

RISK MANAGEMENT POLICY



Approved by: Pension Trustees at their meeting on 27th January, 2022

Date due for Review: Not later than 27th January, 2023

Introduction:

The purpose of this policy is to identify and record the risks faced by the NFVSP Pension and Life Assurance Scheme and to set out the steps that have been and will be taken to minimise the effect of these risks.

The Policy will be reviewed and updated on a regular basis, and annually as a minimum and will be used to formulate the Trustees' Own Risk Assessment (ORA) following the publication of the Code of Practice by the Pensions Authority in November 2021.

The Trustees operate a risk register and this document expands on the risks outlined in this document.

While some of the risks identified involve compliance with particular requirements of Pension Regulations, the main focus of the Risk Management Policy is to ensure the best possible outcome for the Scheme members and to protect their interests throughout their pension journey.

Overview:

The National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme (the Scheme) was established on 1st January, 1996. The Scheme was submitted to, and obtained approval from, the Revenue Commissioners (SF 7346) and was registered with the Pensions Authority (PB 67866).

Employees of participating employers are allowed to be included in the Scheme once a Deed of Adherence is completed under which the participating employers agree to include their employees in the Scheme and to abide by the Rules of the Scheme.

The Scheme currently has 24 participating employers and at the 31st December 2021 the profile of the Scheme was as follows:

Active Members:	4844
Deferred Members:	1849
Fund Value:	€301m
Annual Contributions:	€17m

The Scheme presents particular challenges due to the large membership and the fact that the membership is spread across 24 different employers and these factors have been taken into account in identifying and managing the Scheme risks.

Governance and Scheme Management:

The Trustees role is to look after the members' financial interests and to ensure that the Scheme is run in a compliant and efficient manner. Trustees must ensure that they fully comply with the IORP regulations as detailed in the Pensions Authority Code of Practice.



The Trustees have taken a number of steps to eliminate / reduce the risk of failing to operate the Scheme in an appropriate fashion including:

- (a)** Scheduling a minimum of one Trustee meeting per quarter.
- (b)** Appointing a Professional Trustee.
- (c)** Ensuring that the Trustees as a whole meet the Fit and Proper requirements.
- (d)** Appointing a Secretary and Pension Scheme Manager to the Trustees / Scheme. It has been agreed with the Professional Trustee that he would, on a temporary basis, fulfil this role should the Secretary / Pension Scheme Manager resign.
- (e)** Agreeing to the appointment of external Key Function Holders (KFHs) to support the Trustees in the Risk Management and Internal Audit functions and to broaden the overall expertise underpinning the operation of the Scheme.
- (f)** Organising Trustees Training on an annual basis.
- (g)** Carrying out a full review of the IORP requirements and drafting written policies to detail the Trustees obligations under the Code of Practice.
- (h)** Seeking to appoint additional Trustees to ensure that the Trustee Board is of a size that can deal with resignations of existing Trustees.
- (i)** Minimising the risk of the Professional Trustee resigning by changing his agreement to a three-year rolling contract and a 12-month notice period. A list of replacement Trustees has also been compiled

Employers:

The participating employers' range in size from 6 to over 1,000, each with different administration, HR and finance functions and procedures/

A number of risks have been identified as follows:

Employer Covenant:

Employers participate in the Scheme by executing a Deed of Adherence whereby they agree to abide by the Rules of the Scheme. Although membership of the Scheme is compulsory (except for employees in place before the employer joins the Scheme) not all employers have included all employees in the Scheme.

There are a number of reasons for this:

- (a)** The funding for the pension contributions comes primarily from the HSE and, in some instances, pension funding has not been approved / provided.
- (b)** In some cases, employers have not understood the compulsory nature of the Scheme and have operated membership of the Scheme on a voluntary basis.

- (c) Some employers have not included relief staff and other part time / contract staff due to the low number of hours worked and / or a lack of understanding of the legislation re Part-time and contract staff (20% rule).
- (d) Changes in personnel and new staff not being familiar with the Rules of the Scheme.
- (e) Some employers only include employees on successful completion of their probation period.

To minimise this risk, the Trustees have embarked on an engagement programme with employers to establish how many employees have not been included and to start the process, where possible, of including them in the Scheme.

One of the risks / consequences of employees not being included in the Scheme is that in the event of their death, there is no life cover (three times salary) payable and including an employee at a later date, rather than in accordance with the Rules, involves underwriting.

