



NORTHWEST TERRITORIES  
LEGISLATIVE ASSEMBLY  
TERRITOIRES DU NORD-OUEST  
ASSEMBLÉE LÉGISLATIVE

MEETING GO 42-20-25

**STANDING COMMITTEE ON GOVERNMENT OPERATIONS**

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**THURSDAY, MARCH 13, 2025**  
**EAGLE ROOM, LEGISLATIVE ASSEMBLY**  
**10:30 A.M.**

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**AGENDA**

1. Call to Order
2. Prayer
3. Review and Adoption of Agenda
4. Declarations of Conflict of Interest
5. Public Matters:
  - a) *NWT Heritage Act* Statutory Review: Public Briefing with Stephen Thompson and Brittany Jones, Department of Treasury Board and Finance, Government of Alberta
6. In Camera Matters
  - a) Debrief
  - b) Future Business
  - c) Internal Briefing: Government Responses to Committee Reports 10, 11, 12, and 13
  - d) Correspondence Review
    - a. 2025-02-28 – NAKA Power
    - b. Confidential
7. New Business
8. Date and Time of Next Meeting: at the Call of the Chair
9. Adjournment

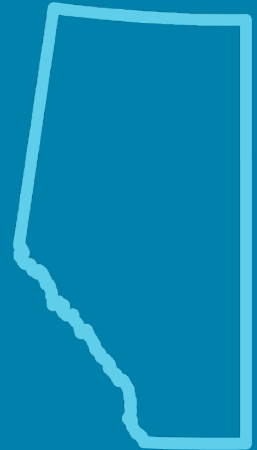
# The Alberta Heritage Savings Trust Fund



Presented by:

Stephen J. Thompson, Acting Assistant Deputy Minister  
Brittany Jones, Director of Investment Strategy

Yellowknife, NWT  
March 13, 2025



# Agenda

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- Heritage Fund – Then and Now
- Preamble
- Key Dates in Heritage Fund History
- Accomplishments since 2020-21
- Why revitalization was needed
- Introducing the Heritage Fund Opportunities Corporation
- HFOC Success Drivers
- Current Investments
- Long-term Commitment and Focus
- Evolving Investment Objectives
- Evolving Return Objectives
- Total Portfolio Approach
- Future of Private Investments
- Lessons learned:
  - Re-investing income propels growth
  - Contribution consistency makes a big impact
  - Asset mix choices matter
  - Professional expertise is required
  - Good governance enhances performance
  - Gathering public support is important

# Heritage Fund – Then and Now

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- The Heritage Fund was established in 1976 with three objectives:
  - To strengthen and diversify the Alberta economy;
  - To invest in projects that improve the quality of life in Alberta; and
  - To provide a source of investment income which can be used to cushion the impact of the inevitable decline in revenues from non-renewable resources.
- Today, the Heritage Fund is worth \$27 billion, with plans to grow to \$250 billion by 2050.
- Since the Fund was established, multiple steps have been taken to improve the investment strategy, strengthen investment management services and access to investments, and establish effective oversight.

# Preamble

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***“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.”***  
*Alberta Heritage Trust Savings Fund Act*

The Preamble to the *Alberta Heritage Savings Trust Fund Act* was added in 1997.

To this day, the Preamble is an important cornerstone that guides the investment beliefs, strategy, and mission for the Fund.

