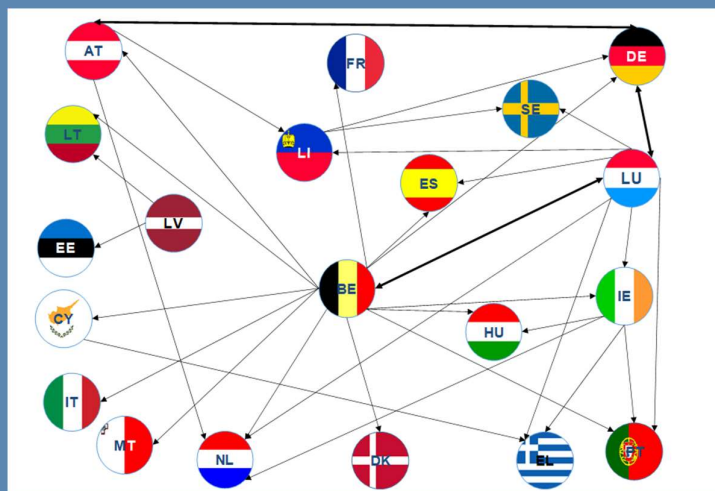


2023

Cross-border IORPs



EIOPA-BoS-23/426
27 November 2023

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EXECUTIVE SUMMARY

This report presents the results of an annual examination of the landscape of cross-border arrangements within Institutions for Occupational Retirement Provision (IORPs). It offers comprehensive insights into the developments and trends in this domain, with a particular focus on the year 2022.

Our analysis reveals that, by the conclusion of 2022, the count of active cross-border IORPs remained consistent with the figures reported at the close of 2020, totaling 31 entities. However, there was a small expansion in the number of both home and host countries, with respectively Latvia and Estonia joining this select group. Belgium continues to emerge as the leading home Member State, hosting the widest array of cross-border activities across 14 host Member States. Belgium also continues to stand as the primary domicile for the majority of members and beneficiaries engaged with cross-border IORPs. Equally, the Netherlands has maintained its position as the host country with the highest number of actively operating cross-border IORPs.

Cross-border IORPs collectively cater to approximately 100,000 members and beneficiaries, overseeing assets totaling around EUR 10.6 billion. While there was a small increase in the number of members and beneficiaries compared to the previous year, there was a significant reduction in assets and liabilities due to the closure of one IORP and reduced financial market performance.

Finally, a notable observation is the continued upswing in the number of sponsoring undertakings engaging with cross-border IORPs. Despite the stabilization in the number of cross-border IORPs, this shows the potential of cross-border IORPs once the initial setup obstacles have been overcome.

1. INTRODUCTION

This report focuses on cross-border arrangements of IORPs and is a continuation of the comprehensive series of EIOPA Market Development Reports concerning IORPs¹. Notably, it is the third report in this series specifically dedicated to the analysis of cross-border IORPs.

The report's foundation lies in the use of quantitative information sourced from data collected through the EIOPA Decision of the Board of Supervisors, which mandates EIOPA's regular information requests to National Competent Authorities (NCAs)². In cases where no submissions were received in accordance with this Board of Supervisors Decision, a similar survey methodology was employed. Importantly, it is essential to acknowledge that this report does not encompass

¹ the last one published in 2017: https://www.eiopa.europa.eu/media/news/eiopa-publishes-its-2017-market-development-report-occupational-pensions-and-cross-border_en

² [Decision on EIOPA's regular information requests towards NCAs regarding the provision of occupational pensions information | Eiopa \(europa.eu\)](#)

information on cross-border occupational pension arrangements provided by entities not subject to the IORP Directive³.

The report predominantly relies on pension data as of 31 December 2022. However, it is worth noting that the financial year-end of IORPs does not universally align with 31 December. Consequently, certain figures within the report may pertain to different reporting periods, thereby not accurately reflecting the total assets held on 31 December 2022. Furthermore, due to variations in objectives, scope, coverage, and reporting periods, as well as the timing of data received by EIOPA, the information presented in this report may differ from that available in other national publications.

For definitions of the terms used throughout this report, please refer to Annex I.

2. NUMBER OF CROSS-BORDER IORPS

The IORP Directive was established with a core objective of fostering an internal market for IORPs. This framework facilitates IORPs to extend their operations into other Member States, while ensuring a robust level of protection and security for the members and beneficiaries of occupational pension schemes. The Directive empowers IORPs to embrace this internal market concept by accepting sponsorship and administering pension schemes originating from companies located in other Member States, referred to as "cross-border IORPs". In such scenarios, the relationship between the sponsoring undertaking and the members and beneficiaries is typically governed by the social and labor laws applicable in the Member State where the pension scheme operates, which is distinct from the IORP's home Member State. Consequently, cross-border IORPs must adhere to the social and labor laws of the "host Member State" while simultaneously applying the prudential regulations of their "home Member State," where they are established.

