

Examiners Report: Professionalism & Governance, October 2024

The Professionalism & Governance (P&G) module is the final exam this Advanced Diploma, and the route to Fellowship for other pathways. It's therefore designed to be challenging. The three hour P&G exam consists of case studies, questions and scenarios, which can be based on the Governance and Professionalism Manuals, the PMI Code of Conduct (the Code) and also highly topical subjects. The Communications Manual supports learners' understanding of how to frame the format of their answer, but also includes technical information relevant to the exam. Learners must understand simply learning the Manuals by rote is **not** enough to be able to pass this exam. They are expected to be aware of topical issues affecting the industry through additional reading and learning. This will give them the breadth of knowledge required to be able to gain the 55 marks required to pass the P&G Module.

Learners should always review their answers for technical accuracy, readability, spelling and grammar. Poorly written answers which do not flow will detract from the 12 communications marks available. These are easy marks to gain and can sometimes make the difference between passing, or not.

Question 1 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, with 48 available for demonstrating technical knowledge.

Question 1:

You have just been appointed as Consultant to a medium sized pension scheme and as part of your onboarding due diligence you have been looking at the scheme's governance documents. Many of the documents you have come across appear very out of date. You have raised this with the Chair of Trustees and she has asked you to draft a report for discussion at the next Trustee Meeting. Your report should cover:

- **The legal and regulatory basis requiring trustees to have internal controls (9 marks)**
- **Explanation of internal controls and why they are beneficial for pension schemes (10 marks)**
- **The content, role and operation of the Risk Register (15 marks)**
- **Explanation of how an Effective System of Governance fits within the internal control requirements and what this means to the Trustees (11 marks)**
- **Recommendations on next steps (3 marks)**

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

The question is drawn from section 8 of the Syllabus, Internal Controls. The technical detail for this question can be found in the Governance Manual Part 1, Ch 2, pages 4, 5, 11, 28, 29, 32 and 33. The Manual links through to TPR's web site which shows updating on General

Code and ESOG which is part of recommended reading. The report format required should reflect guidance in the Communications Manual.

It was pleasing to note the quality of exam scripts in this sitting had improved on April. Although there were still learners who didn't achieve enough marks to pass the exam, all gave a fair attempt. Learners who achieved a pass gave greater relevant detail throughout. They had understood the wider reading necessary and written sufficient information against all the required points, which form the structure of the report. The allocation of marks annotated next to each point illustrated to learners how much information was required. Learners should appreciate this question accounts for nearly two thirds of the marks available. This indicates the level of detail and substance required, as well as the time to be allocated to answering the question.

The regulatory and legal basis which requires trustees to have appropriate internal controls is well established and includes the most recent update of the General Code which was first consulted on in 2021. At this stage in their careers, learners should be familiar with the reasons why internal controls are beneficial for pension schemes and what they are. The information required was given in the Manual and links, there is also guidance available from both TPR and PASA. Where learners did well, they usually managed to gain good marks here. Most learners were able to provide details on the content, role and operations of a Risk Register. Few learners picked up full marks on how the ESOG fits within the internal control requirements. They should note, where the Manuals have links to external sites this is recommended reading and relevant to the exam. There were five marks available for any reasonable conclusion and or recommendations which resonated with the information learners had given in their answer.

The remaining 40 marks for the exam were gained from the three short questions where questions are taken from the syllabus and can be broader than the Manuals. These and topical issues cover aspects of the industry anyone working in pensions would be expected to know something about – regardless of their seniority. The number of marks available are given for every question, as well as the weighting of marks:

Question 2

You are the pension manager to a large DB scheme which is administered in-house. While you think your members are receiving a good service, you want to understand how they feel about the service they receive. You believe conducting regular satisfaction surveys will give you the insight needed.

Draft an email to the trustees and the company explaining:

- **The benefit of surveying members regularly (4 marks)**
- **How the survey should be conducted (4 marks)**
- **How the results can be used (4 marks)**

(12 total marks)

This question was drawn from section 5 of the Syllabus, management and measurement of service delivery. The relevant detail was covered in the Governance Manual Chapter 1, Part 2, pages 53 and 54.

Question 3

Your firm has recently taken over the audit appointment for a large Defined Benefit scheme and you are conducting the due diligence and knowledge gathering before the next audit. During your research, you have uncovered an issue which means you are uncertain whether the administration practices have been in line with the Scheme Rules. You think this may be due to an incorrectly applied equalisation date.

- A) What sections of the Code apply here (3 marks)**
- B) Why is this important and what do you do? (10 marks)**

(13 total marks)

This question was drawn from the Professionalism Manual and the Code of Conduct. It was based on Case Study B.

Question 4

You are consultant to a large Defined Contribution pension scheme and you have been discussing cyber risk with the Chair of Trustees. He has asked you to draft a note to the Board setting out:

- A) Why pension schemes could be a target for cyber criminals (2 marks)**
- B) Explaining cyber risk & its potential impact (4 marks)**
- C) The certifications available to protect against cyber threats and what they mean (5 marks)**
- D) What the Trustees need to do (4 marks)**

(15 total marks)

This question was drawn from section 6 of the Syllabus, the importance of governance in managing a pension scheme. The relevant content could be found in the Governance Manual Part 1, Chapter 1; Part 2, 1.6 pages 5, 48 and 49 (including the link to TPR cyber guidance).

Learners should have been able to talk about cyber risk, TPR's approach and the basic certifications organisations go through to protect themselves, their clients and members from attack.