# Key Dates in Heritage Fund History

<p><b>1976</b></p> <p>The Heritage Fund was established with an initial investment of \$2.2 billion with transfers of 30 per cent of non-renewable resource revenue to the Heritage Fund.</p>	<p><b>1982</b></p> <p>Non-renewable resource revenue transfers to the Heritage Fund reduced from 30 per cent to 15 per cent.</p>	<p><b>1987</b></p> <p>Non-renewable resource revenue transfers to the Heritage Fund ceased.</p>	<p><b>1995</b></p> <p>Government surveys Albertans on the Heritage Fund's future. Survey results show Albertans strongly in favour of a fund that generates long-term investment returns.</p>	<p><b>1997</b></p> <p>Legislation amended to eliminate the Heritage Fund's economic and social development mandate and make it the mission of the Fund to maximize long-term investment returns. The amendments also created the Standing Committee on the Alberta Heritage Savings Trust Fund.</p>	<p><b>2005-06</b></p> <p>Inflation-proofing the Fund becomes mandatory. The government deposits \$1.75 billion into the Heritage Fund.</p>
<p><b>2006-07</b></p> <p>The government deposits \$1.25 billion into the Heritage Fund.</p>	<p><b>2007-08</b></p> <p>The government deposits \$918 million into the Heritage Fund.</p>	<p><b>2016</b></p> <p>Alberta Growth Mandate introduced.</p>	<p><b>2020</b></p> <p>Alberta Growth Mandate eliminated.</p>	<p><b>2022-23</b></p> <p>Legislation amended to retain all investment earnings within the Heritage Fund. The Fund retains 2021-22 investment income of \$1.25 billion and the government deposits \$753 million into the Fund, bringing the market value of the Heritage Fund to a record high of \$21.2 billion.</p>	<p><b>2023-24</b></p> <p>Heritage Fund revitalization announced.</p>

These historical milestones demonstrate Alberta's commitment to evolving the Fund's governance, investment practices, and long-term growth objectives.

The Province recently released a Road Map for the future that builds on past accomplishments. Alberta's Heritage Fund is now poised for even greater long-term growth through strategic changes in governance and investment strategy.

# Recent Accomplishments

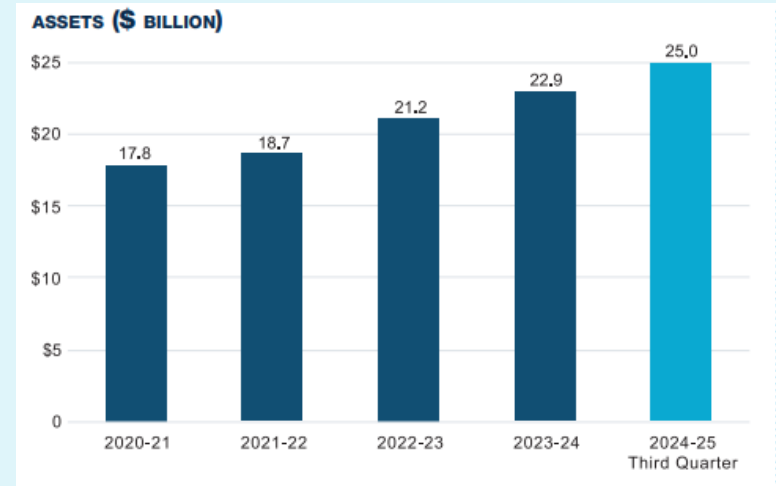
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- Legislation amended to retain all investment earnings within the Heritage Fund in 2022-23.
  - Since this change was made, over \$5 billion has been saved and reinvested.
- Surplus contributions were made in 2023 (\$753 million), 2024 (\$2 billion), with an additional 2025 contribution to be finalized in June.
- A plan to revitalize the Heritage Fund was released in January 2025.

# Heritage Fund Asset Growth

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Net Asset Value = \$27 billion on December 31, 2024



The \$2 billion contribution from Budget 2024 will be invested separately from the existing portfolio.