At the end of 2022, there were 31 active cross-border IORPs operating within the European Economic Area (EEA), as detailed in Annex II. Notably, this figure remains unchanged from the previous year, indicating a stabilisation in the number of cross-border IORPs. During 2022, there was a closure of one Belgian cross-border IORP with Luxembourg as the host country, while an IORP, headquartered in Latvia⁴, completed the notification process to operate cross-border, with host countries Estonia and Lithuania.

These developments reinforce previous findings that the number of cross-border IORPs has stopped increasing since 2010 and is unlikely to experience substantial growth in the near future. As such,

³ [EUR-Lex - 32016L2341 - EN - EUR-Lex \(europa.eu\)](#)

⁴ Kindly take note that this particular IORP possesses total assets that fall below the threshold of Euro 25 million. As a result, it qualifies for an exemption from reporting requirements, which explain its absence from many statistics and graphs presented below.

the original goal of the IORP Directive to foster a thriving internal market for occupational pension provision has not been achieved.

A key factor contributing to this trend has been the realisation that adhering to the social and labor laws of the host country might elevate costs, complexity, and operational risks associated with managing cross-border IORPs. These challenges often outweigh the potential benefits of engaging in cross-border activities and their likelihood of success (see also EIOPA’s technical advice for the review of the IORP Directive⁵).

In its advice, EIOPA also points to the requirement for an IORP to start a new notification procedure for each new employer even if there is little or no change in the existing cross-border activity. Therefore, EIOPA advises to introduce a simplified procedure for schemes where members and beneficiaries fully bear risks in case of non-material amendments of a previously notified cross-border activity, and a simplified procedure for the expansion of a previously notified cross-border activity with only one harmonised plan where members and beneficiaries fully bear risks for all sponsoring companies.

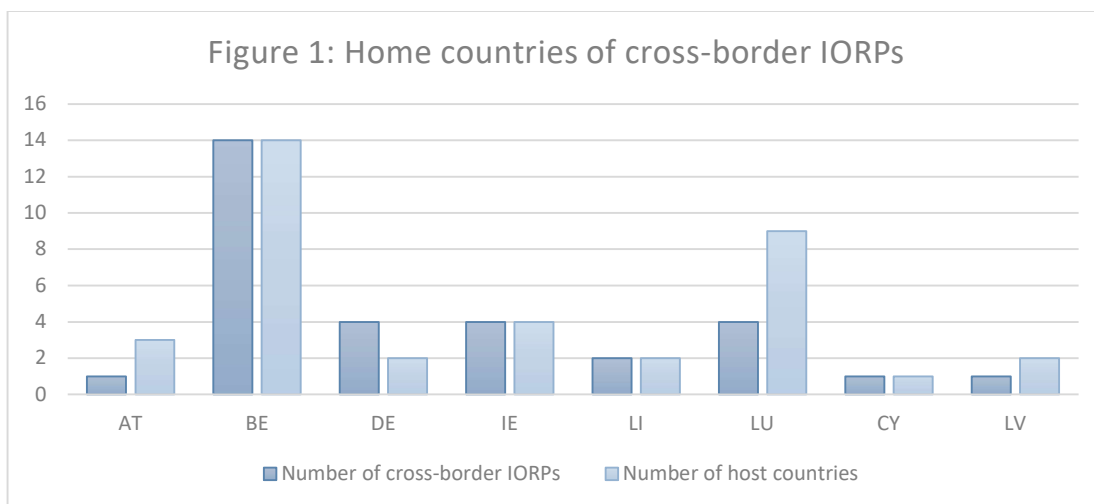
Finally, the requirement to obtain individual consent from a majority of all members and beneficiaries, rather than relying on consent from representative entities or assessing the majority on the basis of those members/beneficiaries that respond, is often perceived as a potential complication in the process of transitioning to cross-border IORPs. EIOPA has tried to address the latter, suggesting the introduction of a uniform EU definition for the majority for cross-border transfers in Article 12(3)(a) of the IORP II Directive in its technical advice on the review of the IORP Directive.

