

**Code of practice for trustees
of occupational pension schemes and
trust retirement annuity contracts (trust
RACs)**

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Introduction

Legal Basis

One of the functions of the Pensions Authority (the Authority) under the Pensions Act, 1990, as amended (the Act), is to issue guidance on the duties and responsibilities of trustees of schemes and trust retirement annuity contracts (trust RACs), and codes of practice on specific aspects of their responsibilities. This code of practice is issued by the Authority pursuant to section 10 (1)(c)(i) of the Act.

Scope

This code sets out the Authority's expectations for the conduct and practice of trustees of funded occupational pension schemes and trust RACs (both referred to hereafter as 'schemes'), and other regulated entities. This code is not intended to prescribe how to comply with every requirement under legislation. Instead, its purpose is to provide further explanation, where necessary, of how to comply with specific requirements.

The Authority will monitor compliance with the requirements set out in this code as part of its ongoing, forward-looking, risk-based supervision.

Application

This code sets out the Authority's minimum expectations for all schemes in the areas covered by the code. Depending on the size, nature, scale, and complexity of a scheme, trustees may consider it appropriate to implement additional measures above and beyond what is specified in this code. Trustees should always remain mindful of their fundamental duty to act in the members' best interests.

The Authority may amend or supplement this code periodically.

Effective date

This code applies from [date].

Chapter 1 – General governance requirements

1.1 Introduction

Trustees must ensure that the scheme has an effective system of governance that provides for its sound and prudent management. This chapter sets out the actions that the Authority expects trustees to take to ensure satisfactory governance of their scheme.

1.2 General scheme management

Trustees must have written procedures for scheme management in place and must retain documented evidence that these procedures have been and are being followed. This documentation must include:

- identification of members of the trustee board, the key function holders (KFHs), service providers, and any other parties involved in the management and administration of the scheme,
- clear allocation of each party's respective tasks, and
- a list of scheme activities that includes statutory timeframes and dates by which specified tasks must be completed.

1.2.1 Trustee meetings

To ensure that the scheme has an effective system of governance, the trustees must establish a written procedure for the planning and running of meetings. The minutes of meetings must provide written evidence of the extent to which this procedure has been followed.

Even when there is no provision for it in the scheme rules, the trustees must appoint a secretary to the board of trustees. This secretary will be responsible for circulating agenda and other relevant paperwork in advance of meetings and will record minutes of each meeting. Trustees must also appoint a chairperson to lead trustee meetings and this chairperson will bear responsibility for ensuring that all the items stated on the agenda are completed.

Trustees must hold a sufficient number of meetings to maintain effective oversight and control. In cases where trustees are responsible for managing more than one scheme, each meeting must be scheme-specific. The Authority expects all trustees to contribute to the discussions and decision making at their meetings. No one trustee should have unfettered powers of decision in the management of a scheme.



The agenda for regular meetings must be circulated in advance and must include consideration of:

- conflicts of interest,
- risk,
- issues of non-compliance,
- administrative matters, and
- member queries and complaints.

Minutes must be taken at every trustee meeting and must be subsequently reviewed and approved by the trustees. The minutes must include:

- the date, time, place of the meeting,
- the names of the trustees who did or did not attend the meeting,
- details regarding any other persons (such as service providers) who attended,
- details of the discussions held, and all decisions made, and
- action points, deadlines, and identification of the persons who were assigned responsibility for progressing each item.

1.3 Documentation of decisions and reviews

Trustees must have clear, documented evidence of:

- decisions made by the trustees and the underlying reasons why they were made including any relevant advice or information,
- actions taken by the trustees,
- individual policies being implemented by the trustees, and
- all reviews performed by the trustees.

Trustees must review policies at least once every three years, as well as after any significant change in the area with which the policy is concerned.

Trustees must retain adequate records relevant to their process of reviewing of policies. These are to include the minutes of trustee meetings, all documentation of decisions made by the trustees, all advice, all expert reports, and all other information upon which decisions have been based. These records must be kept in a format available for inspection by the Authority.

1.4 Data strategy

Trustees must have a written policy concerning the methods and procedures that are used in managing financial data and scheme members' personal data in a secure manner. This written policy must include consideration of the nature, scope and



timeliness of data needed to fulfil the trustees' duties, the manner in which this data is to be obtained, and the processes by which the trustees will validate the accuracy of such data. This policy must also specify the procedures whereby this data will be securely stored and must specify who will have access to this data. Trustees are responsible for ensuring that data is handled in accordance with GDPR.

Trustees must review compliance with the policy at least once annually and the findings from these reviews must be documented.

1.5 Types of scheme information for trustees

Trustees must have a written policy setting out the scheme information that they require to manage their pension scheme.

The following table provides an example of information trustees must have available to them and the expected timeframe.

Information	How often	When
Scheme asset value	At least annually	Within one month of year end
Investment returns relative to benchmarks and targets	Annually	Within three months of year end
Investment allocations relative to targets	Annually	Within three months of year end
Scheme liabilities and solvency position (including progress relative to funding proposal, where relevant)* (defined benefit schemes only)	At least annually	Within three months of year end
Costs compared to budget (where relevant)	Annually	Within three months of year end

**Estimates of membership numbers and liabilities should be used, if necessary, to avoid delay.*

1.6 Conflicts of interest

Trustees must have a written policy on conflicts of interest for trustees and KFHS that details how the trustees will identify, monitor, and manage conflicts of interest. The policy must include:

- description of the types of conflict that may arise (including conflicts affecting trustees, KFHS, service providers, and employers),
- a register of trustees' and KFHS' interests which could give rise to such conflicts,



- the process for managing identified conflicts, and
- whether conflicted trustees will be allowed to vote on conflicted matters.

Trustees must review compliance with the policy at least once annually and document their findings. Trustees must review the policy itself at least once every three years.

1.7 Outsourcing

All instances of outsourcing must be regulated by written contracts (including service level agreements) between the trustees and their service providers (including advisers). These contracts must be legally enforceable and must clearly define the obligations of both the trustees and the service providers. Trustees are reminded that, regardless of outsourcing arrangements, they themselves are responsible for ensuring the scheme's compliance with legal obligations.

For every outsourced activity, there must be a written description of the activity being outsourced, the person undertaking it, and the process for performance review.

Trustees must notify the Authority of the proposed appointment of any outsourced KFH at least four weeks before the appointment is due to take effect.

1.7.1 General contract terms for outsourced activities

The following items must be included in contracts with service providers:

- commencement dates and end dates,
- detailed descriptions of the obligations of service providers and their associated deadlines,
- description of the trustees' obligations,
- description of information that is to be provided to the trustees on a regular basis,
- where appropriate, details regarding obligations for submitting reports to the Authority,
- record-keeping, data-validation, and where relevant auditing requirements,
- procedures for data protection,
- procedures for reporting breaches in compliance or data security,
- whether sub-outsourcing is permitted and if so, the conditions under which it is permitted,
- details regarding any third-party service providers or sub-contractors,
- business continuity arrangements,
- procedures for handling disputes and appeal procedures, including specification of timeframes for resolution,
- pricing and fee structures, and



- provisions for review, termination, and handovers.