# Why revitalization was needed

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*The establishment of HFOC represents a significant step forward in the governance of the Heritage Fund, ensuring it is managed strategically, professionally, and sustainably toward its long-term growth goals.*

- Since 2021-22 Alberta has reinforced its commitment to significantly grow the Heritage Fund, while recognizing that strong governance is key to achieving ambitious financial objectives.
  - Historically, the government directly managed the fund, but over time it became clear that a more specialized governance structure was necessary, given the fund's size and complexity.
- In response, new legislation in 2024 established the Heritage Fund Opportunities Corporation (HFOC), a dedicated governance body focused on strategic oversight and accountability.
  - We are currently in the foundational stages of operationalizing HFOC, establishing a robust, professional entity equipped with the right people, tools, and expertise to strategically steward over \$30 billion in Heritage Fund and Heritage endowment fund assets.
- This revitalized governance approach is fundamental to positioning the Heritage Fund to meet its ambitious target of \$250 billion by 2050, ensuring lasting benefits and prosperity for future generations of Albertans.



# Governance



# Heritage Fund Opportunities Corporation

*The creation of HFOC is expected to aid in refining investment strategies, asset allocation, and governance to ensure a sustainable, long-term approach that aligns with legislative requirements and best practices.*



- This independent provincial corporation will operate at arm's-length from government, with a governance framework centered on transparency, accountability, and sound financial stewardship.
- This change makes the oversight, management, and investment policy development of the Fund more independent than the past, and is supported by dedicated staff and board directors.

# HFOC Success Drivers

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- HFOC's success will be driven by:
  - **Strategic investments:** Expanding the Province's investment footprint in high-growth sectors such as technology and infrastructure, supporting areas that matter to Albertans while optimizing returns.
  - **Global partnerships:** Collaborating with leading institutional investors and global wealth funds to bring advanced expertise and investment opportunities to Alberta.
  - **Strong governance:** Operating independently under the leadership of a professional board of directors, ensuring responsible investment oversight and financial sustainability.

# Investments



# Current investment portfolio - \$25 billion

(December 31, 2024)

## Investments

	Market Value	% of Portfolio
Alberta Heritage Savings Trust Fund	\$24,988	100.0%
<b>Fixed Income</b>	<b>\$5,631</b>	<b>22.5%</b>
<b>Inflation Sensitive and Alternatives</b>	<b>\$7,579</b>	<b>30.3%</b>
Real Estate	\$4,187	16.7%
Private Infrastructure	\$2,802	11.2%
Renewable Resources	\$590	2.4%
<b>Equity</b>	<b>\$11,707</b>	<b>46.9%</b>
Canadian Equity	\$1,964	7.9%
Foreign Equity	\$7,620	30.5%
Private Equity	\$2,123	8.5%
<b>Overlays</b>	<b>\$71</b>	<b>0.3%</b>

## Investment objectives

Asset Class	Target Asset Policy Mix	Long Term Policy	Actual Asset Mix				
			December 31, 2024		March 31, 2024		
Interest-bearing securities	15 - 45%	20%	\$ 5,631	22.5%	\$ 5,424	23.6%	
Equities	35 - 70%	47.5%	11,707	46.9%	10,498	45.8%	
Inflation sensitive	15 - 40%	32.5%	7,579	30.3%	6,953	30.3%	
Strategic, tactical and currency investments	(a)		71	0.3%	65	0.3%	
			100.0%	\$ 24,988	100.0%	\$ 22,940	100.0%

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of the market value of the Fund.

