

## **Module Professionalism & Governance October 2019**

The PMI's Professionalism & Governance exam is intended as the final stage in the Advanced Diploma. As such the expectation on learners is they should be able to take the technical material available in the study manuals and interpret them to any given situation. This is what will be expected of them in their careers as fully qualified pensions professionals.

There is a range of study material available consisting of a technical manual on Governance. There are supporting Communications and Professionalism Manuals, as well as the PMI's Code of Professional Conduct (the Code). Part one of the exam is a case study, which is based on information directly drawn from the Governance Manual. Currently, if learners have studied the Governance Manual, they will have sufficient technical information to answer the question. However, they are also being asked to put this information into the case study context. The question carries 60% of the marks available. 48 technical marks are available. 12 marks are awarded for the way learners present their answers, their communication technique and style in the required format. These marks test learners' knowledge and effectiveness on the different ways information is exchanged.

Part two consists of three or four short questions, where 40% of the marks are available. These can be drawn from any part of the syllabus or the Code of Conduct. Regardless of their status, all PMI members are required to adhere to the Code which is a key document for all PMI members. PMI members should familiarise themselves with the Code and understand how they should behave when faced with various issues. The Code is set out on two pages of A4, separated into six sections and is available for download from the PMI website. The Code is not a definitive list of actions for PMI members to apply. It is a guide and PMI members are expected to behave appropriately and in the spirit of the Code.

There is no requirement for learners to achieve a specific percentage in either part of the exam. The exam paper shows the marks allocated for each question and this should be considered when deciding how much time to spend on each. The questions can also be answered in any order.

Where questions relate to the Code, learners are expected to understand the Code itself and be able to apply the principles to a professional situation. They should be able to assess this situation; understand any technical requirements and identify which part of the Code it relates to. They are required to draft a short response referencing the relevant section of the Code. It is not simply enough to identify the problem; learners also need to explain how they would resolve the issue. This may involve conferring with other parties, but simply handing the problem over to a 'Compliance Department' is not sufficient. Neither is refusing to address the problem without offering alternative solutions. Questions based on the Code require learners to interpret what actions and behaviours they need to demonstrate to find these solutions. The Professionalism Manual can help, but learners should understand this part of the examination is designed to illustrate how the Code can influence all aspects of their professional lives. Learners who do not give enough detail, rely on simply repeating the Code, or forget there is a technical element to the situation will struggle to pass the exam. No communication marks are awarded for part two.

Learners who studied and understood the manuals provided, as well as applying their understanding to the Code were able to pass the exam. Sadly there were a number of learners who were not familiar with the manuals and relied on their own skills and experience to answer questions. Generally, this was insufficient to pass the exam.

In future, exams may be electronic, but until learners are advised to the contrary, it is imperative that as part of exam preparation learners practice writing freehand for prolonged periods. An examiner must be able to read what is written in order to give the mark.

The importance of learners' ability to plan thoughts and ideas for an exam answer so it flows logically and every opportunity has been taken to ensure the answer reflects the requirements of the question, cannot be stressed enough. Whilst most learners were able to finish their papers, but some appeared rushed and this affected their quality. There were also some learners whose answers went off track and therefore did not answer the questions asked. This was a pity as there are no marks given for irrelevant detail. Whilst other than the potential to lose their way in answering a question, no candidate is penalised for not producing a plan. However, once the plan is complete it is much easier to keep the answer on track as it should follow the plan. This ensures any exam pressure does not push learners off track. Planning is integral to getting optimum marks, as is ensuring sufficient time is allocated to reading through completed answers. This is where learners can test if their answers make sense and flow, to ensure they haven't missed out any vital pieces of information and to add finesse.

**The answer to the case study, Question 1, could be found in Chapter 3, pages 56, 58 and 62 to 64 of the Governance Study Manual:**

**You have been asked to write a technical article for inclusion in the PMI's Pensions Aspects magazine on monitoring investment manager performance. Technical articles in the magazine are usually three or four pages long and are designed to appeal to the range of pensions professionals.**

**The Editor has also asked that the article covers the following areas:**

**Why it is necessary for trustees to monitor the performance of their investment managers.**

- **The typical content of portfolio valuations.**
- **The purpose of performance reporting.**
- **The factors that influence the rate of return on a fund.**
- **The typical content of performance reports.**
- **The factors that influence the different approaches by managers.**
- **The ways in which the performance of the investment managers can be measured**