3. NUMBER OF (ACTIVE) HOME AND HOST COUNTRIES

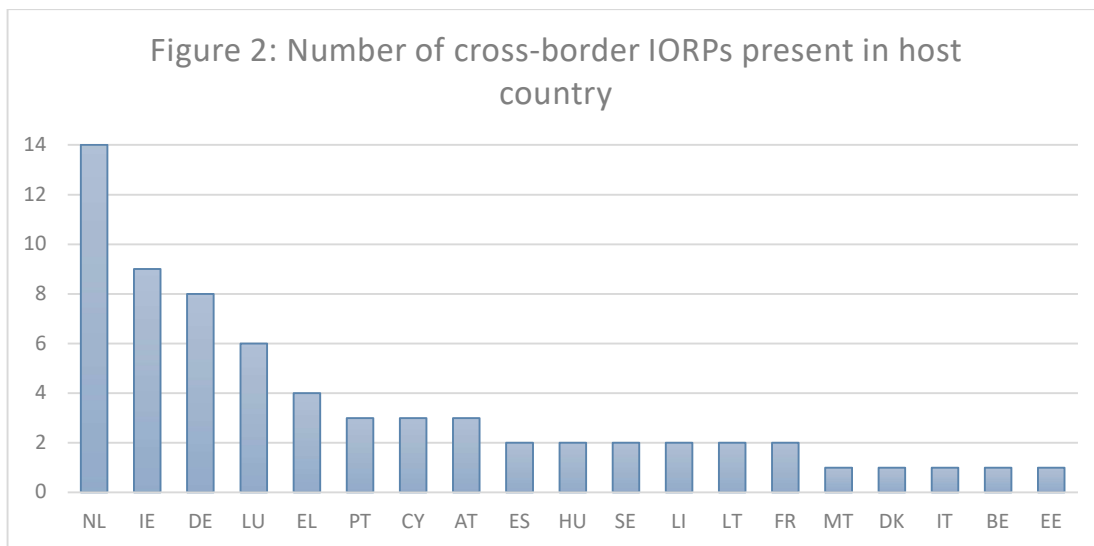
Insights from prior EIOPA reports on cross-border IORPs indicated that cross-border activities tended to concentrate within a limited group of EU/EEA Member States. The most recent data confirm this trend, revealing that all cross-border IORPs originate from eight specific Member States. This represents an increase of one Member State compared to the previous year, stemming from the establishment of the Latvian cross-border IORP.

Figure 1 presents an overview of the number of cross-border IORPs and the number of host countries for each home country. Notably, Belgium retains its position as the home Member State with the broadest geographic distribution of cross-border activities, housing 14 cross-border IORPs engaging in activities across 14 host Member States.

⁵ [Technical advice for the review of the IORP Directive](#)



The number of host Member States significantly surpasses that of home Member States, reaching 19 countries, marking a one-country increase compared to the 2022 cross-border report, as illustrated in Figure 2⁶.



A trend observed in previous years was the expansion of existing cross-border IORPs into new host countries. However, this trend was less prominent in 2022. Notable expansions included a Belgian cross-border IORP extending its operations to Luxembourg, a Luxembourgish cross-border IORP venturing into Greece, and a Liechtenstein cross-border IORP expanding into the Netherlands.

⁶ Estonia has been newly included in the roster of host countries for cross-border IORPs

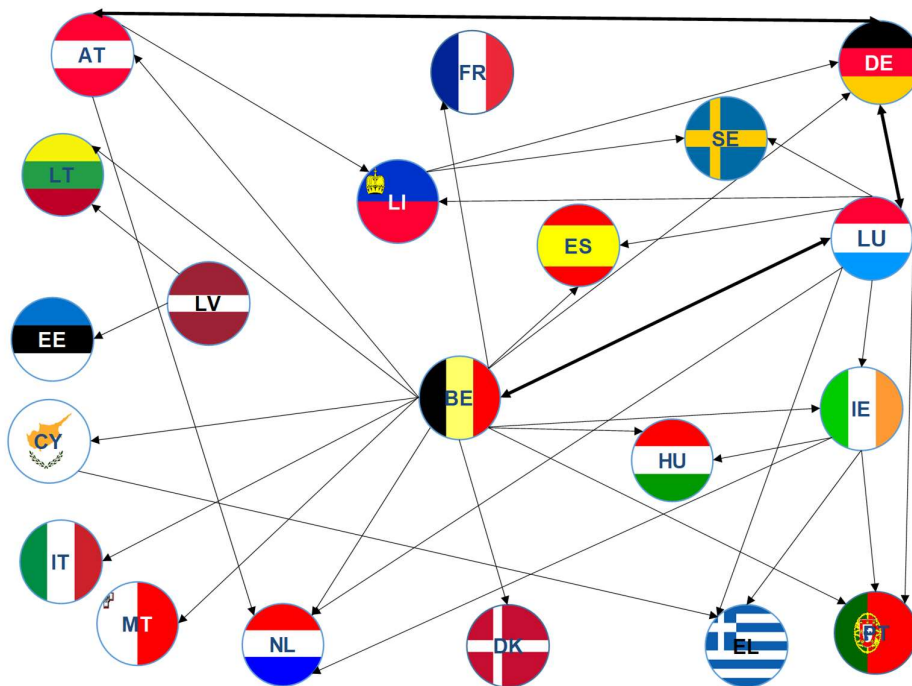
Moreover, one Belgian cross-border IORP had received authorisation to establish cross-border activities in France but had not commenced operations as of the reporting period.