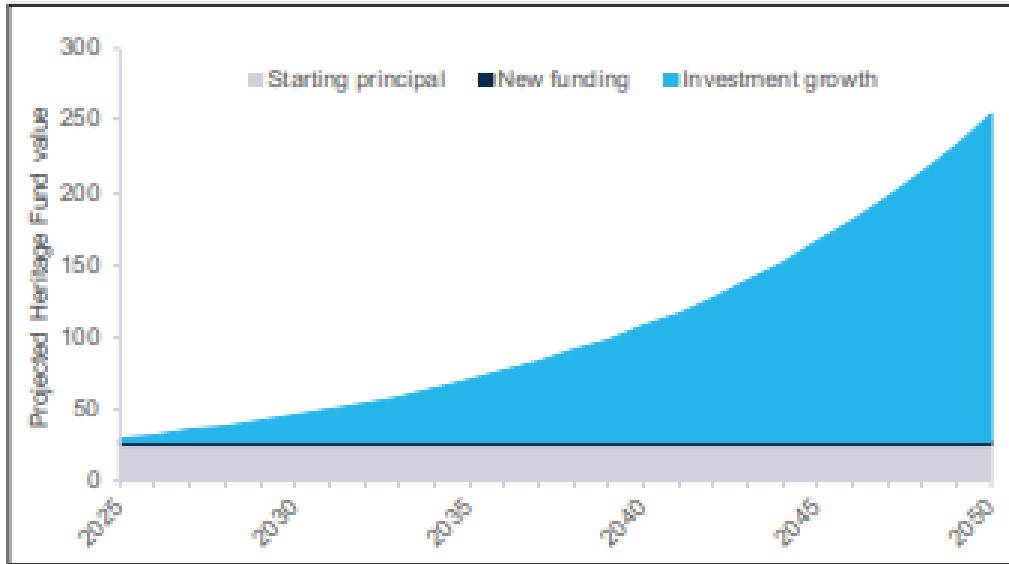
	Three Months Ended		Nine Months Ended		Average Annualized Return	
	December 31, 2024	2023	2024	2023	5 years <sup>(d)</sup>	10 years
<b>Time-weighted rates of return, at fair value<sup>(a)</sup></b>						
<b>Net return on investments<sup>(b)</sup></b>	2.9%	3.1%	9.0%	4.0%	7.0%	7.9%
<i>Policy benchmark return<sup>(b)</sup></i>	2.7%	3.8%	9.2%	5.0%	7.2%	7.3%
Value added (lost) by AIMCo <sup>(c)</sup>	0.2%	(0.7%)	(0.2%)	(1.0%)	(0.2%)	0.6%

In accordance with the SIP&G, over a five-year period, it is expected that the policy portfolio will earn an average return of 4.5% adjusted for inflation, based on the Canadian Consumer Price Index. At the reporting date, the CPI + 450 annualized, five-year rolling average, was 7.3%.



# Long-term commitment and focus

## Growing the Heritage Fund (billions of dollars)



Government has an ambitious plan to grow the size of the Heritage Fund to at least \$250 billion by 2050.

Considerations when setting a target:

- When might non-renewable resource revenues decline meaningfully?
- How much does the Province currently bring in in non-renewable resource revenues?
- How large would the Fund have to be to generate enough investment income to replace those revenues?
- What is a reasonable rate of return to expect?
- How long will it take to reach the critical size required?
- What type of assets will I need to hold?

# Evolving investment objectives

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*The Alberta Heritage Fund is actively transitioning from an income-focused portfolio to a growth-oriented portfolio.*

The Alberta Heritage Savings Trust Fund Act requires investments to be made with the objective of **maximizing long-term financial returns**.

Considerations:

- **Transitioning to a Growth Portfolio**—recent legislative changes shift the focus from income generation to long-term capital appreciation.
- **Refining Asset Allocation & Risk Management** to align with a long-term growth mandate while maintaining prudent oversight. HFOC will have a dual mandate of oversight and investment management.
- **Ongoing Policy Development & Implementation**—ensuring the transition is structured, strategic, and aligned with best practices – and consistently being monitored for improvements.

# Evolving return objectives

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*The Alberta Heritage Fund is actively transitioning from an income-focused portfolio to a growth-oriented portfolio.*

## **Existing Return Objectives:**

- Real return target: CPI + 4.5 per cent over a five-year period.
  - Is the Fund positioned to meet its objectives?
- Active management target: 1 per cent above passive benchmark over a five-year period.
  - Is the investment manager adding value through active management?

## **New Return Objectives:**

- Probability of reaching the goal:
  - Is the Fund positioned to meet its goal-based objective of \$250 billion by 2050?
  - What needs to change to improve the probability?



