

Can AIMCo Be Fixed?



Presentation to the
Southern Alberta
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Affairs

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Robert L. (Bob) Ascah Ph.D.
Research Fellow,

Key Findings

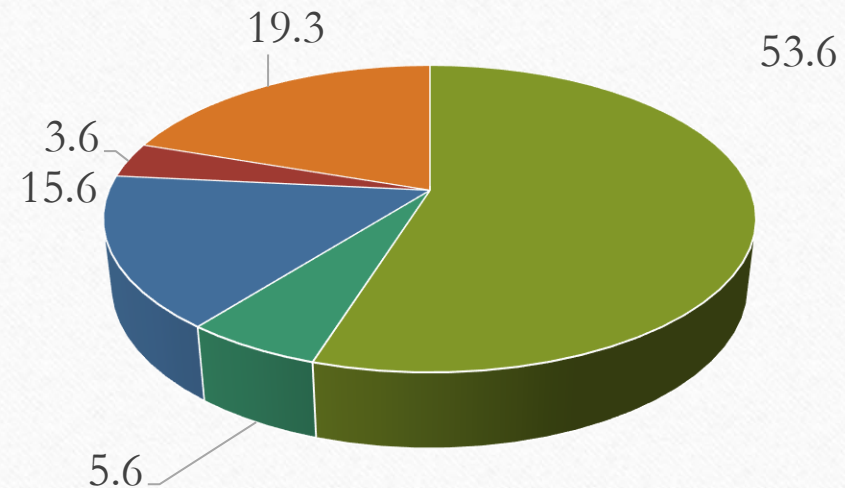
1. Significance of AIMCo for public sector workers, retirees
2. Trust -key to pension bargain - eroded over past two years- pension fund money is not “public money”- it’s contributors and retirees
3. AIMCo’s investment performance poor especially over past couple years
4. Ownership of AIMCo needs to be changed
5. Board composition problematic
6. Independence from government critical
7. Monopoly provider-ability to move funds from AIMCo needs to be restored

Significance of AIMCo

AIMCo impacts the retirement financial security of over 460,000 public service members, inactive members, and retirees.

Five major pension fund investments total nearly \$100-billion

Alberta Public Sector Pension Plans (\$billions)



- Local Authorities Pension Plan
- Management Employees Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Alberta Teachers Retirement Fund

Trust central to pension bargain

- Erosion of trust
 - Bill 22- *Reform of Agencies, Boards and Commissions and Government Enterprises Act* November 2019
 - No consultation with ATA re. move of ATRF to AIMCo
 - Removal of capacity to transfer assets to another manager
 - Imposition of Investment Management Agreements- December 2020
 - AIMCo's losses in March 2020- Volatile Trading Strategies
 - What is “public money”?

Figure 2- Alberta Funds' Overall Performance against Benchmarks:
2011/12-2020/21 (%)

