**Professionalism and Governance**

**Mock Examination Notes**

(Recommended Time: 3 hours)

1. **Case Study:**

**You are an in-house Pensions Manager and Secretary to the Trustee of the Company’s DB pension scheme. You have been asked to lead the tender and appointment of a new third-party administration service provider, on behalf of the Trustee.**

**The incumbent administration provider has failed to meet its service level agreement targets for over 12 months. As a result, scheme members have lost faith in the scheme’s administration service, resulting in a number of complaints being raised under the scheme’s Internal Dispute Resolution Procedure. In addition, reporting and visibility of costs has been poor, The Trustee has concluded that the provider has failed to carry out its responsibilities in a number of areas and that the service being provided to both the Trustee and the scheme membership is no longer effective.**

**Although you will be responsible for arranging the process to select and appoint a new administration provider, the Trustee is responsible for making the decision regarding which provider to appoint. Two of the Trustee Directors are newly appointed, and none of the Trustee Directors have detailed knowledge of administration service operations.**

**The Trustee has asked you to prepare a report, outlining the importance having a robust Service Level Agreement in place and how that Agreement can give the Trustee confidence that the governance requirements of the administration service delivery are being met.**

**60 marks**

It is important that your answer is presented in the correct format. The question asks for a report, and your answer should therefore be presented in the format of a report addressed to the Trustee, with an introduction, the body of the report split into relevant headed sections, a conclusion and a summary/recommendation. Although a report should be in a formal tone, note that the Trustee Directors may not understand technical jargon relating to administration service delivery and it will therefore be key that you explain the key points in a way that will be easy to understand.

The information required in this answer is found in Part 2, Chapter 1.1 of the manual. The answer should cover:

1. What a service level agreement (SLA) is, and its purpose
2. The importance of good member experience and how SLAs achieve this (noting the IDRP cases raised as a result of poor service by the incumbent)
3. Examples of SLAs and why SLAs are important
4. Effective SLAs should highlight issues that need addressed
5. The various expectations that need to be managed
6. Setting clear responsibilities
7. How effectiveness and performance is measured
8. Clarity and transparency of costs
9. The key steps in establishing a Service Level Agreement
10. **You are the Client Manager for a third-party administration provider. While preparing the quarterly Stewardship Report for your client, you discover that several disclosure breaches have occurred in the quarter, all relating to the provision of Cash Equivalent Transfer Value quotations.**

**What do you do?**

**15 marks**

Your answer should consider the following:

1. Check with the admin team if there are any other cases affected
2. Are there training issues? For example nobody in the team is confident calculating CETVs and so the cases have not been addressed in a timely manner
3. Are the cases being referred for advice – for example, could the issue be a delay in receiving information from the actuarial team?
4. Notify your manager and follow the internal process for breaches/errors and omissions
5. Inform the client as soon as you are aware, advising you are investigation the problem and providing timescales for an update, and ensure you provide regular updates
6. Consider how your actions will affect the relationship with your client
7. Prepare a report outlining the number of members involved, any known compliance issues, why the problem occurred, the scope of the problem, your proposed next steps and solution
8. Determine if the breaches are classed as reportable breaches and take the necessary action
9. What steps are being taken to mitigate a recurrence of the problem?
10. Are there any communications to members required, for example an apology for the delay

The relevant standard of the Code of Professional Conduct is:

3.3 acting in compliance with all relevant statutory, regulatory and other legal requirements

3.5 acting objectively in all work they undertake, observing high standards of integrity and

fair dealing

3.6 conducting their professional work with proper regard to the technical and professional standards of them.

1. **You lead a team providing actuarial support to the Trustee Board of a DB pension scheme You have recently been promoted to Team Leader but you have not yet gained any experience in leading and delivering client projects. As part of the scheme’s GMP equalisation project, your team is preparing the preliminary calculations, which you will be required to present to the Board at the next Trustee meeting. Preparation of the calculations is behind schedule, mainly because you have failed to effectively monitor the progress of the work being carried out by your team.**

**The Chair of the Trustee Board has called you and made it clear that he expects the information to be presented at the meeting, with no excuses.**

**How do you react?**

**15 marks**

Your answer should consider the following:

1. The first consideration must be to your client in preference to considering your own personal position
2. Take stock of the current status of the project and compare this to the anticipated position at this time. This may well necessitate conversations with your team to explain & decide what needs to be done in order to meet the target
3. Working with them identify the reasons for the delays, what the next steps are and whether anything can do done to mitigate the impact of the delay
4. Acknowledge to those involved with the project that you have contributed to the delays and ask for their help and support in re-planning
5. Tell your manager now what the position is, explain why the project is delayed, acknowledge that you are part of the issue and explain what you have done as a consequence
6. Ask for support from your manager to help you to resolve the matter and meet the expectations of the Chair
7. Consider whether a more experienced colleague needs to take over this project, given your inexperience - explaining why you believe you are not qualified to take on this project but in doing so consider why you may have been asked and what role you could lay or support you could provide to support a successful
8. If there is something your manager needs to do to help you succeed for example if you have been too busy with other work to focus on these projects, take the opportunity to make them aware of this and ask for support so that you can focus on meeting the target
9. Inform the Chair of the position and talk them through your plans to complete the project including the impact on any timescales
10. It will be important to reassure the Chair that you are not sacrificing quality for speed
11. Demonstrate what additional resources you are bringing in to resolve the problem
12. Offer to provide regular updates to both Chair and your manager so that they have visibility of progress

The relevant standards of the Code of Professional Conduct are:

* 1. conducting their professional work with proper regard to the technical and professional standards of them

3.11 not act in situations where they have insufficient relevant experience except in co-operation or with the guidance of a suitably qualified and competent person

1. **You are a member-nominated trustee and a deferred member of a DB scheme. The Trustee is reviewing the scheme’s transfer value basis, and the Scheme Actuary has prepared a report outlining and recommending two appropriate calculation methods. In her report, she has asked the Trustee to choose it’s preferred methods, which will form the new transfer value basis going forward.**

**As a deferred member, you are considering transferring your benefits out of the scheme, and you are aware that one of the two methods being recommended will result in your transfer value being significantly higher than if the other method is applied.**

**What do you do?**

**10 marks**

Your answer should consider the following:

1. This situation presents you with a clear Conflict of Interest
2. Declare your conflict to the Trustee Board, ensuring your dosclosure is documented
3. You should explain why you have a conflict
4. Remove yourself from the decision making process
5. Discuss with the Chair and the other trustees how your conflict can be managed
6. It could remain appropriate for you to listen to the discussion, so that you understand the information being presented, but you should refrain from expression opinion given

The relevant standards of the Code of Professional Conduct are:

3.3 acting in compliance with all relevant statutory, regulatory, and other legal requirements

4.5 respect confidential information from any source and not use such information for personal or professional advantage.