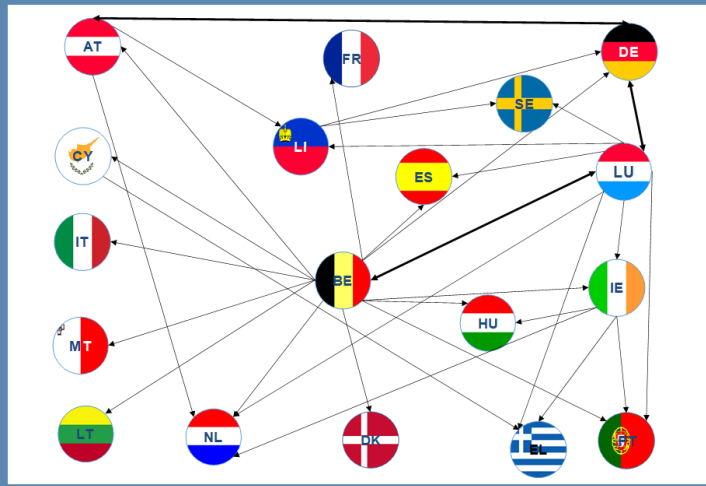


2022

Cross-border IORPs



EIOPA-BoS-22/556
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EXECUTIVE SUMMARY

This is the second annual report focussing on the developments in cross-border arrangements of Institutions for Occupational Retirement Provision (IORPs).

It shows that there are 31 cross-border IORPs active at the end of 2021, which is a decrease of two cross-border IORPs compared to the number reported at the end of 2020.

At the same time, the number of host countries grew, and now includes Italy and Sweden. Belgium remains the home Member State with the widest geographical spread of cross-border activities, covering 14 host Member States. Belgium is also home Member State to the vast majority of members and beneficiaries of cross-border IORPs. The Netherlands is the host country with most active cross-border IORPs.

Cross-border IORPs provide services to around 93.000 members and beneficiaries and have around EUR 13.0 billion assets under management. While these numbers have risen substantially compared to last year's figures, they constitute only 0.2 percent of IORPs' total number of members and beneficiaries, and 0.4 percent of total assets.

Furthermore, almost half of the cross-border IORPs offered pension solutions to multiple employers at the end of 2021 while the number of sponsoring undertakings finding their way to cross-border IORPs increased substantially over the past year.

Finally, this year's report takes notice that around 12 percent of the cross-border IORPs do not provide any services in their home member states. Those might be considered to be subject to an increased supervisory attention to consider their specific risks.

1. INTRODUCTION

This report on cross-border arrangements of Institutions for Occupational Retirement Provision (IORPs) is a continuation of the broader EIOPA Market Development Reports on IORPs¹ and the second report focussing on cross-border IORPs².

It is developed using the quantitative information from the data collected by means of the EIOPA

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 [EIOPA analyses trends in cross-border IORPs | Eiopa \(europa.eu\)](#)

Decision of the Board of Supervisors on EIOPA's regular information requests towards NCAs³ or a similar survey in case no submissions were received according to this BoS Decision. Information on possible cross-border occupational pension arrangements provided by entities not covered by the IORP Directive⁴ is out of the scope.

In general, the findings are based on pension data as of 31 December 2021. However, IORPs do not necessarily have their financial year end at 31 December. Therefore, some figures might refer to different reporting periods hence not representing the actual totals held on 31 December 2021. It is worth noting that due to differences in objective, scope, coverage and reporting period or timing of the data received by EIOPA, information may differ with other national publications.

Definitions of the terms used in this report can be found in annex I.

2. NUMBER OF CROSS-BORDER IORPS

One of the aims of the IORP Directive was to create an internal market for IORPs, allowing IORPs to operate in other Member States while ensuring a high level of protection and security for members and beneficiaries of occupational pension schemes. The Directive enables IORPs to take advantage of the internal market by accepting sponsorship and managing an occupational pension scheme from a company located in another Member State (i.e. cross-border IORPs). In such case, the relationship between the sponsoring undertaking and the members and beneficiaries concerned, is usually subject to the social and labour law relevant to the field of occupational pension schemes of a Member State other than the home Member State. This means that a cross-border IORP should follow the social and labour law of the "host Member State" whilst applying the prudential rules of the "home Member State" in which it is established.

