Alberta Heritage Savings Trust Fund

Canada

The Alberta Heritage Savings Trust Fund (Heritage Fund) was created in 1976 with the passage of the Alberta Heritage Savings Trust Fund Act.

Goals and objectives

The Heritage Fund was established as a means of saving a portion of the royalty and other revenues that the Province of Alberta receives from the production of its oil and natural gas resources. Initially the Fund received annual transfers of non-renewable resource revenues from the Province and retained its investment income. Since 1982 the investment income from the Fund has been transferred to the Province's General Revenue Fund and is used to help pay for government programs and services. Automatic annual transfers of revenues into the Fund stopped in 1987. Since that time the Fund has grown through regular inflation-proofing and capital additions made by the government from time to time, primarily from budgetary surpluses.

Assets and income of the Heritage Fund are fully consolidated with the assets and revenue of the Province. As of March 31, 2008, the assets in the fund are approximately Can$17 billion.

On January 1, 1997, a new Alberta Heritage Savings Trust Fund Act was passed. This Act sets out the current structure and investment framework for the Fund. The Fund is managed as an endowment fund with the goal to maximize long-term returns at a prudent level of risk. The Fund is not to be used for economic development or social investment purposes.

Investment policy

Under the legislation, the provincial Minister of Finance is assigned responsibility for the Fund and its investments. The Minister is required to adhere to investment policies that a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and obtain a reasonable return. The Minister must report on the performance of the Fund quarterly within 60 days of the end of the quarter and make public the Annual Report within 90 days of the end of the fiscal year. A three-year business plan is prepared and published annually as part of the provincial budget.

The Fund consists of investments in bonds, public and private equities, hedge funds, derivatives, real estate, and other real asset investments such as infrastructure and timberlands. The current allocations are approximately 32 percent to cash and fixed income, 46 percent to Canadian and global equity, 11 percent to real estate, and 11 percent to alternative investments. The assets of the Heritage Fund are globally diversified.

Governance arrangement

The Minister must report on the performance of the Fund quarterly within 60 days of the end of the quarter and make public the Annual Report within 90 days of the end of the fiscal year. A three-year Business Plan is prepared and published annually as part of the provincial budget.

The legislation also creates the Standing Committee on the Alberta Heritage Savings Trust Fund, which is a committee of the Alberta Legislature with members from all major parties of the legislature. The Standing Committee reviews and approves the Business Plan and Annual Report of the Fund, receives regular reports on the performance of the Fund, and conducts public meetings on an annual basis in different locations in the Province. The purpose of these meetings is to update Albertans on the investment activities and results of the Fund. The Auditor General of Alberta is the auditor of the Heritage Fund.

The Fund's investments are managed by the Alberta Investment Management Corporation (AIMCo). AIMCo is wholly owned by the Province and was established by statute in 2008 to manage all the government's investments including the Heritage Fund. AIMCo is governed by a Board of Directors and is operationally independent from the government.