



Seminar

Key Function Holders and Risk Management

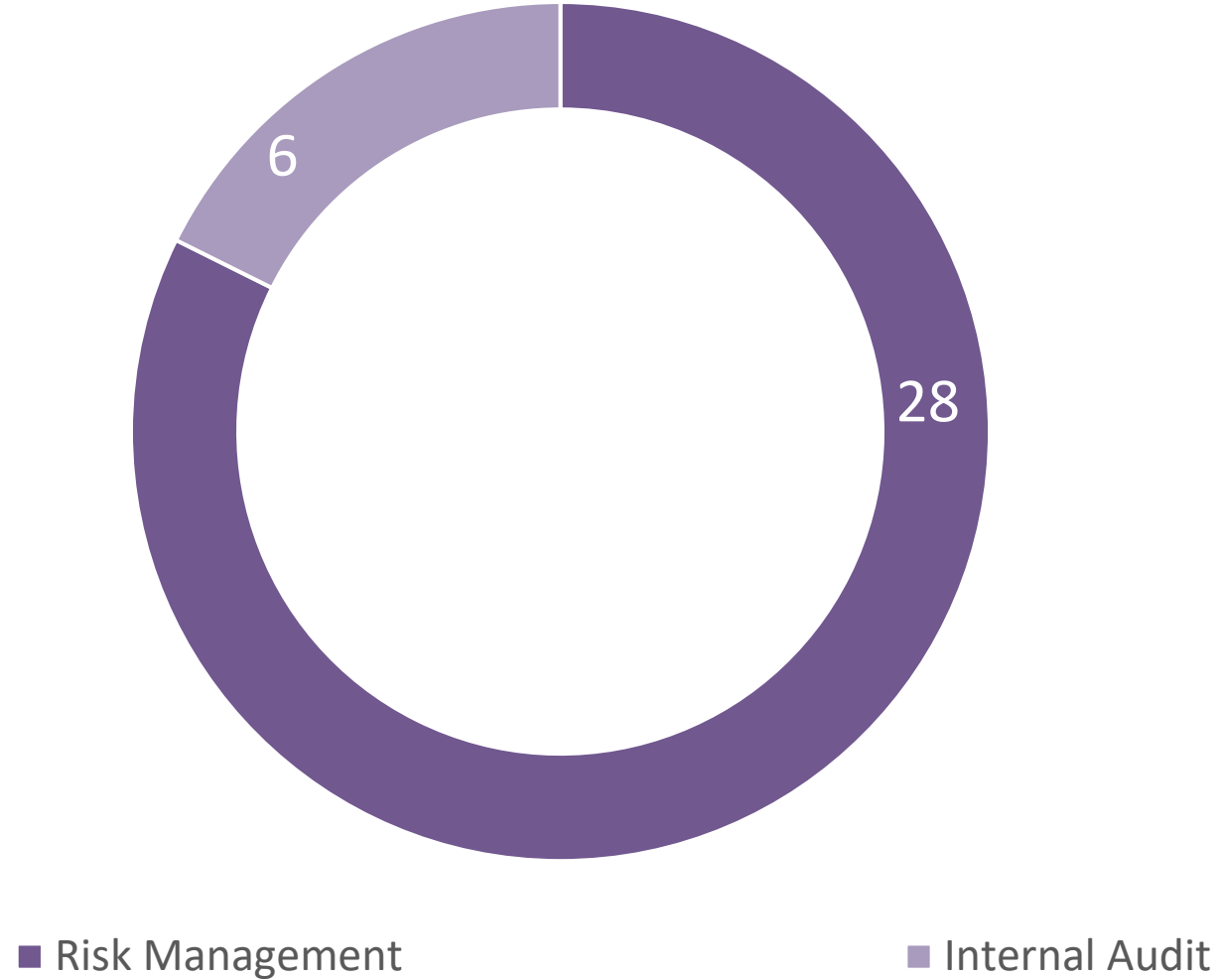
AGENDA

- Results of IAPF Key Function Holder survey
- Pensions Authority's Risk Conference

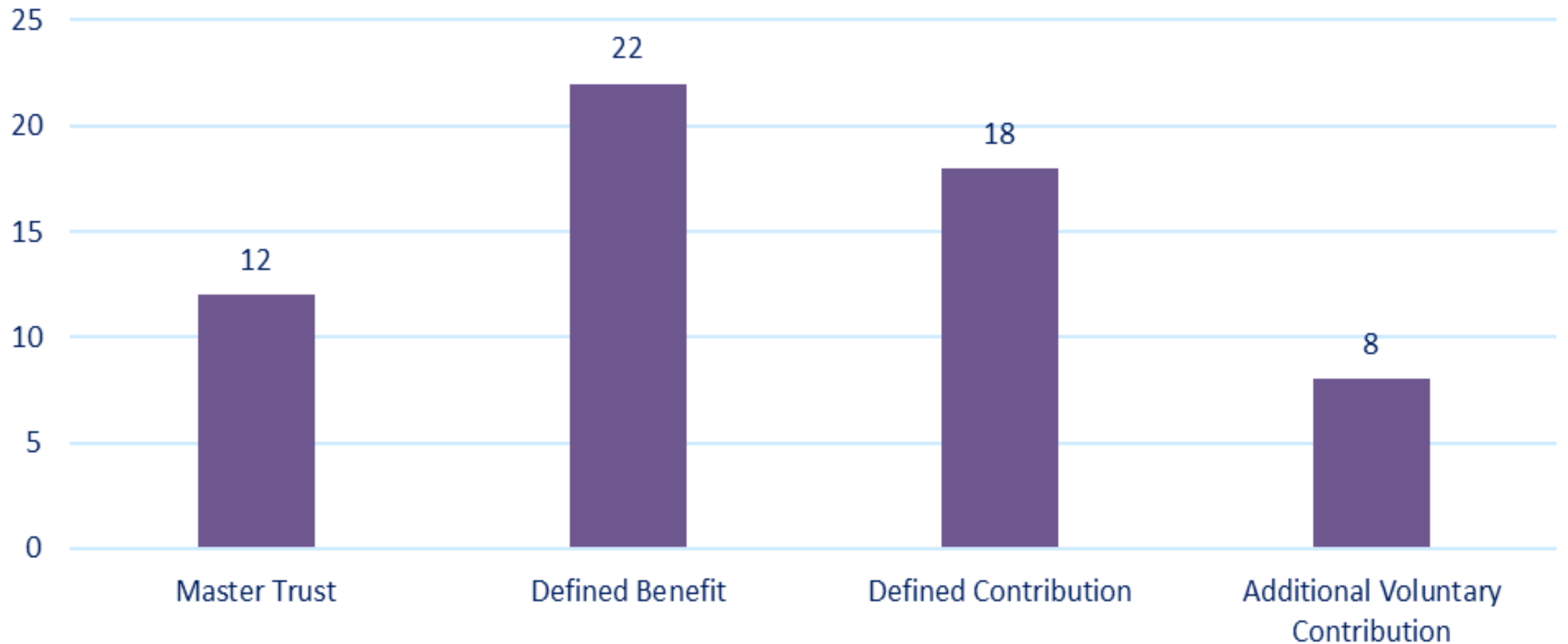
IAPF KFH SURVEY

- Survey completed in July / August 2023
- Looked at the engagement of Risk Management and Internal Audit Key Function Holders
- Gain a better understanding of current experiences and future expectations with Key Function Holders
- 34 Key Function Holders participated in the survey
- Key Function Holders had to answer 22 questions
- **Now for the results.....**