At the end of 2021, there were 31 cross-border IORPs operating in the EEA (see Annex II). This is a decline of two cross-border IORPs compared to the number of cross-border IORPs reported at the end of 2020. There was a closure of one Maltese cross-border IORP with host country Netherlands. In addition, one IORP based in Ireland was included in last year's data but had never started any cross-border activity and had withdrawn its authorisation in 2017.

This further confirms previous conclusions that the number of cross-border IORPs has stopped increasing since 2010 and is not expected to grow substantially in the near future. One of the main reasons identified in the past was that the application of the social and labour law of the host country increases the costs, complexity and operational risks of managing cross-border IORPs,

³ [Decision on EIOPA's regular information requests towards NCAs regarding the provision of occupational pensions information | EioPa \(europa.eu\)](#)

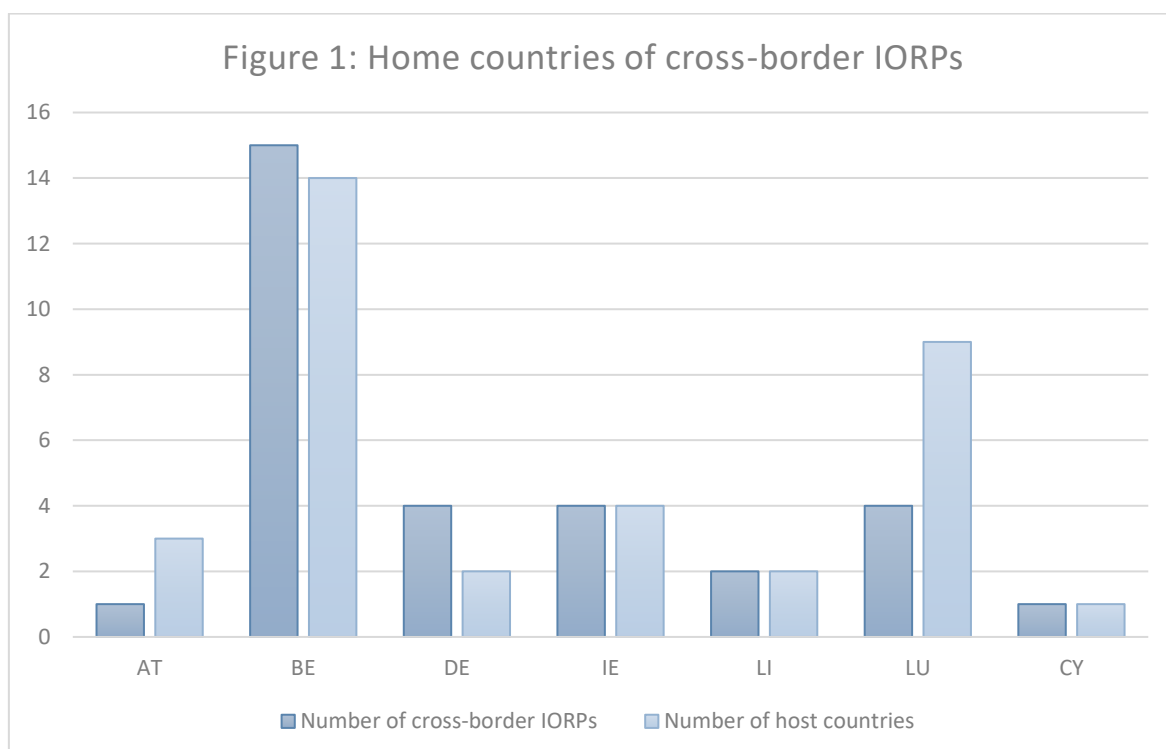
⁴ [EUR-Lex - 32016L2341 - EN - EUR-Lex \(europa.eu\)](#)

thereby outweighing the benefits of operating a cross-border activity and its probability of success. In addition, there is the view that requesting individual consent of a majority of members and beneficiaries instead of the consent of representing entities may complicate the transfer to cross-border IORPs.

