

***Policy for the
Selection, Appointment and Ongoing
Monitoring of Key Function Holders for
Internal Audit & Risk Management***



INTRODUCTION:

The Institutions for Occupational Retirement Provision 11 (IORP II), which was transposed into Irish law in April 2021 has introduced a number of new governance regulations that Trustees of Defined Contribution Pension Schemes must comply with. One of the new regulations requires Trustees to appoint Key Function Holders (KFHs) in the areas of Risk Management and Internal Audit.

The Code of Practice, published by the Pension Authority in November 2021, sets out in detail the steps Trustees must take in the selection, appointment and ongoing monitoring of KFHs.

This policy sets out the procedures that the Trustees will adopt and follow in order that these requirements are complied with, including the following:

- ✚ The fit and proper requirements for each KFH role.
- ✚ The duties and responsibilities of the posts to be filled.
- ✚ The process of selection and appointment that ensures that the appointed KFH is suitable for the requirements of the position.
- ✚ A note of the professional qualifications and membership in professional organisations or societies that are relevant to the position.
- ✚ The circumstances where a KFH is removed.

The policy and procedures for selection and appointment of KFHs will be reviewed and approved by the Trustees every three years, or sooner, if required with the objective of ensuring that the policy and procedures remain fit for their purpose and comply with the requirements set down by the Office of Government Procurement.

This version of the Policy replaces the previous version which was approved by the Trustees in January 2022.

FIT AND PROPER REQUIREMENTS:

The Act requires that each individual KFH must be fit and proper.

General Fit Requirements:

'Fit' means having the appropriate qualifications, knowledge, and experience for the position.

Risk Management KFH:

As part of the selection and appointment process of KFHs, the Trustees will ensure that the successful appointee for the Risk Management role:

- + Holds a qualification that the Trustees consider relevant and is at a minimum of level seven on the Irish National Framework of Qualifications (NFQ) or an equivalent professional qualification that the Trustees consider relevant.
- + Has a minimum of two years' experience gained in relevant employment.
- + Has knowledge that is sufficient and appropriate to competently support the Trustees and to perform the Risk Management KFH role effectively, including comprehensive knowledge regarding the operation of large DC pension schemes and advanced understanding and capability in one or more of the following areas:
 - Investment advice covering investment policy principles, strategic advice, budgeting, and risk-mitigation techniques (hedging and derivative bases structures).
 - Asset liability modelling.
 - Stress tests or scenario analysis.
 - Operational risk.
 - Regulatory environment.
- + Has a clear and comprehensive understanding of the governance, regulatory, and legal environments relating to the risk management key function.
- + Can demonstrate the ability to manage concurrent responsibilities and ensure capability to discharge all the duties of the role.
- + Is aware of their responsibilities to identify and report personal conflicts of interest in carrying out their duties.

Internal Audit KFH:

As part of the selection and appointment the Trustees will ensure that the successful appointee to the Internal Audit KFH:

- + Holds a qualification that the Trustees consider relevant and is at a minimum of level seven on the Irish National Framework of Qualifications (NFQ).
- + Has a minimum of two years post-qualification experience gained in relevant employment.
- + Has appropriate knowledge to perform competently and effectively the Internal Audit KFH role incorporating a sound knowledge of pensions and the specific responsibilities of the Internal Audit key function.
- + Has a clear and comprehensive understanding of the governance, regulatory, and legal environments relating to the internal audit key function.
- + Can demonstrate the ability to manage concurrent responsibilities and ensure capability to discharge

all the duties of the role.

- ✚ Is aware of their obligations to identify and report personal conflicts of interest in carrying out their duties.

For each KFH appointment, the Trustees will retain documentation showing how they ascertained that the appointed KFH met the fit requirement.

Proper Requirements:

The Trustees understand that to meet the “Proper” requirements, under the regulations that KFHs must be of good repute and integrity and that this requirement applies on an individual basis.

As part of the KFH selection process the Trustees will seek proof of compliance with this requirement as detailed in the Code of Practice issued by the Pension Authority and prospective candidates will be required to complete a questionnaire and declaration as detailed in Appendix 1.

