



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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Introduction	
<p>The focus on Governance in the IORP Directive is welcome as it is designed to protect members and ensure good outcomes. We believe we already have a strong governance structure in Ireland through the trusteeship model, legislative and regulatory requirements. In order to implement the Directive in a manner that is proportionate we believe that the focus should be on building on the existing requirements. Any additional requirements will add to the overall cost of running schemes and that cost could ultimately fall on the members. There is also a possibility that additional regulation that employers and trustees view as excessively onerous relating to the operation of pension schemes could lead to employers exiting from this space entirely. This would be disadvantageous to members as any mandatory regime is likely to be less generous than the schemes presently in existence</p> <p>The Directive allows Member States to take into account the size, nature, scale and complexity of a scheme in implementing many of the measures and this does not appear to be covered in the consultation. We would expect that the level of risk management required for a large scheme with tens or hundreds of billions in assets and liabilities to be very different to the average Irish scheme.</p>	
Internal Audit	
No:	Questions:
Q1	What type of experience do you think would be valuable in carrying out the internal audit function for a pension scheme?



A1	Experience as an auditor or compliance officer would seem to be most relevant for this role.
Q2	What types of professional individuals/organisations ought to undertake internal audit for pension schemes e.g. auditors, accountants, pension specialists?
A2	There are already detailed requirements in place for schemes that are subject to the provisions of the existing IORP Directive in relation to the production of trustee annual reports and accounts. We would suggest that an extension of those to cover the requirements of the new directive would be proportionate.
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	Compliance officer qualifications would also be relevant.
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	That would seem 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	We do not see the necessity of having a minimum period of experience where there is also a qualification requirement.



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	This would seem reasonable.
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	The trustees should ensure there is an agreed protocol in place with the function holder which sets out the procedures for dealing with any actual or potential conflicts. Indeed, the Pension Authority's Code of Governance for DC schemes already require the establishment and maintenance of a Conflicts Register
Q8	Have you any additional comments?
A8	No.
Risk management function	
Q9	What type of experience do you think would be valuable in carrying out the risk management function for a pension scheme?
A9	<p>The relevant article in the Directive states that "Member States shall require IORPS, in a manner that is proportionate to their size and internal organisation, as well as to the size, nature, scale and complexity of their activities to have in place an effective risk-management function."</p> <p>For many Irish schemes an active monitoring of their risk register, incorporating the issues specifically mentioned in the Directive would seem appropriate and proportionate. Where schemes are more complex there are many qualifications that include or focus on risk-management.</p>



Q10	What types of individuals/organisations ought to undertake risk management for pension schemes e.g. actuaries, auditors, accountants, pension specialists?
A10	Any of those listed as well as compliance specialists would seem appropriate.
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	Any of those listed as well as compliance specialists would seem appropriate.
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	The level of qualification should depend on the complexity required which could vary significantly between schemes.
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	We do not see the necessity of having a minimum period of experience where there is also a qualification requirement.
Q14	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?
A14	The trustees should ensure there is an agreed protocol in place with the function holder which sets out the procedures for dealing with any actual or potential conflicts. Indeed, the Pension Authority's Code of Governance for DC schemes already require the establishment and maintenance of a Conflicts Register



Q15	What conflicts, if any, could arise where one function holder undertakes both the risk management and the actuarial roles for a scheme?
A15	We do not particularly see any but the trustees should ensure there is an agreed protocol in place with the function holder which sets out the procedures for dealing with any actual or potential conflicts. Indeed, the Pension Authority's Code of Governance for DC schemes already require the establishment and maintenance of a Conflicts Register
Q16	Have you any additional comments?
A16	No.
Actuarial function	
Q17	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?
A17	There are already many requirements in existing legislation regarding the actuarial involvement in a scheme. We would see these as satisfying the requirements in the Directive. There may be a need for schemes to specifically designate an individual to be responsible for the actuarial function, in effect formalising the scheme actuary role. That person would hold a valid Scheme Actuary Certificate under the rules of the Society of Actuaries in Ireland.
Q18	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?
A18	There is already an existing actuarial professional requirement for a protocol to deal with such conflicts.
Q19	What conflicts could arise where one function holder undertakes both the actuarial and risk management roles?



A19	We do not particularly see any but the trustees should ensure there is an agreed protocol in place with the function holder which sets out the procedures for dealing with any actual or potential conflicts. Indeed, the Pension Authority's Code of Governance for DC schemes already require the establishment and maintenance of a Conflicts Register.
Q20	Have you any additional comments?
A20	No.