In addition to meeting the requirements listed above, trustees must tailor their contracts as needed based on the specific characteristics of the service providers with whom they are engaging. Additional guidance for administration and investment contracts is provided in Chapters 2 and 4.

1.7.2 Procedures for the appointment of service providers

Trustees must have written procedures for the appointment of service providers and must retain documented evidence of compliance with these procedures.

These written procedures must include details regarding:

- invitation of applications,
- management and resolution of potential conflicts of interest as per processes in accordance with the scheme's conflicts of interest policy,
- the kinds of information that will be sought from applicants and the criteria by which applications will be assessed, and
- the processes to be followed in reaching a decision.

Trustees must document how they ascertained that each new appointee had the capacity and experience necessary to fulfil their obligations.

1.8 Remuneration

There must be a written remuneration policy for trustees (where relevant), KFHS, any outsourced service providers and any other personnel employed by the trustees to carry out professional activities. The objective of the policy is to ensure that conflicts of interest and excessive risk-taking are avoided. The remuneration policy must cover:

- the policy's objectives,
- the roles and responsibilities of all parties involved in determining remuneration,
- procedures for determining remuneration for trustees and KFHS,
- procedures for determining remuneration for outsourced providers,
- safeguards to ensure that remuneration practices do not generate excessive risk-taking or conflicts of interest,
- provisions to ensure that remuneration is not solely based on financial performance metrics,
- a provision that payments related to early termination of a contract must reflect performance achieved over the long-term and be designed in such a way that they do not reward failure,

- characterisation of the frequency, form, and content of reporting arrangements whereby the trustees receive updates and financial statements generated, and
- procedures whereby remuneration policy is to be reviewed, approved, and updated by the trustees.

Trustees must ensure that the remuneration policy is reviewed and updated at least once every three years.

1.9 Member engagement

Trustees must ensure that members and beneficiaries are given certain information within specific timeframes as set out in the Act and related regulations. These requirements are a minimum. If the trustees identify additional areas where members would benefit from communication and engagement, these should also be provided.

Trustees must prepare a written policy regarding the ways in which they will engage with members. This policy must address the objectives for such engagement, the occasions upon which such engagement will occur, the frequency of same, and the forms of communications that will be used.

The policy must be reviewed at least once every three years. Each such review must assess the effectiveness of the existing policy and, when necessary, the policy must be updated to ensure that it continues to serve the needs of scheme members. Trustees should consider how best to establish the effectiveness of their engagement with members and must keep a log of all communications and complaints received from members.

If a member requests, trustees must provide the member with access to any policy document referred to in this code of practice, within four weeks of the request. Access may only be denied when there is a legally justifiable rationale (such as a request for a document that contains sensitive personal information).

Unless expressly required otherwise in legislation, disclosure documents can generally be provided by electronic means where the recipient has consented to receive these types of documents in that manner.

Chapter 2 – Administration

2.1 Introduction

This chapter sets out actions that the Authority expects trustees to undertake, to ensure the efficient administration of their scheme. Scheme administration covers managing member records, keeping these up to date and adequate communication with the scheme's members and with the Authority.

Where the administration of the scheme is outsourced, the following requirements apply:

- Where the administration of the scheme is performed by more than one administrator, this code applies to all administrators involved in the administration.
- Where administration is performed by the employer, the same procedures and documentation are required as with any outsourcing arrangement.
- Where some or all of the administration is performed directly by trustees, the Authority expects the trustees to follow written procedures for oversight and reporting as would be the case if the administration has been outsourced.
- Responsibility for complying with legislatively mandated obligations remains with the trustees, regardless of whether administration of the scheme has been outsourced.

2.2 Administration policy

Trustees must create and maintain a written administration policy. This statement of policy must cover the following:

- **Purpose:** The purpose of the policy should be defined in terms of its specific goals, such as documentation of administrative activities, procedures for appointing administrators, and/or procedures for monitoring the administrator's activities.
- **Scope:** The scope of the policy should be defined, including the extent to which it covers the administrator's obligations, the responsibilities of the Registered Administrator (RA), and any other administration functions.
- **Roles and responsibilities:** The role and responsibilities of the administrator, the trustees, the employer, and any service providers involved in the administration of the scheme.
- **Data requirements:** The kinds of information that will be provided **to** the administrator, the person or persons who are to provide that information, and the frequency with which such information is to be provided.



- **Reporting:** Information that must be provided **by** the administrator to the trustees, to KFHS, to the Authority (in the case of a RA), and to any other service provider, as well as frequency with which such information must be provided.
- **Monitoring and review:** The procedures and frequency for monitoring and reviewing the performance of the administration.
- **Review of policy:** The policy must state how often, by whom, and in what circumstances the policy will be reviewed.

Trustees must maintain documented evidence to demonstrate that the administration policy has been complied with and reviewed periodically.

2.3 Employer's role in the administration of the scheme

Trustees need to have a full understanding of the employer's role in the administration of the scheme. Trustees must have a written agreement with the employer regarding the provision of data to administrators. At least once every three years, trustees must review the processes that the employer uses to provide information to the administrator.

2.4 Administration contract

All outsourcing of administrative activities must be regulated by a written contract. Details of standard provisions for outsourcing contracts can be found in Section 1.7. Written contracts for outsourcing must specify:

- procedures whereby administrators will record and respond to members' issues and complaints,
- arrangements whereby the trustees will provide instructions to the administrator,
- procedures for interactions between the administrator and other relevant service providers,
- the administrator's obligation to provide information to the Authority in the case of a RA,
- a complaint-resolution process, and
- procedures for preparing and distributing information-disclosure documents as required under legislation.

2.5 Review and oversight

At least once each quarter, trustees must assess the administrator's performance, whether they have met their obligations, and have adequately addressed any issues that have arisen. Trustees must retain documented evidence of this review.



At least once each year, trustees must prepare a written assessment of the administrator's performance and determine whether the overall work is acceptable. To the extent that there are deficiencies, the trustees must indicate what issues need to be addressed and specify timelines for their resolution.

At least once every three years, the trustees must conduct a review of the administrator's performance that includes a value-for-money assessment and consideration of appropriate alternative providers. The reasons underlying a decision to remain with a current provider or to change provider must be clearly documented and this documentation retained.

Chapter 3 – Internal control system

3.1 Introduction

Trustees must put in place an effective internal control system that provides reasonable assurance that a scheme is compliant, properly administered and managed and has appropriate reporting systems. This chapter sets out actions that the Authority expects trustees to undertake to have an effective internal control system.

An effective internal control system includes an administration policy (see Chapter 2), accounting procedures, an internal control framework (including risk management and internal audit functions), and appropriate reporting arrangements.

3.2 Accounting procedures

Trustees must have clear and robust accounting procedures that define how the scheme will record, classify, and summarise financial transactions. In addition, these procedures must specify how the scheme's Trustee Annual Reports (TARs), or Alternative Annual Reports (AARs), will be prepared. These procedures must include:

- procedures whereby financial transactions will be recorded,
- daily, monthly and/or annual reconciliation requirements,
- timelines for preparation of TARs or AARs,
- roles and responsibilities of trustees, administrators, and independent accountants (where required) in the preparation of TARs or AARs, and any required external audits,
- procedures for the appointment of an external auditor to audit TARs,
- a detailed set of requirements for the independent accountant (where required) whose role is to prepare AARs, and
- a detailed set of requirements for the external auditor that will be provided to the auditor along with the TAR.