It's essential to note that the existence of domestic IORPs in a host Member State is not a prerequisite for initiating cross-border activities. Despite Lithuania and Estonia lacking national IORPs, they serve as host Member States for cross-border activities.

Lastly, it's noteworthy that there are three IORPs (one more than previous year) from Belgium and two from Luxembourg, which, do not engage in any business activities within their respective home Member States. These IORPs warrant heightened supervisory attention specifically focused on assessing the unique risks associated with these particular IORPs.

Figure 3 provides a schematic representation of the home-host relationships of cross-border IORPs, encompassing 18 jurisdictions, with only three pairs of countries displaying bidirectional arrows⁷.

Figure 3: home-host relationships



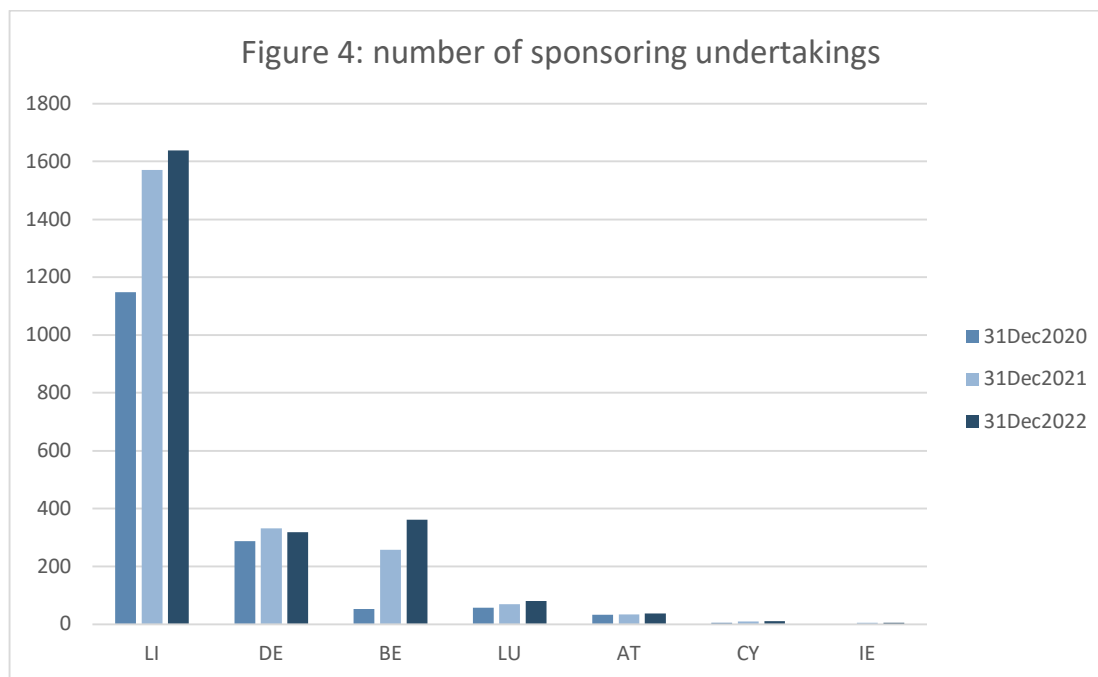
⁷ The bold lines represent bidirectional connections between countries where each of them serves as both the home and host Member State for the other.

4. TYPES OF CROSS-BORDER IORPS

4.1 Multi-employer cross-border IORPs

As of the close of 2022, nearly half of the cross-border IORPs were found to be servicing multiple unconnected employers, mirroring the same statistic recorded at the conclusion of 2021. While the Belgian cross-border IORP that ceased its operations was a multi-employer IORP, the newly established Latvian cross-border IORP also falls within this category.