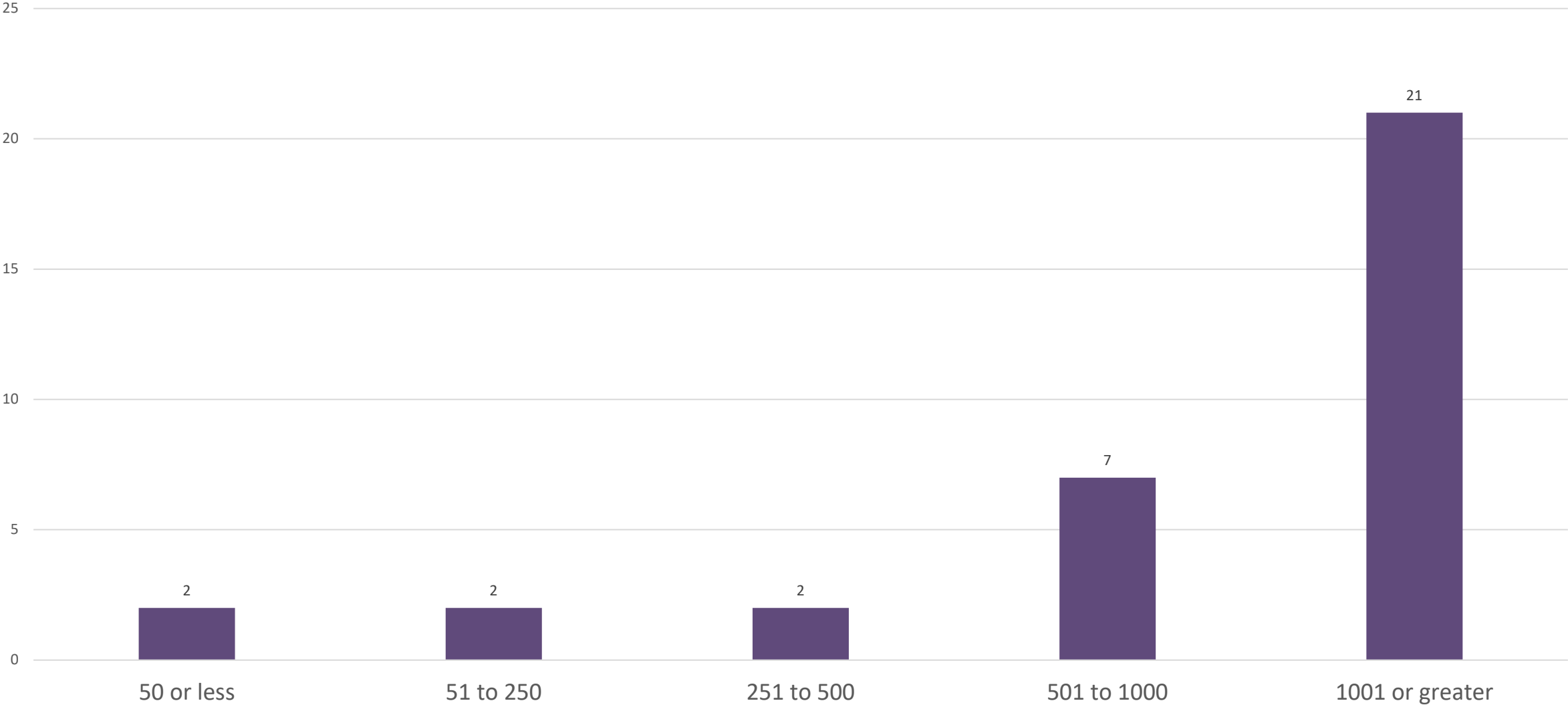
Q1 What is your Key Function Holder role?



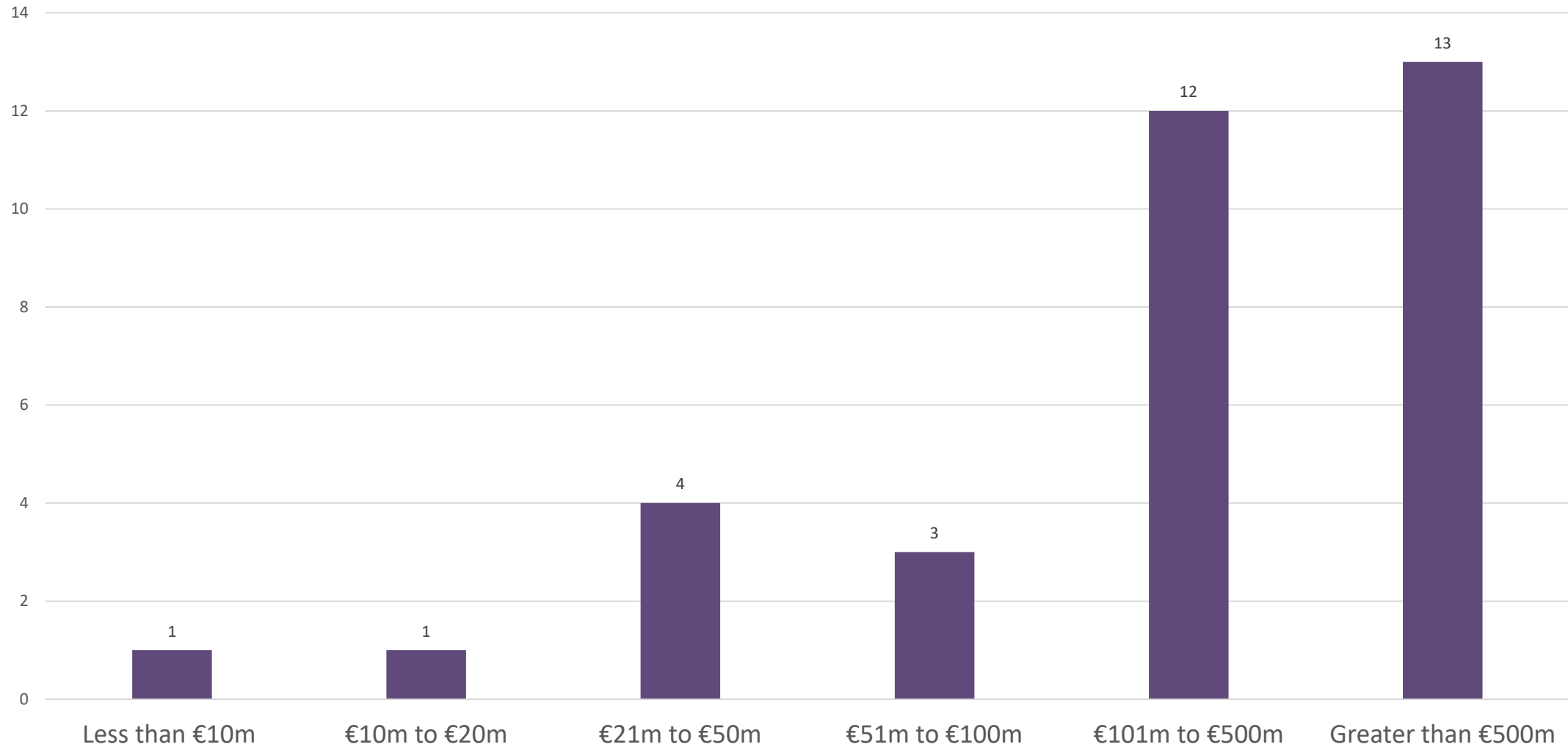
What type of scheme do you act as Key Function Holder for?



