



Professionalism & Governance, Examiner's Report - October 2021

As the final exam in the PMI Advanced Diploma, Professionalism & Governance has high expectations of learners. It is testing the higher level skills required as people progress through their careers, when they need more than just technical pensions knowledge. This is tested through case studies and scenarios, which are currently based on the Governance and Professionalism Manuals, as well as the PMI Code of Conduct (the Code). The Communications Manual supports learners' understanding of how to frame the format of their answer.

In the October 2021 exams we were extremely pleased to see a high percentage of learners gaining good or very good marks in the exam. This is to be commended. For those learners who have yet to attempt the Professionalism & Governance exam, or are re-sitting, we have tried to give you as much guidance as possible below, so you can achieve the same super results.

Learners should be aware, by their nature, the Manuals can only show a snapshot of the pensions world and the syllabus. Future exams may draw from highly topical issues impacting on the industry and on pension savers.

Question one is a long case study where learners are asked to apply technical information to a given situation, and in a specific format. Learners are assigned a **role** and an **objective**. Their answer must be appropriate both to their assigned **role** e.g. Pension Manager, consultant etc and their **objective**, e.g. to train, to inform etc through the specified format. Question one carries 60 of the total marks available, 48 for demonstrating technical knowledge and 12 for fulfilling the role and objective through communication. There are always more than 48 technical marks available to allow for learners' interpretation of the question.

40 of the remaining marks can be gained from two or three short questions. The questions can be drawn from the syllabus, the Code or be a topical pensions issue. Where questions are taken from the syllabus, they can be broader than the Governance Manual. These and topical issues will be cover aspects of the industry anyone working in pensions would be expected to know something about – regardless of their seniority. The marks available for these types of questions are purely technical.

The Code is the core behavioural guide for all PMI members and a copy is included in the Professionalism Manual. This Manual gives examples of situations where learners would need to draw on the Code to know how to act. However, they still need to know and the understand technical aspects to answer any question fully. As in question one, when learners are asked questions on the Code they are designated a role and need to develop their answer from this perspective e.g. Team Leader, or Manager. The role gives learners clues as to how they are expected to approach an issue i.e. a manager will be expected to take ownership of a problem, solving any immediate effect and looking to the long term. It would not be appropriate for a manager to avoid responsibility by passing it over to another department.

Although wider knowledge is very useful, it is difficult to gain sufficient marks to pass the Professionalism & Governance exam without studying the Manuals and the Code. Those learners who do not study the material often rely on their experience in their specific organisations. This can be too narrow to gain sufficient marks to pass the exam.



The exam paper shows how many marks are allocated to each question, and the sections within the questions. This also provides a clue to the learner as to the depth of their answer. The questions can also be answered in any order.

In the second year of online exams, we noted few learners appeared to re-read their answers at the end of their exam. This meant there were a significant number of typos and unfinished sentences. Learners need to remember to incorporate sufficient time to fully read through their answers before submitting them. Answers should be treated the same, whether they are hand written or online – and we recommend answers are always read through to pick up anomalies. It may be that learners did not have sufficient time to do so, but this is where initial planning can help. The plan can be typed above each answer. It will guide, help time keeping and ensure answers stay relevant to the question asked.

Question One is covered in Part 3 Chapter pages 57 to 62 of the Governance Manual. The question was:

You are the Pension Manager for a company with a defined benefit scheme which is closed to future accrual and has 5,000 members. Four new trustees have been appointed in the last six months and as part of their initial training you are giving a presentation at the next Trustee Meeting on the principles and technical considerations for selecting and replacing investment managers.

Your presentation should include:

- a) **Factors trustees should consider when selecting an investment manager (8 marks)**
- b) **Risks involved in using investment managers, and how those risks can be mitigated (7 marks)**
- c) **Documentation required to ensure good governance of investment managers (13 marks)**
- d) **Role of custodians and investment banks in investment governance (12 marks)**
- e) **Role of transition management in moving assets from one investment manager to another (5 marks)**
- f) **Examples of good administration practices by investment managers (3 marks)**

(you are not expected to prepare the presentation slides)

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

This year most learners demonstrated a good level of technical knowledge for question one – with some learners earning very high marks. Most learners were able to cover all the technical points required for the training presentation. Those who did not, tended to be light on c) and d), where 13 and 12 marks respectively were available. The information required for these points was listed in the Manual. Learners need to take guidance from the marking allocation to understand the weighting – and therefore the amount of information required.

Learners could have gained more communication marks by structuring their answers. No presentation slides were required, but this was still a training presentation. Few learners introduced themselves, referenced an agenda or timings, talked about expected outcomes for the session, or where further information could be found. By forgetting the **role** and **objective** set for this question and writing a technical essay in large paragraphs instead, some learners missed out on crucial marks. The question gave the required sequence, but the points should also flow. Few learners went beyond answering f), which was a shame because in any training session there is always a conclusion or roundup.



The three short questions were all based around the Code for this exam on this occasion, but this should not be depended on. They could be short technical questions, or a mix.

When answering a Code related question, learners need to be familiar with the Code and its structure so they can recall which area(s) a particular scenario relates to. 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. They need to take responsibility for the scenario they are presented with. To ensure they do not become side tracked, learners should read the questions carefully.