# Budget 2024 – additional \$2 billion

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- Committed in December 2024 for investment by HFOC
- Set aside for deployment into investments suitable for a Sovereign Wealth Fund (SWF) – through HFOC
  - HFOC will not be able to invest directly until the Corporation has an established control environment
- Traits of a SWF:
  - Patient capital
  - Low liquidity requirements
  - Gift of an infinite time horizon

# Total Portfolio Approach

*Comparing traditional strategic asset allocation with a total portfolio approach*

	<b>Strategic asset allocation</b>	<b>Total portfolio approach</b>
Performance versus	Benchmark	Fund goals
Success measured by	Relative value added	Total fund return
Opportunity for investment defined by	Asset class	Contribution to total portfolio outcome
Diversification principally via	Asset class	Risk factors
Asset allocation determined by	Board-centric process	CIO-centric process
Portfolio implemented by	Multiple teams competing for capital	One team collaborating together

Source: Thinking Ahead Institute, 2024

# Sample Process

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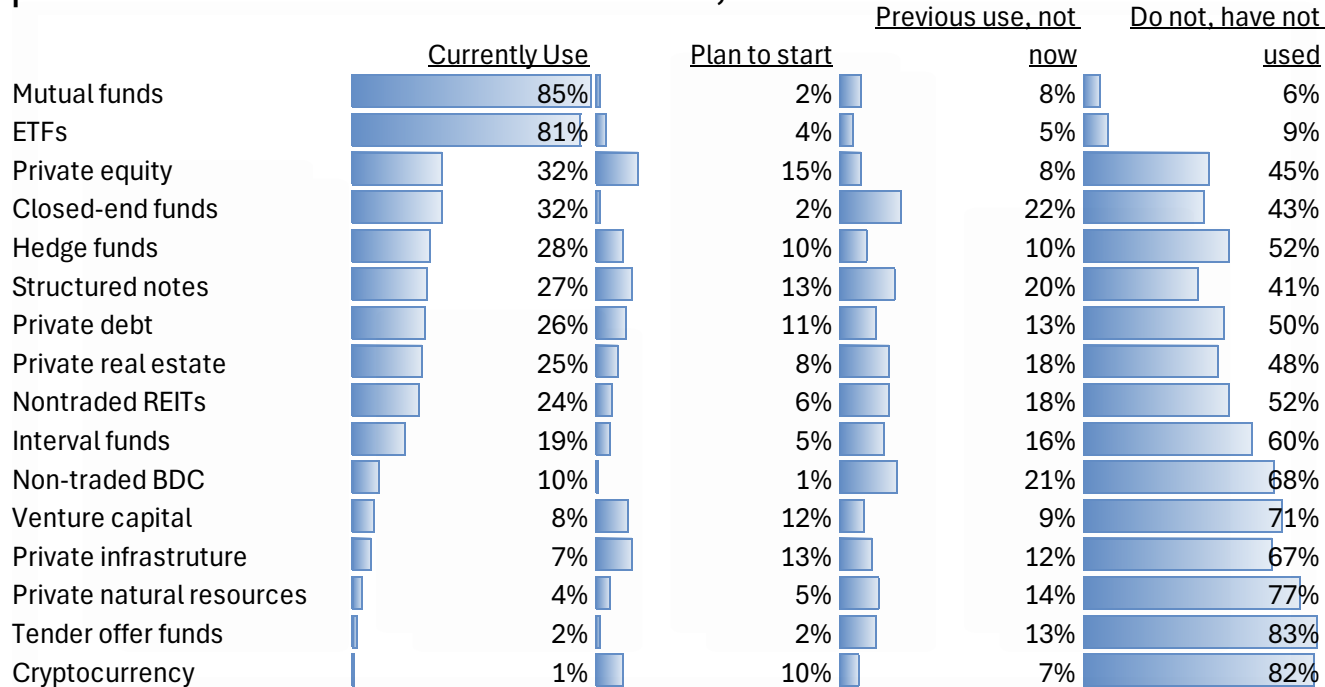