Q3 What is the total membership of the scheme?



Q4 What are the total assets of the scheme?



SURVEY RESULTS

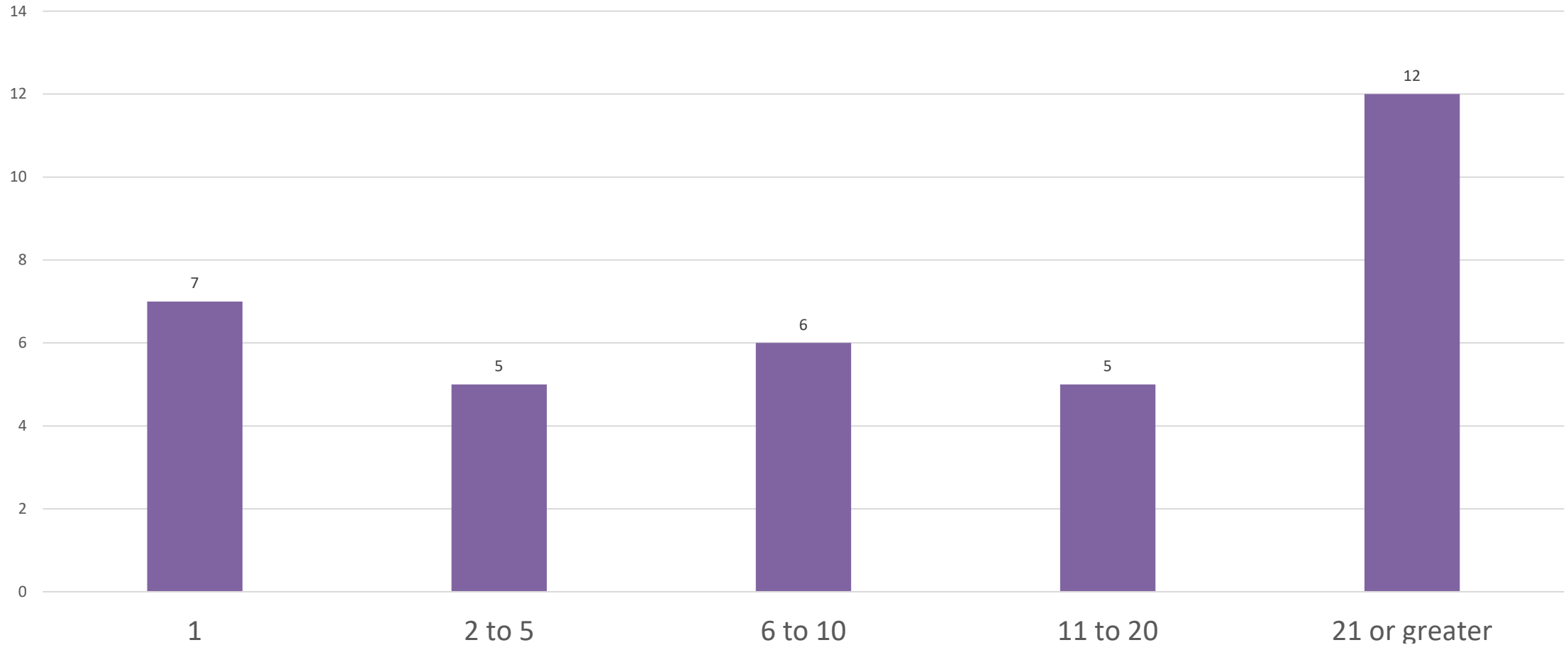
Audience Question 1.

What do you consider as an appropriate number of schemes that a Key Function Holder should be appointed to?

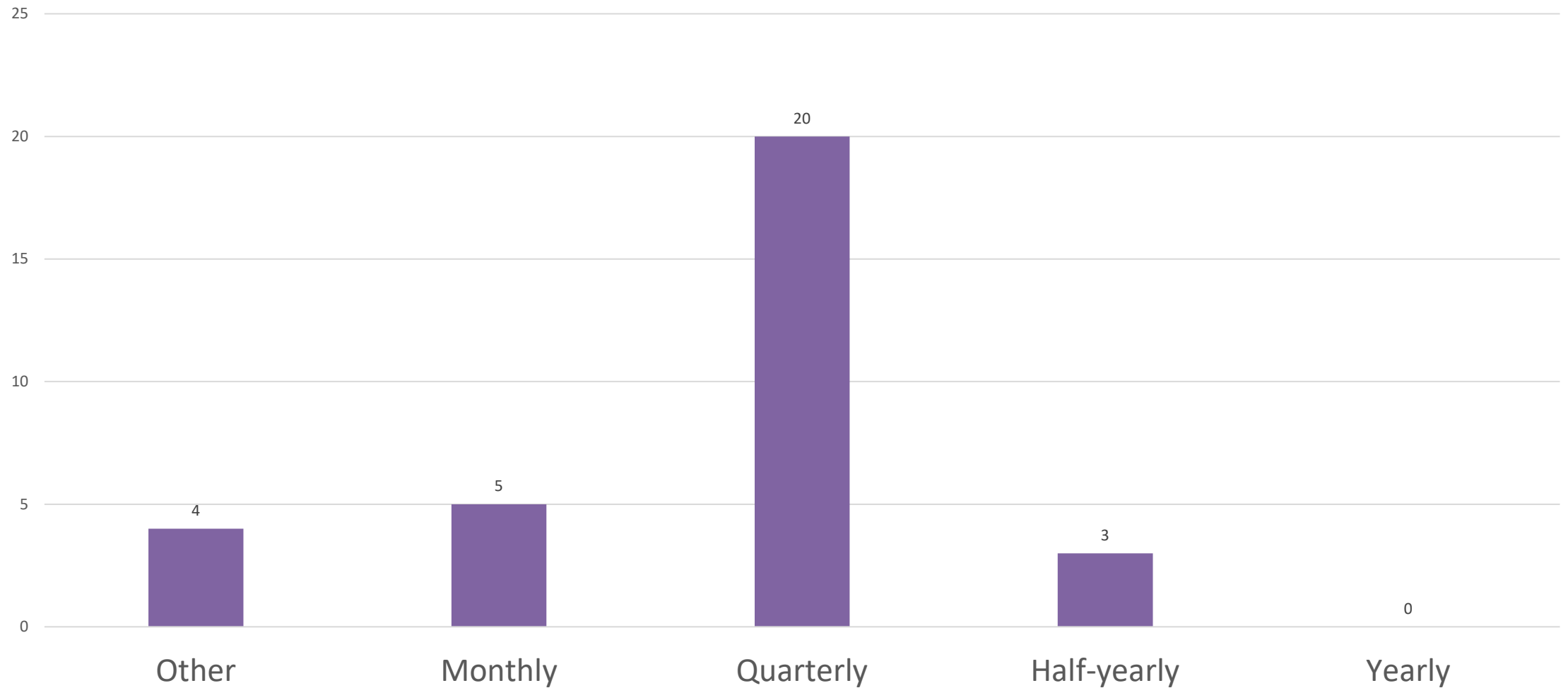
Options to choose from:

