

Module Professionalism & Governance

The PMI's Professionalism & Governance exam is intended as the final stage in the Advanced Diploma. As such the expectations on learners are they should be able to take the technical material available in the study manuals and interpret them to any given situation. This is what will be expected of them in their careers as fully qualified pensions professionals.

There is a range of study material available consisting of two technical manuals, one on Governance and one on Professionalism. There is a supporting Communications Manual and also the PMI's Code of Professional Conduct (the Code). Part one of the exam is a case study, which is based on information directly drawn from the Governance Manual. This carries 60% of the marks available. 48 marks are awarded on learners' ability to draw from the technical information within the manual, and overlay their interpretation of the case study and how they would respond to the situation presented. Without learning the information in the manuals, learners are unlikely to know the technical material required to gain enough marks to pass the exam. 12 marks are awarded for the way learners present their answers, their communication technique and style in the required format. These marks test learners' knowledge and effectiveness on the different ways information is exchanged.

Part two consists of three or four short questions, where 40% of the marks are available. These can be drawn from the syllabus or the Code of Conduct. Regardless of their status, all PMI members are required to adhere to the Code which is a key document for all PMI members. PMI members should familiarise themselves with the Code and understand how they should behave when faced with various issues. The Code is set out on two pages of A4, separated into six sections and is available for download from the PMI website. The Code is not a definitive list of actions for PMI members to apply. It is a guide and PMI members are expected to behave appropriately and in the spirit of the Code.

Where questions relate to the Code, learners are expected to understand the Code itself and be able to apply the principles to a professional situation. They should be able to assess this situation; understand any technical requirements and identify which part of the Code it relates to. They are required to draft a short response referencing the relevant section of the Code. It is not simply enough to identify the problem; learners also need to explain how they would resolve the issue. This may involve conferring with other parties, but simply handing the problem over to a 'Compliance Department' is not sufficient. Neither is refusing to address the problem without offering alternative solutions. Questions based on the Code require learners to interpret what actions and behaviours they need to demonstrate to find these solutions. Learners who do not give enough detail, rely on simply repeating the Code, or forget there is a technical element to the situation will struggle to pass the exam. The Professionalism Manual is available to assist learners in their preparations. There may also be times when part two questions address a specific issue from the Governance Manual. Here the questions may be more specific about Regulation or best practice. No communication marks are awarded for part two.

Learners who had not studied and understood the manuals provided, as well as not applying understanding to the Code generally underperformed. It was evident some learners were not familiar with the manuals and relied on their own skills and experience to answer the questions. Generally, because of the technical detail required this was insufficient to pass the exam. There's no requirement for learners to achieve a specific percentage in either part of the exam. The exam paper shows the marks allocated for each question and this should be considered when deciding how much time to spend on each. The questions can also be answered in any order. However, as there are 60 marks available for question one, learners are unlikely to gain enough marks to pass unless they have studied and learnt the Governance Manual. This year there was a more balanced approach from learners. Unfortunately, there were still some who gained reasonable marks on the case study but were let down by their knowledge and understanding of the Code. This was critical for some learners who then did not gain sufficient marks to pass the exam. Learners who had a good knowledge of the Code on the whole gave good answers to questions three and four.

PMI is moving from paper based towards electronic exams, to match the way pensions professionals work. However, many learners still took the handwritten option for this exam and as examiners we must interpret learners' answers for them to gain the marks they need to pass. It was therefore imperative that as part of their preparation for this exam, learners taking this option practice writing freehand for prolonged periods. Some learners took the electronic option and while their answers were easier to read, they still need to think about the structure and layout of their answers.

