

Responses to Questions Raised
Standing Committee on Public Accounts
Ministry of Treasury Board and Finance
October 31, 2017

Q. Question put forward by Mr. Turner:

(ABC's Consolidation)

How many millions of dollars have been saved with the ABC's consolidation? (Pg. PA -569)

A. At this point, the review of Agencies, Boards and Commissions has resulted in \$33 million in savings over three years. Once the *Reform of Agencies, Boards and Commissions Compensation Act* regulation is fully implemented by March 2019, a projected savings of \$5 million per year in CEO base salary and other compensation elements, such as variable pay for all non-bargaining unit employees, should be realized.

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**Q. Question put forward by Mr. McIver:
(AIMCo)**

As per FOIP, on page 66 of the FOIP it indicates that the Government did apologize. Question is what was the apology for and who made the apology? (Pg. PA – 561)

- A. In response to Mr. McIver's question relating to an apology that was provided to AIMCo (as identified through a FOIP Request), AIMCo confirms that a representative of Treasury Board and Finance contacted Kevin Uebelein by phone on February 17, and who, during the course of conversation, expressed regret for the failure to have communicated the AIMCo Regulation changes to AIMCo further in advance of their public announcement (the signing of the Order in Council).

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Q. Question put forward by Mr. McIver:

(AIMCo Benchmarks)

In the report it talks about how AIMCO does compare to the benchmarks every year. How are the benchmarks set? (Pg. PA – 567)

Q. Question put forward by Mr. McIver:

(AIMCo Benchmarks)

What are the benchmarks based on? (Pg. PA – 567)

A. The benchmarks represent a composite, weighted average of the performance of various other investments made by AIMCo on behalf of their clients. The composite benchmarks are calculated by taking a weighted average of the returns of the various benchmarks, weighted by the proportion of total assets invested in each asset class.

There are distinct benchmarks for the various asset classes, such as fixed income, equities and real estate. The benchmarks for various asset classes are set through consultation between AIMCo and its clients. We measure year-by-year performance using a passive benchmark: how the fund would have done if it had been invested without the active management of AIMCo. The passive benchmark is what government could have invested without AIMCo, such as on stock exchanges like the S&P 500 and the TSX.

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Q. Question put forward by Mr. Panda:

(Alberta Capital Finance Authority)

What was the increase in the total loan portfolio from 2015-16? (Pg. PA-566)

A. The Alberta Capital Finance Authority's fiscal year ends on December 31. Based on the audited financial statements, the size of the Alberta Capital Finance Authority's loan portfolio increased \$241 million during 2016, for a total of \$15.4 billion.

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Q. Question put forward by Mrs. Littlewood:

(Alberta Economy)

How many new businesses have been incorporated between January and August of 2017? (Pg. PA – 568)

- A. 29,468 new businesses were incorporated between January and August 2017, as per business formations data from Service Alberta's Corporate Registry System.

Q. Question put forward by Mrs. Littlewood:

(Alberta Economy)

What are the projected economic growth numbers for Calgary and Edmonton? (Pg. PA – 568)

- A. The Government of Alberta does not forecast municipal-level economic growth. What follows are the latest projections publicly available from the City of Edmonton and the City of Calgary.

Real GDP growth for Edmonton is expected to be 1.8 per cent in 2017, and 2.5 per cent in 2018, as per the City of Edmonton's Second Quarter 2017 outlook.

Real GDP growth for Calgary is expected to be 3.0 per cent in 2017, and 2.5 per cent in 2018, as per the City of Calgary's Fall 2017 economic outlook.

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Q. Question put forward by Mr. Gotfried:

(Alberta Gaming and Liquor Commission)

Over the past year, how much money has AGLC spent on studying cannabis legislation, education and addiction services? (Pg. PA – 569)

- A. Over the past year, the AGLC has had one staff member working full time on cannabis. This person's duties include attending government meetings, performing research, and looking at the possible implications should the AGLC be designated to perform a role in the legalization of cannabis. Over the past three months, a cross-divisional project team has been looking at the implications in more detail. The project team has used up less than 150 days in total, as of October 31, 2017.

The AGLC has recently contracted an external consultant to assist in this analysis. This work has just commenced and is expected to cost less than \$100,000.

