THE PENSIONS MANAGEMENT INSTITUTE

Professionalism & Governance Examiners Report October 2020

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 all 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 <u>and</u> 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 and 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 list multiple sections of 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. No communication marks are awarded for part two.

Learners who do not study and understand the Manuals provided, as well as not applying this understanding to the Code generally underperform. However it was pleasing this year that most learners were familiar with the Manuals and were able to apply this learning to their answers. This resulted is more learners gaining sufficient marks 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 the Governance Manual sufficiently to be able to draft a complete answer. This year there was a more balanced approach from learners and the standard was higher overall than in previous years.

As a result of remote working requirements, PMI has moved from paper based to fully online exams. Learners were clearly more comfortable with this was of working and it showed in their answers. However learners need to remember to incorporate sufficient time to fully read through their answers before submitting them. There were quite a few which would have benefited from a second read to clarify sentences and correct typos.

Even in an electronic environment it is important to plan answers. While the online platform does not give learners the same ‘planning freedom’ as paper, it is still a vital aspect of scoping a good answer. It is integral to ensuring nothing is missed and the answer has flow. Learners are not directly penalised for lack of a plan, but it does improve their chances of better marks.

The answer to the case study, Question 1, could be found in Part 2 pages 39/40 and 44 – 47 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 Group Pensions Manager of a 10,000 member scheme with a defined benefit (DB) section and a defined contribution (DC) section. Both are open to future accrual, but only the DC section is open to new members and it is also the sponsoring employer’s auto enrolment vehicle. The administration is outsourced to a Third-Party Administrator (TPA). The Trustees want to understand how their members feel about the service provided by the TPA and do not want to use the TPA’s standard member survey. They are also worried about the potential cost of asking the TPA to run a bespoke exercise. As this would be a new initiative, the Trustees have no budget to help them.

Write a report for the Trustees to discuss at the next Trustee Meeting covering:

- **How a member survey could work for the scheme and what benefits an effective survey could bring to managing administration quality.**
- **How to deal with any dissatisfaction which may come through in the results.**
- **The nature of costs which could arise – both for the Scheme and TPA.**
- **How the Trustees should go about creating a budget to compare with the TPA’s standard fees for running a member survey.**
- **How the Trustees could manage and monitor the budget in the future.**
- **Recommendations on the next steps the Trustees should take.**

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

Whilst a maximum of 48 technical marks are allocated, there are always quite a few more available. Learners have every opportunity of gaining higher marks if they have both learned and understood the study material, rather than relying on simply personal experience, or their current practice at their employer. To answer this question adequately, learners needed to demonstrate understanding of only two areas in the Governance Manual, plus the guidance in the Communications Manual. Where learners had studied and retained material, their marks reflected this. However, a few focused on perceived failings at the TPA rather than the wider principles of good practice in understanding how members feel about the service they receive. A number of learners demonstrated they had read and understood the principles involved and how they can be applied in practice. It was pleasing to be able to reward these learners with good marks. Some learners omitted did not cover all the required points, which was a shame as it limited their ability to gain enough marks. It was also pleasing to see there was less repetition this year.

Given this was the first year when all exams were online, structure was better and most students laid their answers out in a report style format. However, vital marks were sometimes missed when aspects such as the contents page, summary, introduction, recommendations were missed.

The three short questions could only have been answered fully if learners had read and understood all the Manuals and the Code. Learners should bear in mind the short professionalism questions can also be based on any area of pensions within the syllabus. This means short questions can include any aspect of the Governance Manual, in addition to Question 1. For Code related questions, learners should have worked through the Professionalism Manual as well as learning the Code, so they know how it 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. Importantly, the Code is a guide to behaviour and so there is always acknowledgement of learners' interpretations. 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.

While learners are beginning to understand how to interpret the Code, a number still listed any which they felt could have relevance, rather than thinking carefully about which could apply. However it is pleasing a number of learners are looking at the context of the question and what the issues could be which relate to the Code. They were rewarded with better marks for this approach. The short questions were:

Question 2

You are the Team Leader for a large Third-Party Administrator and your department has recently undergone a significant restructure. This is impacting negatively on client Service Level Agreements and your team of five is demotivated by all the complaints they are receiving and which they cannot do anything about. Three of your team have indicated that they are considering leaving the organisation.

1. **Identify the relevant section(s) of the Code that could apply to this situation. (4 marks)**
2. **Outline the actions, if any, you could take to deal with this situation. (6 marks)**

(10 total marks)

Most learners coped well with Part 1 of this question and managed to gain the full 4 marks here. The relevant sections of the Code were 1e, 4b and 6c. There was less confidence in Part 2. This meant few learners were able to gain the full 10 marks overall.

Question 3

You are in your second year of working in pensions administration and your training is going well. You report to a senior administrator and you are confident in the work you are being asked to do to support them in delivering a key internal project. However, the senior administrator has now gone on extended sick leave and your manager is saying your study leave will be cancelled until you complete the project.

1. **Identify the relevant section(s) of the Code that could apply to this situation. (8 marks)**
2. **Outline the actions, if any, you could take to deal with this situation. (7 marks)**

(15 total marks)

In Part 1 the relevant sections from the Code were 1e, 2d, 6a, 6d, 6e. Learners were able to identify 1e and 2d as relevant here, but several applied multiple sections of the Code without really identifying how they applied to this particular case. This meant few were able to gain the full 8 marks. Most learners were able to identify key aspects to resolving this issue for Part 2, although the extent they articulated them varied which impacted on the marks awarded.

Question 4

1. **Describe the two main additional risks facing the trustees of defined benefit (DB) schemes compared with those facing the trustees of defined contribution (DC) schemes. (3 marks)**
2. **Outline the ways trustees can seek to ensure members' benefits from DB schemes are paid in full. (12 marks)**

(Total 15 marks)

The answers to this question can be found in the Governance Manual, Chapter 1, pages 8 to 9. There were 3 marks available for Part 1, and 12 marks available for Part 2. Most learners were able to identify the key points, but there was little detail and so a number of learners were not able to gain good marks in Part 2.