In previous years, it was observed that as the number of multi-employer cross-border IORPs increased, so did the count of sponsoring undertakings. However, in the past two years, the number of sponsoring undertakings continued to rise, even in the absence of an increase in the number of multi-employer cross-border IORPs. At the close of 2022, the 30 cross-border IORPs⁸ were linked to a total of 2,455 sponsoring undertakings, representing an 8 percent increase compared to the previous year's figures. This surge is primarily attributed to employers joining cross-border IORPs in Belgium and Liechtenstein, as illustrated in Figure 4⁹.

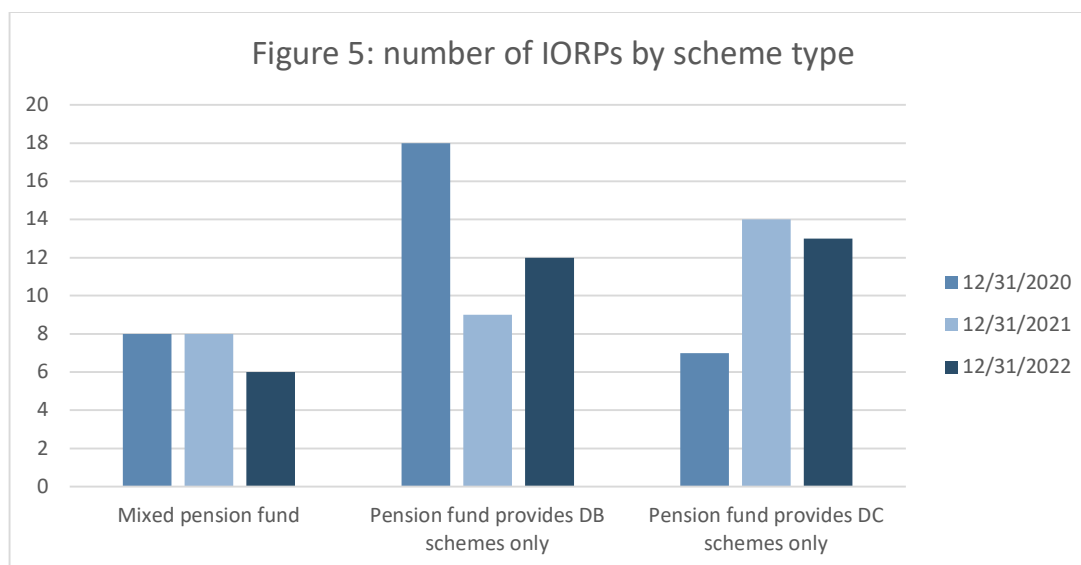


⁸ Excluding the Latvian cross-border IORP

⁹ Please remark that the number of sponsoring undertakings for Liechtenstein cross-border IORPs include sponsoring undertakings of both EEA and non-EEA cross-border activities.

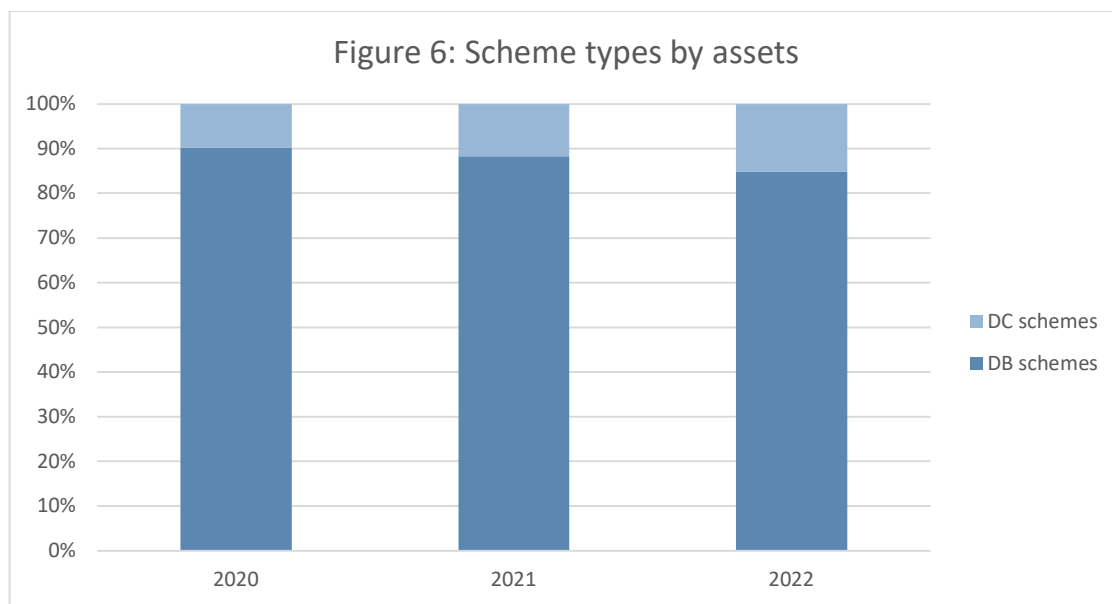
4.2 Defined Benefit (DB) vs. Defined Contribution (DC) schemes