Q. Question put forward by Mr. Gotfried:

(Alberta Gaming and Liquor Commission)

What are the AGLC's recommendations with respect to the distribution of this product in Alberta? (Pg. PA – 569)

- A. The AGLC has participated in numerous cross-ministerial committee and Cannabis Secretariat meetings to provide subject matter expertise in liquor regulation and distribution to support the government in their decision-making. The AGLC does not have a specific recommendation with respect to the distribution of cannabis in Alberta.

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Q. Question put forward by Mr. Gotfried:

(Alberta Treasury Branch)

What is the total value of ATB's outstanding loan portfolio? (Pg. PA – 568)

A. As of September 30, 2017, ATB's Q2 results reflected the total loans as \$42.3 billion.

Q. Question put forward by Mr. Gotfried:

(Alberta Treasury Branch)

What percentage is in arrears or considered at risk? (Pg. PA – 568)

A, As of September 30, 2017, ATB's Q2 results reflected past due by one month is 3.1 per cent; however, 1.5 per cent is impaired, which would be considered at risk.

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Q. Question put forward by Mr. Barnes:

(Debt Payments)

**What are the debt payments on \$35 billion, \$50 billion and \$90 billion?
(Pg. PA – 564)**

- A. As of March 31, 2016, total debt was \$34.7 billion. Debt-service costs were approximately \$776 million for the 2015-16 fiscal year.

As of March 31, 2017, total debt was \$49.6 billion. Debt-service costs were approximately \$1 billion for the 2016-17 fiscal year.

Q. Question put forward by Mr. Barnes:

(Debt Payments)

Is Alberta the fastest increase now in taking on debt? (Pg. PA – 564)

- A. The collapse in global oil prices affected Alberta economically and fiscally, possibly more than any other province. The effects on Alberta government revenue, annual budget balances and near-term accumulation of debt have been shown in our fiscal plan.

Alberta does currently have the highest annual deficit, so it follows that our province currently has the fastest growth in net debt among the provinces. But, Alberta also maintains the lowest net debt-to-GDP ratio among the provinces.

Q. Question put forward by Mr. Barnes:

(Debt Payments)

**A report from about six, eight months ago states that our annual deficit was bigger than all other provinces combined. Does that concern you?
(Pg. PA-564)**

- A. Alberta's deficit is largely reflective of the province's historical reliance on non-renewable resource revenue, and the impact of the oil price shock. Government is monitoring the amount of the deficit closely. The fiscal plan details government's direction to reduce the size of the deficit over time, including in-year savings, and controlling operating expense growth.

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Q. Question put forward by Mr. Barnes:

(Debt Payments)

Is that reported to the Minister? (Pg. PA – 564)

A. The department keeps the Minister updated on matters relating to the province's fiscal situation, including third-party reports on debt.

Q. Question put forward by Mr. Barnes:

(Debt Payments)

Does that concern the Government? (Pg. PA – 564)

A. Alberta's rate of debt accumulation is something we monitor closely, along with other fiscal indicators, such as debt-to-GDP ratio.

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Q. Question put forward by Mr. Turner:

(Investment Income)

Please provide details on Investment income higher by \$2.2 billion than the Budget? (Pg. PA – 568)

- A. After investment expenses of \$134 million, net income for the Heritage Fund was \$2.3 billion for the 2016-17 fiscal year. Investment income was \$1.6 billion higher than was forecasted for 2016-17. The majority of the increase was from the Heritage Fund (\$1.3 billion) and endowments (\$270 million).

There were two primary reasons for the increase in investment income from the budget.

- Investment income was primarily driven by higher than expected returns in equity markets. The forecast model predicts that the fund should expect to return, on average, approximately eight per cent from equity markets over the long term. The return from equities was 17.5 per cent in 2016-17.
- Secondly, income is realized when an investment is actually sold. Some investments that were sold this year had gains earned in previous periods. The Statement of Re-measurement Gains and Losses from the Heritage Fund Annual Report (on page 26), shows that \$602 million of gains earned in previous periods were recognized in 2016-17.