The number of marks available for are given for every question. A mark is generally (but not always) given for the section reference of the Code and the clause. Therefore if a question states '*what are the relevant section(s) of the Code that could apply (4 marks)*', listing six clauses is inappropriate, wastes time and adds no additional marks.

The short questions were:

Question 2

You are the Pension Manager for a large scheme with an in-house administration department. You've all been working remotely since the first lockdown. Your Team is now beginning to come back into the office on a flexible working basis. Although everyone was supplied with secure laptops, you've learned your Team Leader has been using an unsecure personal laptop to check member calculations. This has involved transferring personal data onto the laptop. She has come into work and informed you she lost the personal laptop, but she doesn't know where or if it was stolen. She has asked you to keep quiet as she feels no one would be interested in the 'work' files.

- a) What are the relevant section(s) of the Code that could apply (4 marks)**
 - b) How should you respond and what, if any, action should you take? (10 marks)**
- (14 total marks)**

The relevant sections of the Code were:

- 1b – acting in compliance with all relevant statutory, regulatory and other legal requirements
- 1e – conducting their professional work with proper regard to their technical and professional standards

This question was fairly well answered by most learners. Most were able to react to the immediate situation and understood this could not be kept quiet. Because of the possibility the lap top was stolen, police involvement is likely. There was less clarity on the relationship in UK GDPR when there has been a breach. Although it is likely the Team Leader has breached your company's Data Protection Policy, it is the trustees of the scheme involved who own the data. They are responsible for making an ICO report of the breach within 72 hours. The only relevance of the administration being carried out in house is the company is a stakeholder because the Pensions Team is employed by the company. As the Pension Manager, you are most likely to be the one who has to compile the information for the trustees, and you may need the assistance of the company's Data Protection Officer (DPO) for support in the content and timing of this messaging. Dependent on company policy, it could be you or the DPO who informs the trustees.



Question 3

You are the Administration Manager for a small third party administrator. Your clients are mainly defined benefit schemes with complex benefit structures and there is little automation. This has put pressure on the team and as a result half of your team has left. You know the remaining team members will struggle to keep up with their work, service levels are already beginning to slip and you know this will get worse. The business manager has suggested contracting temporary employees from outside the industry to make up resource.

a) What are the relevant section(s) of the Code that could apply (2 marks)

b) How do you respond and what do you do? (12 marks)

(14 total marks)

The relevant sections of the Code were:

1e – conducting their professional work with proper regard to their technical and professional standards

6d – Support and encourage the work of the institute in developing and maintaining the Code and the highest professional standards in general

Learners struggled with this question, particularly in separating out the immediate short term with the long term solutions. A proportion of learners did not realise they are the Administration Manager and as such, would be in a position of responsibility. Instead they spent time focusing on blame.

Many learners were discriminatory about temporary resource, potentially because they thought these people would have no pensions experience. The first step should be to understand what skills you need. To do so and understand which tasks could be passed to them, you need to either review or produce process maps.

Identifying process improvements and where greater automation can be adopted quickly e.g. coded and protected Excel spreadsheets.

Some learners understood this was a situation where they could not simply stay silent. But many were distracted by how they would deal with the immediate issue of slipping SLAs and therefore focused on managing client expectations. This question was about resourcing. Learners needed to think about what an Administration Manager would do. They would think about ways to recruit people with the necessary skills, such as recently retired, leavers post maternity etc. Could they be offered flexible contracts, full remote working etc? There is also leveraging the networks of existing employees. Could bonuses be offered to existing people for recommending an industry colleague who joins? Could you incentivise or reward existing colleagues to ensure you do not lose more people?

When taking on groups of temporary resource, it can be useful to devise a specific onboarding programme. This needs to accommodate any changes you have made in the processes, or new automation. You will need to know how long it will take, whether you will arrange the training on an individual basis or in groups. You also need to update the peer review process specifically for the temporary joiners.

Finally, you know this is a short term fix. You therefore have to think about creating a long term resource plan.



Question 4

You are a governance consultant at an Employee Benefit Consultancy and one of your client schemes has produced an ESG Implementation Statement to go with the Annual Report & Accounts. You are appointed to review the document prior to signature and publication, but you realise there are a number of issues with the Statement. Some of the content is unsubstantiated and you believe a number of figures are incorrect. Its style is also out of line with the agreed approach.

a) What are the relevant section(s) of the Code that could apply (4 marks)

b) Describe actions should you take with the client? (8 marks)

(Total 12 marks)

The relevant sections of the Code were:

1b – acting in compliance with all relevant statutory, regulatory and other legal requirements

1e – conducting their professional work with proper regard to their technical and professional standards

It appeared some learners confused the relationship in this scenario and this impacted on their ability to answer the question fully. The individual who drafted the incorrect Implementation Statement was not identified, but it was drafted by one of the client schemes. It therefore was not drafted by a colleague and no disciplinary action can be taken.

As a Governance Consultant, you probably need to discuss with your own manager how/if the client should be charged for any work you do. If there is a charge, then you need to approach the Chair of Trustee (or senior contact). Then you would need to evaluate the changes needed, potentially with support from your manager, and tracking these so the client can see the changes you have made. It is a good idea to send a template statement to the client, so they can see why the changes need to be made (such as PLSA). You could offer paid for training as part of the clients TKU. You would need to put any proposals with cost implications in writing, or in line with your company policy.

This learning experience could be used to the advantage of your company. You could offer to create a template checklist which could be sent to all their trustee clients.