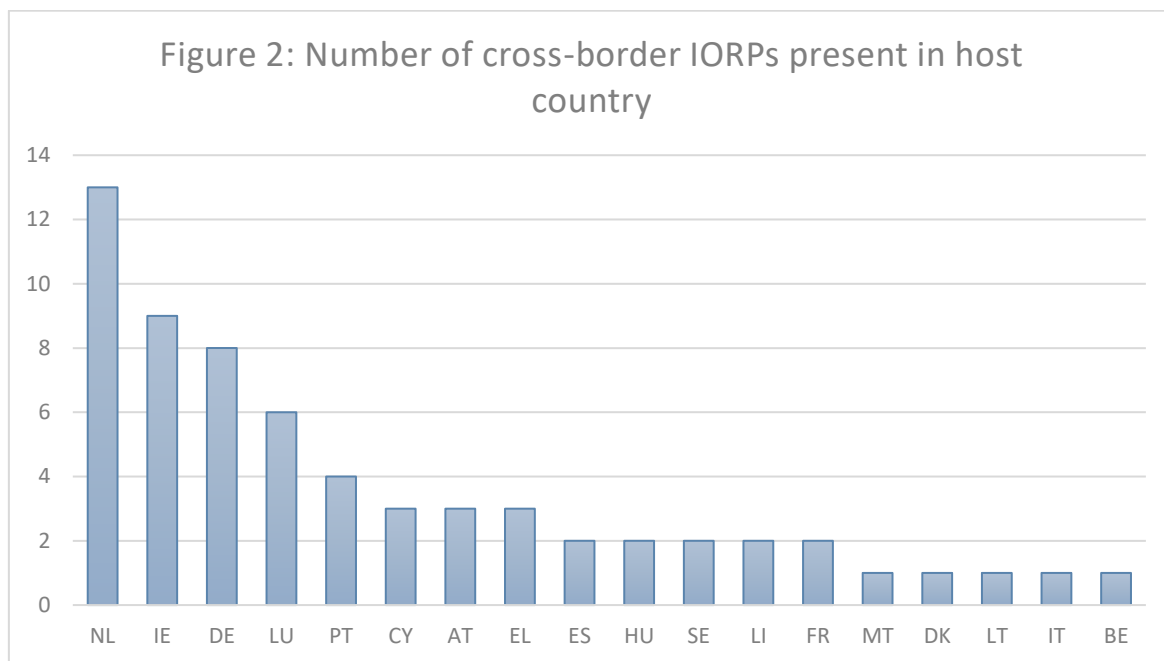
3. NUMBER OF (ACTIVE) HOME AND HOST COUNTRIES

Observations made in earlier EIOPA reports on cross-border IORPs showed that cross-border activities were clustered in a small group of EU/EEA Member States. The latest data show no difference in this trend with all cross-border IORPs having their home country in seven Member States. This is one less than included last year following the closure of the Maltese cross-border IORP.

Figure 1 displays the number of cross-border IORPs as well as the number of host countries of each home country. It shows that Belgium remains the home Member State with the widest geographical spread of cross-border activities, being home to 15 cross-border IORPs with activities in 14 host Member States.



There are substantially more host Member States (18 countries) for cross-border IORPs than there are home Member States (see figure 2). This is an increase of two host countries compared to the 2021 cross-border report⁵.



A trend that we saw arising in the past is that existing cross-border IORPs expanded their activities to new host countries. However, this was less outspoken in 2021. Over the past year, we saw the expansion of three Belgian cross-border IORPs (to Portugal, Germany and Italy) and one Luxembourgish cross-border IORP (to Greece). At the same time, one cross-border IORP based in Liechtenstein closed its business in the Netherlands and one cross-border IORP based in Luxembourg closed its business in Belgium and Ireland. It should be noted that the existence of domestic IORPs in a host Member State is not a prerequisite to starting a cross-border activity. Whilst Lithuania does not have any IORPs at a national level, it is host Member State of a cross-border activity.

