Examiners Report: Professionalism & Governance, April 2025

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 industry 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 information in 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 marks required to pass the P&G Module. Learners should also always review their answers for technical accuracy, readability, spelling and grammar.

Learners need to be aware of their time management when sitting the P&G exam. Question 1 is a long case study where learners are asked to apply technical information to a given situation, and in a specific format. It's worth 60 marks, 48 technical and 12 communication marks, but there are always more than 48 technical marks available. 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. With 60 marks available, learners should be focusing the majority of their time on planning and drafting their answer. A guide would be around 1 hour 50 minutes in total could be spent on planning and drafting question 1 alone. This is an indicator of the depth and extent of detail required. The online platform shows learners their word count, and a rule of thumb would be answers should be in the region of 1500 words in length.

In question 1 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 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 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)**

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

The question is drawn from sections 3 and 8 of the Syllabus. Governance Manual Part 1, Chapter 1.2.7, 1.3.1, TPR core requirements (website) and wider reading.

Question 1 was very clear on the distribution of marks available for each point learners were expected to discuss. This is an indicator of the time and effort required for each area. Here, point a) had 12 marks, point d) had 18 marks available, with point c) again worth 12 marks **(in bold below)**. These are the areas where learners should have focused their time and given the most detail. Unfortunately most learners did not apply sufficient detail to pick up enough marks, nor did they use the headings given in the question. These headings are a guide for both the effort required on each point, <u>and</u> to guide learners through the flow of their answers.

a) **The explanation is the introduction and context for this question. Learners should noted COI not only covers trustees, but all their advisers and service providers. Any credible explanation of what a COI is would have been acceptable, such as COI covers gifts as well as financial gain and how it can lead to poor decisions and reputational damage. Plus how it does not always have to be linked to an employer. TPR has produced Guidance and expectations on trustees to manage COI is a regulatory and legal requirement. COI is part of a scheme's internal controls and will form part of its Risk Register**
b) Having a COI policy acts as protection to all and insures trustee integrity, enabling transparent decision making and regulatory compliance. Unmanaged COI raises legal and reputational risks. The Pensions Ombudsman could get involved if poor decisions have been made. IORP II requires COI management
c) **Examples of COIs for this scheme could be:**
    a. **Real: the trustee director recommending investing in his wife's company, because regardless of whether it's a good investment for the scheme his wife will benefit**
    b. **Perceived: the employer nominated trustee director resisting the increase of employer contributions. They need to balance their respective duties**
    c. **Potential: the governance consultant's prior relationship with the CFO, which could raise questions on the impartiality of decisions and the risk of biased advice**
d) **The Board should manage and mitigate COIs by having a clear policy and Code of Conduct which outlines options for managing COIs, such as withdrawing from decisions. They should have a strong process for planning for and identifying, monitoring and managing COIs. All types of COIs should be declared and recorded in a COI register. Trustees should not be a party to decisions where a COI exists. Independent**

Professional Trustees can help with managing COIs. Consultants should be assessed at outset and regularly afterwards to ensure impartiality. External audits and independent oversight helps demonstrate compliance.

e) Any reasonable conclusions which learners could articulate based on the information in the question were acceptable

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.

When thinking about time management,, learners should be focusing a total of around 1 hour 10 minutes on the 3 remaining questions. The number of marks available are given for every question, as well as the weighting of marks. This allows learners to decide how much time they give to each question.

Question 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 total marks)

This question was drawn from section 6 of the Syllabus. The relevant detail was covered in the Governance Manual Chapter 1, Ch 1.2.5, 1.6.1-1.6.3 plus TPR Guidance.

This is also a highly topical area where there is increased awareness of the risks for members of DC schemes and trustees' legal duty to assess costs and charges via the Chair's Statement. As well as their duty to monitor and record VFM. Overall, learners did not go into enough detail on the background of VFM, there was little mention of the drive for adequacy of outcomes for members and there was no mention of TPR. Learners should have noted this is a small scheme i.e. less than £100m and so there is a regulatory requirement to assess the elements of VFM annually. If that assessment reveals poor value, trustees have a duty to rectify this. If this is not possible, trustees are expected to consider winding up the scheme and transferring their members to a scheme which can offer value for money – usually a master trust.

Question 3
You are a Digital 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 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 total marks)

This question was drawn from the Communications Manual Chapter 2, pages 51 and 52, plus press articles and wide topical knowledge as well as industry reading. Overall, learners generally answered this question well on the cost and security aspects. The need to be aware a digital first strategy can help keep costs down over the longer term by reducing postage and admin workloads. As well as increasing security through, for example, secure multi factor authentication.

Most learners were not able to give examples of wider applications of a digital strategy such as the need to be aware of how members of pension schemes are expecting a more dynamic, consumer like experience – particularly younger members. Or where poor literacy can lead to disengagement and a digital strategy can help a broad range of people through interactive tools, educational videos, nudges etc. Learners were expected to highlight the general difference in interaction between DB and DC members. As well as how both can benefit from a digital strategy through such initiatives as video benefit statements.

Finally, learners should have highlighted DC members needs communications which encourage them to think about their investment choices and contribution levels. DB members generally need reassurance about the security and level of their pensions. Overall, learners focused more on the scheme perspective, rather than what can be in the best interests of members.

Question 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 total marks)

This question was drawn from a combination of the Case Studies in the Professionalism Manual. Learners could have identified any of the following principles:

- 3.3 Compliance with legal requirements
- 3.5 Integrity and fair dealing
- 4.1 Duty to obtain necessary information
- 4.5 Respect for confidential information

Learners tended to be very light on detail for this case study. In answering this question, learners should have been able to discuss the regulatory, legal and reputational consequences of the issues. Then they should have been able to think about the steps needed to address them. Such as reporting the issues and seeking compliance guidance, looking at root cause analysis, ensuring no more errors happen and the need to communicate with both the client and affected members. Learners need to be thinking about what could prevent recurrence, whether financial redress is appropriate and adherence to higher standards to reduce future risk e.g. PASA standards.