- 1 only
- 2 to 5
- 6 to 10
- 11 to 20
- Greater than 20

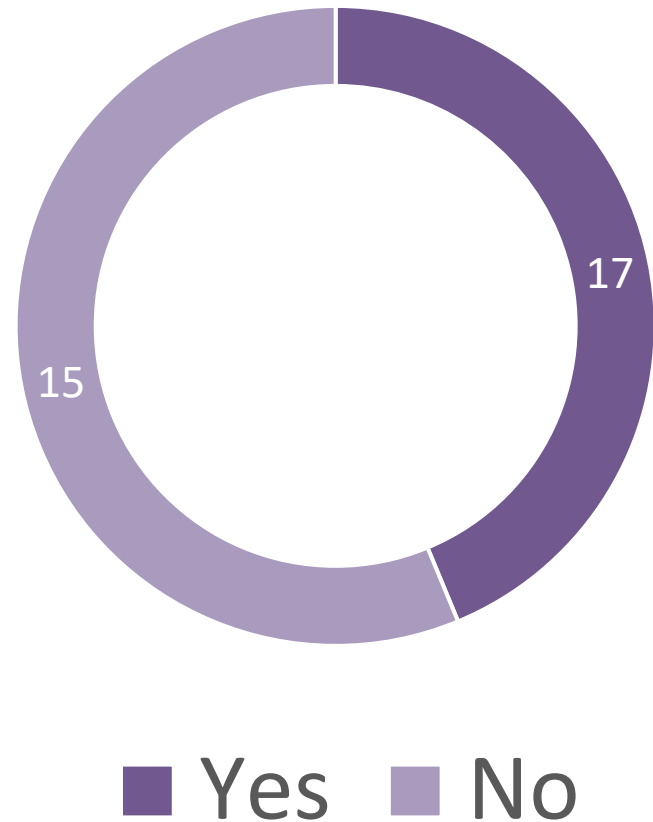
Q5 How many schemes do you act for in the role of Key Function Holder?



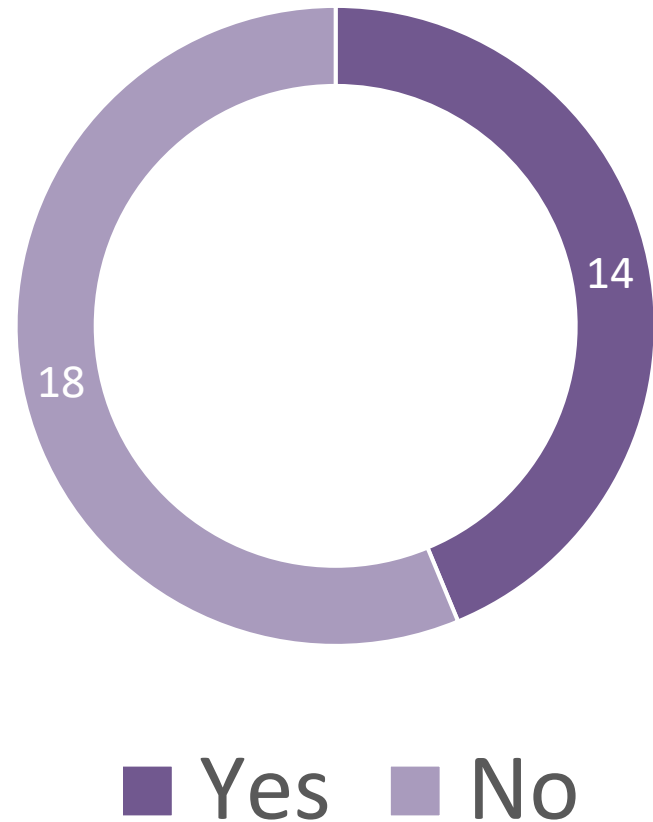
Q6 How often do you intend to interact with the Trustees of the scheme?



Q7 Do you see yourself attending every trustee meeting in your role as Key Function Holder?



Q8 Do you see yourself attending for the full trustee meeting
in your role as KFH?



SURVEY RESULTS

Q9 What do you see as the key requirements of your role?