3.3 Internal control framework

Trustees must put in place an effective internal control framework that includes well-functioning risk management and internal audit functions. This framework must include specification of standards, processes, and structures that will provide the basis for carrying out internal control. The main elements of this internal control framework are risk management, the establishment of well-identified internal controls that monitor risks, and an ongoing process that monitors and reviews the internal controls. The risk management component of this internal control framework must include procedures for own-risk assessment (ORA).



3.3.1 Risk Management

Good risk management is an essential characteristic of a well-run scheme and plays an important role in the trustees' execution of their obligation to protect members' benefits. Trustees must prepare an effective risk management policy and must effectively monitor the ongoing execution of that policy.

Risk management function

The policies governing the risk management function must be structured in such a way as to facilitate operation of the trustees' risk management system. The risk management function must be well integrated into the decision-making processes of the scheme.

The risk management function is to be overseen and executed by a risk management KFH whose tasks include:

- assisting the trustees in preparing the risk management policy,
- assisting the trustees in preparing the scheme's ORA,
- 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, and
- monitoring ongoing management of identified risks and providing the trustees with appropriate updates regarding the same.

Risk management policy

Trustees must have a documented risk management policy that provides a framework for the management of risk. The policy must cover the following areas:

- **Purpose:** The purpose of the policy should be defined in such a manner that it provides the scheme with an effective framework for identifying, measuring, monitoring, managing, mitigating, and regularly reporting to the trustees matters relating to risk.
- **Scope:** The scope of the policy should set out the areas of the scheme to be covered by risk management.
- **Risk management framework:** The policy must provide for how risks will be identified, measured, monitored, managed, mitigated, and reported. It must include a risk-scoring system with provision of risk ratings and a defined procedure for ORA.



- **Risk management principles:** The policy must state the principles that underlie the scheme's risk management approach.
- **Risk appetite:** The statement of policy should specify the amount of risk that the trustees are prepared to accept, tolerate, or be exposed to at any given point in time. For example, it might state that the trustees and the scheme seek to minimise exposure to compliance, financial, and reputational risk, whilst nonetheless accepting and encouraging an increased degree of risk in pursuit of its objectives.
- **Risk management responsibilities:** The policy should define the specific roles of the trustees, the risk management KFH, and any other service providers who are responsible for risk management.
- **Risk management process:** The policy should provide a high-level overview of the risk management process and state its guiding principles.
- **Review of policy:** It must be specified how often the policy will be reviewed.

Own-risk assessment

Trustees must have a documented ORA process to identify and assess risks that threaten achievement of the scheme's objectives. Assessment of risk is a fundamental process underlying determination of how risks will be managed.

The ORA process must address:

- when and how frequently regularly scheduled ORAs will be performed (with a minimum rate of at least once every three years) and specification of the circumstances under which additional ORAs would be required,
- the qualitative and quantitative information that must be provided to the trustees to undertake the ORA and the methods whereby this information is to be collected,
- the role that the risk management function is to play in performing the ORA,
- how conclusions derived from the ORA will be recorded, and
- how the results of the ORA are to be integrated into the trustees' management and decision-making processes.

The Authority expects the risk management function to ensure objectivity and that considerations are thorough and comprehensive. The ORA must provide a true assessment of risk and not merely rationalisation of the scheme's current position.

Content of own-risk assessments

Trustees must ensure that the ORA contains a comprehensive, evidence-based assessment of the overall position of the scheme, including challenges and risks that



are faced by the scheme and risks to members' benefits. The latter must include, where applicable, assessment of risks that affect particular classes of members.

Based on the findings from an ORA, trustees must determine which risks their scheme can safely absorb without further action and which risks require that mitigating action be taken. The ORA must provide guidance to the trustees regarding actions that they may take to address risk challenges and to mitigate risks.

The ORA must include the consideration of the full range of risks, including both external and internal factors. Examples of the former would include market risks and environmental risks. Operational risk would be an example of the latter.

Trustees must ensure that their ORA covers:

- the risk to members that scheme benefits will not meet the members' expectations (including assessment of the role that member communications may play in mitigating this risk),
- qualitative assessment of the scheme's operational risks that includes assessment of the adequacy, accuracy, and robustness of the scheme's system for maintaining benefit records, the handling of members' communications, issues of general administration, security of the system of handling contributions, and other financial control systems,
- the potential impact of any decisions by the trustees that may have significantly altered risks to the scheme or to the benefits that its members and their beneficiaries may receive,
- where relevant, the adequacy or lack of insurance arrangements for death benefits, and
- in situations in which the same person performs one or more key functions for both the scheme and the employer, a description of how the scheme will prevent conflicts of interest that could arise due to this duality of roles.

In addition, trustees of defined benefit (DB) arrangements must ensure that their ORA considers:

- the current funding position of the scheme and the factors that have led the scheme to this position,
- a quantitative evaluation of the solvency, financial risk, and sustainability position of the scheme,
- the trustees' evidence-based view of the strength of the employer covenant, and
- the risks identified by periodic review of the funding of the scheme described in Chapter 5.

3.3.2 Identifying and putting in place internal controls

Trustees must put in place internal controls that are sufficient to ensure that the scheme is managed well and in accordance with the scheme rules, the Act, and other relevant legislation. It is the trustees' responsibility to ensure the controls are properly identified and implemented.

These internal controls must consist of policies and procedures that ensure that any risks identified by the trustees' risk management system are prevented or reduced to an acceptable level. Controls may be preventive, detective, or corrective and may be exerted either manually or in an automated manner.

Examples of types of control activities would include requirements for authorisation, approvals, reconciliations, staff training, and performance reviews of service providers. For a more extensive list of examples of risks and controls, see Appendix 1.

3.3.3 Monitoring and review of internal controls

Trustees must have processes and procedures in place for examining and assessing whether the scheme's internal controls are functioning properly. Internal controls must be reviewed at least once each year, or more often than yearly when substantial changes have taken place such as (but not limited to), deterioration in a DB scheme's funding, a change in investment manager, or identifying that an existing control is inadequate.

Annual assessments include the use of internal audits and spot checks performed by the trustees or by other key scheme personnel. It is important that any findings from these assessments be properly examined by the trustees and by individuals responsible for the risk management function. In addition, these findings must be communicated to relevant parties in a timely fashion so that additional controls can then be instituted, or existing controls modified and improved, as needed.

Internal audit function

To assist the trustees with the monitoring and review of internal controls, they must establish and maintain an effective internal audit function that is overseen and executed by an internal audit KFH. Execution of the internal audit function may also be supported by the activities of an audit committee where relevant.

The tasks of the internal audit KFH are 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, and
- document and report on findings.