To minimize this risk the Trustees negotiated reduced underwriting terms with the Scheme's insurers, Zurich Life, and following adverse acceptance terms being offered, successfully got all members up to 24th April, 2021 fully accepted and on cover.

Ongoing engagement with the relevant personnel in participating employers is a key element in promoting the Scheme and increasing knowledge and awareness of the features.

To support this process a number of steps have been taken:

- (a) The Pension Scheme Manager maintains regular contact with employers.
- (b) A Pension Administration Manual is being prepared for issue to the different employers.
- (c) An FAQ on the Group Life Scheme has also been distributed.
- (d) An annual workshop is held for CEOs and relevant personnel of each employer.
- (e) Two Newsletters are prepared each year aimed at both Scheme members and employer contacts.

21 Day Rule:

To comply with the 21-day rule, the agreed remittance date for employers to submit pension contributions is the 10th of each month (for deductions made in respect of the previous month). The Pension Scheme Manager receives a number of updates from the Registered Administrator detailing what employers have remitted contributions and what employers have contributions outstanding.



A follow up report is obtained on the 18th at which stage the Pension Scheme Manger will make direct contact with relevant employer.

Another potential risk is that employers may remit the incorrect amounts for some members and / or may remit the pension contribution but not the life contribution or vice versa.

To minimize this risk, the Internal Audit KFH when appointed will carry out spot checks on the monthly returns to New Ireland and Zurich to make sure they "match."

Investment:

The NFVSP Scheme operates on a Defined Contribution basis and, as a result, there are particular risks that arise for the Trustees and the Scheme members. A significant risk for Trustees is that a disgruntled member could sue them if investment returns are poor / below expectation. As outlined below, this risk can be reduced by offering choice and meeting a number of conditions specified in pension legislation and which provides Trustees with an indemnity.

Even where investment choice is provided there are a number of risks facing Trustees:

- (a) Providing the most suitable default investment strategy for (all) members.
- (b) Making a suitable range of funds available.
- (c) Ensuring that ESG factors are taken into consideration, particularly for the default investment strategy.
- (d) Ensuring that members have the necessary information to make a fund selection.
- (e) Ensuring that members are aware of the charges applicable to each fund.
- (f) Ensuring that members, as far as possible, are in the most appropriate fund / mix of funds as they approach retirement.

Benefit / Fund Matching:

The potential risk of members not being in the most appropriate investment fund as they approach retirement was highlighted by a review of the retirement options taken by retirees in 2019, and the funds that members, due to retire in the next 5 years, were invested in.

- Of the 86 members took retirement benefits in 2019
 - ✓ 34 took their entire fund as a lump sum
 - ✓ 6 received a taxable lump sum
 - ✓ 22 took a lump sum and bought an annuity
 - ✓ 16 invested in an AMRF
 - ✓ 8 invested in an ARF
- Only 28% of retirees were in the most suitable fund

The fund profile for members from 2020 to 2025 is set out below:

Scheme Fund Value as at 31st December 2020

Total Scheme Value		€255,548,762	
Fund Name	Passive IRIS ARF	Passive IRIS Annuity	Passive IRIS Lump Sum
Passive IRIS 2020 and before *	€1,599,434	€186,191	€90,761
Passive IRIS 2021	€2,930,634	€40,845	-
Passive IRIS 2022	€5,311,590	€196,292	€90,761
Passive IRIS 2023	€5,568,678	-	€28,254
Passive IRIS 2024	€6,751,245	€89,160	€58,990
Passive IRIS 2025	€7,504,350	-	-
Passive IRIS 2026 and after	€217,157,152	-	€7,852

The need to minimize this risk was built into the RFP tender process in 2021 and the resultant change of RA to Irish Life has provided access to their Personal Lifestyle Strategy, which automatically switches members, in the 6 years prior to their retirement date, into funds that match the benefits that they are likely to draw down at retirement.

Sustainable Investment (ESG):

A number of EU Regulations require Trustees to document how they take ESG factors into account when selecting investment managers and investment funds.



The main risk of ESG factors not being considered relate to the default investment strategy as 97% of the members are invested here. To minimize the risk, the Trustees 2021 RFP specifically queried each potential providers ESG credentials as per the extract below

“ESG and sustainability issues and the incorporation of these considerations into the Schemes investment options are particularly important to the Trustees. Tenderers should set out their ESG credentials/expertise, how they have incorporated ESG into their investment solutions, what further ESG related changes they intend to implement in the future. In particular, how ESG considerations are incorporated into the default strategy should be clearly set out”.

