek	Public Affairs Officer, Communications
Kari-ann Kuperis	Acting Assistant Director, Communications
Rod Matheson	Assistant Deputy Minister, Treasury and Risk Management
Dave Pappas	Director, Investment and Debt Accounting

### Alberta Investment Management Corporation (AIMCo)

Dr. Leo de Bever	Chief Executive Officer and Chief Investment Officer
Jagdeep Singh Bachher	Deputy Chief Investment Officer, Change Management
Brian Gibson	Senior Vice-president, Public Equities
Pine Pienaar	Senior Vice-president, Client Relations
Douglas Stratton	Senior Vice-President, Fund Management Group

### Office of the Auditor General

Merwan Saher, CA	Auditor General
Brad Ireland, CA	Assistant Auditor General
Betty LaFave, CA	Principal

### Legislative Assembly Office

Corinne Dacyshyn	Committee Clerk
Shannon Dean	Senior Parliamentary Counsel and Director of House Services
Melanie Friesacher	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Robert Reynolds, QC	Law Clerk and Director of Interparliamentary Relations
Tracey Sales	Communications Consultant
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services

## TABLE OF CONTENTS

	Page Number
I. Introduction .....	1
II. History of the Alberta Heritage Savings Trust Fund .....	1
III. Role of the Standing Committee on the Alberta Heritage Savings Trust Fund .....	2
IV. Meetings Held and Motions passed by the 2010-2011 Standing Committee on the Alberta Heritage Savings Trust Fund .....	3
V. 2010 Annual Public Meeting .....	4
VI. Schedule of Annual Public Meetings: 2000-2010 .....	5
VII. Financial Results for 2010-2011 .....	6
VIII. Closing Remarks .....	6

## APPENDIX I

“The Year in Review” - Excerpt from the Alberta Heritage Savings Trust Fund 2010-11 Annual Report .....	7
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## **I. INTRODUCTION**

Meetings of the Standing Committee on the Alberta Heritage Savings Trust Fund 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. Transcripts of the meetings are also available on the Legislative Assembly of Alberta website.

## **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 Legislative Assembly of Alberta.

The Act and subsequent amendments to it set out the sources of funds and how these funds might be invested. Five distinct investment divisions of the Heritage Fund were defined, each with different aims and investment criteria. The Act also outlines the powers of the Minister of Finance and Enterprise to make investments under each division.

It is the responsibility of the Minister of Finance and Enterprise, as soon as practicable after the end of the fiscal year, to prepare a report summarizing the operation of the Heritage Fund during the preceding fiscal year, including a financial statement, which is audited by the Auditor General. When the report is completed, copies are provided to all Members of the Legislative Assembly and to the Clerk of the Legislative Assembly. The report is then made public. The *Alberta Heritage Savings Trust Fund Annual Report, 2010-2011*, was made public on June 29, 2011.

A new *Alberta Heritage Savings Trust Fund Act* was passed by the Legislative Assembly during the 1996 spring session and was proclaimed on January 1, 1997. The Heritage Fund mission statement is set out in the preamble to the *Alberta Heritage Savings Trust Fund Act*:

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.

### III. ROLE OF THE COMMITTEE

An excerpt from the *Alberta Heritage Savings Trust Fund Act* describes the mandate of the committee as follows:

6 (4) The functions of the Standing Committee are

- (a) to review and approve annually the business plan for the Heritage Fund;
- (b) to receive and review quarterly reports on the operation and results of the operation of the Heritage Fund;
- (c) to approve the annual report of the Heritage Fund;
- (d) 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;
- (e) to hold public meetings with Albertans on the investment activities and results of the Heritage Fund.

The Standing Committee receives regular reports on the performance of the Heritage Fund and conducts an annual public meeting in a different location in the province each year. The purpose of these meetings is to update Albertans on the management of the Heritage Fund and to solicit input from Albertans on the Fund's objectives.

The Minister of Finance and Enterprise has responsibility for the Heritage Fund's investments. The Minister is required to report on the performance of the Heritage Fund quarterly and to make public an annual report of the Fund, including a financial statement audited by the Auditor General of Alberta.