Figure 5 illustrates the distribution of cross-border IORPs based on the pension schemes they offer. By the close of 2022, the number of cross-border IORPs exclusively providing DC schemes was only slightly higher than those offering solely DB schemes. This represents a noticeable shift from the end of 2020 when the DB-to-DC scheme ratio was significantly higher, but lower than the ratio observed at the end of 2021. It's important to note that these fluctuations are primarily attributable to the reclassification of all Irish cross-border IORPs at the end of 2021, along with the reclassifications of Belgian IORPs in 2022¹⁰.



Conversely, there has been an additional three percent rise in the ratio of DC assets compared to DB assets, building upon the two percent increase observed in 2021, as depicted in Figure 6. This shift is predominantly attributed to the proportional growth of cross-border DC assets in Belgium and Luxembourg when compared to DB assets. Nevertheless, it's important to acknowledge that a more extensive time frame is required to thoroughly evaluate and confirm any emerging trends regarding potential transitions from DB to DC schemes in cross-border activities, excluding any other factors influencing this ratio.

¹⁰ In the 2021 report, Irish schemes were categorized as DB schemes, primarily due to their cross-border engagements with the UK, which was still part of the EEA at that time, based on the 2020 data. However, in last year's report, the consideration of cross-border activities with the UK has been excluded, and the remaining Irish schemes are now exclusively of a DC nature. Additionally, two IORPs initially classified as mixed schemes, and two IORPs previously categorized as DC schemes in the 2021 report have been reclassified as DB schemes in the 2022 report.



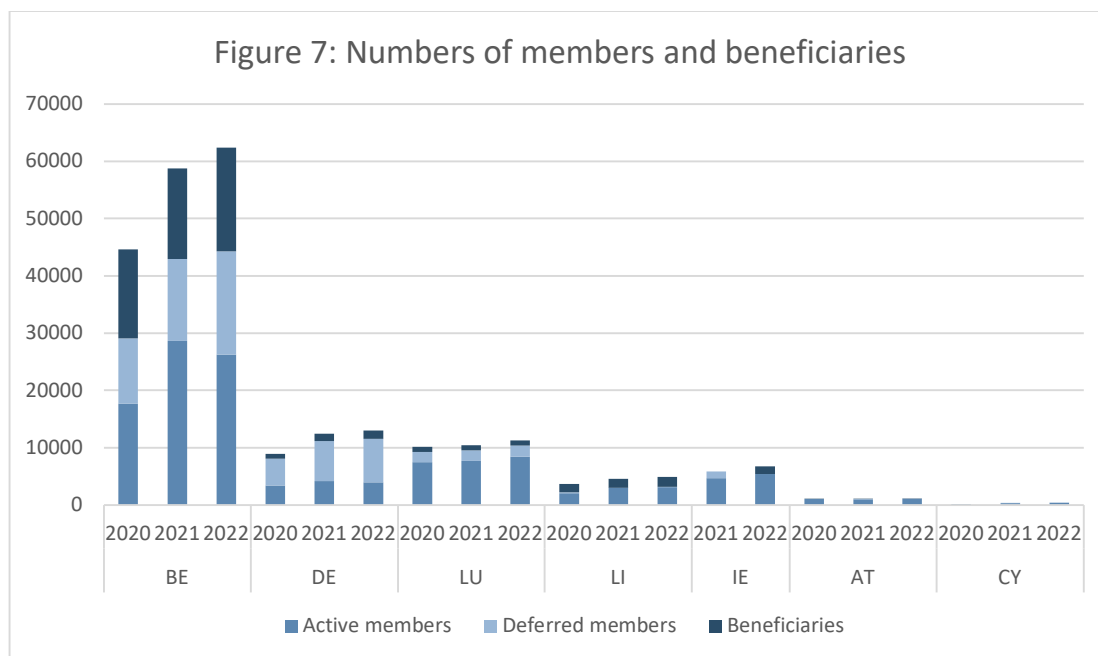
4.3 Cross-border IORPs covered by Article 15 (1) of the IORP Directive

Out of all cross-border IORPs, comprising approximately six percent in terms of assets, two fall under the purview of Article 15(1) of the IORP Directive¹¹. These IORPs are obligated to maintain a minimum surplus of assets over their technical provisions, serving as a permanent buffer. It's noteworthy that such cross-border IORPs are exclusively found in Liechtenstein

