

# Cross-border IORPs

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European Insurance and  
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## CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
1. Introduction	3
2. Number of cross-border IORPs	4
3. Number of (active) home and host countries	5
4. Types of cross-border IORPs	7
4.1. Multi-employer funds	7
4.2. Defined Benefit vs. Defined Contribution (DC) schemes	8
4.3. Cross-border IORPs covered by Article 15 (1) of the IORP Directive	9
5. Members and beneficiaries	9
6. Assets and Liabilities	10
<b>Annex I: Glossary</b>	<b>12</b>
<b>Annex II: List of cross-border IORPs</b>	<b>14</b>

## EXECUTIVE SUMMARY

This report addresses the developments in cross-border arrangements of Institutions for Occupational Retirement Provision (IORPs). It is a continuation of the broader EIOPA Market Development Reports on all type of IORPs, the last one published in 2017.

The report exhibits 33 cross-border IORPs active at the end of 2020. This is a substantial decrease in comparison to the 2017 situation and primarily the result of the Brexit.

At the same time, there was an expansion in number of host countries in comparison to 2017. Belgium remains the home Member State with the widest geographical spread of cross-border activities, covering 12 host Member States. Belgium is also home Member State to most members and beneficiaries of cross-border IORPs. The Netherlands is the host country with the highest number of cross-border activities. But, still 14 Member States do not benefit from internal market opportunities.

With regards to the types of cross-border IORPs, the report shows that Defined Benefit (DB) schemes are still predominantly used by cross-border IORPs. Furthermore, it stresses that cross-border IORPs used by multiple unrelated employers are on the rise compared with the 2017 Market Development report.

Cross-border IORPs have around 70.000 members and beneficiaries and have around EUR 11.3 billion assets under management. This represents respectively 0.2 percent and 0.4 percent of IORPs total number of members and beneficiaries and assets. At a Member State level (and individual level where available) all the cross-border IORPs have a positive funding ratio<sup>1</sup>.

### 1. INTRODUCTION

This report on cross-border arrangements of Institutions for Occupational Retirement Provision (IORPs) is a continuation of the EIOPA Market Development Reports on IORPs. However, this is the first of a series of annual reports focusing solely on cross-border IORPs whereas the scope of the 2017 Market Development report was much wider and considered all IORPs.

The report does not include information on possible cross-border occupational pension

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<sup>1</sup> Calculated as the assets under management over the technical provisions

arrangements provided by entities not covered by the IORP Directive<sup>2</sup>. The report is developed using the quantitative information from the data collected by means of the EIOPA Decision of the Board of Supervisors on EIOPA's regular information requests towards NCAs<sup>3</sup> or a similar survey in case no submissions were received according to this BoS Decision.

In general, the report presents findings based on pension data as of 31 December 2020. 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 2020. 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 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. 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 2020, there were 33 cross-border IORPs operating in the EEA (see annex II). This reflects a huge drop compared to the 73 active cross-border IORPs reported in the EIOPA 2017 market development report<sup>4</sup>.

This large decline is entirely due to the Brexit: the 19 cross-border IORPs included in the 2017 report with home country UK and the 23 cross-border IORPs with sole host country UK<sup>5</sup> - all with Ireland

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<sup>2</sup> [EUR-Lex - 32016L2341 - EN - EUR-Lex \(europa.eu\)](#)

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

<sup>4</sup> [EIOPA publishes its 2017 Market Development Report on Occupational Pensions and Cross-border Institutions | Eioipa \(europa.eu\)](#)

<sup>5</sup> Four cross-border IORPs with home IE and sole host country existed had ceased to exist already before Brexit was enforced.

as home country - are no longer recognised as cross-border IORPs under the definition given in the IORP Directive for cross-border activity.

The remaining differences in cross-border IORPs can be explained by the closure of four cross-border IORPs in Belgium and two in Lichtenstein<sup>6</sup>, accompanied by the creation and/or activation of five cross-border IORPs in Belgium, two in Ireland and one in Cyprus.

This confirms the conclusion from the 2017 Market Development report that the number of cross-border IORPs has stopped increasing since 2010 and was not expected to grow substantially. One of the main reasons highlighted in the 2017 report 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, thereby outweighing the benefits of operating a cross-border activity and its probability of success.