The Minister of Finance and Enterprise shall for each fiscal year prepare and provide to the Treasury Board a business plan for the Heritage Fund. Upon Treasury Board approval the Minister shall provide a copy of the business plan to the standing committee for its approval. Upon the standing committee's approval of the business plan, the Minister of Finance and Enterprise shall incorporate the Heritage Fund's plan into the government of Alberta's business plan.

The Alberta Investment Management Corporation (AIMCo), created as a provincial Crown corporation as of January 1, 2008, acts as an investment manager for investment products assigned by statute to the Minister of Finance and Enterprise. 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.

The standing committee has made every attempt to fulfill its duties as required by the *Standing Orders of the Legislative Assembly of Alberta*.

#### **IV. MEETINGS HELD AND MOTIONS PASSED IN SUPPORT OF THE 2010-2011 REPORTING PERIOD**

The following contains excerpts of the motions passed at standing committee meetings held from June 17, 2010, to June 22, 2011, supporting the 2010-2011 fiscal year cycle of the Standing Committee on the Alberta Heritage Savings Trust Fund, indicating that the mandate of the committee and the mission of the fund have been fulfilled:

##### **June 17, 2010 Meeting:**

**MOVED by** Ms DeLong that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2009-2010 Annual Report on the Alberta Heritage Savings Trust Fund as presented.

##### **September 28, 2010, Meeting:**

**MOVED by** Mr. Groeneveld that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2010-2011 Alberta Heritage Savings Trust Fund First Quarter Report as presented.

**MOVED by** Mr. Johnston that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the draft 2009-2010 Report of the Standing Committee on the Alberta Heritage Savings Trust Fund as distributed.

##### **December 15, 2010, Meeting:**

**MOVED by** Mr. Elniski that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2010-2011 Alberta Heritage Savings Trust Fund Second Quarter Report as presented.

**MOVED by** Mr. Quest that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2011-2014 Alberta Heritage Savings Trust Fund Business Plan as circulated.

##### **March 22, 2011, Meeting:**

**MOVED by** Mr. Quest that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2010-2011 Third Quarter Report on the Alberta Heritage Savings Trust Fund as presented.

**MOVED by** Dr. Taft that the 2011 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be held in Edmonton in the fall of 2011.

#### **OTHER MOTIONS PASSED IN SUPPORT OF THE 2010-2011 REPORTING PERIOD**

##### **June 22, 2011, Meeting:**

**MOVED by** Mr. Groeneveld that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2010-2011 Annual Report on the Alberta Heritage Savings Trust Fund as presented.

## **V. 2010 ANNUAL PUBLIC MEETING**

The Standing Committee on the Alberta Heritage Savings Trust Fund held a public meeting on Wednesday, October 20, 2010, in the city of Lethbridge.

The meeting was held to inform Albertans of the activities and financial results of the Alberta Heritage Savings Trust Fund, in accordance with the committee's mandate. In an effort to expand public reach, the meeting was broadcast live across the province on Shaw TV and the video webcast on the Legislative Assembly's website.

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

Janis Tarchuk, MLA, Banff-Cochrane (PC), Chair  
Doug Elniski, MLA, Edmonton-Calder (PC), Deputy Chair

Alana DeLong, MLA, Calgary-Bow (PC)  
Heather Forsyth, MLA, Calgary-Fish Creek (WA)  
George Groeneveld, MLA, Highwood (PC)  
Art Johnston, MLA, Calgary-Hays (PC)  
Hugh MacDonald, MLA, Edmonton-Gold Bar (AL)  
Bridget Pastoor, MLA, Lethbridge-East (AL) (substitution for Laurie Blakeman, MLA)  
Dave Quest, MLA, Strathcona (PC)

Greg Weadick, MLA for Lethbridge-West, and Bridget Pastoor, MLA for Lethbridge-East, opened the meeting with official welcomes. Following opening comments, there was a comprehensive presentation. The committee received a number of comments and questions from audience participants.

### **Department of Finance and Enterprise Participants:**

Rod Matheson, Assistant Deputy Minister, Treasury and Risk Management

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

Jagdeep Singh Bachher, Deputy Chief Investment Officer, Change Management  
Brian Gibson, Senior Vice-president, Public Equities

### **Public Participants:**

Bruce Elniski  
Timothy Elniski

For *Hansard* transcripts of the public meeting's proceedings, please refer to:  
[www.assembly.ab.ca/committees/ABHeritageTrustFund](http://www.assembly.ab.ca/committees/ABHeritageTrustFund).

