

Cory Morgan: Is Harper's Appointment to Alberta Investment Corp a Step Toward a Provincial Pension?

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Former Prime Minister Stephen Harper in a file photo. The Canadian Press/Nathan Denette



By Cory Morgan

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Commentary

The firing of the entire Alberta Investment Management Corporation (AIMCo) board by the Danielle Smith government appeared to come out of left field. AIMCo manages over \$160 billion in public assets including several pension plans. Shaking up the leadership of a board entrusted with such a large public asset pool is not to be taken lightly.

eyebrows were raised further when former Prime Minister Stephen Harper was appointed the new chair of the AIMCo board. Premier Smith has a plan for AIMCo and it's likely related to her intention to create a provincial pension plan.

Alberta's government has made no secret of its intention to form a provincial pension plan. This is an important facet of Smith's UCP leadership campaign's provincial empowerment plank.

[LifeWorks](#) was contracted to study the viability of an Alberta pension plan. Their interpretation of the Canadian Pension Plan (CPP) legislation concluded Alberta would be entitled to **\$334 billion of the assets** held by the CPP if the province were to withdraw from the plan. That figure amounts to 53 percent of the CPP assets, and while it sounded great to Albertans, most people realized it was an unrealistic assumption of what the province would be entitled to. The figures sounded too good to be true, and Alberta's government did a poor job of communicating the potential benefits of a provincial plan. The notion of an Alberta pension plan wasn't discarded, but it was put on the back burner by the Smith government.

In choosing Stephen Harper to chair AIMCo, the Alberta government is signalling an intention to wade back into the provincial pension plan debate. It's assumed that if Alberta forms its own pension plan, it will be managed by AIMCo.

Harper has been a proponent of Alberta withdrawing from the CPP for a long time though he became quiet about it when he re-entered federal politics in 2002. In 2001, Harper was a signatory on a



document titled the “Alberta Agenda” which called for the creation of an Alberta pension plan among other initiatives of provincial sovereignty. He is familiar with the potential benefits a provincial pension plan could offer Alberta.

One of the challenges Smith has faced in garnering public support for an Alberta pension plan has been winning public trust in the concept. The benefits of the CPP may be relatively modest, but for many Albertans, it’s their prime form of income in retirement and they have little interest in gambling with it. Unless Albertans feel confident the funds in a provincial plan will be responsibly held and managed, they won’t support it.

Stephen Harper is a man respected and trusted by Albertans. While Danielle Smith can be inclined to be impulsive and dive into issues, Harper is known for careful and strategic policy moves. Both mindsets have political merit, but when it comes to something as sensitive as the management of a pension plan, Harper’s controlled approach is preferred. His appointment to head up AIMCo will make many Albertans comfortable with the notion of a provincially managed pension plan.

Harper’s task now will be to manage AIMCo efficiently. He must not appear politically motivated in his management, which will be difficult for a man who is inherently political. His task isn’t just to be a good guardian of the existing funds, but he must do it so well that Albertans will entrust him with their retirement plans. It’s an unspoken agenda for him, and a challenging one.

The CPP just offered an example of the pitfalls of allowing political agendas to guide investments rather than economic merit. Northvolt is a Swedish-based battery manufacturer that received billions in Canadian subsidies to open a plant in Quebec. The battery company has now filed for bankruptcy, and not only has there been no progress in building a Canadian factory, but it turns out the CPP had invested in them as well.

While the federal government desperately wants to turn Canada into a hub for manufacturing batteries for electric vehicles, it doesn’t justify

investing pension funds into such a high-risk venture. Pension funds must be invested with the intention of safe growth of the fund and nothing more. Trust in the fund becomes eroded with incidents such as the Northvolt investment.

Alberta has had a long history of bad investments when the government tries to get into business. The province recently lost over a billion dollars when it backstopped the Keystone pipeline.

Harper must prove himself to be a guardian of the dollars entrusted to his care who will resist the temptation to invest the funds with political motivations. Self-control has always been a hallmark of Harper's leadership, and he will surely apply it in heading AIMCo. Smith made a smart appointment both politically and economically, and it will help her build support for an Alberta pension plan.

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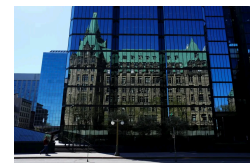
Author

Cory Morgan is a columnist based in Calgary.

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