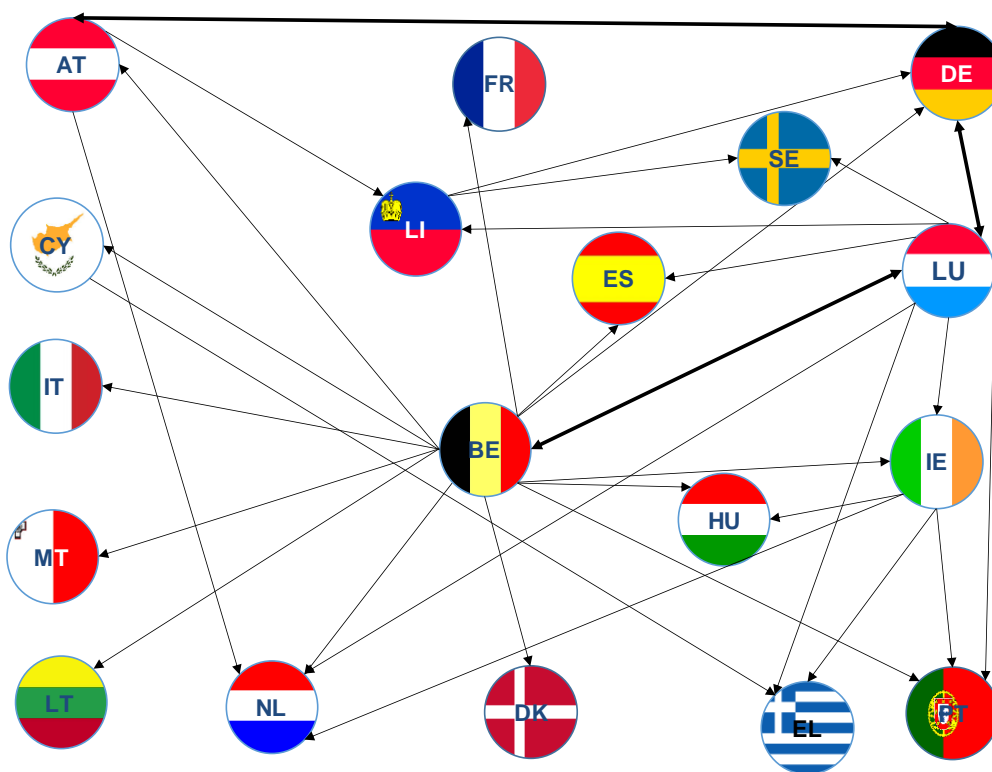
Furthermore, 11 of the cross-border IORPs in 2017 had been authorised but not started operating in any host countries. This figure reduced to two cross-border IORPs by the end of 2021. A slight majority of these inactive cross-border business in 2017 had become active in the past five years. In the other cases, the authorisation was withdrawn.

⁵ Sweden and Italy have been added to the list of host countries of cross-border IORPs. Sweden was already a host country but was erroneously not included in last year's report.

Finally, two Belgian and two Luxembourgish cross-border IORPs do not write any business in the home Member State. Such finding points that those IORPs should be considered to be subject to an increased supervisory attention to consider specific risks.

Figure 3 below displays a schematic overview of the home-host relationships of cross-border IORPs involving 18 jurisdictions. Only three pairs of countries display bidirectional arrows⁶.