## Considerations:

1. Governance – to achieve group consensus, more formal governance practices may be required
2. Factor lens – go deeper than the asset class level to look for risk factors across asset classes
3. Competition for capital – relies upon judgement, independence and objectivity
4. Culture – long-termism, agility and focus

# Future of Private Investments

## Advisor reported use of alternative investments, 2024



Source: Cerulli Associates, 2024. Note: analysts were asked what they plan on using within the next 12 months

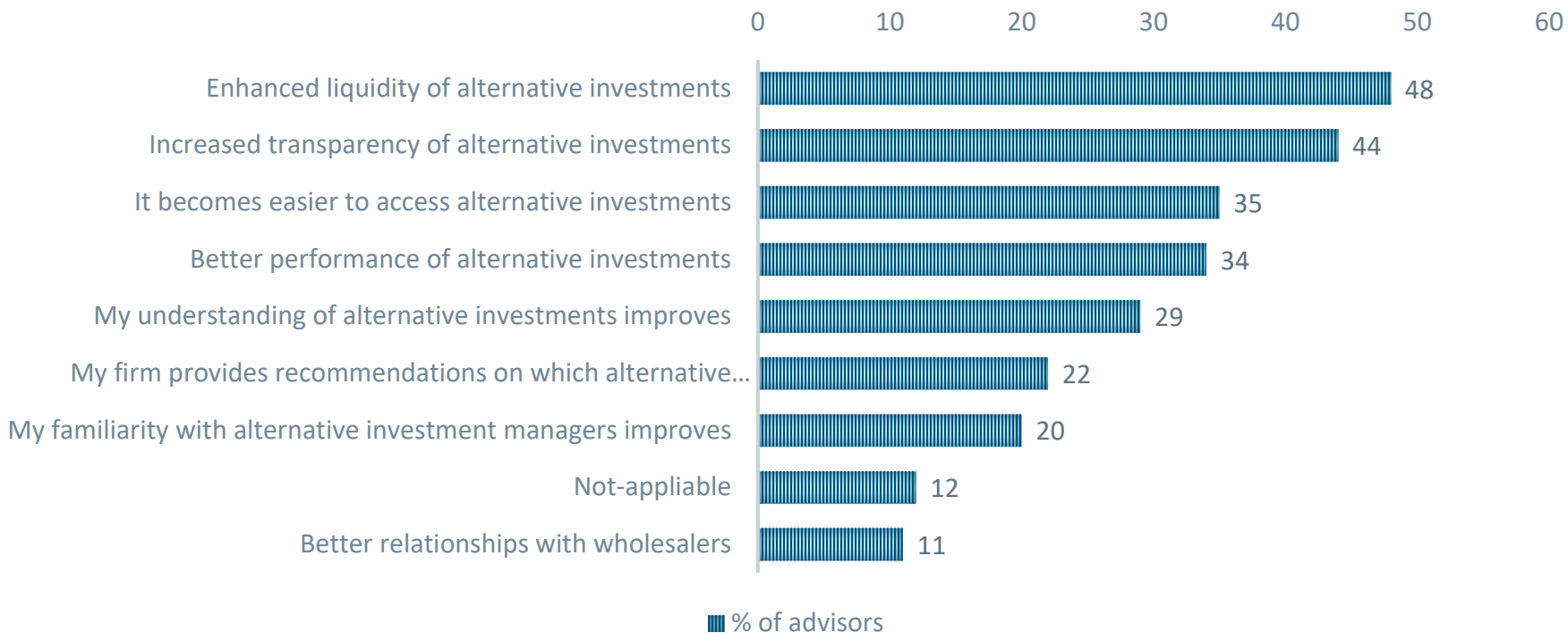
# Reasons to use alternative investments

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Goal	% of advisors
Portfolio Diversification	83%
Volatility (downside protection)	66%
Income generation	41%
Growth/enhanced return opportunity	37%
Inflation hedge	36%
Reduce exposure to public markets	35%
Demonstrate own value proposition	24%
Client requests	17%

Source: Cerulli Associates, 2024.