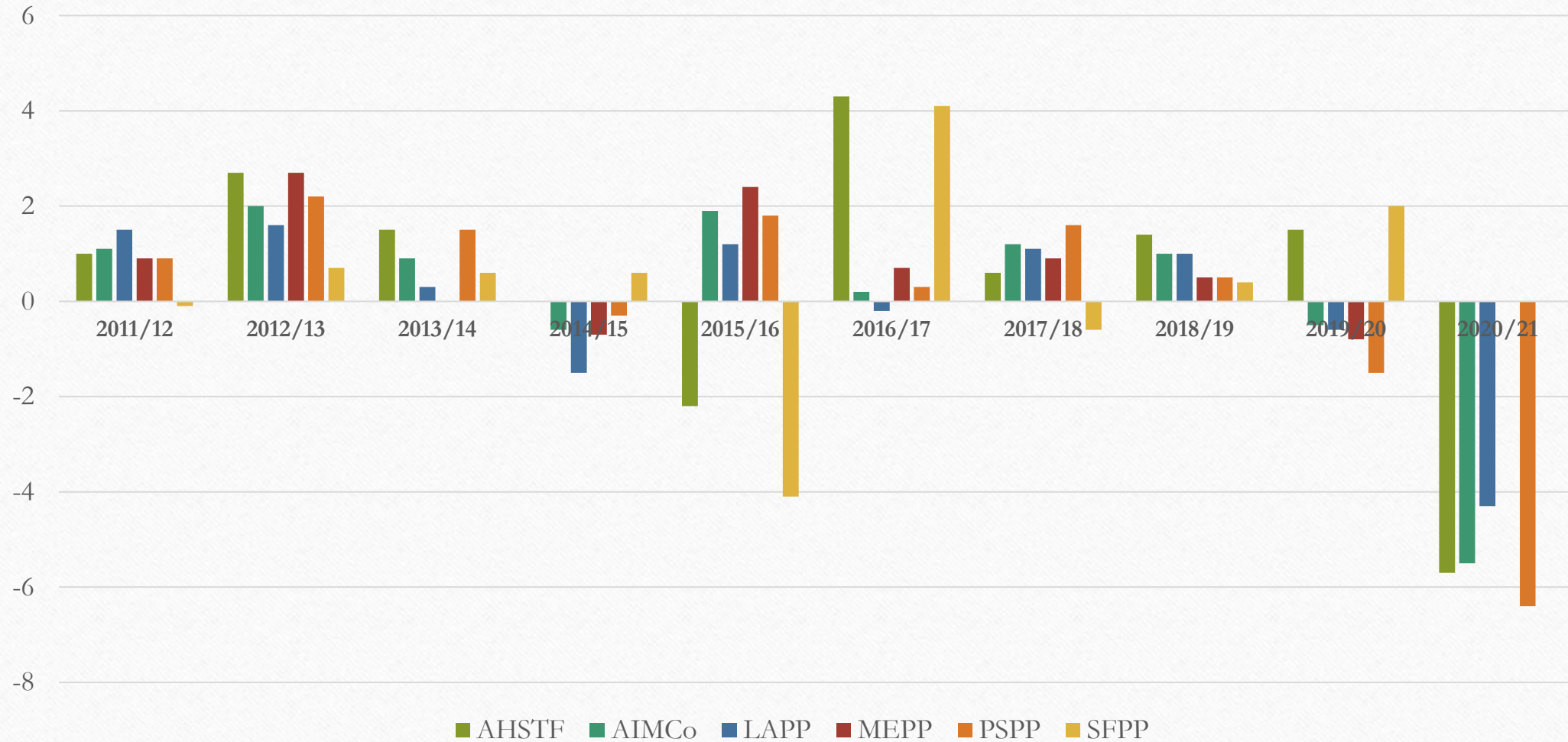


Figure 3 - Performance against Benchmarks- AIMCo and ATRF:
2011-2020 (%)