Figure 3: home-host relationships



4. TYPES OF CROSS-BORDER IORPS

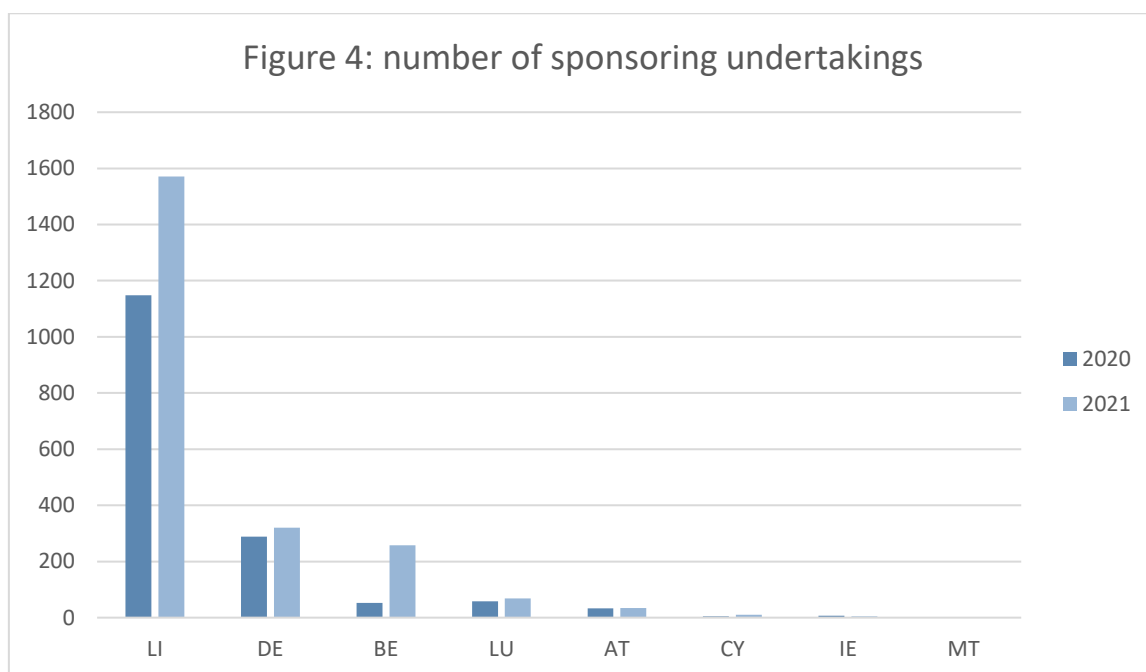
4.1. Multi-employer funds

The closure of the data gaps on the types of cross-border IORPs as well as further fine-tuning of the results over the past year showed that at the end of 2021 almost half of the cross-border IORPs

⁶ The thicker lines show the bidirectional connections between countries where both are home and host Member States from each other.

provide services to multiple unconnected employers. This figure is exactly similar to the number of multi-employer cross-border IORPs at the end of 2020.

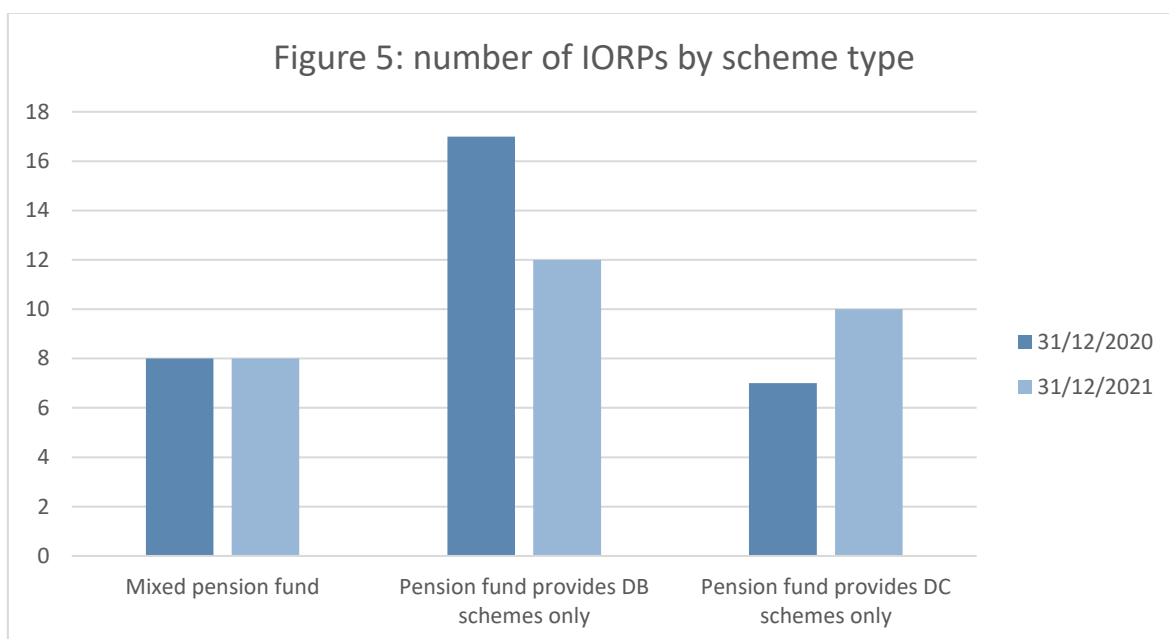
In previous years, if the number of multi-employers was rising, also the number of sponsoring undertakings of cross-border IORPs rose. However, even without an increase in the number of multi-employer cross-border IORPs and taking into account the decrease of two cross-border IORPs, the number of sponsoring undertakings increased significantly over the past year. In total, the 31 cross-border IORPs have 2.261 sponsoring undertakings at the end of 2021. This is a 40 percent increase compared to the figures received last year. As shown in figure 4, this is mainly stemming from employers joining cross-border IORPs in Belgium and Liechtenstein⁷.



