



Submission form

Consultation on Key Function Holders

Please provide your views by close of business on Friday 8 December 2017 to Christina Winters at cwinters@pensionsauthority.ie.

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Internal Audit

No:	Questions:
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Q1	What type of experience do you think would be valuable in carrying out the internal audit function for a pension scheme?
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A1	<p>In order to be able to evaluate the adequacy and effectiveness of the internal control system and other elements of the system of governance the internal audit function would benefit from both:</p> <ul style="list-style-type: none">• audit and analytical experience to enable review and assessment of the scheme operation and drill down through the operational risks assessing control environment and;• practical pension scheme management (ideally some administrative and some consulting) – subject matter expertise would be useful to know what a scheme must do/provide, how it does this and where would be the right place to look <p>A balance would be beneficial to understand what is expected and how best to practically achieve a strong control environment.</p> <p>The scheme manager would need to have (a) clear objectives, (b) defined and documented processes and procedures with built in controls and (c) reliable monitoring and reporting mechanisms.</p> <p>The audit function should, ideally from an objective perspective, be able to (a) identify these, (b) assess each of the processes, controls and reporting</p>
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	<p>elements and (c) test against best practice, laws and regulations and safeguarding of scheme assets.</p> <p>This could be a challenge for smaller organisations or in-house managed schemes. At a minimum, clear documented reporting lines would be necessary in order to preserve the objectivity and integrity of any review process.</p>
Q2	What types of professional individuals/organisations ought to undertake internal audit for pension schemes e.g. auditors, accountants, pension specialists?
A2	Auditors, pension specialists and accountants could undertake internal audit for pension schemes.
Q3	The Authority is considering specifying the qualification areas which the trustees could consider to be relevant, for example, accountancy, auditing and pensions. Do you consider these example qualification areas appropriate? Are there any additional qualification areas you think should be considered? Would these requirements inappropriately limit the pool of individuals who could undertake this work?
A3	The qualification areas of accountancy, auditing and pensions are appropriate. The pool of individuals who could undertake this work should necessarily be limited only by sufficient experience which is not a bad limitation.
Q4	The Authority is considering setting a minimum of NFQ level seven for the relevant qualification. Do you consider this to be a reasonable minimum level in order to carry out this function? Would these requirements inappropriately limit the pool of individuals who could undertake this work?
A4	NFQ level 7 was felt to be reasonable.
Q5	The Authority is considering requiring a two year minimum period of relevant experience. Should the relevant experience be limited to internal audit or broader? If broader, what else should be included? Do you consider two years to be a reasonable period to ensure adequate knowledge and experience?



	Would these requirements inappropriately limit the pool of individuals who could undertake this work?
A5	<p>A two year minimum period of relevant experience would appear to be short – perhaps five would be more appropriate as this would enable both learning, practical experience and technique development.</p> <p>Relevant experience could be based on the combined group of individuals (or corporate entity) who undertake the work to meet this requirement.</p> <p>The relevant experience should not be limited to internal audit only as a broader experience (especially with pensions) could better ensure adequate knowledge and experience.</p> <p>This would not necessarily limit the pool of individuals though this could be a challenge for smaller organisations or in-house managed schemes.</p>
Q6	The Authority is considering requiring that the internal audit function holder be a member of a relevant professional body linked to their relevant qualification. Do you consider this to be a reasonable requirement for someone tasked with this function? Would these requirements inappropriately limit the pool of individuals who could undertake this work?
A6	Being a member of a relevant professional body linked to the relevant qualification would be a supporting feature to role and would align with the proposed timeframe for adequate knowledge and experience. It could also encourage continuous professional development.
Q7	What conflicts, if any, could arise where a scheme’s internal audit function holder acts in a similar capacity for the sponsoring employer? How might trustees of a scheme demonstrate that they manage the conflict?
A7	This should be addressed in the trustees conflicts of interest policy so as to identify, monitor and manage any conflict. Clear objectives and processes would need to be documented and adhered to by means of regular review and engagement. This demarcation of duties and responsibilities is critical to preserve and maintain the objectivity and integrity of each party and each role. Each role would need to be separately defined. No role should unduly influence another.
Q8	Have you any additional comments?



A8	<p>It would be useful if the Pensions Authority was able to provide some detailed guidelines and templates to identify the key areas for review which could be standardised across the industry and enable consistency in approach. It is important to ensure this function serves to add value and does not become a reluctant box ticking exercise.</p> <p>Consideration should be given to having an exemption for small schemes as currently applies for full TARs & audited accounts (<100 members) as the cost is likely to be prohibitive. Though we do understand that should it apply to all schemes this may assist in significantly reducing the number of small schemes.</p>
Risk management function	
Q9	<p>What type of experience do you think would be valuable in carrying out the risk management function for a pension scheme?</p>
A9	<p>In order to have an effective risk management system capable of adopting strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report to the trustees regularly the risks, at an individual and at an aggregated level, to which the scheme is or could be exposed, and its interdependencies the risk management function would benefit from both:</p> <ul style="list-style-type: none">• practical pension scheme management (ideally consulting, investment and some administrative) – subject matter expertise would be necessary to know what a scheme must do/provide, how it does this and where would be the right place to look. Practical experience would help identify the tasks and activities with associated risks.• audit and analytical experience to enable review and assessment of the strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report to the trustees regularly the risks. <p>A balance would be beneficial to understand what is expected and how best to practically achieve a strong control environment.</p> <p>The scheme manager would need to have (a) clear objectives, (b) defined and documented processes and procedures with built in controls and (c) reliable monitoring and reporting mechanisms.</p> <p>The risk management function should be able to (a) identify these, (b) assess each of the processes, controls and reporting elements and (c) test against best practice, laws and regulations and safeguarding of scheme assets.</p> <p>This could be a challenge for smaller organisations or in-house managed schemes. At a minimum clear documented reporting lines would be necessary in order to preserve the objectivity and integrity of any review process.</p>