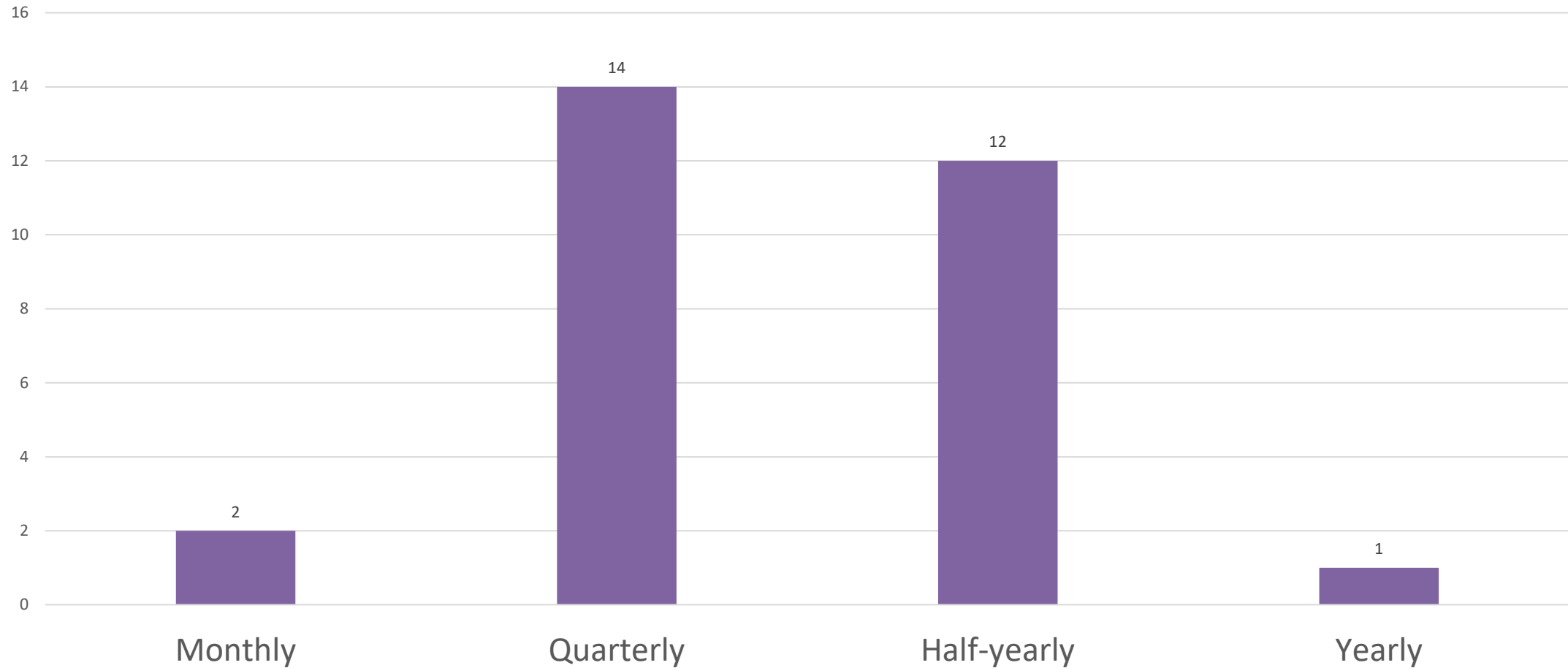
- Implementation and embedding of the risk management framework
- Educating and assisting the trustees
- Ensuring risk management is embedded in the day to day running of the scheme
- Ensuring an appropriate and proportionate risk management system is in place
- Objectivity and independence
- Engagement with the trustees and scheme service providers
- Knowledge of the Irish pensions landscape and experience in pensions
- Keeping up to date with the changing environment, emerging risks
- Advise the trustees on matters relating to the risks facing the scheme
- All legal, regulatory and compliance requirements are adhered to

SURVEY RESULTS

Q9 What do you see as the key requirements of your role?

- Support the trustees in making informed decisions
- Having an input into decision making
- Providing risk commentary/analysis for trustee decisions
- Having an understanding of the trustees objectives and risk appetite/preferences as well as an understanding of the members views on risks
- Providing challenge
- Ability to retain extensive scheme knowledge
- Management of the Risk Register and Heat Map for the trustees
- Training and development on risk topics
- Effective process of communication and reporting to the trustees

Q10 What frequency of reporting to the Trustees do you envisage providing?



SURVEY RESULTS

Q11 How will you ensure the scheme sponsors get value for money in completing your role?

- Use of simple dashboard and risk reporting tools to help facilitate efficient delivery and assessment of key risks
- We will use our unique pensions, accounting/auditing and compliance skills to provide a top-level service
- Our audits will be focussed in line with the plan agreed with the trustees and add value
- Through our effective risk management of the scheme the sponsor should see benefit and therefore value for money
- Strengthening the controls in place
- Efficiency, and identification and mitigation of risks
- Consistent oversight

SURVEY RESULTS

Q11 How will you ensure the scheme sponsors get value for money in completing your role?

- Involve existing service providers in risk management to eliminate duplication of risk
- Regular engagement with the scheme sponsor and trustees
- Drive an effective agenda that adds value
- Bringing an independent view and the experience of working across multiple schemes
- Ensuring actions are progressed
- Identify improvements to mitigate the impact of risks
- By embedding risk management in decision making
- Internal expertise
- Strong awareness of fees and leverage off information already provided by advisors

SURVEY RESULTS

Audience Question 2

As a KFH is it important to have a high level of pensions knowledge?

No

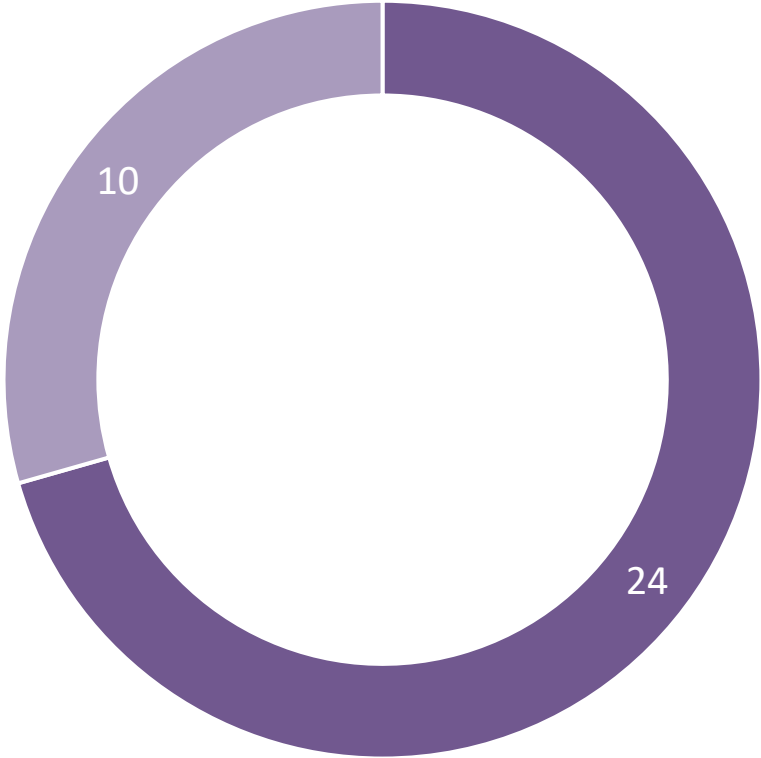
Yes

SURVEY RESULTS

Q12 On a scale of 1-10 how would you rate your pensions knowledge?