⁷ 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.

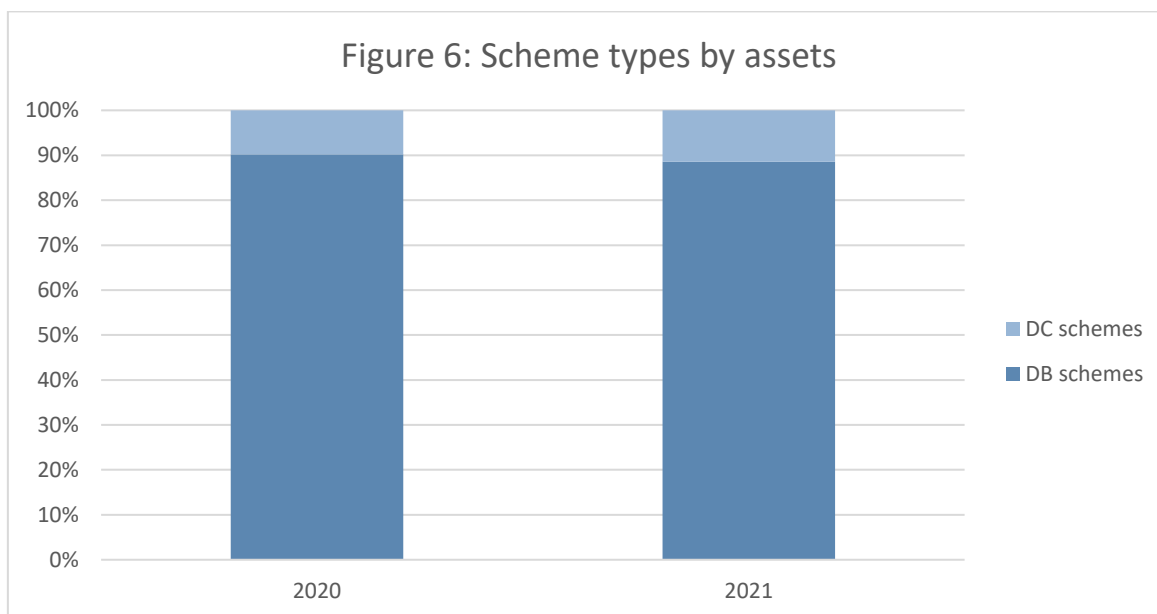
4.2. Defined Benefit (DB) vs. Defined Contribution (DC) schemes

Figure 5 shows the number of cross-border IORPs split by the schemes they provide. At the end of 2021, the number of cross-border IORPs providing solely DB schemes only slightly higher than the number of cross-border IORPs providing solely DC schemes. The ratio of DB over DC schemes was significantly higher at the end of 2020. However, this does not reflect a change from DB to DC. This change is almost entirely due to the reclassification of all Irish cross-border IORPs⁸.



On the other hand, also considering the Irish schemes equal in both years, there is a 2 percent increase in the ratio of the DC assets compared to the DB assets (see figure 6). This is mainly related to the proportionate increase in Belgium of cross-border DC assets compared to DB assets. However, a longer period is needed to further assess and confirm a trend on potential shifts from DB to DC schemes in the provision of cross-border activity.