The importance of learners' ability to plan thoughts and ideas for an exam answer so that it flows logically, and every opportunity has been taken to ensure the answer reflects the requirements of the question, cannot be stressed enough. There were some learners this year whose answers were clearly rushed towards the end of the paper. With planning they could have gained enough marks to pass. The plan is not simply a list, it should be the foundation of the final answer. As the plan develops, it should be referred back to the question to ensure learners are answering the question asked and not their own interpretation. A number of learners lost their way or did not answer the question asked, which was a pity as there are no marks given for irrelevant detail. Learners taking the exam electronically can still plan their answers, either on paper or within their exam entry. Other than the potential to lose their way in answering a question, no candidate is penalised for not producing a plan. Once the plan is complete and learners begin drafting their answer, it should follow the plan. This ensures any exam pressure does not push learners off track. Planning is integral to getting optimum marks, as is ensuring sufficient time is allocated to reading through completed answers. This is where learners can test if their answers make sense and flow, to ensure they haven't missed out any vital pieces of information and to add finesse.

The answer to the case study, Question 1, could be found in Part 1 S1.4 page 6, Section 2.1.3 pages 17/18 Section 2.4 pages 21/22 Section 2.1.1 page 16 of the Governance Study Manual. The Communications Manual supports learners' understanding of how to frame the format of their answer. The 12 relatively easy, but important, marks are available for communication. The question was:

You are the Secretary to the Trustees for the Board of a medium sized defined benefit pension scheme which is still open to new members. At the last meeting, the Trustees raised concerns about their risk management. They have asked you to prepare a briefing report setting out the structures they could use to better monitor and manage their scheme risks.

Your briefing report should cover:

- **What factors can influence any structures they put in place**
- **TPR's expectations of trustees**
- **Factors influencing the composition of the trustee board**
- **The specific help that should be given to newly appointed trustees**
- **The use of sub committees of the trustee board**
- **How conflicts can be managed and the use of risk registers.**

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

Whilst a maximum of 48 technical marks are allocated, there are always more available. Learners have every opportunity of gaining higher marks if they have both learned and understood the study material, rather than relying on personal experience. To answer this question adequately, learners needed to demonstrate understanding of a number of areas in the manuals and Code. Where learners had studied and retained material, their marks reflected this. However, many lacked adequate detail. There was a clear difference in marks between those who had learned and understood the technical detail and those who had not. Those who did gained reasonable marks in the case study, by demonstrating this learning and reflecting it back in the context of the question. This year it was pleasing to see a number of learners gained good marks. A number of learners omitted to include all the required points, or cover those they did include in enough technical detail to gain enough marks. Many learners repeated points and so were unable to score highly. No additional marks are awarded for points which are repeated.

The question asked for a briefing report, but many answers were more like an essay with no clear structure, missing some or all of a contents page, summary, introduction, conclusions and recommendations. Some answers started well but ended abruptly, rather than ending as a report. Some answers did not demonstrate sufficient understanding of the required level of technical detail. A number of learners focused more on the risk management process, rather than the framework for managing risks i.e. risk management structures and Regulatory framework. Learners also need to set their answers within the context outlined in the question; this was of a medium sized, open defined benefit scheme. Many answers were missing at least one area and/or focused too much on an area to the detriment of others. This was disappointing as the question set out a structure for the main body of the report:

What will influence the structure?

Learners were expected to know whatever risk management is put in place will be dependent on a number of different aspects e.g. size, scheme type etc. It also needs to be proportionate and workable. This section was often missed in answers, or was covered off in a single sentence which was insufficient to gain the marks available.

TPR expectations

Learners were expected to know when the Pension Regulator's (TPR) requirements on risk management came into play and how (Occupational Pension Schemes Internal Control Regulations (SI 2205/3379), Code of Practice on Internal Controls 2006, 2010 Guidance). A number of learners were able to recall at least some of these, but few highlighted all. They should also have highlighted TPR is not prescriptive in its expectations for schemes.

Trustee composition

Here, many learners were able to cite the requirements for member nominated trustees and that all trustees should work together as a group. Some explained the trend for using independent trustees and how many now work within an independent trustee company. Fewer learners were able to say why independent trustees can benefit a scheme.

Onboarding new trustees

Most learners picked up TPR's Knowledge and Understanding requirements and that these need to be kept up to date with a training plan. Few were able to recall there is a Code of Practice and three scope documents.

Use of sub-committees

Most learners picked up sub-committees are a popular way of running schemes and managing risks so work can continue between meetings, or specific areas can be focused on, with findings and recommendations brought to the full board. Similarly, most learners were able to give examples of sub-committees, but a number gave too much detail on the issues sub-committees can cover. Few explored their composition and the reasons for choosing participants. Although most picked up that decisions are still the full board's responsibility.