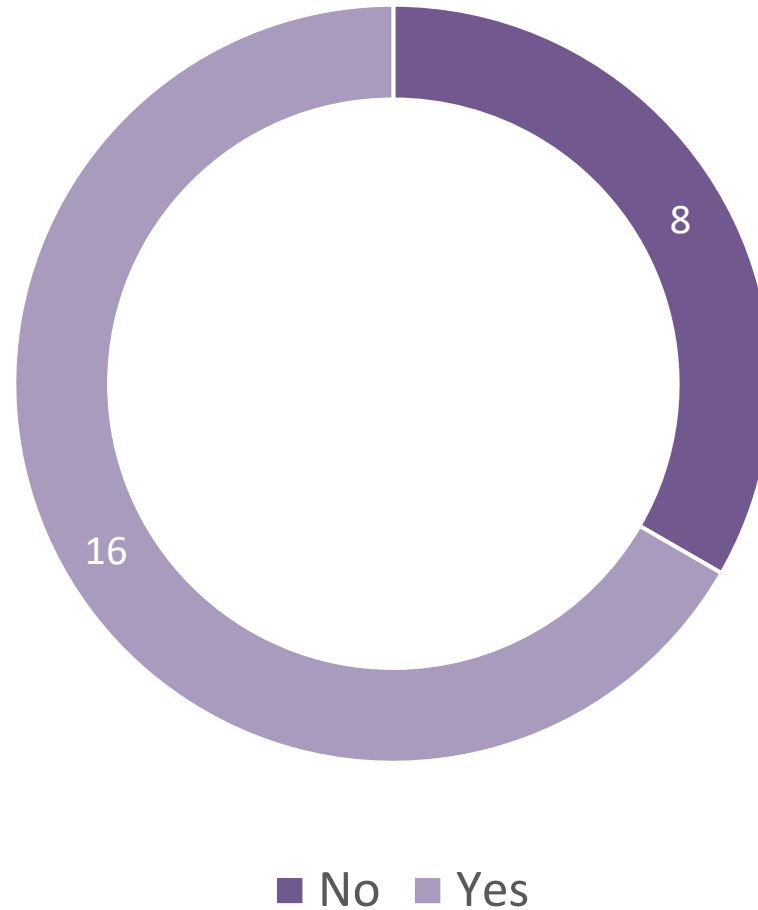
- 91% of respondents rated their knowledge as 7 out of 10 or higher
- 69% of respondents rated their knowledge at a score of either 9 or 10 out of 10
- **2 respondents rated their knowledge at a score of 1 out of 10**

Q13 Will you get support from others in your firm in completing your work as a KFH?



■ Yes ■ No

Q14 Do you, or your firm, carry out any other functions for the scheme in addition to your role as KFH?



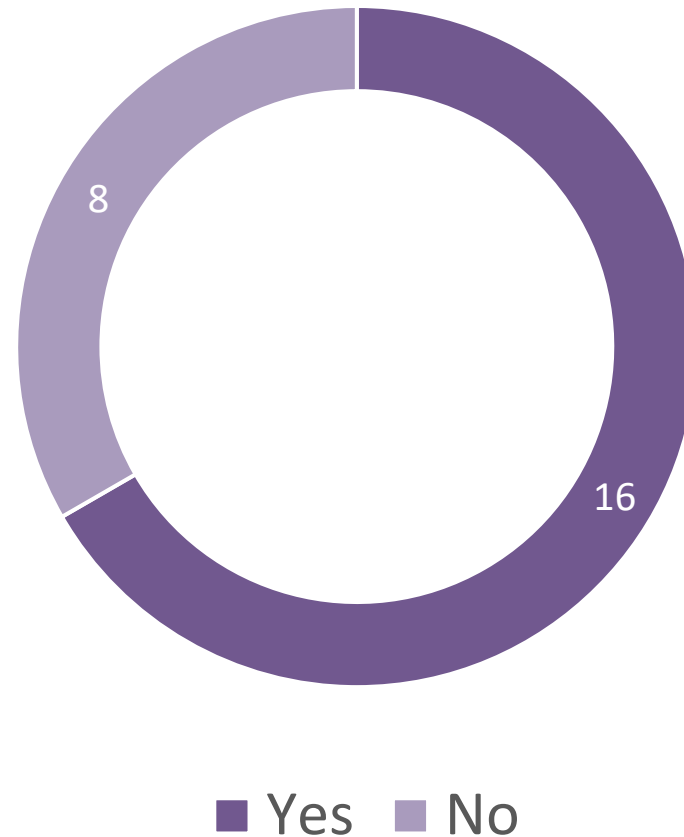
SURVEY RESULTS

Audience Question 3

Should the KFH have a role in relation to the decision making under the scheme?

- No
- Yes

Q15 Do you see yourself having a role in relation to the decision making under the scheme?