⁸ Irish schemes were classified as DB schemes in 2021 report, based on 2020 data, because of their cross-border activities predominantly with the UK still part of the EEA. This year, no cross-border activities with UK are considered and the remaining schemes are of a DC nature only.



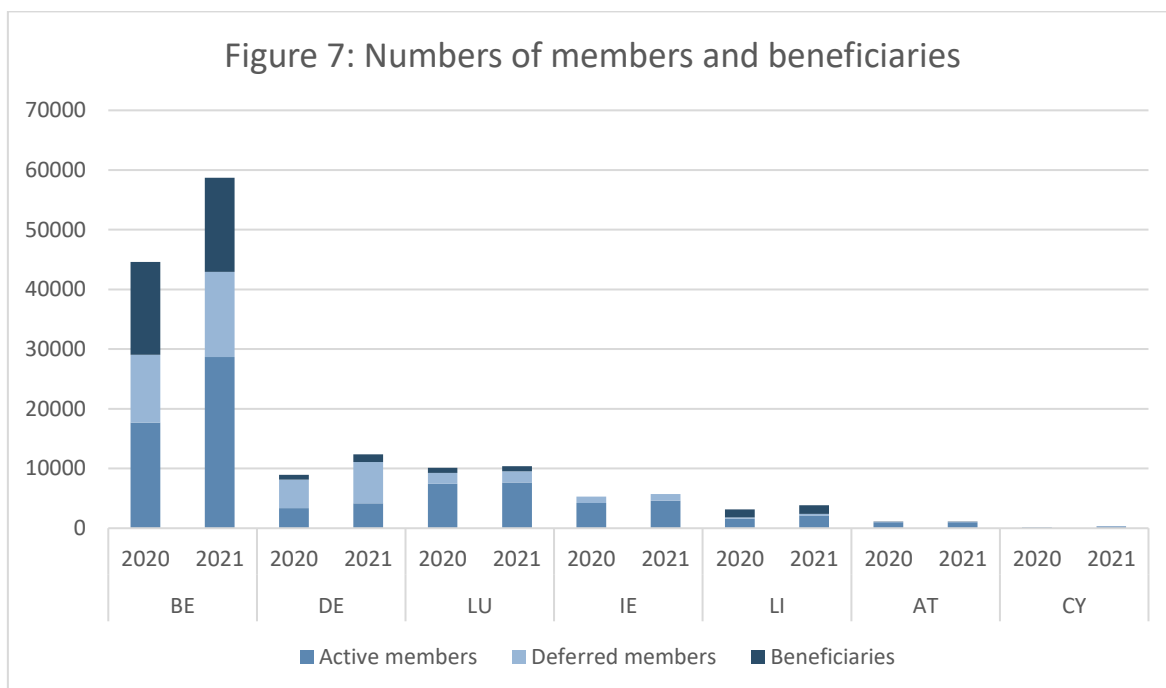
4.3. Cross-border IORPs covered by Article 15 (1) of the IORP Directive

Around five percent of the cross-border IORPs (in terms of assets) are subject to article 15(1) of the IORP Directive⁹ and obliged to hold a minimum surplus of assets over the technical provisions to serve as a permanent buffer. As in 2020, such cross-border IORPs exist only in Liechtenstein.

5. MEMBERS AND BENEFICIARIES

Currently there are around 93.000 scheme members and beneficiaries of cross-border IORPs. This is a 33 percent increase compared to the figures at the end of 2020. Figure 7 shows that most of the increase reflect the surge in active members in Belgium and to a lesser extent deferred members in Germany. Nevertheless, despite the huge increase, only 0.2 percent of the total number of IORPs' members and beneficiaries are members and beneficiaries of cross-border IORPs. This is similar to the figures published last year.