KEY FUNCTION HOLDERS’ SELECTION, ONGOING MONITORING AND REMOVAL PROCESS:

Tender Information Requested:

The tender for the KFH roles will adhere to the e-tender procedures as set down by the Office of Government Procurement and will seek the following information:

- (a) Details of the firm and, in particular, the individual who would be the appointed KFH as well as the personnel that would be involved in supporting the KFH.
- (b) Evidence that the KFH meets the relevant fit and proper requirements of the specific role, including the required professional qualifications.
- (c) The scope of the services to be provided by each KFH, for example, advice, reports, attendance at Trustee meetings and any other relevant services.
- (d) The proposed fee structure.
- (e) The notice period required for either party to terminate the service being provided.
- (f) Details of the professional indemnity insurance covering the activities that they are tendering for and the level of insurance held.
- (g) An outline of how data will be managed and safe-guarded and the level of training undertaken by staff re data management.

Selection Procedure:

The Trustees will review the proposals received and appoint the KFH based on the award criteria agreed by the Trustees and outlined in the tender document.

Following the selection of a KFH, but before confirmation of their appointment, the Trustees will obtain up to date and signed curriculum vitae and adequate proof of qualifications, experience, and expertise of the named individual and other relevant staff with follow-up and verification of the professional references to be provided.

The terms and conditions of the KFH appointment will be set out in a written agreement between the Trustees and the appointed KFH.

Risk Management Role:

The Risk Management KFH will oversee and execute a series of tasks including:

- ✚ Assisting the Trustees in preparing the Risk Management Policy, this in turn will cover the purpose, scope, principles, appetite, responsibilities and processes.
- ✚ Assisting the Trustees in preparing the Scheme's Own Risk Assessment.
- ✚ Assisting the Trustees in gathering information necessary to identify risks to the Scheme.
- ✚ Assisting the Trustees in measuring and quantifying these risks.
- ✚ Identifying potential controls that may facilitate mitigation of identified risks.
- ✚ Attending Trustee meetings and advising on matters relating to Risk Management.
- ✚ Monitoring ongoing management of identified risks and providing the Trustees with appropriate updates regarding same.

Internal Audit Role:

The Internal Audit KFH is expected to:

- ✚ Assess that governance and risk management are working effectively.
- ✚ Provide assurance that controls have been adequately defined.
- ✚ Identify control weaknesses and make recommendations for correcting problems.
- ✚ Monitor regulatory compliance.
- ✚ Challenge current practices when appropriate.
- ✚ Identify areas where training is required.
- ✚ Document and report on findings.

Ongoing Monitoring:

The Trustees will monitor the KFHs to ensure that they continue to meet the fit and proper requirements on an ongoing basis. To achieve this, the Trustees will conduct periodic reviews – at least once every three years and the findings from these will be documented and retained.

Removal of a KFH:

If the Trustees establish that a KFH has breached or failed to maintain compliance with the fit and/or proper requirements then the KFH will be removed and a new KFH will be appointed.

The circumstances that would give rise to the removal of a KFH includes where the KFH:

- (a) Has demonstrated a lack of willingness to comply with legal obligations or regulatory requirements.
- (b) Has been obstructive, misleading or untruthful in their dealings with regulatory bodies or the courts.
- (c) Has breached a fiduciary obligation.
- (d) Has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices.
- (e) Has been reprimanded, disqualified or removed by a professional or regulatory body because of

concerns over the KFHS honesty, integrity or business conduct.

- (f) Has seriously or persistently failed to manage personal debts or financial affairs, where that failure has caused loss to others.
- (g) Has been substantially involved in the management of a business or company that has failed and where that failure was caused in part by deficiencies in that management.
- (h) Was the subject of criminal proceedings.
- (i) Has failed to maintain the required professional qualifications for acting as a KFHS.

In the event of any of the above, the removal of the KFHS will be immediate.

Approval and Next Review Date of this Administration Policy:

This document was approved and came into effect as follows:

Document Control	
Approved By:	Mr John McHugo Chair of the Trustees of The National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme
Date approved:	25 th April, 2023
Approved by:	Mr James Skehan, Professional Trustee for The National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme
Date approved	25 th April, 2023
Next review date	25 th April, 2026
Previous versions	January 2022



Signed:

**John McHugo,
Chairman.**

Date: 25th April, 2023



Signed:

**James Skehan,
Professional Trustee / Vice Chairman.**

Date: 25th April, 2023