

Creating Opportunity

November 19, 2008

Report released on Alberta's savings and investment strategy

Edmonton... The Alberta government has released the report of the Financial Investment and Planning Advisory Commission as it continues development of a new savings and investment strategy for the province.

Government appointed the five-person commission, chaired by Dr. Jack Mintz, head of the University of Calgary's School of Policy Studies, to review the province's savings strategy and make recommendations aimed at ensuring Albertans receive the maximum benefits from the province's savings and investment funds.

"There is no question that a lot of work and good thought went into this report and its recommendations," said Iris Evans, Minister of Alberta Finance and Enterprise. "There is also no question that the economic and fiscal landscape has changed dramatically since it was completed. We need to consider both as we work to come up with a plan that stands the test of any economic cycle."

The Commission made 17 recommendations, including growing the size of Alberta Heritage Fund to \$100 billion, saving a fixed share of government revenues each year, providing stable funding for research foundations, and consolidating several government funds into a larger Heritage Fund.

"Increasing savings and investments is critical for the province's future to stabilize resources to support government spending and avoid higher taxes in the next two decades arising from demographic and other fiscal pressures," said Mintz. "We believe our report and recommendations form a strong foundation for a strategy that will preserve the prosperity we enjoy today for the future."

Government received the report earlier this year and continues to consider its recommendations, along with information from a wide variety of sources, in the development of a new savings and investment strategy.

Copies of the report, *Preserving Prosperity: Challenging Alberta to Save*, can be downloaded at www.finance.alberta.ca/fipac.

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Editor's Note: Backgrounder attached

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FIPAC report lists 17 recommendations

Edmonton... The Financial Investment and Planning Advisory Commission's report on Alberta's savings and investment strategy included 17 recommendations.

1. Given that the non-renewable resource revenues received by the Government of Alberta will eventually decline, a share of the province's revenues should be saved to preserve key public services and low taxes in the future.
2. A fiscal rule should be established that requires the Government of Alberta to set aside a fixed share of the province's total revenues in a savings fund.
3. The Commission recommends the Government of Alberta establish a target of saving \$100 billion in net financial assets in a renewed Alberta Heritage Fund by 2030.
4. The Commission recommends that the primary purpose of saving a portion of Alberta's total revenues should be to preserve and enhance Alberta's prosperity for the benefit of current and future generations. The current Alberta Heritage Savings Trust Fund should be reconstituted as the Alberta Heritage Fund with this objective in mind.
5. The Government of Alberta should consolidate the following funds under the Alberta Heritage Fund:
 - the existing Alberta Heritage Savings Trust Fund (including funds designated for the Access to the Future Fund),
 - the Alberta Heritage Foundation for Medical Research Endowment Fund,
 - the Alberta Heritage Science and Engineering Research Endowment Fund, and
 - the Alberta Heritage Scholarship Fund.
6. A fixed percentage of the market value of assets in the Alberta Heritage Fund should be used to determine annual disbursements from the fund. The Commission recommends distributing 4.5 per cent of the value of assets annually based on a trailing three-year average of monthly values.
7. A portion of the investment income from the Alberta Heritage Fund should be earmarked to ensure long-term commitments and stable predictable funding for current and future foundations. Earmarking should be limited in aggregate to no more than 25 per cent of the distributions made from the Alberta Heritage Fund.
8. The provincial government should establish a set of criteria to determine when and if any new specific-purpose foundations should be created and to avoid future fragmentation.
9. Special-purpose foundations should be supported by predictable and stable disbursement from the Alberta Heritage Fund that are indexed to ensure that costs related to inflation are covered.
10. The provincial government should replace the existing Capital Account with a new Alberta Heritage Capital Fund to assist in meeting the province's current and future infrastructure needs.
11. The provincial government should retain a separate Sustainability Fund but limit its purpose specifically to addressing unanticipated declines in revenues in a given fiscal year. The amount of funds included in the Sustainability Fund should be capped at \$3.5 billion initially and indexed

thereafter for inflation.

12. Year-end surpluses should be used first to top up the Sustainability Fund as required. At least 75 per cent of the remaining year-end surplus should be allocated to the Alberta Heritage Fund.
13. The provincial government should establish an Investment Policy Committee to provide advice through the Deputy Minister of Finance on investment policy for the Alberta Heritage Fund.
14. The Commission recommends that investment decisions should be governed in accordance with the principle of a “prudent investor.”
15. A Premier’s Council on Savings should be established to provide advice to government on specific savings policies, including advice on the establishment of any new earmarked funding and the promotion of awareness about the Alberta Heritage Fund.
16. The provincial government should legislate a new approach to savings along with strict provisions for the Alberta Heritage Fund, the Alberta heritage Capital Fund, and the Sustainability Fund. This legislation should remain in effect for at least 10 years.
17. The provincial government should report annually on its progress in achieving the \$100 billion target for the Alberta Heritage Fund.

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