The Trustees have selected the default strategy and a number of investment funds from the range available from Irish Life and apart from the Cash Fund (Article 6) each of the funds have Article 8 designation.

Investment Information:

A key challenge is to ensure that members have access to appropriate investment information which, in turn, will enable them to make an investment fund choice. Apart from the risk of Trustees not being able to avail of the indemnity, members may not be able to make an informed decision or make a decision based on a lack of understanding of the information available.



To minimise these risks, the Trustees make available the following:

- (a)** An Investment Choice Booklet, which provides information on investment in general and on the investment funds that are available.
- (b)** The Member Portal, which contains investment fact sheets for each of the available investment funds.

Group presentations, and in 2021, a webinar from New Ireland provided members with updates on the investment funds.

Investment Charges:

The Trustees have disclosed both the Annual Management Charge (AMC) and the Total Expense Ratio (TER) in the various Member Booklets and other communications.



Compliance:

The Trustees are conscious of the risk of not meeting statutory deadlines and have taken a number of steps to ensure that breaches are kept to a minimum and that a no breach scenario is targeted. A significant element of this risk is reliance on third parties to discharge their specific duties and also to meet statutory deadlines on behalf of the Trustees in relation to tasks where the work has been delegated to them.

Administration Services and Service Level Agreements:

The Trustees have a signed Administrative Service Agreement (ASA) and Service Level Agreement (SLA) with Irish Life, which covers the main administration and compliance requirements. These agreements were approved and signed by the Trustees on the 27th January 2022.



To monitor adherence to the SLA timelines and to reduce the risk of statutory breaches, Irish Life will submit a Governance Report to the Trustees on a quarterly basis. This covers compliance with the main administration tasks and how they have been discharged when measured against the pre-agreed timelines.

This will cover:

- (a)** Ensuring that the 21-day rule is adhered to.
- (b)** The annual renewal of the Pension Scheme.
- (c)** The issue of Annual Benefit Statements to both active and deferred members to their home addresses.
- (d)** The preparation of the Trustees Annual Report and liaising with the Scheme Auditor to ensure that it is produced on time.
- (e)** Confirmation that delegated tasks e.g., new entrant packs, leaving service statements etc., have been issued in line with the SLA timescales.

In addition, written confirmation is obtained from Irish Life that specific tasks have been completed within agreed timescales. These confirmations are scheduled into the Trustees Governance Calendar and cover issues such as:

- (a)** Payment of the Pension Authority fees.
- (b)** Renewal of Registered Administrator licence.
- (c)** EIOPA returns.
- (d)** Tax payment on benefit payments.
- (e)** Completion of ASI returns.

Trustee Annual Report:

The Trustees have taken a number of steps to ensure that the requirements in relation to the publication and distribution of the Trustee Annual Report are met.

- (a) The Secretary will issue a copy of the Trustee Annual Report (TAR) to all relevant Trade Union and will confirm this to the Trustees.
- (b) The Secretary will issue a copy of the TAR to each participating employer and request them to advise Scheme members of its availability. The Secretary will obtain written confirmation from each employer that they have advised members of the availability of the TAR.
- (c) A copy of the TAR will be put on the pension scheme's website www.fedvol.ie
- (d) The cover letter issued by the Trustees with the Annual Benefit Statements will advise the members that the TAR will be available in September.

Records:

There is a risk that Trustee and / or administration records are corrupted or destroyed. To minimise this risk, copies of all Trustee records, minutes, correspondence etc are held by the Pension Scheme Manager and are backed up nightly and held in the cloud. Copies of Trustee minutes are also held by the Professional Trustee.

The administration records are maintained by the Registered Administrator who has robust business continuity plans in place.

Conflicts of Interest:

The Trustees recognise that conflicts of interest may arise from time to time and have drafted a separate policy setting out how these conflicts are identified and managed. A Conflicts of Interest Register has been drawn up and this is updated on an ongoing basis. It is a standing item on the agenda for Trustees to declare any conflict that may have arisen since the last meeting and, in particular, a Trustee will not participate in any discussion regarding a member of the same employer as the Trustee.



Change of Registered Administrator:

A crucial review of the Registered Administrator (RA) and Investment Manager needs to be undertaken every three years and this may result in a full RFP tender to be arranged. In any event a full RFP/ tender needs to be arranged at least every five years.