## **VI. SCHEDULE OF ANNUAL PUBLIC MEETINGS 2000-2010**

<b>Meeting Date</b>	<b>Location</b>
March 16, 2000	Red Deer (held for 1999)
March 23, 2000	Grande Prairie (held for 1999)
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

## **VII. FINANCIAL RESULTS FOR 2010-2011**

The financial results for 2010-2011 are measured against the goals set out in the 2010-2013 Heritage Fund Business Plan:

**GOAL 1:** Maximize long-term returns at a prudent level of risk.

**GOAL 2:** Ensure the Heritage Fund aligns with the fiscal goals of the province.

**GOAL 3:** Ensure the transparency of the Heritage Fund's objectives and results for Albertans.

The Alberta Heritage Savings Trust Fund posted a return of 10.4% for the year ended March 31, 2011. The market value of the fund was \$15.2 billion at year-end. The results were driven primarily by a strong Canadian equity market, which returned 20.4%. The real estate portfolio for the fund also contributed to the results, posting a strong 13.4% return for the year. As a result, the fund recorded net income of \$1.08 billion for the year. Of the income recorded, \$720 million was transferred to the General Revenue Fund to support Alberta's spending priorities such as health care, education and infrastructure. The remaining \$360 million was retained in the fund for inflation-proofing.

Highlights of financial results for 2010-2011 are contained in *The Year in Review*, an excerpt from the *Alberta Heritage Savings Trust Fund Annual Report, 2010-2011* (see Appendix I).

## **VIII. CLOSING REMARKS**

The Standing Committee appreciates the technical and other support provided by the Minister and staff of Alberta Finance and Enterprise, the Auditor General and staff from his office, and Legislative Assembly Office staff.

## Appendix I

Excerpt from the Alberta Heritage Savings Trust Fund 2010-2011 Annual Report

### The 2010-11 Year in Review

The Fund earned a net investment income of \$1.08 billion for the year ended March 31, 2011. Of the total net income earned this year, \$360 million was retained in the Fund for inflation-proofing. The remainder of the Fund's income, \$720 million, was transferred to the General Revenue Fund.

Actual income for the year exceeded budget income by \$104 million. According to the Fund's business plan for the fiscal year 2010-11, the Fund was expected to earn a net income of \$976 million, after expenses of \$74 million, and retain \$291 million in the Fund for inflation-proofing.

At March 31, 2011, the net assets held in the Fund totalled \$14.2 billion, at cost, and \$15.2 billion, at fair value. At March 31, 2011, 50 per cent of the Fund's investments were invested in equities (e.g., stocks) followed by 26.3 per cent in money market and fixed-income securities and 23.7 per cent in inflation-sensitive and alternative investments.

The cost of the Fund's investments primarily reflects the purchase price of the various assets held in the Fund. The fair value of the Fund's investments represents what those

assets are estimated to be worth at current market values. The difference between the Fund's cost and fair value of net assets represents unrealized gains or losses. Unrealized gains represent the profit that would be made if the assets were sold. At March 31, 2011, net unrealized gains increased to \$992 million, up from \$562 million at the beginning of the year.

Over the past year, the Fund's investments had a market value return of 10.4 per cent.

The table below summarizes the overall change in the net assets of the Fund.

#### CHANGES IN NET ASSETS

(in millions)

	Budget	Actual	
	Fiscal Year	For the year ended March 31,	
	2010-11	2011	2010
Investment income	\$ 1,050	\$ 1,152	\$ 2,077
Investment expenses	(74)	(72)	(71)
<b>Net income</b>	976	1,080	2,006
Transfers to the General Revenue Fund	(685)	(720)	(2,006)
<b>Net income retained in the Fund</b>	291	360	-
Cost of net assets, beginning of year	13,838	13,838	13,838
<b>Cost of net assets, end of year</b>	\$ 14,129	\$ 14,198	\$ 13,838
Accumulated unrealized gain		992	562
<b>Fair value of net assets, end of year</b>		\$ 15,190	\$ 14,400