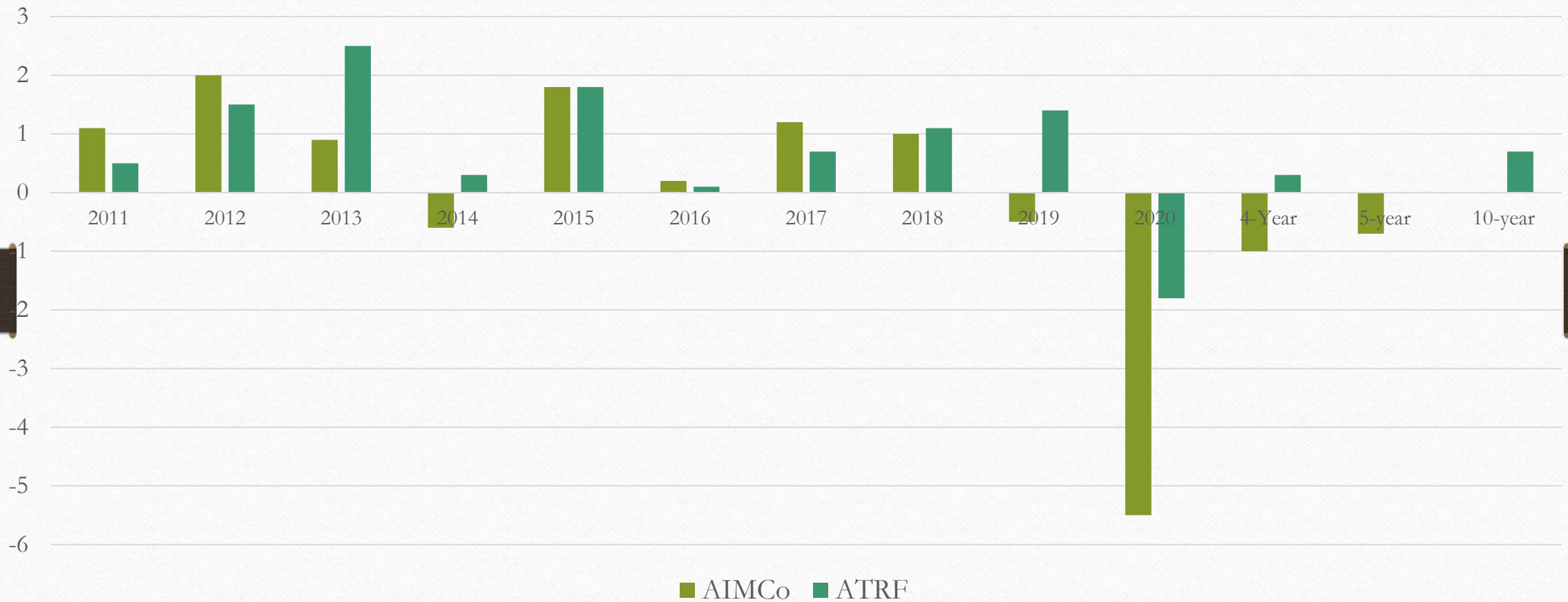
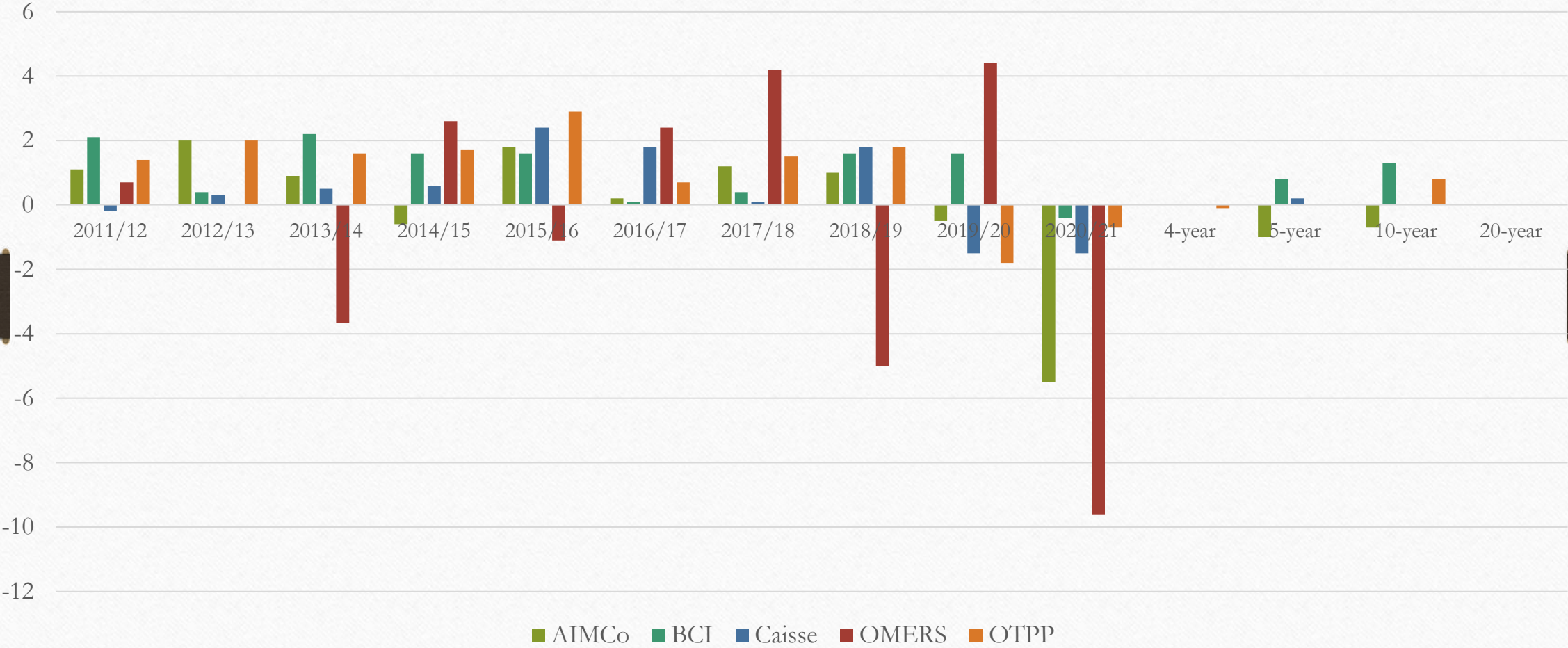
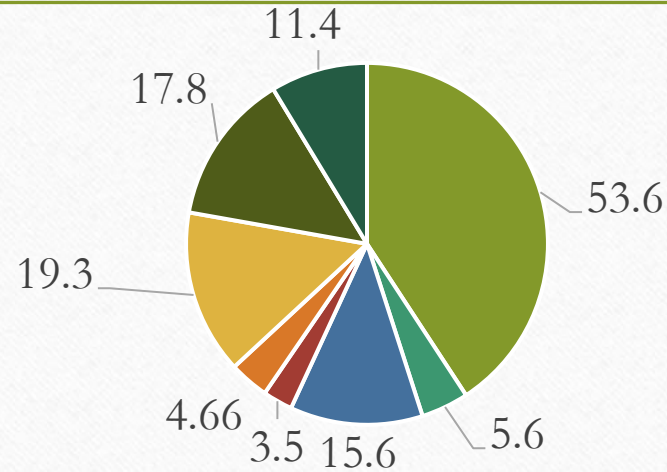