Internal audit policy

Trustees must have a documented internal audit policy that provides a framework within which internal audit is able to provide objective and independent assessments and advice to the trustees. The policy must cover the following areas:

- **Purpose of policy:** An overview of the rationale underlying the internal audit policy.
- **Scope of internal audit function:** Includes scheme administration, investment decisions and processes, scheme governance, risk management, procedures for handling contributions, legislatively mandated compliance issues, management of information-technology systems, ‘fit and proper’ requirements (as discussed in Chapter 6), disclosures, and any other areas and issues that the trustees believe should be included.
- **Independence and objectivity:** Internal audits must be conducted in a manner independent of the activities that they audit. They must provide unbiased judgments and impartial advice and must be reported directly to the trustees or an audit committee, if such a committee has been established.
- **Professional standards:** Where appropriate, the trustees should specify in the policy the set of professional standards to which they expect the internal auditors to adhere. An example of such standards would be those promulgated by the Institute of Internal Auditors.
- **Role and responsibilities:** The policy must define the roles and responsibilities of the internal audit KFH, the trustees, and the audit committee, if such exists.
- **Trustee handling of findings produced by the internal audit function:** How the trustees will consider findings and recommendations reported by the internal audit function and incorporate these into their decision-making processes in managing the scheme. The trustees should set out general timelines for acting upon any findings and recommendations.
- **Reporting requirements:** The policy must set out reporting requirements for the internal auditor function and the timeframes for response by the trustees (and from the audit committee, where such exists).
- **Review of policy:** It must be specified how often the policy will be reviewed.



3.4 Scheme reporting arrangements

Trustees must ensure that clear communication processes and procedures are established for obtaining, providing, and reporting information that is necessary for the operation of their scheme. These processes must be kept under ongoing review and adapted, as needed, to meet the scheme’s objectives and to assist with managing identified risks.

Chapter 4 – Investment

4.1 Introduction

This chapter covers investment matters for trustees of both DB and defined contribution (DC) schemes. It sets out the Authority's expectations for trustees in regard to their investment responsibilities. These include:

- a statement of investment process,
- setting investment strategy (including, in the case of DC schemes, deciding on investment choices and the default investment), and
- appointment and oversight of investment managers.

4.2 Statement of investment process

Trustees must have a written statement outlining the governance process whereby investment objectives and strategy will be decided upon and implemented. The statement of investment objectives must define the trustees' investment goals in quantitative and qualitative terms and must include any constraints that apply to these. The statement of investment strategy must indicate how these goals are to be achieved.

This statement of investment process must be reviewed by the trustees at least once every three years, or in the event that the trustees have decided to amend the investment process. There must be documented evidence of the review.

These requirements are separate from the trustees' obligation to prepare a Statement of Investment Policy Principles.

4.2.1 Defined benefit schemes

In the case of a DB scheme, the written statement must define the process whereby agreement is to be reached on investment objectives and choice of investment strategy. In addition, it must consider the responsibilities and process for funding of DB schemes as described in Chapter 5.

The statement must include how each of the following are to be decided:

- the scheme's investment objectives and level of risk tolerance,
- the process that will be followed in finalising the investment strategy,
- the extent to which professional advice will be sought regarding various aspects of the process and, where relevant, the role of the advisers,
- whether the sponsoring employer will be consulted,

- how frequently and under what circumstances the investment strategy will be reviewed,
- whether environmental, social, and governance factors will be considered, and if so, the processes by which these will be incorporated into the investment process,
- the investment management structure, investment mandates, and the appointment of investment managers, and
- the information to be considered in assessing investment performance.

4.2.2 Defined contribution schemes

For DC schemes, the written statement must include how each of the following are to be decided:

- the scheme's investment objectives and the number of investment choices that will be offered to scheme members,
- the investment strategy and risk tolerance for each investment choice, and for the default investment,
- the extent to which professional advice will be sought and, where relevant, the role of the advisers,
- the frequency at which investment choices and default investment will be reviewed and under what circumstances they will be subjected to immediate review,
- whether environmental, social, and governance factors will be considered, and if so, the processes by which these will be incorporated into the investment process,
- the investment management structure, investment mandates, and the appointment of investment managers, and
- the information to be considered in assessing investment performance.

4.3 Setting the investment objectives and strategy

In their management of DB schemes, trustees must specify, in writing, clear quantitative targets for the scheme's rate of investment return and risk tolerance. In the management of DC schemes, these must be defined separately for each investment choice and for the default investment. In each case, these objectives must be realistic, consistent with each other, and, in the case of DB schemes, must be consistent with the scheme's funding strategy.

The investment strategy must include:

- the objective for rates of return,
- the maximum acceptable level of investment risk,



- procedures for keeping the scheme compliant with legislatively mandated investment obligations and any specific investment obligations required under the rules of the scheme,
- a requirement that the strategy be reviewed at least once every three years and specification of the kinds of events that would trigger an immediate review, and
- where applicable, the environmental, social, and governance factors that are to be considered.

For DB schemes, the above-listed items will pertain to the scheme overall. For DC schemes, the above items must be specified individually for each investment choice and for the default investment.

The investment strategy must be written in plain English as far as possible. The stated objectives must be specific, quantifiable, and verifiable.

4.4 Implementation of investment objectives and strategy

Once there is agreement on the investment objectives, the trustees may then decide to delegate the implementation of these objectives to a fiduciary¹ manager.

To the extent that the trustees decide not to delegate decision making to a fiduciary manager, they must decide how to implement their investment objectives and investment strategy. For DB schemes, the implementation of these will be applicable to the scheme overall. For DC schemes, the implementation will apply to each investment choice, as well as the default investment. The trustees must decide in each case the appropriate asset mix, the type of investment management, and where applicable, the number of investment mandates to be implemented.

The overall number of investment managers and mandates should reflect the size of the scheme's assets, the complexity of the scheme's requirements, and, in the case of a DC scheme, the range of investment choices.

Each investment mandate must include its specific investment objectives, the targeted rate of return, and the acceptable level of risk as defined over specific intervals of time. The mandate must also indicate what level of discretion will be allowed to the investment manager(s) in its implementation.

¹ Fiduciary management is an approach to asset management in which the trustees appoint a third party to manage the scheme's assets on an integrated basis. The fiduciary manager then uses a combination of advisory and investment services to achieve the trustees' investment objectives. The role of the 'fiduciary' manager may include both setting the investment strategy and implementing it. Alternatively, it may consist of a form of delegated investment management in which the manager implements an overall investment strategy set by the trustees or implements specific sections of their investment strategy.



For each mandate, the trustees must consider the most suitable alternative investment managers available. The selection process by which the trustees appoint investment managers must be based on a set of written criteria drawn up beforehand by the trustees, including specification in advance of the weighting to be given to each of these criteria. In addition, these criteria must specify what levels of fees will be acceptable. Based on these considerations, they will then decide whether to appoint a new manager or to retain, on review, the existing investment manager.

If the trustees decide to invest some or all of the assets of the scheme into directly held debt instruments, they must retain information on the credit-assessment process used to evaluate these debt instruments, both prior to their purchase and as an ongoing process while these assets are held by the scheme. Information on the credit-assessment process must be made available to the Authority on request. This requirement excludes debt instruments that are held by the scheme in collective-investment undertakings and in insurance policies.

