



**Pensions  
Management  
Institute**

### **Professionalism & Governance**

**Friday 13th October 2023                      2-5 PM**  
**Time Allowed:                                      3 Hours**

**Pass Mark - 55**

- 1.**      Answer **ALL** the questions.
- 2.**      Type all your answers in the answer box provided.
- 3.**      It is suggested to allocate your time according to the proportion of marks each question attracts.

**Question Number: 1**

You are the investment consultant to the Trustees of defined benefit scheme with a £850m pension fund. At the last Board Meeting, the Trustees agreed to expand the range of assets by appointing a Liability Driven Investment manager (LDI). They are about to start the process and the Chair of Trustees has asked you to prepare a paper for their next Board Meeting setting out:

- a) What they should consider when they are selecting a manager (7 marks)
- b) Highlight the characteristics of an LDI manager and what can go wrong (for context) (5.5 marks)
- c) The risks associated with all investment managers (6 marks)
- d) How the Trustees can mitigate these risks (7.5 marks)
- e) What the Trustees should expect the Investment Manager Agreement to include (7 marks)
- f) Explanation of the process involved in transitioning funds to a new manager (7 marks)
- g) Give examples of good administrative practices the Trustees should look for in any new investment manager (3 marks)

Conclude your report with a relevant recommendation. (5 marks)

Format/communications (12 marks)

Total Marks (60) (48 technical plus 12 format)

**Question Number: 2**

You are the Scheme Secretary to an occupational pension scheme. The Company's Finance Director has just joined the board as an Employer Nominated Trustee. He has asked you about the principle of managing conflicts of interest in his role as a Trustee. Draft an email to the new Trustee:

- a) Setting out the importance of managing conflicts of interest for a Trustee Board (12 marks)
- b) Give examples of what could be conflicts for a Finance Director acting as a Trustee for their company's pension scheme (2 marks)

Format (1 mark)

**Question Number: 3**

You are the Pension Manager to a pension scheme with £800m of assets. Your Trustees have asked you to include a note on the Taskforce on Climate-related Financial Disclosures (TCFD) requirements in the next Trustee Meeting papers. Draft a note to:

- a) Describe the impact on schemes of the TCFD regulations (6 marks)
- b) Explain the TCFD reporting requirements (9 marks)

**Question Number: 4**

You are an Administration Team Leader and one of the new members of your team has emailed you asking about Internal Dispute Resolution Procedure (IDRP). Set out a response:

- a) Explaining the key considerations when resolving a formal member complaint (5 marks)
- b) Setting out the requirements of the IDRP process (5 marks)