### 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 eight Member States. Figure 1 displays a schematic overview of the home-host relationships of cross-border IORPs<sup>7</sup>.

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<sup>6</sup> One cross-border IORP formally included in the reports operated a scheme for a Dutch employer, but Dutch social and labour law was not applicable to this scheme as all employees worked outside the EU. Technically, this means that that cross-border IORP does not carry out a cross-border activity under the IORP II Directive. Therefore, it was not included in this year's report in comparison to previous EIOPA reports on cross-border.

<sup>7</sup> The ticker lines show the connections between countries which are both home and host Member States from each other.

Figure 1: Schematic overview of the home-host relationships

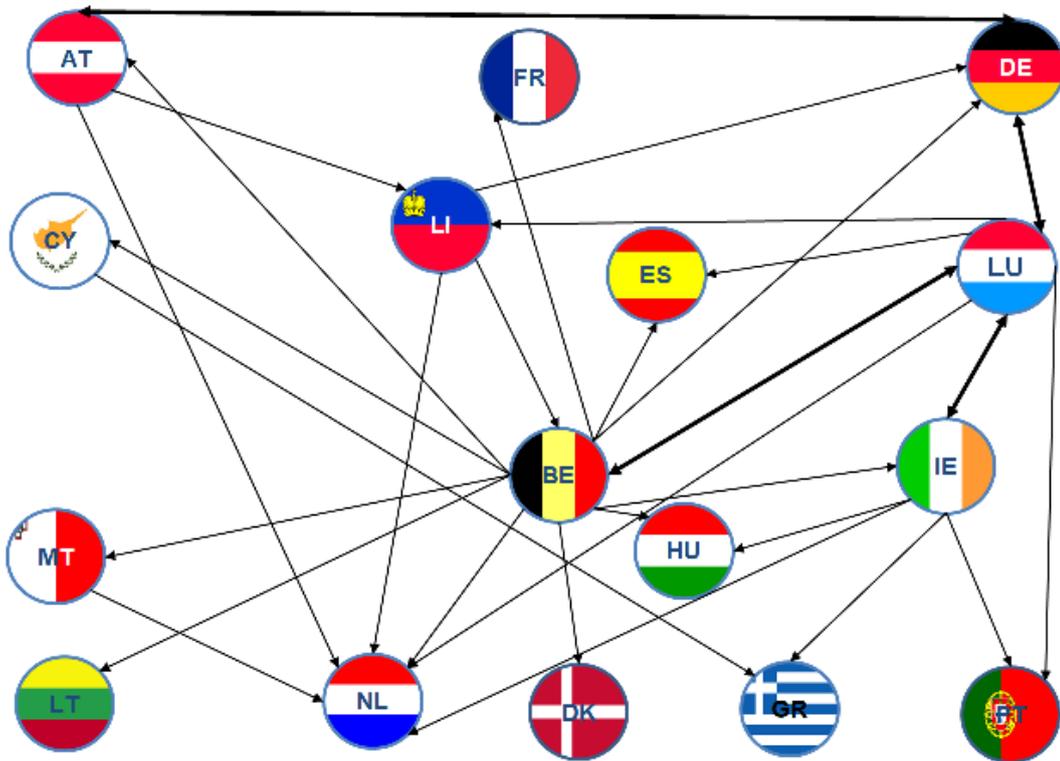
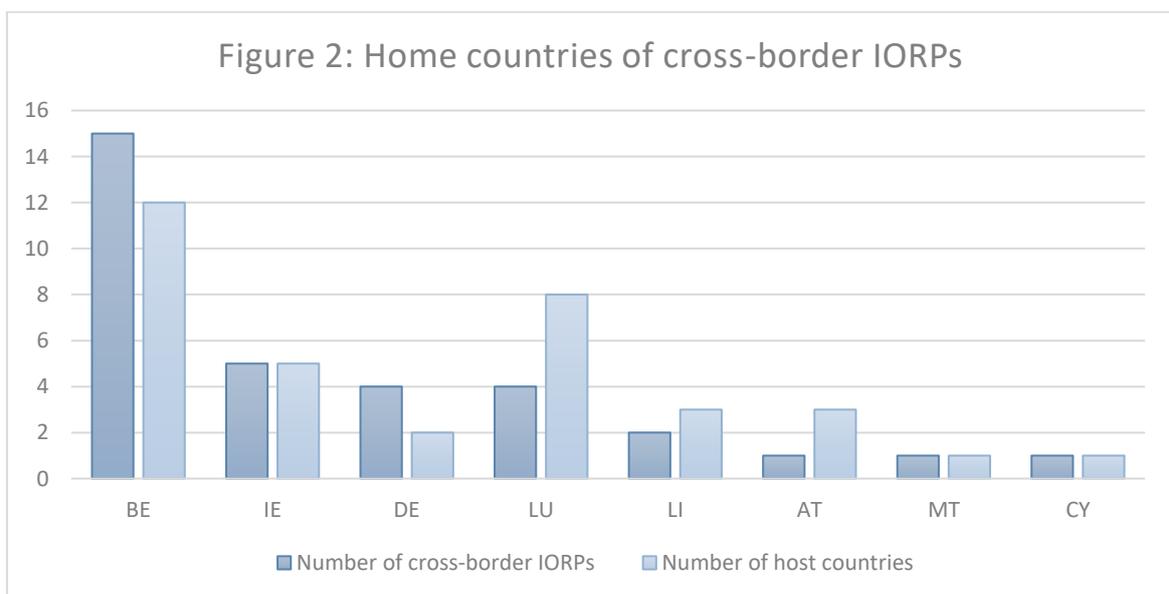
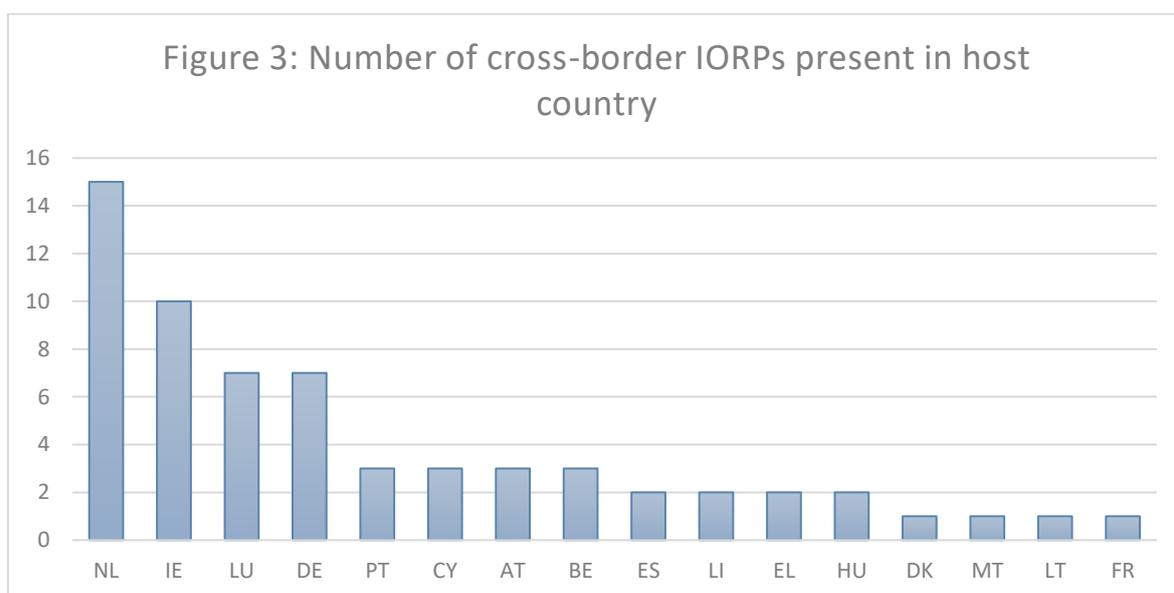