Managing conflicts and risk registers

Here, many learners went into too much detail on how a risk register is created. This wasted valuable time. However, most were able to identify where a conflict of interest could arise and how it could be managed.

The Communication Manual is provided so learners can familiarise themselves with the styles and typical content of formats required in the exam, as part of their wider revision process. To gain the 12 communication marks, the answer must be placed in the format and style required. In this exam a briefing report format was required. Learners needed to show they understood who the audience for the report was and to adopt appropriate language and tone. Recognition was given to learners who acknowledged this without compromising their time or their technical content. Format structure alone is not sufficient to gain full communication marks. Answers were marked on their style, whether it was appropriate for the specific scenario and its flow. If learners were unable to provide sufficient technical content, then the success of the

communication was affected. Where learners were able to convey their answers appropriate to the format and with adequate technical detail, they gained higher marks. Communication often started well but faded towards the end of answers with only a few learners including proper conclusions and recommendations.

The three short questions could only have been answered fully if learners had read and understood the Professionalism Manual and the sections and references of the Code, as well as understanding the syllabus. Learners should have worked through the Professionalism Manual, so they know how the Code is applied in specific circumstances. Learners need to be familiar with the Code and its structure so they can recall which area(s) a particular scenario relates to. It is also important for learners to know the broader application of the organisational principles underlying the Code. They should understand the Code is a guide to behaviour. 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. Learners should bear in mind the short professionalism questions can also be based on any area of pensions within the syllabus.

It was pleasing to note most learners had read the Code, but many did not distinguish which aspect of the Code questions were concentrating on and many simply listed as many sections as possible. A number used the Code-based answers as a mechanism to shoehorn in references to the Code, rather than address the scenario posed and demonstrate how the Code would guide their actions. They lost marks as a result.

The short questions were:

Question 2

- a) Summarise the PMI Code of Professional Conduct (3 marks)**
 - b) Define professionalism (2 marks)**
 - c) Outline the benefits of professionalism (5 marks)**
- (10 total marks)

Learners seemed to find part (a) of Question 2 on professionalism more challenging than other questions. This question covered material in the overview section in the Professionalism study Manual. Sadly, it appeared most learners had not studied and taken in this part of the study Manual to answer parts (a) and (c) adequately. However, good answers were given to part (b), showing that learners do appreciate what professionalism is.

Question 3

You are a consultant to a scheme reviewing its long standing legal advisers through your firm's procurement department. You talk to the procurement manager and he tells you his wife works for a shortlisted firm with the lowest bid. He says if you stay silent, he can 'make it worth your while'.

- a) What are the relevant section(s) of the Code that apply (8 marks)**
 - b) What, if any, actions should you take? (7 marks)**
- (15 total marks)

The relevant sections from the Code were 1b, 1d, 1e, 1f and 4c.

Several learners did not appreciate the consultant should withdraw themselves from the procurement process and not discuss the issue with either the procurement manager or the trustees. Most learners picked up this was against the law (Anti-bribery Act 2010) and they should discuss the issue with their manager and own compliance department.

Question 4

You are the Administration Team Leader for a pension scheme, one of your team comes to you in distress. A member was abusive to them on the phone. The call ended by your team member putting the phone down. They have asked you to call the member back stating their behaviour is unacceptable.

- a) What are the relevant section(s) of the Code that apply (8 marks)**

b) What, if any, actions should you take? (7 marks)

(15 total marks)

The relevant sections from the Code were 1b, 1d, 4a, 4c, 6b

Coverage of which parts of the code applied here was mixed, but there were some good answers to part (b). Although some learners assumed the team member was the innocent party and missed a lot of the detailed points needed here. They did not pick up they only know one side of the story and so should gather more information before speaking to the member of the scheme. Those who did, highlighted that a recording could be available to hear first-hand what happened. Few learners picked up that when they communicated with the member, they should be made aware they can instigate a complaints process. Some did acknowledge that any follow up action would be dependent on the fact find.