



Professionalism and Governance

Mock Examination Notes

(Recommended Time: 2 hours)

1. Case Study:

You run your own company providing secretarial services to pension schemes, Agenda Secretarial Limited. You have been invited to pitch for an appointment as the secretary to the pension scheme of Pipemakers Limited, a medium sized manufacturing company. The scheme has around £100 million in assets, and it has a funding deficit.

If your company is appointed as the scheme secretary, you will be attending trustee meetings and taking minutes, but you will also be responsible for a wide range of other tasks connected with the running of the scheme. For example, it will be your job to draw up the agenda for each meeting; circulate a list of action points; monitor progress of the action points; act as a contact point for the trustees' advisers and ensure that they provide the advice needed ahead of each meeting; draw up and handle the trustees' budget; monitor compliance with risk procedures, and report to the trustees on any breaches or any improvements needed; and you will be expected to give the trustees the benefit of your knowledge about governance and operation of pension schemes, based on your experience with the other schemes for whom you act as secretary.

You have spoken briefly with the HR manager at Pipemakers Limited. He explained that the scheme is not too badly run, but they are looking at improving the governance, and the appointment of an independent secretary is part of that. The chairman of trustees has served in that role for the last 10 years, and everyone involved agrees that the running of the scheme has perhaps become a bit set in its ways, in terms of how the trustees do things and how they use their advisers. So they are looking to make some improvements in this area.

The invitation to pitch asks for your comments on the following three questions by email. The answers should be relatively concise and should focus clearly on the practical points that are most likely to be of interest to the trustees but should also include some explanation of the thinking behind your answers. You should therefore prepare the text of an email to be submitted to the HR manager giving answers to the three questions.

The three questions that you are being asked to answer are:

- a) **If you were appointed as scheme secretary, how would you ensure that the costs of running the scheme are properly monitored?**
- b) **How could the programme of trustee meetings for the year be organised, and what areas should the meetings focus on, to ensure that the scheme manages its risks properly?**
- c) **The trustees are looking at making changes to the composition of the trustee board, to make sure that the board operates effectively and is successful in addressing the various risks for the scheme. What sorts of things should the trustees consider when they think about this?**



It is important that the answer is presented in the correct format. The question asks for an email to the HR Manager, and the way the answer is written should reflect this. So, for example, it should be in complete sentences, and it should be easy to read, and not too formal in style.

As noted in the question, the student's answer should be concise and focus on points of practical importance. It should also contain some reference to the thinking behind the points that are made. Given the breadth of the questions, some students are likely to include their own views going beyond the content of the manual, and marks will be awarded for this provided they are relevant and well thought through.

The student is asked to answer three questions:

a) If you were appointed as scheme secretary, how would you ensure that the costs of running the scheme are properly monitored?

Relevant commentary is given in Part 2, Chapter 2 of the Governance Manual.

The answer will focus on the need to be clear about advisers' costs, and to ensure there is value for money. This will necessarily involve drawing up a budget, as explained in Part 2, Chapter 2.3. The answer should briefly explain the reasons for having a budget, and how a budget is operated in practice. It should then move on to explain the need to monitor costs against budget, and to understand any variances.

As a practical point, the answer might outline the need to decide who will have responsibility for the monitoring – whether it will be the scheme secretary, a sub-committee, or the trustees as a whole.

b) How could the programme of trustee meetings for the year be organised, and what areas should the meetings focus on, to ensure that the scheme manages its risks properly.

Part 1, Chapter 2.4.2 of the Governance Manual gives content that is relevant to this question. The student will also need to draw on materials from other parts of Part 1 in order to address the reference in the question to managing risks.

There is no "right answer" to this question, and one student's answer may differ from another's. It is important, though, that the answer draws on the explanation about different types of risk in Part 1 of the manual and shows that the student has thought through carefully the practicalities of the suggested meeting structure. For example, one possible approach might be to have each area of risk (governance, funding, investment etc.) as an item on every trustee meeting agenda; an alternative would be to have a structured programme of three or four trustee meetings per year in which each meeting focuses on one of the main headings and spends less time on the others.

The student is then expected to explain that the trustees should consider using sub-committees, and a good answer will highlight the points made on this in Part 1, Chapter 2.4.2.



- c) The trustees are looking at making changes to the composition of the trustee board, to make sure that the board operates effectively and is successful in addressing the various risks for the scheme. What sorts of things should the trustees take into account when they think about this?**

Again, there is relevant commentary in Part 1, Chapter 2.4.2 of the Governance Manual, and again the answer should draw on the various risk considerations that are summarised in other parts of Part 1.

The answer is likely to start by explaining the matters shown in Chapter 2.4.2 under the heading "make-up of the trustee board". In doing so, it should refer to some of the main risks that the scheme is likely to be facing (e.g., the need for trustees to be able to participate in possibly complex discussions about funding and investment). The answer should briefly describe the role of the trustee chairman, and the importance of the chairman to the trustee group. It should identify the value that a professional independent trustee can bring and should acknowledge that the company and trustees might consider whether it is worth appointing a professional trustee.

Finally, the answer should acknowledge the importance of ensuring that any possible conflicts on the trustee board are addressed, although the student is not expected to go into detail about this.

60 marks

- 2. You are Team Leader, and you have a junior colleague that is particularly good at a low-level job, and you know it would be difficult to replace her. Your colleague has asked for support in studying for exams which would make her eligible for promotion. How do you respond to her request?**

Your answer should consider the following:

- a) Is there a specific company policy in place?
- b) What is the company view on study leave? i.e. is it seen as a privilege or a right?
- c) What support and help could there be from other team members who might each be able to absorb some of the low-level job to enable the colleague to be promoted.
- d) Obviously, this junior colleague is very committed to the team and there might be a risk of losing her if no means of progression were provided
- e) This can only be fully resolved by having an initial discussion with the junior colleague.

The relevant standard of the Code of Professional Conduct is:

- 5.e encourage others to attain their professional qualification and support their development.

15 marks



- 3. A friend, who knows you work in pensions administration, asks for advice on whether he should opt out of auto enrolment as he does not feel he can afford the contributions and wants to save for a holiday instead).**

What do you say to him?

Your answer should consider the following:

- a) This friend is really asking for Regulated advice – regardless of what s/he is saying. Unless you are qualified and regulated, you are not allowed to do this
- b) As an administrator you can explain what auto-enrolment is and you can recommend your friend takes up any offer from their employer for Independent Financial Advice.
- c) You should be able to describe to your friend what regulated advice is and why they need it e.g., taking account of all their financial affairs

The relevant standards of the Code of Professional Conduct are

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

10 marks



4. You work for a pensions consultancy. Miss A, who is one of the more senior employees of a company, which your consultancy provides advice to, regularly appears in the press on the television. A journalist has approached you and offered you £10,000 to reveal information about her date of birth and salary. How do you respond?

Your answer should consider the following:

- a) Client confidentiality precludes you from disclosing this information even if no money changes hands
- b) Accepting a bribe – Anti Bribery Act 2010 criminal act
- c) Raise the situation with senior management immediately and/or does your company have a safe process for raising difficult issues like this?
- d) Not only is the Journalist guilty, so is their organisation.
- e) In any event you should document in detail the steps you take in resolving your dilemma in case your judgment is challenged in the future.

The relevant standards of the Code of Professional Conduct are

- 3.3 acting in compliance with all relevant statutory, regulatory, and other legal requirements
- 3.7 not accepting or offering gifts, hospitality or services which could, or may appear to, imply an improper obligation.
- 4.5 respect confidential information from any source and not use such information for personal or professional advantage.

15 marks