Figure 2 displays the number of cross-border IORPs as well as the number of host countries in which a home country is present. It shows that Belgium remains the home Member State with the widest geographical spread of cross-border activities, covering 12 host Member States.



There are substantially more host Member States (16 countries) for cross-border IORPs than there are home Member States (8) (see figure 3). This is an increase of two host countries compared to the 2017 Market Development report<sup>8</sup>. But it also indicates that there are still 14 countries which do not benefit from the single market for IORPs. 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 to a cross-border activity.



A trend that we saw arising in the 2017 report is that existing cross-border IORPs expanded their activities to new host countries. This trend has become even more concrete: there are 20 percent less cross-border IORPs active in a single host country compared to the 2017 report<sup>9</sup> and around 25 percent of the cross-border IORPs have expanded their activity to a new host country over the past four years.

## 4. TYPES OF CROSS-BORDER IORPS

### 4.1. Multi-employer funds

Next to the increasing number of host countries an IORP operates in, also the number of cross-border IORPs providing services to multiple unconnected employers continues to rise. At the end of

<sup>8</sup> Denmark, France, Greece, and Portugal have been added to the list of host countries, while Czechia and UK had to be removed.

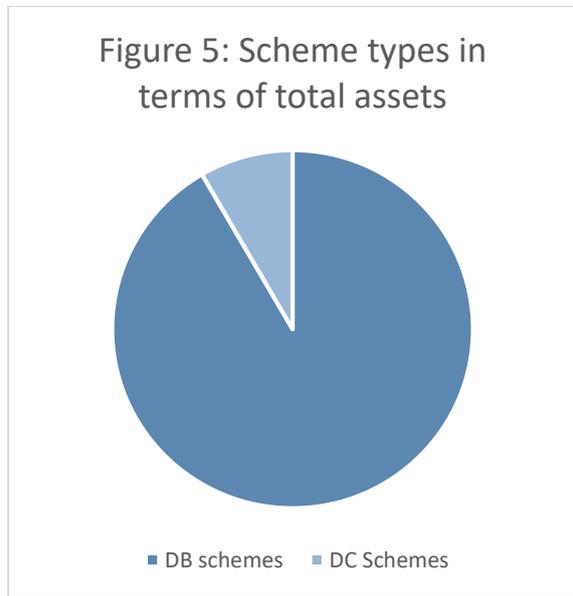
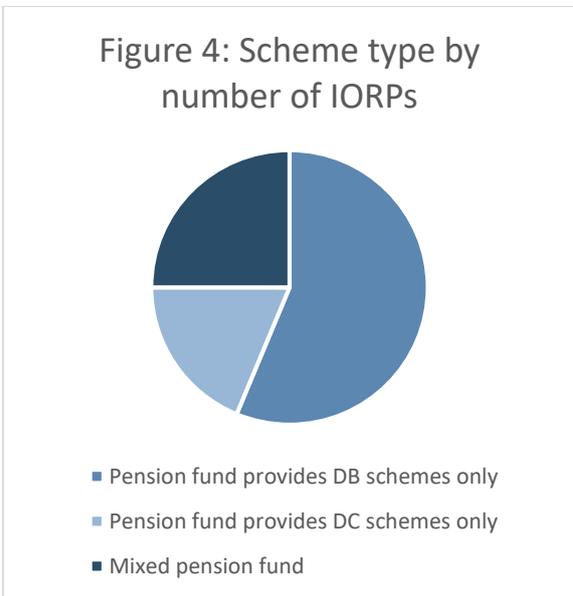
<sup>9</sup> Only taking into account cross-border IORPs which were included in the 2017 Market Development Report and included in the 2020 data.

2020, around 33 percent of the cross-border IORPs were multi-employer IORPs<sup>10</sup>. Generally, the presence of multi-employer IORPs goes together with an increase in sponsoring undertakings of cross-border IORPs. This is also reflected in the number of sponsoring undertakings. In total, the 33 cross-border IORPs have 1.554 sponsoring undertakings. Only ten percent less compared to the 2017 market development report, despite the huge drop in the number of cross-border IORPs after the Brexit.

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

Figures 4 and 5<sup>11</sup>, showing the scheme types of cross-border IORPs split by number of cross-border IORPs and by total asset value, confirm that DB schemes are by far the main schemes provided for by cross-border IORPs.

In comparison with the 2017 market development report, we note that there is a small increase in the number of cross-border IORPs which offer both DB and DC schemes. This is closely related to the increase in the number of host countries and IORPs providing services to multiple employers. There is also a three percent increase in the ratio of the DC assets compared to the DB assets. However, this may well be caused by a slightly different dataset in terms of countries and the exclusion of domestic activities in the 2020 report. EIOPA will build on the current data as a basis to track and report on potential shifts from DB to DC schemes.



<sup>10</sup> Not including data for two LU cross-border IORPs for which the status is unknown.

