



## Alberta Teachers' Retirement Fund Board

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November 6, 2019

**BY E-MAIL**

The Honourable Travis Toews  
President of Treasury Board and Minister of Finance  
Room 208 Legislature Building  
10800 - 97 AVE  
EDMONTON, AB T5K 2B6

Dear Minister Toews,

**RE: Budget announcement - ATRF – meeting with Minister and next steps**

Thank you for meeting me, my board colleague, Ms. Maria Holowinsky, and ATRF's Chief Executive, Mr. Rod Matheson, on November 3. We were pleased to have had the opportunity to meet you to address our concerns, and we also appreciate your commitment to the sustainability of the Alberta Teachers' Pension Plan and Private School Teachers' Pension plan and your kind words regarding the effectiveness of ATRF.

We attended the meeting with the expectation that we would be provided the information that we requested in my October 30th, 2019 letter. While you were able to answer some of our questions regarding Government's thinking behind this change to ATRF, the information on which that thinking was based was not provided at the meeting, and you indicated that it would not be provided until the legislation is tabled.

At the meeting, you indicated that the concentration of a larger pool of pension fund assets under AIMCo's management would reduce risk for plan members and Government and produce equal or better returns at reduced costs, while still allowing asset management to be tailored to the liabilities and risk profile of our plan. You verbally provided us some return information from AIMCo in regard to LAPP, PSPP and the Heritage Trust Fund. We in turn provided you with our analysis of ATRF historical returns applying AIMCo returns by asset class to ATRF's asset class allocation.

Net investment returns			
Periods ended December 31, 2018	4 years	5 years	6 years
ATRF returns	7.0%	8.0%	9.5%
ATRF returns using AIMCo asset class returns*	6.5%	7.3%	8.7%

\* Simulation of what ATRF returns would have been by applying AIMCo historical returns by asset class to ATRF's asset class allocation



We also inquired as to the analysis of “bigger is better” in asset management as it applies to all asset classes. We provided information that ATRF’s size was an advantage, particularly in real estate, infrastructure and private equity where ATRF’s returns have vastly outpaced AIMCo’s.

**Comparison of Private Market Net Investment Returns  
ATRF relative to AIMCo**

**Annualized Return – 6 Years ended December 31, 2018**

	<b>ATRF</b>	<b>AIMCo</b>	<b>Difference</b>
Private Equity	20.7%	7.8%	13.0%
Infrastructure	13.6%	9.6%	4.1%
Real Estate	10.4%	9.2%	1.2%

**Annualized Return – 5 Years ended December 31, 2018**

	<b>ATRF</b>	<b>AIMCo</b>	<b>Difference</b>
Private Equity	20.8%	8.0%	12.8%
Infrastructure	14.8%	10.9%	3.8%
Real Estate	9.9%	8.6%	1.3%

**Annualized Return – 4 Years ended December 31, 2018**

	<b>ATRF</b>	<b>AIMCo</b>	<b>Difference</b>
Private Equity	19.3%	7.0%	12.3%
Infrastructure	15.4%	12.1%	3.3%
Real Estate	10.0%	8.6%	1.4%

We recognize that AIMCo appears to the Government to be better suited to manage the teachers’ assets. We obviously, as fiduciaries, still have concerns that are yet to be answered. We shared in the meeting that ATRF is more than an asset manager. We are a pension manager. ATRF is uniquely able to manage the plan’s assets in a way that best meets the bespoke liabilities and risks of our plan. This is critical in ensuring the long term sustainability of the Plans.

Thank you for the offer to hold a second meeting that would include representatives of AIMCo, as well as additional Government officials as needed, to have a full and frank discussion of the merits of AIMCo managing teacher pension funds. We certainly accept that invitation and believe it is important that the meeting take place before the legislation is introduced in the Legislature. However, in order for the meeting to be productive, we require that the background information, and the business case that forms the foundation of the Government’s proposal, be provided, in advance.

We note with interest your Facebook posting on November 5, 2019 which provided information that was not shared with us in our meeting. This only serves to confuse our members, particularly when your analysis has not been shared with either the ATRF Board or its members. Your staff had indicated that the analysis was “a budget secret” and could not be released until the legislation was tabled but your posting indicates otherwise.

Given the competing narratives and numbers that are currently in the public, we believe that the responsible way forward is to enlist the assistance of an impartial third party. We suggest that the Auditor General of Alberta (OAG) be asked to do an impartial review of the data and more importantly, to consider how AIMCo, as an asset manager, would be better positioned or better able to perform the pension management responsibilities undertaken by ATRF as outlined above.

We considered discussing this further step at our upcoming meeting, but in light of the time constraints before us, felt it necessary to not wait to make this suggestion.

Thank you again for the opportunity to meet a second time, and I look forward to receiving the information requested above as soon as possible, and certainly in advance of our meeting.

Kindly contact Mr. Rod Matheson, Chief Executive Officer of ATRF at [rmatheson@atrf.com](mailto:rmatheson@atrf.com), phone: 780-733-6655, cell 780-907-5600, to arrange a mutually convenient time in the coming days.

Sincerely,



Sandra Johnston  
Chair

cc:

Rod Matheson, Chief Executive Officer, ATRF

Board Members of ATRF:

Catherine Connolly

Karen Elgert

Greg Francis

Paul Haggis

Maria Holowinsky

Kareen Stangherlin

Jason Schilling, President ATA