4.5 Investment contracts

There must be a written contract in place for each investment manager appointed by the trustees. Details on generic content for outsourcing contracts can be found in Section 1.7, Outsourcing. The additional provisions of this contract must include:

- the manager's mandate(s), objectives, performance benchmark(s), investment return target(s), and risk tolerance,
- custody arrangements for administration and safekeeping of assets,
- provisions governing any sub-contracting of investment management (where permitted),
- obligations of the investment manager, custodian, and any sub-contractors to provide information directly to the Authority,
- the fees that will be charged by the investment manager (inclusive of those charged by sub-contractors) and identification of any expenses that may be charged in addition to these fees,
- details regarding the kinds of information that the investment manager is expected to provide on a regular basis to the trustees and specification of when this information is to be provided, and
- provisions that define the investment manager's obligations in the event that they are replaced or resign.

The investment contract must not contain any provisions that limit the trustees' ability to obtain relevant information from the investment manager nor any provisions that impair the trustees' ability to review and replace an investment manager or otherwise modify arrangements for fiduciary management.

4.6 Overseeing investment performance

At the outset of an investment manager's appointment, the trustees must specify in writing how they will define satisfactory performance and must also specify in advance the steps that will be taken in the event that the investment manager's performance turns out to be unsatisfactory.

The trustees must conduct regular performance reviews of their investment manager(s) and retain documented evidence of these reviews. This periodic review process must conform to the following timelines and conditions:

- Investment performance must be monitored on a quarterly basis and reviews conducted at least once annually. These reviews must evaluate investment performance in the light of previously agreed investment objectives, performance benchmarks, investment return targets, and pre-specified levels of risk tolerance.
- Critical reviews must be conducted periodically to evaluate investment performance against previously specified investment objectives, performance benchmark(s), and investment return targets. These critical reviews are to be conducted at least once every three years (except as noted below), and then form the basis for a decision by the trustees as to whether to retain the present investment manager or enter into consideration of their replacement.
- In these critical reviews, the performance of the fiduciary manager must be independently assessed against the agreed investment contract and, where possible, alternative providers.
- Within any three-year period, if circumstances arise which suggest that an investment manager's ability to meet their agreed investment target is negatively affected or impaired, the trustees must then perform a critical review within six months of becoming aware of these circumstances.
- Based on existing circumstances as the end of a three-year period approaches, trustees may decide to extend the period for critical review of investment performance to a total of five years. If this is done, the rationale underlying such a decision must be documented and the decision must be based on clear and relevant criteria.
- After completion of a critical review period (be it three years or up to five years), trustees must ensure that the critical review is completed and that decisions depending on that review are taken within six months.

When an incumbent investment manager is retained and when an ongoing arrangement for fiduciary management is continued following a critical review, the trustees must clearly document why they chose this course of action in the face of available alternatives.

4.7 Safekeeping and administration of scheme assets

The trustees must have arrangements in place for the safekeeping and administration of all scheme assets. If the trustees decide to appoint a depositary who will perform these roles, certain requirements are triggered. This appointment must be made by written contract, there must be disclosure of any conflicts of interest to members and beneficiaries, and various other obligations may be placed on the depositary, depending on whether they are being appointed solely for the function of safekeeping assets or also to perform duties of oversight.

Written contracts with depositaries must clearly specify the scope of the depositary's responsibilities and include performance and risk management requirements of the arrangement. The investment contract provisions listed in Section 4.5 above (excluding the first two bullet points) are likewise applicable to depositary appointments except that references to 'investment manager' above should be read as 'depositary' and references to 'investment management' should be read as 'depositary arrangements'.

The trustees must conduct reviews of the performance of the depositary at least annually and retain documented evidence of the reviews after their completion. A critical review must be carried out at least once every three years. Following such review, the services of the existing depositary must be compared with alternatives offered by other providers. This comparison must include assessment of the range of services covered, the competencies of the various providers, and the fees that they charge. When an incumbent depositary is retained following a critical review, the trustees must clearly document the reasons for their decision including details of their comparisons with available alternatives.

Based on existing circumstances as the end of a three-year period approaches, trustees may decide to extend the period for critical review of the depositary's performance to a total of five years. If this is done, the rationale underlying such a decision must be documented and the decision must be based on clear and relevant criteria.

Chapter 5 – Defined benefit financial management

5.1 Introduction

This chapter specifies the kinds of studies and evaluations that trustees must commission and consider in their management of DB schemes. In line with the trustees' governance, financial management, and risk-management responsibilities, they must:

- ensure that they have access to the necessary financial and actuarial data in order to meet their responsibilities, and
- have a proper understanding of the issues related to the funding of the scheme.

Trustees must have a thorough understanding of:

- the scheme's solvency position, i.e., the degree to which the funding is adequate to meet the obligations of the scheme,
- the financial risks facing the scheme, and the likelihood that additional support will be required from the sponsoring employer over contributions already planned, and
- the scheme's sustainability, i.e., the degree to which contributions to the scheme will be adequate to meet the cost of ongoing benefit accrual.

5.2 Solvency

At appropriate intervals, trustees must review the solvency of the scheme, using a range of bases of calculation, including:

- the best estimate of future conditions,
- the basis underlying the funding standard,
- the continuation of current investment conditions, and
- bases that would be unfavourable to the scheme.

Trustees must examine projected cashflows as well as discounted totals.

5.3 Sustainability

At appropriate intervals, trustees must confirm that the contributions to the scheme will be adequate to meet the cost of ongoing benefit accrual and must consider whether there are any threats to the current contribution rate.

5.4 Financial risks

At appropriate intervals, trustees must commission and consider quantitative estimates of the likelihood that the scheme will develop funding shortfalls relative both to the funding standard and to the trustees' own funding objectives.

While there are many methods and models that can be used to measure financial risk, analyses carried out by the trustees must include the Pensions Authority risk measure, details of which will be made available by the Authority.

Where the scheme has a funding proposal in place, the risk estimate should quantify the likelihood that the funding proposal might fail to meet its objective.

5.5 Support from sponsoring employer

Trustees must form a comprehensive view of the scheme's ability to absorb financial risks through the quantitative assessment described above and through regular discussions with the sponsoring employer. These discussions must assess the ability and willingness, if any, of the employer to support the scheme with supplemental contributions, should they be needed.

Chapter 6 – Fit and proper requirements

6.1 Introduction

The Act requires that trustees and KFJs must be fit and proper.

‘Fit’ means having the appropriate qualifications, knowledge, and experience for a position. For trustees, fit is a collective obligation, meaning that the trustee board or the directors of a sole corporate trustee must as a whole have the appropriate qualifications, knowledge, and experience to run the scheme. Each KFJ must comply with the fit requirement.

‘Proper’ in relation to trustees and KFJs means being of good repute and integrity. Being proper is an individual requirement for both trustees and KFJs. This means that every trustee and every KFJ must be of good repute and integrity.

Part A – Trustees

6.2 The ‘fit’ requirement for trustee boards and directors of sole corporate trustees

The trustee board or the directors of a sole corporate trustee must have appropriate qualifications, knowledge, and experience to act for the scheme. This means that at a minimum, at least one trustee on the board or one director of a sole corporate trustee must:

- have completed a course listed on the Authority’s website as meeting the requirements, and
- have been a trustee or a director of a corporate trustee for at least two of the previous three years of a similar type of scheme that provided adequate experience to ensure they will be able to contribute in a sound and prudent manner to the management of the scheme.