5. MEMBERS AND BENEFICIARIES

At present, the aggregate count of scheme members and beneficiaries within cross-border IORPs stands at approximately 100,000, signifying a 6 percent increment in comparison to the figures reported at the close of 2021. Figure 7 illustrates this growth across countries with cross-border IORPs, with the most substantial increases attributed to an upsurge in deferred members and beneficiaries in Belgium; accompanied by a more moderate increase in deferred members in Germany, as well as active members in Luxembourg and Ireland. It's worth noting that this cross-border IORPs' demographic constitutes a mere 0.2 percent of the overall number of members and beneficiaries across all IORPs, a proportion in line with the data disclosed in the preceding year.

¹¹ The home Member State shall ensure that IORPs operating pension schemes, where the IORP itself, and not the sponsoring undertaking, underwrites the liability to cover against biometric risk, or guarantees a given investment performance or a given level of benefits, hold on a permanent basis additional assets above the technical provisions to serve as a buffer. The amount thereof shall reflect the type of risk and the portfolio of assets in respect of the total range of schemes operated. Those assets shall be free of all foreseeable liabilities and serve as a safety capital to absorb discrepancies between the anticipated and the actual expenses and profits.



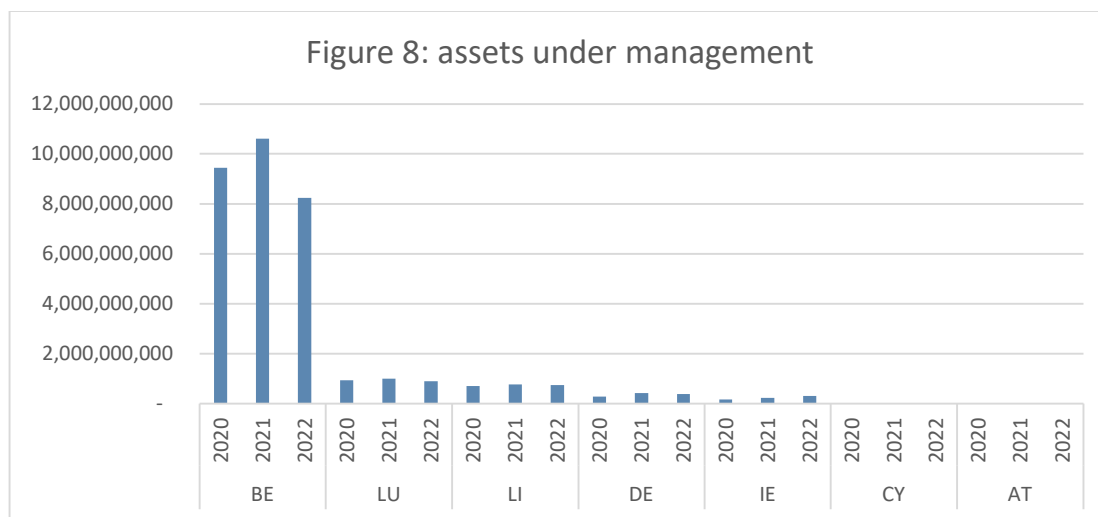
Slightly fewer than half of the 100,000 members and beneficiaries fall within the category of active members, with the remaining half evenly divided between deferred members and beneficiaries. It's noteworthy that Belgium serves as the home country for a majority, specifically 63 percent, of all members and beneficiaries affiliated with cross-border IORPs.

However, there has been a decline in the count of active members in Belgium but also in Germany. In the case of Belgium, this decline may be attributed to the closure of one cross-border IORP.

6. ASSETS AND LIABILITIES

As of the conclusion of 2022, cross-border IORPs possess assets totaling nearly EUR 10.6 billion, compared with liabilities amounting to EUR 9.6 billion. This reflects a respective decline of 19 percent and 7 percent in comparison to the preceding year. This decline can be explained by the closure of one IORP which was much larger in terms of assets compared to the new cross-border IORP. In addition, most IORPs observed a decline in their assets as a result of financial market developments. Consistent with the trends observed in the distribution of members and beneficiaries, the substantial majority of these assets and liabilities, as well as the accompanying decrease, can be attributed to cross-border IORPs headquartered in Belgium, as depicted in Figure 8.

A growth in assets can only be witnessed in cross-border IORPs originating from Ireland and Cyprus.



When assessing liabilities in the context of the funding ratio, solely DB schemes should be considered. In this regard, it's worth noting that Cyprus and Ireland exclusively house cross-border IORPs offering DC schemes.

