

THE PENSIONS MANAGEMENT INSTITUTE

QUALIFYING EXAMINATION 2017

PROFESSIONALISM AND GOVERNANCE

Notes: Three hours are allowed for this paper. Answer all parts of all questions. In a multi-part question when the marks are not equally divided a guide to the available marks for each part is shown. For Question 1, 20% of the total marks for that question will be based on format/communications/presentation elements and the remainder will be based on technical content.

1. You have recently completed your PMI Advanced Diploma and have been asked by PMI to write a technical article for inclusion in PMI News. The subject you have been asked to cover is the governance framework surrounding the selection and replacement of investment managers by occupational pension schemes. Typically, technical articles in PMI News are three or four pages and are designed to appeal to the range of pensions professionals.

The Editor has also asked that the article includes:

- factors trustees should consider when selecting an investment manager
- risks involved in using investment managers, and how those risks can be mitigated
- documentation required to ensure good governance of investment managers
- role of custodians and investment banks in investment governance
- role of transition management in moving assets from one investment manager to another and
- examples of good administration practices by investment managers.

(60 marks)

2. A friend, who knows you work in the pensions industry, asks for advice on whether he should transfer out of his defined benefit pension scheme and into an offshore flexible drawdown arrangement. What do you say to him?

(15 marks)

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3. As Pensions Manager, you are in the process of carrying out the annual audit of your third party pensions administrator and you discover numerous cases of incorrect benefit calculations. In your discussions with the assistant administration manager, you begin to suspect that you are being encouraged to ignore the incorrect calculations in return for some form of personal gain. What should you do?

(15 marks)

4. Outline the key steps for operating a risk register as set out in the Pension Regulator's Code of Practice on Internal Controls.

(10 marks)

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