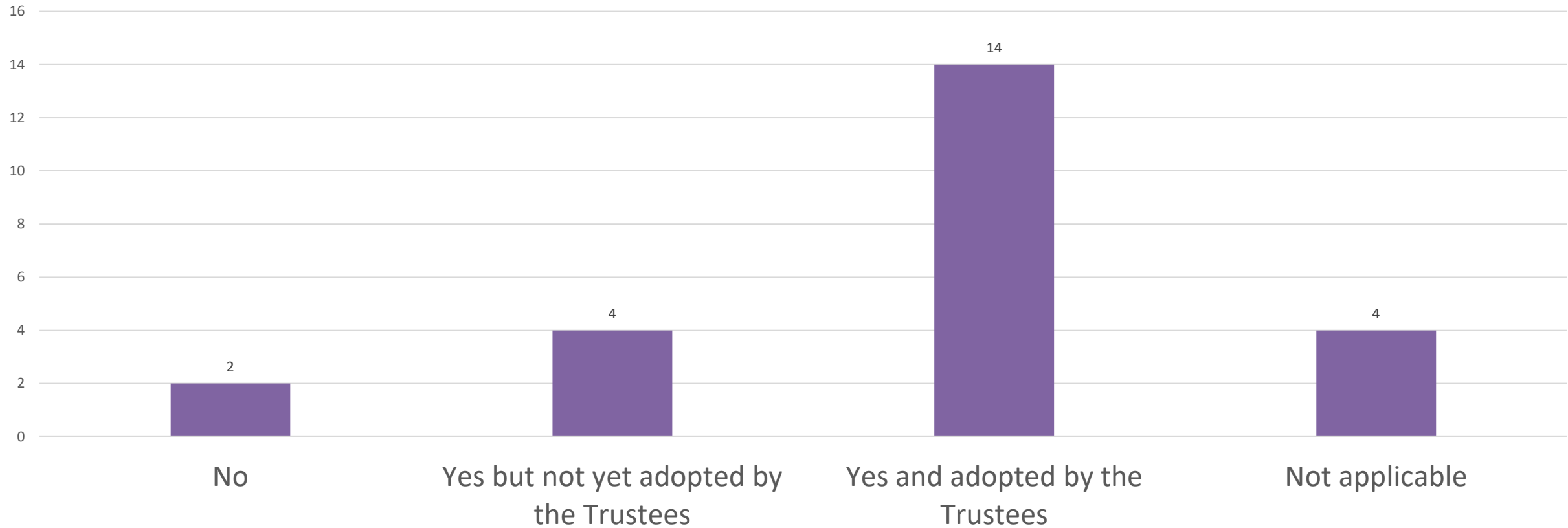


SURVEY RESULTS

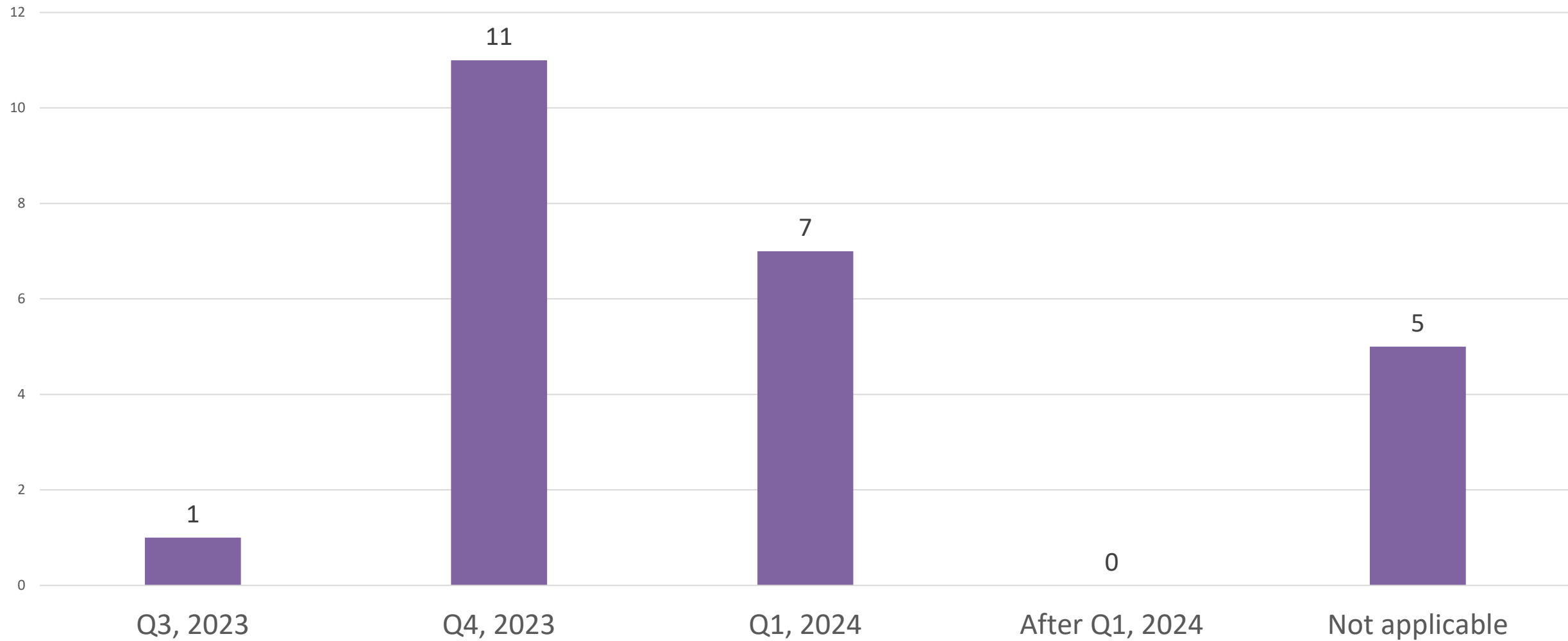
Q16 How are you going to benchmark your performance in your Key Function Holder role?

- Monitor changing risk environment
- Trustee and sponsoring employer feedback, evaluating performance
- Delivering the services promised
- Business retention and growth
- Mitigation of risks
- Support trustees in making risk informed decisions
- Help trustees be better informed of the risks the scheme is facing

Q17 Have you prepared the Risk register yet, and has this been adopted by the Trustees?



Q18 When do you intend to complete the first Own Risk Assessment for the scheme?