**(48 technical marks, 12 format/communication marks. Total 60 marks)**

Whilst a maximum of 48 technical marks are allocated, there are always more available. Learners have every opportunity of gaining higher marks if they have both learned and understood the study material, rather than relying on personal experience. Where learners had studied and retained material, their marks reflected this. However, many lacked adequate detail, or were unable to identify the part of the manual concentrating on investment performance. Most learners omitted to state why it is important to monitor investment management performance. There was also confusion between the typical content of portfolio valuations and the purpose of performance reporting. The information required can be found directly in the Manual. There was a clear difference in marks between those who had learned and understood the technical detail and those who had not. Those who did gained reasonable marks in the case study, by demonstrating this learning and reflecting it back in the context of the question. A number of learners omitted to include all the required points, repeated points or did not cover points in enough technical detail to gain enough sufficient marks to pass. The bullet points were key indicators in what was required in an answer.

If learners were unable to provide sufficient technical content, then the success of the communication was affected. Where learners were able to convey their answers appropriate to the format and with adequate technical detail, they gained higher marks. The Communication Manual is provided so learners can familiarise themselves with the styles and typical content of formats required in the exam, as part of their wider revision process. To gain the 12 communication marks, the answer should be placed in the format and style required. The question asked for a technical article and learners were expected to take account of this in their format. A 'two column' format was not obligatory, although this was acknowledged for learners using this format. The question did require an article style, particularly given its technical content. There were some good examples

of this style. However a number of learners either wrote in essay style, or their answers began as an article before dropping into an essay style. Learners also needed to show they understood who the audience for the article was and to adopt appropriate language and tone. As PMI students, learners will be familiar with *PMI Aspects* and the types of articles regularly published.

**The three short questions** could only have been answered fully if learners had read and understood the Professionalism Manual and the sections and references of the Code, as well as understanding the syllabus. As the final exam in the journey to gaining the Advanced Diploma, learners should not expect to be learning by rote. Learners should have worked through the Professionalism Manual, so they know how the Code is applied in specific circumstances as well as knowing how it relates to them personally. This is an important aspect of being a PMI qualified professional. Learners need to be familiar with the Code and its structure so they can recall which area(s) a particular scenario relates to. It is also important for learners to know the broader application of the organisational principles underlying the Code. They should understand the Code is a guide to behaviour. They need to think about what behaviour they should exhibit in each circumstance and what would need to be done to resolve the issue at hand. Learners should bear in mind the short professionalism questions can also be based on any area of pensions within the syllabus.

It was pleasing to note most learners had read the Code, but many did not distinguish which aspect of the Code questions were concentrating on and many simply listed as many sections as possible. A number used the Code-based answers as a mechanism to shoehorn in references to the Code, rather than address the scenario posed and demonstrate how the Code would guide their actions.

The short questions were:

**Question 2**

- i) **Explain why it is important for a financial organisation to have an anti-bribery policy.**

**(8 marks)**

- ii) **Outline the key areas that should be covered in an anti-bribery policy.**

**(7 marks)**

Everyone working in pensions has a personal responsibility to be conversant with the Anti-Bribery Regulations. Some learners struggled with part i), but most were able to answer ii) adequately.

**Question 3**

**Your cousin has recently received a pay rise and now meets the criteria for auto enrolment. He knows you work in pensions and has emailed you to ask for your advice on whether he should opt out of auto enrolment as he wants to spend his pay rise rather than save it.**

**Set out the issues that you would cover in your reply to your cousin.**

**(15 marks)**

The relevant sections from the Code were 1b, 1d, 2d, 4b and 4d

This question was fairly well answered. Most learners were comfortable with identifying the relevant sections of the Code. However, few picked up on the value the cousin could gain through tax relief, or highlighted AE re-enrolment.

#### **Question 4**

**You are at lunch during a pension conference and a fellow delegate seated at your table is talking loudly to another delegate about the business of one of his pensions consultancy's clients (identifying them), and you feel that he is being unprofessional.**

- **When can you talk in public about one of your employer's clients?**
- **What should you do to ensure that the information you impart about your client is accurate?**
- **When is it not appropriate to discuss client issues in public?**

**(10 marks)**

The relevant sections from the Code were 4e and 6b.

Most learners were able to identify the sections of the Code correctly. These learners had learnt the Code and understand how to apply it. There was a good understanding of what information can be shared and under what circumstances.