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Q. Question put forward by Mrs. Littlewood:

(Job Numbers/Business Incorporated)

There were 29,000 businesses incorporated this year between January and August, and that was up 10.5 percent from last year. Need some clarification of these numbers. (Pg. PA – 569)

A. There were 29,468 businesses incorporated in the province between January and August 2017, up 9.8 per cent from a year ago.

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Q. Question put forward by Mr. Panda:

(Job Numbers/Business Incorporated)

During the same period (Jan to August 2017) how many companies and skilled people left Alberta? (Pg. PA – 569)

- A. The Alberta government does not have this information. Corporate registry data from Service Alberta would not include whether a corporation was removed from the register because it left the province. Statistics Canada collects data on provincial population and migration, but not to that level of detail.

Statistics Canada does provide quarterly updates, which show that migration into the province has slowed during the last two years. However, more people continue to come to Alberta than leave. Alberta gained 9,744 new residents from total net migration between January 1 and June 30, which is the latest data available.

A net loss of 7,856 interprovincial migrants was more than offset by a net gain in 17,600 new residents through net international migration (immigration minus emigration plus non-permanent residents) over this period.

An analysis of employment in Alberta industries with the top five wages may provide some indication of movement of skilled workers. The top five are:

- 1) mining, quarrying, oil and gas;
- 2) utilities;
- 3) finance and insurance;
- 4) professional, scientific and technical services; and
- 5) public administration.

In aggregate, these five sectors saw a net employment gain of 25,800 between January and August 2017.

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Q. Question put forward by Mr. Panda:

(Job Numbers/Business Incorporated)

Details on which sector had the job gains? Whether they were permanent well paid jobs or temporary jobs? (Pg. PA – 569)

Over the January to August 2017 period, job gains were primarily in the manufacturing (+18,400), accommodation and food services (+14,300), finance, insurance, real estate and leasing (+6,900), transportation and warehousing (+5,600) and forestry, fishing, mining, oil & gas (+5,000) sectors.

There were a total of 27,000 part-time jobs lost during this period which were more than offset by a gain of 45,800 full-time jobs. Changes in employment for the industries identified above are in the following table (note, part-time and full-time monthly employment figures are not available on a seasonally adjusted basis, total full-time and part-time employment is provided in a separate table below).

Alberta Employment by Select Industries (January 2017 to August 2017)

	Jan. 2017	Aug. 2017	Change
Manufacturing	105.7	124.1	18.4
Accommodation and Food	143.8	158.1	14.3
Finance, Insurance, Real Estate and Leasing	100.7	107.6	6.9
Transportation and Warehousing	138.4	144.0	5.6
Forestry, Fishing, Mining, Oil and Gas	141.0	146.0	5.0

Source: Statistics Canada

Alberta Total Employment (January 2017 to August 2017)

	Jan. 2017	Aug. 2017	Change
Full-Time	1,821.8	1,867.6	45.8
Part-Time	445.8	418.8	-27.0
Total	2,267.6	2,286.5	18.9

Source: Statistics Canada

NOTE: components may not sum to total due to rounding

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Q. Question put forward by Mr. Barnes:

(Pre-1992 Teachers' Pension Plan)

An Estimate on what the unfunded teacher' pension plan and the unfunded pension liability will be 10 years from now. (Pg. PA – 568)

A. The pre-1992 unfunded liability is based on expected pension benefits to be paid and the interest rate (which is determined by the province's cost of borrowing).

During the most recent fiscal year, this liability decreased from \$8.1 billion to \$7.9 billion. This was the third consecutive annual decrease in this liability.

The unfunded liability is expected to decrease every year. At a constant interest rate, the liability would be an estimated \$5.9 billion by 2027.

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Q. Question put forward by Mr. Gotfried:

(Risk Management System)

Please provide updates on Risk Management System. (Pg. PA – 568)

A. Treasury Board and Finance has prepared a draft Enterprise Risk Management framework and report for Alberta's public sector pension system.

Ministry staff met with the plan boards and service providers to provide a high level overview of the framework, to confirm it accurately captures their information, and for further comments and suggestions.

Ministry staff also met with the Office of the Auditor General to provide a preliminary version of both the framework and report, to seek advice and feedback.

Feedback from stakeholders and the OAG has been considered, and work continues to finalize the framework and implement the recommendations.