Heritage Fund - Frequently Asked Questions

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Questions and Answers

Albertans have questions about their Heritage Fund. We've answered a few of the most common questions here.

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Did you know?

The Alberta Heritage Savings Trust Fund is unique to Alberta. No other province has such a fund.

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What is the Heritage Fund?

The Heritage Fund is Alberta's main long-term savings fund. Originally, the Fund was established to collect a portion of Alberta's non-renewable resource revenue for future generations. The Fund today produces income which supports government programs essential to Albertans like health care and education and infrastructure.

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What is the value of the Alberta Heritage Savings Trust Fund?

As of December 31, 2015 the Alberta Heritage Savings Trust Fund had a fair value of $18.2 billion. Read the Alberta Heritage Savings Trust Fund 2015-16 Third Quarter Update (released on February 24, 2016).

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How have the Heritage Fund's investments performed this year?

During the first nine months of the 2015-16 fiscal year, the fund posted a 6.1 per cent return, earning $1 million in net income. Over the course of the 2014-15 fiscal year, the Heritage Fund posted a 12.5 per cent return, earning more than $1.6 billion in net income. The Fund's 10-year average annual rate of return is 8 per cent.

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What happens to the investment income earned by the Heritage Fund?

The investment income earned by the Heritage Fund, less the amount retained in the fund for inflation proofing, is transferred to the province's main operating fund, the General Revenue Fund, to help pay for priority programs.

Since 1976, investment income from the Heritage Fund has benefited Albertans in many ways. Approximately $36.5 billion in investment income has been transferred to the province's General Revenue Fund to support program spending in areas such as health care, education, infrastructure, debt reduction and social programs.

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How is the Heritage Fund invested?

The investment is balanced on two important concepts: diversification to manage risk, and a long-term planning horizon to earn greater returns.

The Heritage Fund's portfolio consists of investments in private and public companies, bonds, real estate, and infrastructure investments.

A little more than half of the Fund is invested in equities. Historically, equities have outperformed fixed income securities over the long-term as investors are paid a risk premium to hold stocks.

See the Heritage Fund Annual Report.

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Who keeps track of the fund's investments?

The President of Treasury Board and Minister of Finance is ultimately responsible for the Fund and its investments. The Department looks after setting the long-term strategy, developing investment policy and monitoring investment performance.

The purchasing of stocks, bonds and other investments for the portfolio is managed by a group of highly qualified and experienced professionals of Alberta Investment Management Corporation (AIMCo).

The Minister of Treasury Board and Finance reports to Albertans on the performance of the fund quarterly and releases the fund's annual report within 90 days of the end of the fiscal year. See publications.

The Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the annual report of the fund.

The Standing Committee has representation from the major parties of the legislature and receives regular reports on the performance of the Fund. The Standing Committee conducts public meetings annually in different locations across the province to update Albertans on the management of the Fund and to solicit input from Albertans.

The business plan of the Heritage Fund is published as part of the provincial budget.

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Are these investments secure?

As mentioned previously, the key to sustainable performance is maintaining a diverse portfolio with a long-term focus, prudence, and investment discipline.

The Heritage Fund has a significant commitment to equities because the fund is managed to earn higher returns over the long-term. Equity investments can lead to variations in the amount of income earned from year to year, but they are proven to earn greater returns. Therefore, steps are taken to manage any risk and protect the Heritage Fund's assets. The fund's managers make investment choices based on the Prudent Person Rule, which means they only make investment choices that would be made by a prudent investor. Also, assets are held across market sectors. The government doesn't, as the expression goes, "put all its eggs in one basket".

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Has the government ever held public consultations on the Heritage Fund?

The government first asked Albertans about the future of the Heritage Fund in 1995. From the consultation entitled, *"Can we interest you in an $11 Billion Decision?"*, Albertans told government to keep the fund, but they also told government to take another look when the province's financial picture was more certain.

Looking Forward: Planning the Future with the Alberta Heritage Savings Trust Fund - this survey was conducted in the fall of 2002, and the results were released in March 2003.

Over 77,000 Albertans responded to this survey on the Heritage Fund's future. Overall, the results showed that most Albertans (61 per cent) wanted the Heritage Fund to continue to operate as an endowment fund.

Albertans value the Heritage Fund, and it is government's responsibility to ensure it will continue to play an important role for future generations. The Premier has given the Minister of Finance a mandate to develop and implement a new fiscal policy and savings strategy to reduce Alberta's dependence on non-renewable resource revenue. As part of that wider discussion, government sought Albertans' input on the future of the Alberta Heritage Savings Trust Fund in fall 2012.

Albertans also shared their thoughts about savings and the Heritage Fund during the budget and fiscal framework consultations in fall 2012.

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How do I find out more?

You can find out more about the Heritage Fund online, by mail, phone and fax, or by contacting your MLA's office.

ONLINE:
To submit your questions and comments online, please use the Government of Alberta feedback form.

MAIL:
Heritage Fund
Federal Building, Ninth Floor
9820 - 107 Street
Edmonton, Alberta, CANADA

PHONE:
Our general information line at Treasury Board and Finance Communications:
780-427-3035 - Monday to Friday, 8:15 a.m. to 4:30 p.m.
Toll free within Alberta: dial 310-0000, then 780-427-3035.
Or contact the Alberta Call Centre at 310-0000.

FAX:
780-427-1147
Toll free within Alberta: dial 310-0000, then 780-427-1147.

MLA:
Your MLA's office. (www.assembly.ab.ca)

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