One trustee on the board or one director of a sole corporate trustee can meet the experience, qualification, and knowledge requirements. It is the Authority’s preference, however, that at least one of the trustees on the board or one director of a sole corporate trustee meets the experience requirement and at least one other trustee on the board or one director of a sole corporate trustee meets the qualification and knowledge requirement. This is to avoid over-reliance on one trustee or director.

6.3 Proper for individual trustees and directors of corporate trustees

Proper means being of good repute and integrity. In determining good repute and integrity, trustees must consider whether their own suitability for the role or that of one of their fellow trustees has been adversely affected to a material degree (including to the extent that the trustee is automatically disqualified, having regard to section 64AE of the Act, from acting) by one or more of the following events or conditions:

- The person is or was a sole trader or a director or partner in a legal entity which has, in any jurisdiction, been prohibited, restricted, or suspended from the right to carry on any trade, business, or profession for which a licence, registration, or other authorisation is required by law in that jurisdiction, or has had any such registration, authorisation, membership, or licence revoked, otherwise than on a voluntary basis.
- The person has been the subject of any upheld complaint made to the Financial Services and Pensions Ombudsman, the Central Bank of Ireland, or any equivalent body relating to activities regulated by the Authority or regulated by an equivalent authority in any jurisdiction.
- The person has been, in any jurisdiction, dismissed, or asked to resign and did resign, from any professional body, vocation, office, or employment, or from any position of trust or fiduciary appointment, whether remunerated or not.
- The person has, in any jurisdiction, been a director of a company that was struck off the register of companies (or its equivalent) by the Registrar of Companies (or its equivalent) on an involuntary basis.
- The person has been disqualified or restricted from acting as a director in any jurisdiction or has been disqualified from acting in any managerial capacity.
- The person has been removed as a trustee under section 63 of the Act.
- The person has, in any jurisdiction:
 - been convicted of an offence either of money laundering or terrorist financing (or their equivalents),
 - been convicted of an offence which could be relevant to that person's suitability to perform the role, or
 - had a conviction, judgment or order made against him or her involving fraud, misrepresentation, dishonesty, or breach of trust, or where the person is subject to any current proceedings for fraud, misrepresentation, dishonesty, or breach of trust.
- The person has been the subject of any civil penalty enforcement action taken by a regulatory authority under any law in any jurisdiction.

- The person, or any business with which the person held a position of responsibility, has been or is being, in any jurisdiction, investigated, disciplined, or suspended by a regulatory or professional body, a court or tribunal, or any similar body, whether publicly or privately.
- The person has defaulted upon any payment that was due because of a compromise or scheme of arrangement made with their creditors or an assignment made for the benefit of their creditors.
- The person is subject, in any jurisdiction, to a judgment debt, which is unsatisfied, either in whole or in part.
- The person is or has been, in any jurisdiction, the subject of a bankruptcy petition.
- The person has been, in any jurisdiction, adjudicated a bankrupt and the bankruptcy is undischarged.
- The person was a director of an entity, which has been the subject of insolvency.

Where any of the above applies to a trustee, but it has been determined (other than for specific issues set out in section 64AE of the Act that prevent a trustee from acting) that it does not materially impact on them being considered proper, the review performed and the reasons for still appointing the trustee must be clearly documented.

6.4 Proper for corporate trustees

In determining good repute and integrity, trustees must consider whether a corporate trustee's ability to perform their role is adversely affected to a material degree (including to the extent that the corporate trustee is automatically disqualified, having regard to section 64AE of the Act, from being appointed), by any of the following conditions:

- The company's directors do not meet the 'fit and proper' requirements set out in legislation.
- The corporate trustee is subject to a judgment debt in any jurisdiction that is unsatisfied, either in whole or in part.
- The corporate trustee has commenced a voluntary winding up.
- The corporate trustee is subject to a winding-up order or is subject to proceedings from such an order.
- The corporate trustee has a receiver or examiner appointed.
- The corporate trustee has proposed a compromise or an arrangement with its creditors, has defaulted upon any payment that was due because of a compromise or scheme of arrangement made with its creditors, or an assignment made for the benefit of its creditors.



- The corporate trustee has, in any jurisdiction, been refused, prohibited, restricted, or suspended from the right to carry on any trade, business, or profession for which a licence, registration, or other authorisation is required by the law in that jurisdiction, or has had any such registration, authorisation, membership, or licence revoked, otherwise than on a voluntary basis.
- The corporate trustee has been the subject of any upheld complaint made to the Financial Services and Pensions Ombudsman or any equivalent body relating to activities regulated by the Authority or regulated by an equivalent authority in any jurisdiction.
- The corporate trustee has, in any jurisdiction:
 - been convicted of an offence either of money laundering or terrorist financing (or their equivalents),
 - been convicted of an offence which could be relevant to that person's ability to perform the role, or
 - had a finding, judgment or order made against it involving fraud, misrepresentation, dishonesty, or breach of trust or where the corporate trustee is subject to any current proceedings for fraud, misrepresentation, dishonesty, or breach of trust.
- The corporate trustee has been the subject of any civil penalty enforcement action taken by a regulatory authority under any law in any jurisdiction.
- The corporate trustee has defaulted upon any payment that was due because of a compromise or scheme of arrangement made with its creditors, or an assignment made for the benefit of its creditors.

Where any of the above applies to a corporate trustee, but it has been determined (other than for specific issues set out in section 64AE of the Act that prevent a trustee from acting) that it does not materially impact on them being considered proper, the review performed and the reasons for still appointing the corporate trustee must be clearly documented.

Section 64AC of the Act requires the appointment of at least two persons as trustees who effectively run the scheme. For sole corporate trustees, the requirement is satisfied where at least two directors effectively run the scheme. It is important for all of the sole corporate trustee's directors to note that all directors are responsible for any decisions taken in relation to the scheme.

Trustees must document their determinations concerning matters of fit and proper. In this regard, they may find it useful to complete a questionnaire on proper requirements. An example of such a questionnaire is provided in Appendix 2. This questionnaire is generally applicable to all schemes regardless of their size, nature, scale, and

complexity. Trustees may need to make modifications to the questionnaire to adapt it to the specific characteristics of the scheme under their stewardship.

6.5 On-going compliance with fit and proper requirements

Trustees or directors of corporate trustees must review and document their compliance with the fit and proper requirements on an annual basis.

A person or corporate trustee previously considered fit and proper may subsequently be considered not fit and proper if one or more of the following events or conditions have occurred:

- The trustee has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements, or professional standards, or has been obstructive, misleading, or untruthful in dealing with their fellow trustees, regulatory bodies, or a court.
- The trustee has breached a fiduciary obligation.
- The trustee has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices.
- The trustee has been reprimanded, disqualified, or removed by a professional or regulatory body because of issues relating to the person's honesty, integrity, or business conduct.
- The trustee has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure has caused loss to others.
- The trustee has been substantially involved in the management of a business or company that has failed, where that failure has been occasioned in part by deficiencies in such management.
- The trustee was the subject of civil proceedings, criminal proceedings, or an enforcement action related to their management of an entity or to their commercial or professional activities that were then determined adversely for that trustee (including cases in which the trustee consented to an order or direction or was giving an undertaking not to engage in unlawful or improper conduct) and that reflected adversely on the trustee's competence, diligence, judgment, honesty, or integrity.