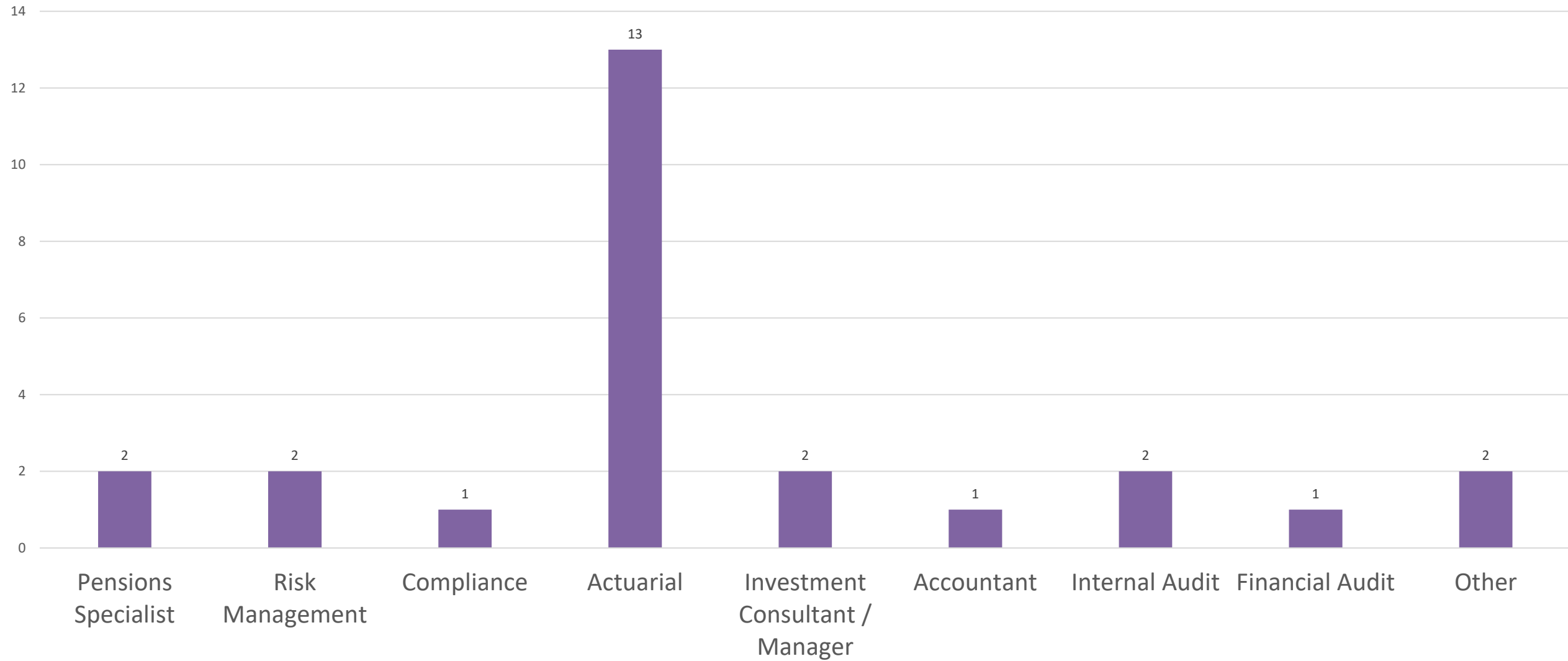


SURVEY RESULTS

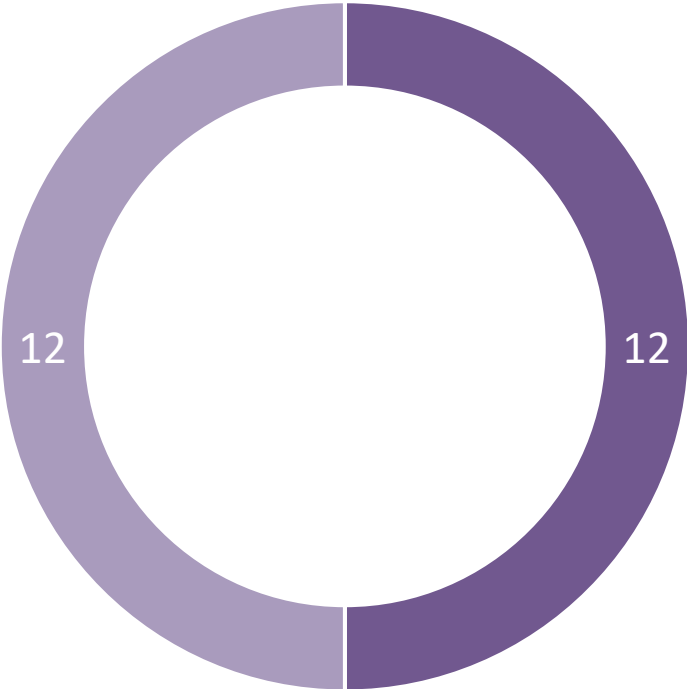
Q19 Where you are the Internal Audit Key Function holder, what structure are you adopting in relation to the internal audits for the scheme?

- Using structures adopted by other pension markets
- Using the risk register to build a risk assurance map
- Identify where the reliance is on controls and identify where the audit function can contribute to the monitoring of the controls the trustees have in place
- Layers of review
- Risk based audit planning
- Follow the firms Quality Assurance model and leverage subject matter experts to deliver the plan

Q20 What professional background are you from?

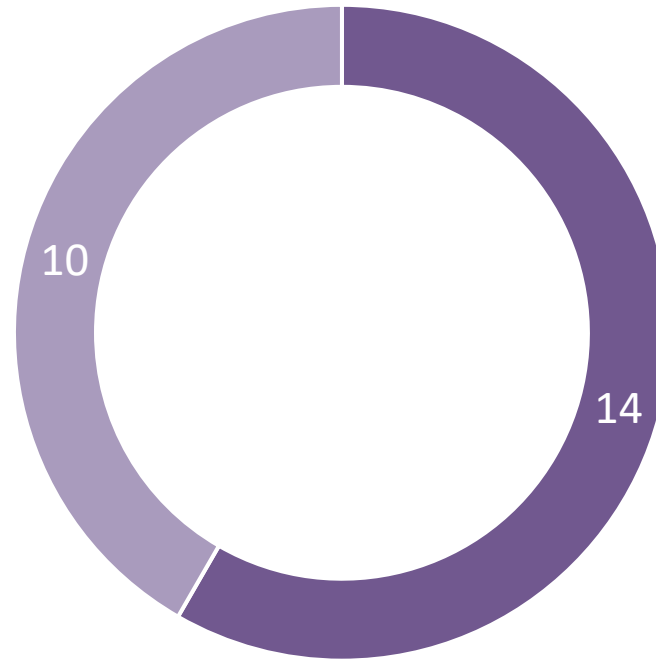


Q21 Is your appointment as a KFH internal or fully external to the Trustees, administrator and investment manager(s) of the pension scheme?



■ External ■ Internal

Q22 Is your sole role for the firm you work for that of KFH or is your role of KFH only part of your day-to-day responsibilities?



■ Only part of my role ■ Sole role

SUMMARY

Summary of findings from KFHs

- One-third act as KFH to more than 20 schemes
- Half of KFHs see themselves attending every trustee meeting
- Majority of KFHs have a good level of pensions knowledge
- Three-quarters of KFHs will get support from others in their firms in completing their role
- Just over half of the KFHs see themselves having a role in the decision making of the scheme
- The majority of Risk Managers have prepared the risk register for the trustees, although 2 have yet to do so
- Around half of the Risk Manager KFHs aim to complete the first ORA in Q4 2023
- A lot of Actuary's are acting as Risk Manager KFHs
- Around two-thirds of the KFHs said the role of KFH is only part of their day-to-day responsibilities

Thank You to all the KFHs who responded to the survey!

AGENDA

Pensions Authority's Risk Conference

PENSIONS AUTHORITY'S RISK CONFERENCE

Observations

- The quality and integrity of the risk management function is wholly the responsibility of the trustees
- Risk management should be embedded in decision making of the scheme
- Risk Manager KFH must be able to challenge the trustees on decision making and processes in place
- Adopt a forward looking approach
- Identify risks and avoid them but not at all costs
- Consider impact of market shocks on the scheme
- Importance of good reporting

PENSIONS AUTHORITY'S RISK CONFERENCE

Own Risk Assessment (ORA)

- Must be comprehensive, data driven, objective and the trustees have to be able to implement it – the PA will put a lot of focus on it especially the risks and risk culture of the trustees
- Identify, measure and evaluate risks
- Trustees must draw conclusions from the findings and agree on follow up actions

What the PA would like to see during audit:

- Trustees bring out the ORA and talk to the Pensions Authority (PA) about the approach taken, what was found, decisions taken/not taken as a result
- This will create discussion and dialogue between the PA and the trustees

PENSIONS AUTHORITY'S RISK CONFERENCE

The risk of poor or inadequate member outcomes

Types of risks discussed:

- Political
- Regulatory
- Employer disengagement
- Investment
- Administration
- Sustainability
- Lack of sufficiency
- Governance
- Climate, ESG, Cyber

PENSIONS AUTHORITY'S RISK CONFERENCE

In Closing

- The results of the survey provide a better insight into the roles of the KFHs and what the trustees can expect to see
- We are still at the early stages with the first critical reviews, ORAs and first internal audit reports due by April 2024
- Costs and efficiencies are very important to the trustees and scheme sponsors
- Pensions Authority's Supervisory Review Process will commence in 2024 and will target the larger DB and DC schemes with a focus on risk
- The Pensions Authority as regulator wants to create a dialogue with trustees