The remaining five home countries all exhibit aggregate funding ratios that are at or exceed 100 percent. Luxembourg witnessed an increase in its funding ratio over the course of 2022, whereas other home countries experienced stability or a decline in their respective funding ratios.

Moreover, for seven out of the eight cross-border IORPs offering DB schemes and from which EIOPA receives individual data, the funding ratios were observed to be positive. These cross-border IORPs are in full compliance with Article 14 of the IORP Directive, which stipulates that, in the event of cross-border activities, the technical provisions must consistently be fully funded with respect to the entire spectrum of pension schemes operated. In the case where the cross-border IORPs was underfunded, corrective measures have been taken.

ANNEX I: GLOSSARY

General IORP information	
IORPs	Institutions for Occupational Retirement Provision
Article 15(1) IORPs	Article 15(1) IORPs are IORPs where the institution itself, and not the sponsoring undertaking, underwrites the liability to cover against biometric risk, or guarantees a given investment performance or a given level of benefits, in accordance with Article 15(1) of the IORP Directive 2016/2341.
Multi-employer IORPs	A multi-employer IORP is an IORP that manages the pension schemes of two or more unrelated employers.
Member	A person, other than a beneficiary or a prospective member, whose past or current occupational activities entitle or will entitle him/her to retirement benefits in accordance with the provisions of a pension scheme. This includes both active members and deferred members.

Scheme types	
Occupational pension scheme	Means a contract, an agreement, a trust deed or rules stipulating which occupational retirement benefits are granted and under which conditions.

DB schemes	Defined benefit pension plans are those in which the level of pension benefits promised to participating employees is guaranteed; benefits are related by some formula to participants’ length of service and salary and are not totally dependent on either the participants’ contributions or the assets in the fund. Hybrid schemes are grouped as defined benefit schemes in the context of the reporting.
DC schemes	In a defined contribution scheme the plan sponsor pays fixed contributions and has no legal or constructive obligation to pay further contributions to an ongoing plan in the event of unfavorable plan experience.

Cross-border information	
Cross-border activity	‘Cross-border activity’ means operating a pension scheme where the relationship between the sponsoring undertaking, and the members and beneficiaries concerned, are governed by the social and labour law relevant to the field of occupational pension schemes of a Member State other than the home Member State.
Active cross-border IORPs	Authorised cross-border IORPs which have finalised the notification procedure and hold assets and liabilities relating to their cross-border activity.

ANNEX II: LIST OF CROSS-BORDER IORPS

Home country	Host countries	IORP Name
AT	DE, LI, NL	APK Pensionkasse AG
BE	CY, ES, IE, NL	BP Pensioenfonds
BE	IE	Chevron Organisme voor de Financiering van Pensioenen
BE	IE, LU, PT, FR	Nestlé Europees Pensioenfonds (NEPF) Fonds de Pensions Européen Nestlé (FPEN)
BE	IE, NL, DE	J&J Pensions Fund OFP
BE	IE, NL	GE European Pension Fund
BE	NL	Euroclear Pension Fund
BE	CY, IE, LT, LU, MT	Pension&co IBP
BE	IE, LU, NL	United Pensions
BE	NL	DuPont European Pension Fund
BE	FR, NL	ExxonMobil OFP
BE	LU	Pensioenfonds Ricoh Fonds de Pension Ricoh
BE	AT, CY, HU, NL, IT	Resaver Pension Fund
BE	DE, IE	Sanofi European Pension Fund
BE	DK	Pensions Instelling voor bedrijfspensioenvoorziening

CY	EL	Multi Employer Aon Provident Fund (“MAP Fund”)
DE	AT	Nestlé Pensionfonds AG
DE	AT	NÜRNBERGER Pensionkasse AG
DE	LU	R+V Pensionsversicherung a.G.
DE	LU	BVV Versicherungsverein des Bankgewerbes a.G.
IE	NL	Unilin Insulation Ireland Limited Pension Plan (Former Xtratherm Limited Pension Plan)
IE	HU	Intel Pan-European Pension Plan
IE	PT	Banco De Investimento Global Retirement Scheme
IE	EL	Olayan European Pension Fund
LI	DE	LV1871 Pensionsfond AG
LI	DE, SE, NL	Swiss Life International Employee Benefits Pension Fund
LU	DE, EL, LI, NL, SE	Swiss Life International Pension Fund
LU	DE, ES, NL	Amundi Pension Fund
LU	BE, IE, EL, NL	The Unilever Pension Plan
LU	DE, PT	ePension Fund Europe (Assep)
LV	EE, LT	Akciju sabiedrība CBL Atklātais pensiju fonds

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