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THE PRICE OF TEA IN CHINA *DOES* MATTER

Using CPPLC's environmental scan when building your plan's environmental analysis

Environmental analyses are essential for plan governors, communicators and administrators to understand the environment in which their pension plans operate. One of the most important tools in building these analyses is CPPLC's environmental scan.

There's an old expression used to counter a pointless argument: "What's that got to do with the price of tea in China?" It means, essentially, "So what?"

For BC's Public Service Pension Plan, there is no "so what." The price of tea in China **does** matter to the plan. So, of course, do federal polling numbers, bizarre weather events, trends in life expectancy and other issues, known as environmental factors.

And how do the administrative staff at BC Pension Corporation, working on behalf of the plan, capture the environmental factors affecting the plan? They prepare an environmental analysis, which is appended to the board of trustees' multi-year communications strategy. Updated annually, the analysis quantifies and qualifies the environment in which the plan operates.

CPPLC's environmental scan is a wealth of information for this analysis. To create the scan, the CPPLC Research Committee reviews topics each year, deciding which are still trending and relevant. Sources referenced in the scan include newspapers, white papers, law reviews and Statistics Canada. A separate section of the scan lists relevant pension research published in the last year. The scan is available to all CPPLC member plans.

Why do an environmental analysis?

There are many benefits to creating an environmental analysis. It:

- Helps assess and analyze external (and internal) factors affecting the plan
- Heightens awareness of audience sensitivities
- Allows decision makers to make informed decisions
- Acts as a learning resource for new trustees and new administrative staff

Canadian Public Pension Leadership Council: An established, non-partisan network of senior, pension leaders and professionals promoting research and advocacy for retirement income security.

Building the analysis, step one: Research

The first step in building the analysis is the research stage, which has two phases: 1) an ongoing high-level awareness phase and 2) a specific, detailed discovery phase.

The **first** phase consists of ongoing learning and awareness activities over the course of each year. **In addition to reviewing CPPLC's environmental scan**, other activities include:

- **Monitoring media and issues**: Each business day, our administrative agent produces a summary of the day's news that could impact our pension plan. Even a simple scan of the day's headlines gives a good overview of what's going on.
- **Attending conferences and workshops:** Almost every session at a conference or workshop includes some nuggets of good environmental information
- **Reviewing colleagues' work**: BC's public sector pension family keeps tabs on each member's work. Knowing what colleagues in other pension plans have been focusing on allows administrative staff to inform their own work.
- **Learning, reading and understanding:** It's part of the job for those who communicate on behalf of the plan.

The **second** phase of research is conducted through a discussion in which board members participate. Although the discussion considers the strategy as a whole (not just the environmental analysis portion), administrative staff dedicate a good part of the time to the analysis component.

Our administrative staff want to see what's on the board's mind. They'll ask, "What's going on in regulation, plan design and pension governance issues? What are you hearing from members? What are your personal concerns?" The board's insight is integrated into the administrative staff's research work.

Building the analysis, step two: Writing and validation

Writing the environmental analysis begins by identifying the key themes, which is built based on research activities.

Some themes are common to all pension plans: the economy, demographics, ESG and politics. Other themes may be plan-specific, such as the impact of a rule change or a governance issue.

Once the administrative staff identify themes, they use all the resources at our disposal—trade publications, personal interviews, Wikipedia, conference papers—to weave the loose threads of each theme into a cohesive document.

Subthemes may emerge within larger themes. Politics is broad, but the analysis can focus on provincial, national and international politics distinctly. What happens in the provincial legislature could have a different impact on the plan compared to what happens in the White House.

CPPLC's environmental scan plays an important role in this step as well. It is used to confirm trends and identify whether environmental factors are specific to BC or apparent in the wider national pension landscape.

Building the analysis, step three: Keeping the strategies current

Once in use, strategies should be kept fresh. The board's is updated annually. Through a check-in, administrative staff validate both the communications strategy and environmental analysis. They want to make sure they capture any recent environmental developments that may affect the pension plan and its strategy. In BC, the unexpected "heat dome" of June and July 2021 and the "atmospheric river" of November 2021 brought ESG into sharp focus, especially as they directly impacted plan members. These events caused administrative staff to update the board's strategy to note the anticipation of an even stronger push for responsible investing, which in turn could potentially impact the plan's reputation.

Conclusion and outcomes: A perfect brew

Those who communicate on behalf of the plans need to understand the environment in which our plans and boards operate. Knowing how to translate this understanding into a useful, comprehensive document is essential. Having access to a tool like the CPPLC's environmental scan in a highly beneficial resource.

So, there you have it, the price of tea in China really *does* matter.

Discussion points
- Does your pension plan have an environmental analysis? If so, how frequently is it updated?
- What tools or resources does your organization use when building the environmental analyses?
- Are there ways CPPLC's environmental scan be better tailored to assist in the development of environmental analyses?

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