Figure 4- Investment performance against Benchmarks-
Other Canadian Pension Plans: 2011-2020.



Ownership of AIMCo needs to be changed

Public Pension Plans and Government Funds
managed by AIMCo, 2020 (\$billions)



- Local Authorities Pension Plan
- Management Employees Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan (3)
- Endowment funds
- Alberta Teachers (ATRF)
- Alberta Heritage Savings Trust Fund
- Workers' Compensation (WCB)

Joint ownership- recommendation

- Government to relinquish sole ownership AIMCo allowing both employers and employees to nominate directors
- AIMCo continue to operate on cost-recovery basis
- Will address board composition, qualifications and independence from government issues

Board Representation- Recommendations

- Qualifications of directors
- Eliminate corporate credentialism
 - “What about diversity?”
 - Disciplines-Science, medicine, computer science, climate science, actuarial science, human resources management,
 - Cultural/experiential- Gender, Ethnicity, Retirees, Members
 - Geography- where AIMCo invests- Asia, Europe, Africa, Latin America-

Independence from government

- Under NDP – 2018-19 reforms – “take politics out of pensions”
- Joint Governance removed minister as trustee and administrator
- But- AIMCo’s monopoly restored and extended- politics intrudes
- STILL- all board appointed by cabinet
- Joint ownership will remove government’s ability to appoint all directors

Eliminate monopoly status

- Irony of free enterprise government giving a provincial agency a monopoly when NDP removed monopoly status
- Theory is to allow trustees (corporate board) to decide whether to remove an investment manager
- Decisions would not be made capriciously
- In place of NDP's five years- ten-years with 2 year notice period
- Given boards "ownership" interest in AIMCo unlikely this would occur
- Transfer assets out is only a last resort if AIMCo unresponsive to clients' needs

QUESTIONS



 **PARKLAND**
INSTITUTE