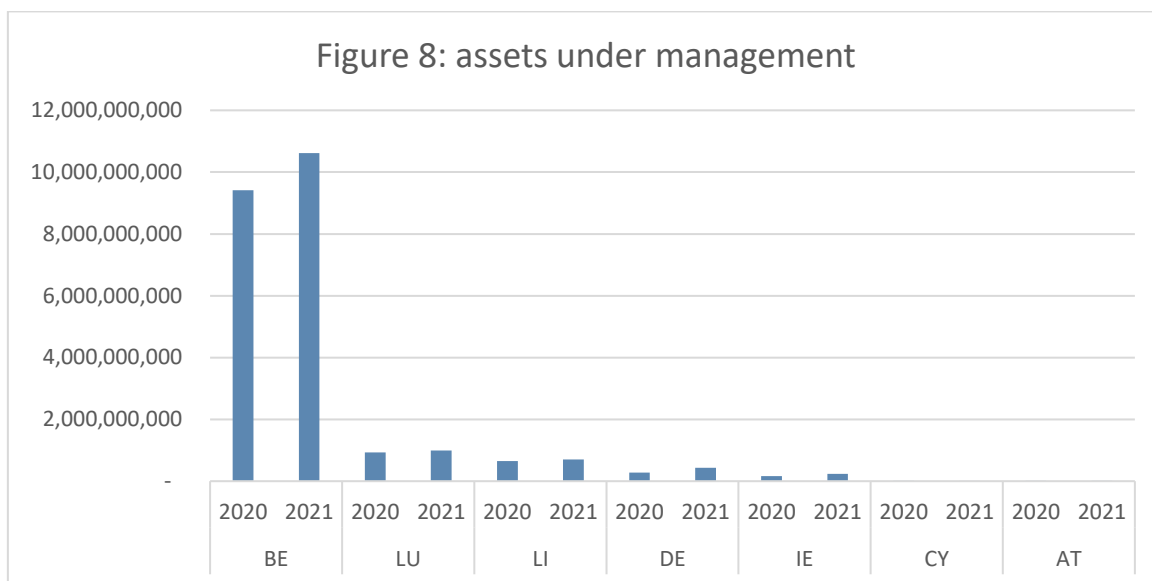
⁹ The home Member State shall ensure that IORPs operating pension schemes, where the IORP itself, and not the sponsoring undertaking, underwrites the liability to cover against biometric risk, or guarantees a given investment performance or a given level of benefits, hold on a permanent basis additional 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.



A bit more than half of these 93.000 members and beneficiaries are active members. The other half is equally split between deferred members and beneficiaries. Belgium is the home country for 63 percent of all cross-border IORPs members and beneficiaries.

6. ASSETS AND LIABILITIES

At the end of 2021, cross-border IORPs account for almost EUR 13 billion assets compared to EUR 11.4 billion liabilities. An increase of respectively 13 and 7 percent compared to the previous year. In line with the findings of members and beneficiaries, the vast majority of these assets (and liabilities) and the increase thereof can be allocated to cross-border IORPs with home country Belgium (see figure 8).



Looking at the liabilities in the context of the funding ratio¹⁰, only DB schemes should be considered. In that respect, Cyprus and Ireland have solely cross-border IORPs offering DC schemes. The remaining five home countries all have aggregated funding ratios higher than 100 percent. The funding ratio increased in Belgium and Liechtenstein over 2021. It remained stable in Austria and Luxembourg and decreased in Germany. The German funding ratio, however, remains above the average of these five countries. Also, for the nine cross-border IORPs providing DB schemes and from which EIOPA receives individual data, the funding ratios were positive. These cross-border IORPs are fully compliant with Article 14 of the IORP Directive which states that in the event of cross-border activity, the technical provisions shall at all times be fully funded in respect of the total range of pension schemes operated.

¹⁰ Expressed as assets under management over technical provisions.

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, NL	United Pensions
BE	NL	DuPont European Pension Fund
BE	FR, NL	ExxonMobil OFP
BE	LU	Pensioenfonds Ricoh Fonds de Pension Ricoh
BE	LU	Pfizer Pensioenfonds Fonds de Pension Pfizer
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	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	Swiss Life International Employee Benefits Pension Fund
LU	DE, LI, NL, SE	Swiss Life International Pension Fund
LU	DE, ES, NL, PT	Amundi Pension Fund
LU	BE, IE, EL, NL	The Unilever Pension Plan
LU	DE, PT	ePension Fund Europe (Assep)

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