## What would lead to increased adoption?



# Lessons we have learned

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# Re-investing income propels growth

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*Alberta's Heritage Fund grew rapidly in its early years because all investment income was reinvested. Had this continued uninterrupted, the fund could have been over \$250 billion today.*

- Keeping investment earnings in the fund fuels long-term growth, maximizing compounding returns.
  - The earlier and longer a fund reinvests its earnings, the greater the compounding effect.
  - Each dollar reinvested today will generate future returns, which then create more returns on top of themselves.
  - Over decades, this leads to exponential growth, transforming even a modest-sized fund into a major financial asset.
- Legislative changes now require Treasury Board approval for withdrawals, helping ensure income stays in the fund.
- Reinvestment is key to reaching 2050 goals—withdrawing for short-term needs slows long-term financial success.
  - Resisting the urge to use investment earnings for short-term needs will be key to long-term success.



# Contribution consistency makes an impact

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*Each government must determine its own fiscal priorities, but long-term planning suggests that maintaining a commitment to the fund can help secure future financial independence. Strong public policy ensures that intergenerational wealth remains a priority, giving future governments and citizens greater financial flexibility.*

- Regular contributions provide long-term financial benefits and strengthen the fund's future.
- Even small, consistent deposits create growth opportunities over time.
- Alberta has seen the benefits of steady contributions and has studied the long-term impacts of different funding models.
- Maintaining a long-term perspective supports intergenerational wealth and economic stability.

# Asset mix choices matter

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*A total portfolio approach means looking at investments holistically, rather than viewing asset classes in isolation. This gives more flexibility to adapt to market conditions. Every fund's investment strategy is unique, and ongoing evaluations help ensure that asset allocations align with long-term financial objectives.*

- A well-balanced asset mix supports long-term fund performance.
- Alternatives (infrastructure, private equity) help diversify risk and provide inflation protection. Manager selection matters.
- Alberta has seen the benefits of a diversified approach, balancing equities, fixed income, and alternatives.
- A total portfolio approach provides flexibility, aligning investments with long-term objectives. This is a new journey and tenet of the Alberta Model to be implemented by HFOC.

# External and peer support

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*While not all funds require a full in-house team, leveraging external advisors strengthens oversight. Alberta has engaged with external advisors, peers and leading global sovereign wealth funds to understand best practices in governance, asset allocation, and risk management.*

- Dedicated investment expertise strengthens fund management and decision-making. Investment expertise plays a key role in effective fund management.
- External advisors provide insight into global best practices, supplementing in-house capabilities. A structured approach to external advice supports effective governance while keeping costs manageable.
- Alberta has engaged with external advisors to enhance its investment approach, learning from industry thought leaders.
- Alberta has also engaged with leading global sovereign wealth funds and other peers to understand best practices in areas such as governance, asset allocation, and risk management.

# Governance drives performance

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*The investment world is complex and evolving. Well established governance models will lead to better outcomes. Alberta has moved in this direction with the Heritage Fund Opportunities Corporation (HFOC), which provides strategic direction and investment management. This includes clear policies, oversight, and structured decision-making.*

- Governance structures help align investment decisions with long-term objectives. Good governance ensures that investment decisions align with the fund's mission.
- An asset owner mindset provides strategic oversight, balancing flexibility and control – while focusing on what matters to Albertans.
- Having the right expertise in decision-making processes strengthens fund outcomes. The right people make a difference.
- Investment committees at the board and executive level help structure governance, ensuring clear policies guide investment choices.
- Alberta has taken steps to further improve governance by establishing HFOC.

# Questions?

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# Contact information

## Heritage Fund Website:

<https://www.alberta.ca/heritage-savings-trust-fund>

## Contact

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