



Professionalism & Governance

Wednesday 9th April 2025 **2-5 PM**

Time Allowed: **3 hours**

Overall Marks - 100

Passing Percentage – 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 Client Manager to the pension scheme of a large UK employer. The scheme is a Defined Benefit (DB) plan with over 5,000 members. The Trustee Board consists of a Corporate Trustee and the Chair, who is an Independent Professional Trustee. The Trustee Board is comprised of both employer nominated and member nominated Trustee Directors, including senior executives from the employer's finance and HR teams and Union representation.

During a recent investment strategy review, the board considered appointing a new investment manager. One of the senior finance executives, who is also a trustee, strongly advocates for appointing 'Capital Growth Investments', a firm where his spouse is a senior partner. He assures the board that this does not influence his recommendation.

At the same meeting, the board discussed whether to increase employer contributions as the scheme still has a significant deficit. The employer-nominated Trustee Directors are also company executives. They were hesitant to support an increase, citing corporate financial pressures.

Additionally, a new governance consultant recently joined the advisory team. During routine due diligence, it emerged the consultant was recently a long-standing employee of the Company working directly for its Chief Financial Officer.

The Chair has asked you to prepare a paper for presentation and discussion at the next Trustee Meeting, to cover:

- a) Explaining the importance of managing conflict of interests (COI) for Trustees, including Corporate Trustees (8 marks)
- b) Exploring the wider impact of managed and unmanaged COI on governance and decision making (5 marks)
- c) Identifying and classifying the specific examples of COI for the scheme (12 marks)
- d) Discuss how the Trustee Board should manage and mitigate these, and other, COI (18 marks)
- e) Highlight key conclusions and recommendations for this Board to take forward (5 marks)

Format/Communication Marks 12

Technical Marks 48

Total Marks 60

Marks	Format/Communication Marks 12 Technical Marks 48 Total Marks 60

Question Number: 2

You are a Defined Contribution (DC) Consultant and you have been appointed by the new sole trustee of a sectionalised pension scheme with a small DC section of less than £100m. The Trustee has asked you for support in complying with the Regulator's DC Value for Members requirements (VFM).

Draft an email explaining the steps they need to take. (15 marks)

Marks**Maximum marks 15****Question Number: 3**

You are a Digital Pension Communications Consultant and you have been asked to present a short briefing note to a Third Party Administrator on why they should be developing a digital communications strategy. Your note should explain:

1. The impact of changing member expectations (2 marks)
 2. How the strategy can enhance member engagement and understanding (2 marks)
 3. How the strategy can increase security, efficiency and cost savings (2 marks)
 4. Briefly highlighting differences between benefit and defined contribution members in:
 - a. the frequency and type of digital engagement (2 marks)
 - b. their key messaging needs (2 marks)
- (10 marks)

Marks**Maximum Marks 10**

Question Number: 4

You are the Client Relationship Manager for a pension administration firm that provides third-party administration and benefit consulting to a range of clients. You are preparing for your quarterly meeting with the trustees of your largest Defined Benefit (DB) client when you discover the following issues:

1. Deferred Benefit Statements – 13 cases where deferred benefit statements were issued four months late after the members left the pension scheme
 2. Surviving Spouses' Benefits – Three pensioners have died, leaving surviving spouses. No one from your firm has contacted the spouses, and benefits have not been set up. The deaths occurred five to eight weeks ago
 3. Pension Overpayment – A pension was miscalculated, leading to an overpayment of £50 per month for the last four months. The error was identified but no corrective action was taken
- a) Identify and discuss at least three principles from the Code which are relevant to this situation? (5 marks)
 - b) Explain the potential ethical, compliance and reputational risks associated with the failings (4 marks)
 - c) Describe the steps you will take to rectify the situation, including communication with key stakeholders (6 marks)

(15 marks)

Marks

Maximum Marks 15