Failure to maintain compliance with fit and proper requirements must be acted upon by trustees and all necessary actions must be taken to rectify situations in which a person or corporate trustee previously considered to be fit and proper no longer fulfils that qualification.

6.6 Skills, knowledge, training, and experience of trustee boards

In addition to meeting the fit and proper requirements, trustees and directors of corporate trustees must also:

- undertake trustee training, and
- have a policy in place that determines how they will acquire and maintain a mix of skills, knowledge, and experience adequate to ensure good governance for their scheme.

As part of this policy, the trustees must assess the skills, knowledge, and experience of the trustee board or directors of a sole corporate trustee annually and thereby determine what, if any, gaps need to be filled, either through recruitment of additional expertise or through further training. There must be documented evidence of the conclusions reached through this assessment and of appropriate follow-up actions that are then taken.

Part B – Key function holders

It is the Authority's view that a named individual must be appointed as a KFH, including if the key function has been outsourced in accordance with 64AD(2) of the Act. The named individual appointed must meet fit and proper requirements.

6.7 The 'fit' requirement for key function holders

The trustees must ascertain that the risk management 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 knowledge that is sufficient and appropriate to competently support the trustees and to perform the risk management KFH role effectively, including comprehensive knowledge regarding operation of pension schemes (specific to either DB or DC schemes, as appropriate) and advanced understanding and capability in one or more of the following areas:
 - actuarial advice on funding, reserving, and solvency for DB schemes,
 - 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 – particularly for DC schemes, and
- 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, and
- is aware of their responsibilities to identify and report personal conflicts of interest in carrying out their duties.

The trustees must ascertain that the internal audit KFH:

- holds a qualification that the trustees consider relevant and is at a minimum of level seven on the 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 key function 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, and
- is aware of their obligations to identify and report personal conflicts of interest in carrying out their duties.

For each appointment of a KFH, the trustees must retain documentation showing how they ascertained that the appointed KFH met the fit requirement.

6.8 The ‘proper’ requirement for key function holders

Proper means being of good repute and integrity. In determining good repute and integrity, trustees must consider whether a KFH’s ability to perform the role is adversely affected to a material degree (including to the extent that the KFH is automatically disqualified, having regard to section 64AE of the Act, from being appointed), due to one or more of the following events or conditions:

- The person is or was a sole trader or a director or partner in a legal entity which has, in any jurisdiction, been refused, prohibited, restricted, or suspended from the right to carry on any trade, business, or profession for which a licence, registration, or other authorisation is required by law in that jurisdiction, or has



had any such registration, authorisation, membership, or licence revoked, otherwise than on a voluntary basis.

- The person has been the subject of any upheld complaint made to the Financial Services and Pensions Ombudsman or any equivalent body relating to activities regulated by the Authority or regulated by an equivalent authority in any jurisdiction.
- The person has been, in any jurisdiction, dismissed, or asked to resign and did resign, from any profession, vocation, office, or employment or from any position of trust or fiduciary appointment, whether remunerated or not.
- The person has, in any jurisdiction, been a director of a company that was struck off the register of companies (or its equivalent) by the Registrar of Companies (or its equivalent) on an involuntary basis.
- The person has been disqualified or restricted from acting as a director in any jurisdiction or has been disqualified from acting in any managerial capacity.
- The person has, in any jurisdiction:
 - been convicted of an offence either of money laundering or terrorist financing (or their equivalents),
 - been convicted of an offence which could be relevant to that person's ability to perform the role, or
 - had a conviction, judgment, or order made against him/her involving fraud, misrepresentation, dishonesty, or breach of trust or where the person is subject to any current proceedings for fraud, misrepresentation, dishonesty, or breach of trust.
- The person has been the subject of any civil penalty enforcement action taken by a regulatory authority under any law in any jurisdiction.
- The person, or any business with which the person held a position of responsibility, has been or is being, in any jurisdiction, investigated, disciplined, or suspended by a regulatory or professional body, a court or tribunal, or any similar body, whether publicly or privately.
- The person has defaulted upon any payment that was due because of a compromise or scheme of arrangement made with their creditors or an assignment made for the benefit of their creditors.
- The person is subject, in any jurisdiction, to a judgment debt that is unsatisfied, either in whole or in part.
- The person is or has been the subject, in any jurisdiction, of a bankruptcy petition.
- The person has been adjudicated, in any jurisdiction, a bankrupt and the bankruptcy is undischarged.



- The person was a director of an entity, which has been the subject of insolvency.

Where any of the above applies to a KFH, but it has been determined (other than for specific issues set out in section 64AE of the Act that prevent a KFH from acting) that it does not materially impact on them being considered proper, the review performed and the reasons for still appointing a KFH must be clearly documented.

Trustees must document their determinations concerning matters of fit and proper for KFH's. In this regard, they may find it useful to complete a questionnaire on proper requirements. An example of such a questionnaire is provided in Appendix 2. This questionnaire is generally applicable to all schemes regardless of their size, nature, scale, and complexity. Trustees may need to make modifications to the questionnaire to adapt it to the specific characteristics of the scheme under their stewardship.

6.9 Policy and procedures for the selection and appointment of key function holders

Trustees must have a written policy that details the procedures to be followed in selecting and appointing KFHs.

This document must include:

- details as to how trustees will ascertain that the scheme's appointed KFHs meet the fit and proper requirements,
- a clear description of the duties and responsibilities of the posts to be filled,
- a process of selection and appointment that clearly matches the selected person to the requirements of the position,
- details of any professional qualifications and membership in professional organisations or societies that are relevant to the position, and
- an up to date and signed curriculum vitae and adequate proof of qualifications, experience, and expertise with follow-up and verification of the professional references provided.

The policy and procedures for selection and appointment of KFHs must be reviewed and approved by the trustees every three years. This review must ensure that the policy and procedures remain fit for their purpose.

6.10 Ongoing compliance with fit and proper requirements

Trustees must ensure that KFHs continue to meet fit and proper requirements on an ongoing basis. Analyses or reviews must be conducted periodically by the trustees and the findings from these must be documented and retained.

The trustees must consider whether a KFH has failed to maintain compliance with fit and proper requirements when they review that KFHs' performance and consider whether they are suitable for reappointment.