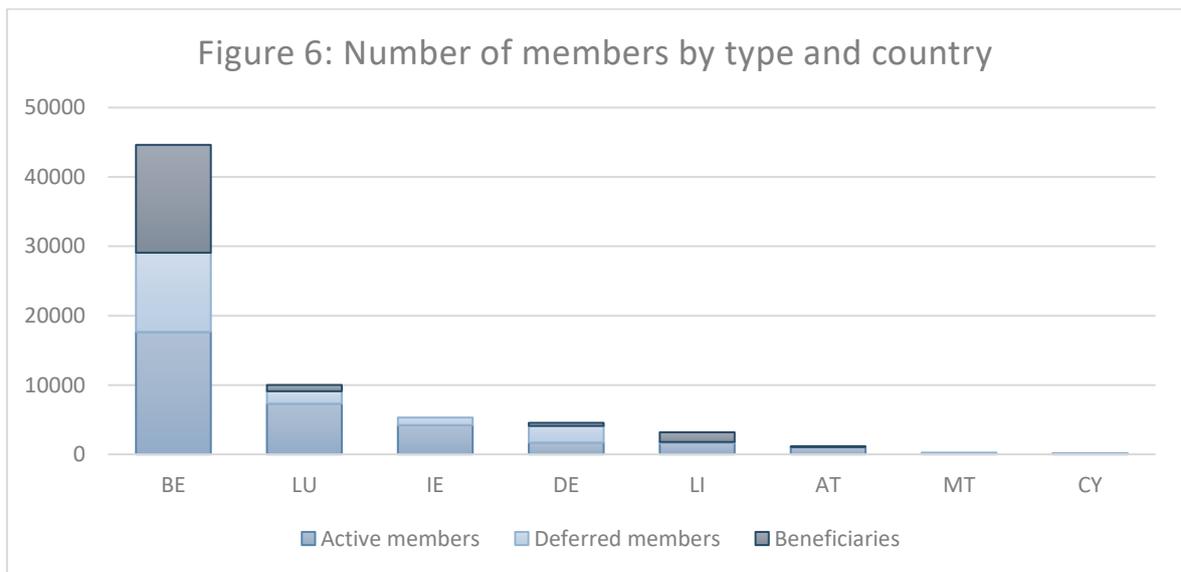
<sup>11</sup> Not including data for two LU cross-border IORPs nor data for IE

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

In around six percent of the cross-border IORPs expressed in terms of assets, the IORPs are subject to article 15(1) of the IORP Directive<sup>12</sup> and obliged to hold a minimum surplus of assets over the technical provisions to serve as a buffer on a permanent basis following the rules specified in the IORP Directive. As in 2016, such cross-border IORPs were only reported in Liechtenstein.

## 5. MEMBERS AND BENEFICIARIES

Currently there are around 70.000 scheme members and beneficiaries of cross-border IORPs<sup>13</sup>. This is less than 0.2 percent of the total number of IORPs’ members and beneficiaries. Half of these are active members while the other half is almost equally split between deferred members and beneficiaries. Belgium is the home country for 65 percent of all cross-border IORPs members and beneficiaries (see figure 6).