Q10	What types of individuals/organisations ought to undertake risk management for pension schemes e.g. actuaries, auditors, accountants, pension specialists?
A10	Auditors, pension specialists, investment specialists, actuaries and accountants could undertake risk management for pension schemes.
Q11	The Authority is considering specifying the qualification areas which the trustees could consider to be relevant, for example, actuarial, accountancy, auditing and pensions. Do you consider these example qualification areas appropriate? Are there any additional qualification areas you think should be considered? Would these requirements inappropriately limit the pool of individuals who could undertake this work?
A11	Actuarial, accountancy, auditing, investment and pensions would be relevant qualification areas. Qualifications in these areas would enable adequate knowledge and experience and encourage continuous professional development. This would not necessarily limit the pool of individuals though this could be a challenge for smaller organisations or in-house managed schemes.
Q12	The Authority is considering setting a minimum of NFQ level seven for the relevant qualification. Do you consider this to be a reasonable minimum level in order to carry out this function? Would these requirements inappropriately limit the pool of individuals who could undertake this work?
A12	NFQ level 7 was felt to be reasonable.
Q13	The Authority is considering requiring a two year minimum period of relevant experience. Should the relevant experience be limited to risk management or broader? If broader, what else should be included? Do you consider two years to be a reasonable period to ensure adequate knowledge and experience? Would these requirements inappropriately limit the pool of individuals who could undertake this work?



A13	<p>The relevant experience in risk management should include pensions experience.</p> <p>A two year minimum period of relevant experience would appear to be short – perhaps five would be more appropriate as this would enable both learning, practical experience and technique development.</p> <p>Relevant experience could be based on the combined group of individuals (or corporate entity) who undertake the work to meet this requirement.</p> <p>This would not necessarily limit the pool of individuals though this could be a challenge for smaller organisations or in-house managed schemes.</p>
Q14	<p>What conflicts, if any, could arise where a scheme’s risk management function holder acts in a similar capacity for the sponsoring employer? How might trustees of a scheme demonstrate that they manage the conflict?</p>
A14	<p>This should be addressed in the trustees conflicts of interest policy so as to identify, monitor and manage any conflict. Clear objectives and processes would need to be documented and adhered to by means of regular review and engagement. This demarcation of duties and responsibilities is critical to preserve and maintain the objectivity and integrity of each party and each role. Each role would need to be separately defined. No role should unduly influence another.</p>
Q15	<p>What conflicts, if any, could arise where one function holder undertakes both the risk management and the actuarial roles for a scheme?</p>
A15	<p>The actuarial function would be hands on with the data, the methodologies employed, determining appropriate assumptions and calculation of technical provisions.</p> <p>The risk management function should try to independently identify, measure, monitor and report to the trustees regularly on the operational risks.</p> <p>While both should have similar outcome aims their roles are different. This difference should be clearly documented so that it is clear which function is being employed and where divergence and convergence clearly occur.</p> <p>Where two actuaries working for the same organisation may be fulfilling the roles a conflicts policy should be in place.</p>
Q16	<p>Have you any additional comments?</p>
A16	<p>It would be useful if the Pensions Authority was able to provide some detailed guidelines and templates to identify the key areas for review which could be standardised across the industry and enable consistency in approach. It is important to ensure this function serves to add value and does not become a</p>



	<p>reluctant box ticking exercise.</p> <p>Consideration should be given to having an exemption for small schemes as currently applies for full TARs & audited accounts (<100 members) as the cost is likely to be prohibitive. Though we do understand that should it apply to all schemes this may assist in significantly reducing the number of small schemes.</p>
Actuarial function	
Q17	<p>The Authority is considering requiring that all actuarial key function holders have been granted and currently hold a valid Scheme Actuary Certificate under the rules of the Society of Actuaries in Ireland. Do you consider this a reasonable requirement to be able to carry out this function?</p>
A17	<p>Yes</p>
Q18	<p>What conflicts could arise where a scheme's actuarial function holder acts in a similar capacity for the sponsoring employer? How might trustees of a scheme demonstrate that they manage the conflict?</p>
A18	<p>This should be addressed in the trustees conflicts of interest policy so as to identify, monitor and manage any conflict. Clear objectives and processes would need to be documented and adhered to by means of regular review and engagement. This demarcation of duties and responsibilities is critical to preserve and maintain the objectivity and integrity of each party and each role. Each role would need to be separately defined. No role should unduly influence another.</p> <p>It may result that an actuary should not provide services to both the employer and the trustees. Two actuaries albeit from the same organisation could fulfill the roles under a conflicts policy agreement.</p>
Q19	<p>What conflicts could arise where one function holder undertakes both the actuarial and risk management roles?</p>
A19	<p>The actuarial function would be hands on with the data, the methodologies employed, determining appropriate assumptions and calculation of technical provisions.</p> <p>The risk management function should try to independently identify, measure, monitor and report to the trustees regularly on the operational risks.</p> <p>While both should have similar outcome aims their roles are different. This difference should be clearly documented so that it is clear which function is</p>



	being employed and where divergence and convergence clearly occur.
Q20	Have you any additional comments?
A20	It would be useful if the Pensions Authority was able to provide some detailed guidelines and templates to identify the key areas for review which could be standardised across the industry and enable consistency in approach. It is important to ensure this function serves to add value and does not become a reluctant box ticking exercise.