If a change in RA is the result, the transfer of membership records and assets is a significant challenge and care is needed to ensure that records are transferred accurately and that they, and the assets, are transferred at a minimum cost.

To minimise the administration transfer risk, a careful assessment of the proposed new RAs capability in this area will be undertaken and an agreed set of procedures, worked out in advance, of the final appointment of the new RA.

The Trustees have built into the Administration Services Agreement (ASA) that the RA will not charge for the transfer of the administration records and that they will facilitate an in-specie transfer of the assets, should the Scheme move at a date in the future.

E-Tender Process:

Where a Request for Proposal (RFP) is being undertaken there is a risk that the Trustees may not adequately follow the e-tenders prescribed guidelines and as a result may be subject to a challenge in the courts. To minimise this risk, the Trustees will engage with procurement consultants to provide guidance and advice to the Trustees.



Oifig um Sholáthar Rialtais
Office of Government Procurement

Member Outcomes / Value for Money:

A key objective of the Trustees is to ensure that members outcomes do not fall short of what was expected.

The Trustees need to ensure that the members obtain value for money, having regard for the services being provided to them. To achieve this the Trustees will:

- (a) Undertake a crucial review of the Registered Administrator every three years and a full RFP tender process every three / five years.
- (b) Arrange a market review of the life assurance rates every three / four years.
- (c) Seek three quotations for any professional services required, however, where the expected cumulative value of the contract is in excess of €25,000, but lower than the €221,000 threshold for a full European Tender, a National Tender via E-Tenders is required.
- (d) Ensure that members going the annuity route secure the most competitive annuity rate in the market.
- (e) Review the Irish Life Member Advice Team and their remuneration structure to ensure there is no over reliance on commission payments and that their sales process is supervised to ensure quality advice.
- (f) Advise members of the option of obtaining their own financial advice.

Fraud:

The Trustees acknowledge that the assets of the Scheme are substantial both in terms of the:

- (a) Assets under management which exceed €300m.
- (b) The annual contributions to the scheme which are circa €17m.
- (c) The Trustees Bank Account via which the administration fees and death benefit payments are paid and the pension scheme reserve is held.



Financial Controls:

The Trustees have drafted a separate Internal Financial Controls Policy to detail the risks involved and the controls that have been put in place to ensure that the assets of the Scheme are protected at all times. This covers the payment of contributions to both Irish Life (pension), Cornmarket (life cover), the management of the Trustees Bank Account, including the processing of death benefit claim payments.

Anti-Money Laundering:

Although pension schemes are considered low risk from a money laundering perspective, the Trustees have procedures in place to minimise the risk. This work has been delegated to the RA who carry out AML screening on employers and members. Additional screening is applied to any single premium payments. James Skehan, Professional Trustee has been authorised by the Department of Justice & Equality in relation to AML (Reference TCSP APP/1273/2020).



While the payment of retirement benefits has been delegated to the RA, the Trustees process death in service claims. The Trustees carry out a full review of all possible beneficiaries before deciding to whom the benefit will be paid and will obtain proof of ID and address before any benefit is paid.

Legal:

There is a risk that new legislation and / or regulations are missed by the Trustees. The controls in place to ensure this doesn't occur include the item of Legislation / Regulatory Updates being a standing agenda item to be included in the Registered Administrator's presentation at each Trustees' meeting.

The Scheme is a member of the Irish Association of Pension Funds (IAPF) and receives regular updates on pension matters. The Professional Trustee also attends a wide range of seminars to keep abreast of changes in legislation and new regulations and briefs the other Scheme Trustees accordingly.

GDPR:

Compliance with GDPR is an important aspect of the operation of the Scheme and to mitigate the risks of a breach, Trustees receive regular training and updates. A Data Protection Notice has been prepared and in addition, procedures are in place for sensitive data to be password protected prior to sending to the RA or other third parties.



Signed:

**John McHugo,
Chairman.**

Date: 27th January, 2022

Signed:

**James Skehan,
Professional Trustee.**

Date: 27th January, 2022



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PENSION TRUSTEES: Mr. John McHugo (Chairman).
Ms. Pauline Brennan; Mr. Francis Coughlan; Ms. Deirdre Herlihy;
Mr. Paul Switzer; Mr. James Skehan (Professional Trustee).