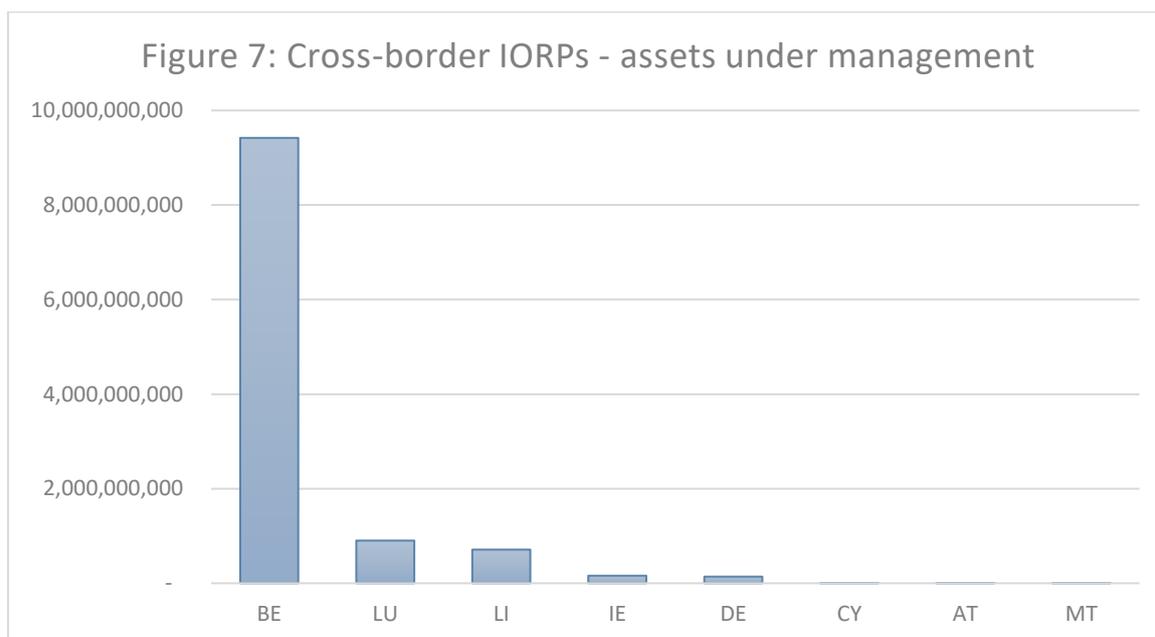


<sup>12</sup> The home Member State shall ensure that IORPs operating pension schemes, where the IORP itself, and not the sponsoring undertaking, underwrites the liability to cover against biometric risk, or guarantees a given investment performance or a given level of benefits, hold on a permanent basis 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.

<sup>13</sup> Not including data for two LU cross-border IORPs while for IE data for three IORPs are including members located in non-EEA host country UK.

## 6. ASSETS AND LIABILITIES

Cross-border IORPs account for more than EUR 11.3 billion assets<sup>14</sup> compared to EUR 10.5 billion liabilities<sup>15</sup>. In line with the findings of members and beneficiaries, the vast majority of the assets (and liabilities) can be allocated to cross-border IORPs with home country Belgium (see figure 7).



Looking at the liabilities in the context of the funding ratio<sup>16</sup>, only DB schemes should be considered. In that respect, Malta and Cyprus only had cross-border IORPs offering DC schemes while Ireland was not able to provide a split between DB and DC schemes. The remaining five home countries all have aggregated funding ratios higher than 100 percent. Also when individual data was received only positive funding ratios were reported. For these cross-border IORPs, EIOPA could confirm that they are in line 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.

The data collected through the regular reporting with regards to members and beneficiaries and assets under management should only include those data that are directly related to the cross-border activity. In previous data collections, cross-border data also included the domestic activities of cross-border IORPs. Therefore, the data received now, is not comparable with the previous EIOPA

<sup>14</sup> Not including data for two LU cross-border IORPs

<sup>15</sup> Not including data for two LU cross-border IORPs and all IE cross-border IORPs (around EUR 159 million assets)

<sup>16</sup> Expressed as assets under management over technical provisions.

data collections and no conclusions can be drawn at this stage. However, EIOPA will build on the current data and will continue to monitor and report on any developments in the future

## 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.

<b>Cross-border information</b>	
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	Nestlé Europees Pensioenfonds (NEPF)   Fonds de Pensions Européen Nestlé (FPEN)
BE	IE, NL	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	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	LU	The Kennedy Wilson Europe Ltd Pension Scheme
IE	PT	Banco De Investimento Global Retirement Scheme
IE	EL	Olayan European Pension Fund
LI	DE	LV1871 Pensionsfond AG
LI	BE <sup>17</sup> , DE, NL	Swiss Life International Employee Benefits Pension Fund
LU	DE, LI, NL	Swiss Life International Pension Fund
LU	BE <sup>18</sup> , DE, ES, IE, NL, PT	Amundi Pension Fund
LU	BE, IE, NL	The Unilever Pension Plan
LU	DE, PT	ePension Fund Europe (Assep)

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<sup>17</sup> Swiss life International Employee Benefits Pension Fund has ceased its Belgian cross-border activity on 31 December 2020

<sup>18</sup> Amundi Pension Fund has ceased its Belgian cross-border activity on 31 December 2020

MT <sup>19</sup>	NL	Plegt-Vos Retirement Scheme
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<sup>19</sup> The funds held within the Plegt-Vos Retirement Scheme were transferred out on 30th September 2021.

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