Trustees must have a written procedure for the removal of KFHs. This procedure must include a non-exhaustive list of circumstances that would trigger consideration of whether the KFH had breached or failed to maintain compliance with the fit and proper requirements. This list must include the following circumstances:

- The KFH has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements, or professional standards, or has been obstructive, misleading, or untruthful in dealing with regulatory bodies or with a court.
- The KFH has breached a fiduciary obligation.
- The KFH has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices.
- The KFH has been reprimanded, disqualified, or removed by a professional or regulatory body because of concerns regarding their honesty, integrity, or business conduct.
- The KFH has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure caused loss to others.
- The KFH has been substantially involved in the management of a business or company that has failed, where that failure was occasioned in part by deficiencies in that management.
- The KFH was the subject of civil proceedings, criminal proceedings, or an enforcement action related to their management of an entity or their commercial or professional activities which were then determined adversely to that KFH (including cases in which the KFH consented to an order or direction or was giving an undertaking not to engage in unlawful or improper conduct) and which reflected adversely on the KFH's competence, diligence, judgment, honesty, or integrity.
- A KFH has failed to maintain the qualifications necessary to fulfilling their KFH role.



Appendix 1 – List of key risks and examples of controls

Non-exhaustive list of key risks and sample controls:

Risk	Types of control
1. Risks related to scheme governance and management	<ul style="list-style-type: none"> • Regular trustee meetings with proper recording of minutes • A formalised and documented structure for decision making • Appropriate subcommittees for conducting audits and other forms of monitoring • Properly drafted and implemented policies and procedures • Documented oversight by the trustees • Clear lines of reporting
2. Fraud	<ul style="list-style-type: none"> • Segregation of duties • Physical control over assets and records • Use of depositary • Authorisation and approval for transactions • Reconciliation procedures
3. Investment risk	<ul style="list-style-type: none"> • Review of investment strategies • Regular reporting from the investment manager • Regular market updates • Documented annual reviews of fund choices, default investment strategies, target returns, and risk tolerance • Use of key performance indicators (KPI's) for evaluating investment managers
4. Risks related to funding	<ul style="list-style-type: none"> • Monitoring of the employer funding position • Monitoring of the employer financial position • Obtaining relevant funding advice
5. Risks related to outsourcing	<ul style="list-style-type: none"> • Written guidelines for authorisation procedures, including guidelines for cash management (where appropriate) • Periodic reviews of outsourced arrangements • Meetings between trustees and outsourced providers • Adherence to service level agreements (SLAs) • Performance appraisals • Use of internal auditors • Use of KPIs



Risk	Types of control
6. Compliance/regulatory risk	<ul style="list-style-type: none"> • Internal compliance audits • Procedures for keeping up to date with legislative changes • Access to and use of legal advice when interpreting legislation or scheme rules
7. Risks related to financial management	<ul style="list-style-type: none"> • Adherence to annual budgets • Budget versus actual analysis (variance analysis) • Written guidelines for authorisation procedures, including cash management • Use of an alert mechanism that is activated in the event of delayed receipt of monthly employer and employee contributions • Use of automated banking systems • Cost reviews • Requirement for approval by the board of trustees when there are costs in excess of budget
8. Operational risk	<ul style="list-style-type: none"> • Use of well-defined processes and procedures • Use of automated systems • Use of data back-up procedures • Institutional system recovery plans • Password controls • Internal audit reviews
9. Risk of control failures	<ul style="list-style-type: none"> • Internal audit reviews of effectiveness of controls • Timely updates of controls • Regular reviews by trustees



Appendix 2 – Sample questionnaire to evaluate whether applicants for the positions of trustee or key function holder satisfy the ‘proper’ requirement

The applicant must be candid and truthful in providing full, fair, and accurate responses to every question. If you are uncertain how to respond to any specific question, provide as much relevant information as possible in the text box at the end of the questionnaire. You are required to answer each question by ticking on either Yes or No.

No.	Question	Yes	No
1.	An applicant is required to be honest, ethical, act with integrity, and be financially sound. In this regard, have you any information to disclose regarding a material issue or do you have any concerns about your ability to perform the relevant function?		
2.	Have you ever, in any jurisdiction, been refused, prohibited, restricted, or suspended from the right to carry on any trade, business, or profession for which a specific licence, registration, or other authorisation is required in that jurisdiction?		
3.	Have you been the subject of any upheld complaint to the Pensions Authority, Central Bank of Ireland, Financial Services and Pensions Ombudsman, or any equivalent body relating to activities regulated by the Pensions Authority or regulated by an equivalent authority in any jurisdiction?		
4.	Are you or have you been, in any jurisdiction, subject to any disciplinary proceedings or issued with a warning, reprimand, or other administrative sanction or its equivalent by the Pensions Authority OR an equivalent measure by any other regulatory authority, professional body, or agency?		
5.	Have you ever, in any jurisdiction, been dismissed or asked to resign and did resign from any profession, vocation, office, or employment, or from any position of trust or fiduciary appointment, whether remunerated or not?		
6.	Have you ever, in any jurisdiction, been a director of a company that was struck off the Register of Companies by the Companies Registration Office (or equivalent elsewhere) otherwise than on a voluntary basis?		



7.	Have you ever, in any jurisdiction, been disqualified or restricted from acting as a director or from acting in any managerial capacity?		
8.	Have you ever, in any jurisdiction, been convicted of an offence involving money laundering, terrorist financing, fraud, misrepresentation, dishonesty, breach of trust, or other offence that would be relevant to your ability to perform the relevant function?		
9.	Have you ever, in any jurisdiction, had a civil finding, judgment, or order made against you in relation to proceedings involving money laundering, terrorist financing, fraud, misrepresentation, dishonesty, breach of trust, or other matter that could affect your ability to perform the relevant function?		
10.	Have you ever, in any jurisdiction, been the subject of any civil-penalty enforcement action taken by a regulatory authority under any law?		
11.	Have you ever been untruthful, provided false or misleading information to the Pensions Authority, or been uncooperative in any dealings with Pensions Authority?		
12.	Have you ever, as a sole trader, or a director, or partner of a legal entity, in any jurisdiction, been refused registration, authorisation, membership or had your licence revoked, otherwise than on a voluntary basis?		
13.	Have you been or are you being investigated, disciplined, censured, suspended, or criticised by a regulatory or professional body, a court, a tribunal, or any similar body, whether publicly or privately, in any jurisdiction?		
14.	Has any business (or legal entity) where you held a position of responsibility or influence been or is being investigated, disciplined, censured, suspended, or criticised by a regulatory or professional body, a court, a tribunal, or any similar body, whether publicly or privately, in any jurisdiction?		
15.	Have you ever been removed as a trustee under section 63 of the Pensions Act 1990, as amended?		
16.	Have you ever defaulted upon any payments that were due because of a compromise or scheme of arrangement that you made with your creditors, or an assignment made for the benefit of your creditors?		



17.	Have you ever, in any jurisdiction, been subject to a judgment debt which is unsatisfied, either in whole or in part?		
18.	Were you ever, or are you currently the subject of a bankruptcy petition in any jurisdiction?		
19.	Have you ever, in any jurisdiction, been adjudicated a bankrupt and the bankruptcy is undischarged?		
20.	Have you ever, in any jurisdiction, been the director of an entity which has been the subject of insolvency (i.e., non-voluntary liquidation, receivership, examinership, or administration)?		
21.	Have you ever been convicted of a criminal offence or been subject to criminal investigations and proceedings or civil proceedings?		
22.	Are there are any criminal proceedings pending relating to you or any organisation managed by you?		
23.	Provide additional details if you answered Yes to any question(s) in this section of the form.		