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2016 Market development report on occupational pensions and cross-border IORPs

Table of Contents

Executive summary	3
1. Scope and process.....	5
2. IORPs and art. 4 ring-fenced funds in the EEA	6
2.1. Overview of the landscape.....	7
2.2. Financial information	10
2.3. Scheme information	14
2.4. Funding position.....	19
2.5. Market differences	22
3. Zooming in on cross-border.....	27
3.1. Overview of the cross-border IORPs that have finalised the notification procedure.....	27
3.2. Developments in cross-border activity	29
3.3. Number of sponsors, members and beneficiaries of cross-border IORPs	30
3.4. Assets and funding position of cross-border IORPs	31
3.5. Scheme types of cross-border IORPs	33
3.6. Home activity in Member States.....	34
3.7. Host activity of Member States	35
Annex 1: Round-table on pan-European pensions	37
Annex 2: overview of home-host relationships.....	38
Annex 3: Cross-border activity as at 31 December 2015	39
Annex 4: Home and host States to active IORPs as at 31 December 2015.....	40
Annex 5: List of active cross-border IORPs	41
Annex 6: Definitions used.....	44

Executive summary

This is the 10th report in a series of market development reports¹ focussing on cross-border activities of Institutions for Occupational Retirement Provisions (IORPs) and so-called 'art. 4 ring-fenced funds'² after the implementation of the IORP Directive³. It provides an overview on the IORPs' and art. 4 ring-fenced funds' landscape in the European Economic Area (EEA), as well as on the developments in cross-border arrangements of IORPs.

In addition to the information included in earlier reports, new elements have been introduced e.g. reporting of the number of members and of multi-employer IORPs, of IORPs split by value of technical provisions and split by reaching the thresholds as politically agreed in the discussions on the revision of the IORP Directive. Finally it also plots the evolution of authorised and active cross-border IORPs since EIOPA's first market development report and provides a brief summary of the discussions held at a meeting organised with cross-border market participants and stakeholders.

The 2016 report presents pensions data as reported by National Competent Authorities (NCAs) as at 31 December 2015, where available. Previous reports were based on most recent data available to NCAs in the corresponding reporting year. The change to one single reporting date for the market development report on occupational pensions is regarded as one step towards gradually improving the quality of pension's data in Europe. However, it is worthwhile noting that the one single reporting date, as well as - at times - incomplete data sets, may lead to different data or information reported in other EIOPA reports, which generally have different scopes, but may, to a certain extent, cover similar areas.

Significant asset growth in the EEA

Despite the challenges of the on-going macroeconomic environment that affects the European occupational pension fund sector, the aggregated assets of IORPs and art. 4 ring-fenced funds have continued to increase by 13.5 percent to reach a total of 3,830,700 million euro in the EEA. This translates into 26 percent of the EU GDP and assets of 3,798,908 in the EU. This means that the growth of the occupational pensions assets provided by IORPs and art. 4 ring-fenced funds has continued to increase during 2015 compared to the 3.2 percent⁴ increase in aggregated asset value reported during 2014.

Most of the assets reported here remain invested by DB schemes. Whilst the vast majority of IORPs and art. 4 ring-fenced funds (in aggregate numbers) manage DC schemes, they actually represent only a small market share in terms of asset values - compared to DB schemes and hybrid schemes (including DC schemes with guaranteed benefits).

The aggregated liabilities of DB schemes continue to outweigh the assets under management - both valued according to national valuation rules.

¹ For the previous reports, see <https://eiopa.europa.eu/publications/reports/index.html>.

² "Art. 4 ring-fenced funds" refer to insurance undertakings that, through ring-fencing of assets and liabilities, operate (part of) their occupational retirement provision business under Art. 4 of the IORP Directive.

³ Directive 2003/41/EC on the Activities and Supervision of Institutions for Occupational Retirement Provision.

⁴ As the result of updates to the 2015 Market Development report data, the asset increase for the period 2014-2015 dropped from 12 percent to 3.2 percent.

Slight increase in cross-border IORPs

The results of the 2016 survey show that between June 2015 and December 2015, the number of active cross-border IORPs increased by three to 79. New cross-border activities were launched by IORPs operating from Belgium (+1 cross-border IORP) and the UK (+2 cross-border IORPs).

By the end of 2015, cross-border IORPs have 63,314 million euro in assets under management for both their domestic and their cross-border activities. These assets are almost entirely invested through DB schemes.

These assets only represent a small portion (less than 1.65%) of IORPs' and art. 4 ring-fenced funds' total assets under management. This is only a slight increase in assets under management compared to last year. However, participants of the roundtable meeting organised by EIOPA highlighted that with the revision of the IORP Directive finalised, more sponsoring undertakings looking for cross-border economies of scale and more service providers offering cross-border solutions, may trigger a positive evolution of the cross-border market in the future.

EIOPA intends to continue to seek to analyse market developments in this area and to continue to improve the information available to market participants through this annual report. Monitoring market developments will provide a valuable source of information to measure the effect of the revised IORP Directive on IORPs and art. 4 ring-fenced funds, and on cross-border arrangements in particular.

1. Scope and process

The goal of this exercise is to provide insights in the trends and developments of entities that fall within the scope of the IORP Directive in the EEA, with a focus on cross-border IORPs⁵. The set-up of this year's report is broadly similar to last year's report. However, in order to align the financial information, all data was reported as of the end of 2015. As such, the changes in cross-border schemes solely cover the period between 1 June 2015 and 31 December 2015. Where available, the data includes:

- The total number of IORPs and art. 4 ring-fenced funds in the EEA, with specific attention to art. 17(1) IORPs⁶;
- Information on the pension schemes managed by these entities and the scheme type;
- The assets and liabilities held by these entities (for cross-border IORPs, these include assets related to cross-border operations), the contributions received over the past year and the benefits paid;
- Assessment of the differences between IORPs in terms of members⁷ and in terms of technical provisions of across Europe;
- The number of authorised IORPs that have finalised the notification procedure to operate cross-border;
- The number of active⁸ cross-border IORPs;
- The nature of the pension schemes operated by active cross-border IORPs;
- An overview of home countries in relation to active cross-border IORPs;
- An overview of host countries in relation to active cross-border IORPs;

IORPs and art. 4 ring-fenced funds are not necessarily required to report their assets at 31 December. Therefore, the aggregate figures might refer to different reporting periods and the assets mentioned do not represent the exact total assets held on 31 December 2015. Totals may also not add up due to rounding differences.

Countries that are not part of the Euro zone have been asked to calculate the reported assets in euro. Therefore, foreign exchange rates⁹ have an impact on the value of the reported assets.

The report does not include information on occupational pensions provided by other arrangements, such as book reserves schemes or occupational pensions provided by insurance undertakings where art. 4 is not applied.

Definitions of the terms used in this report can be found in annex 6.

⁵ EIOPA considers that, in general, an IORP operates cross-border if a sponsoring undertaking of the IORP is located in another Member State, if the Social and Labour Law of another Member State is applicable, or both. However, it should also be noted that the IORP I Directive is ambiguous on this, and that national implementation may thus lead to situations whereby an IORP would fall under this definition, but is not recognized in the 2016 Market Development Report due to the fact that the legislation in the IORP's home Member State does not consider a specific activity to be a cross-border activity.

⁶ Art. 17(1) IORPs refer to 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.

⁷ 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.

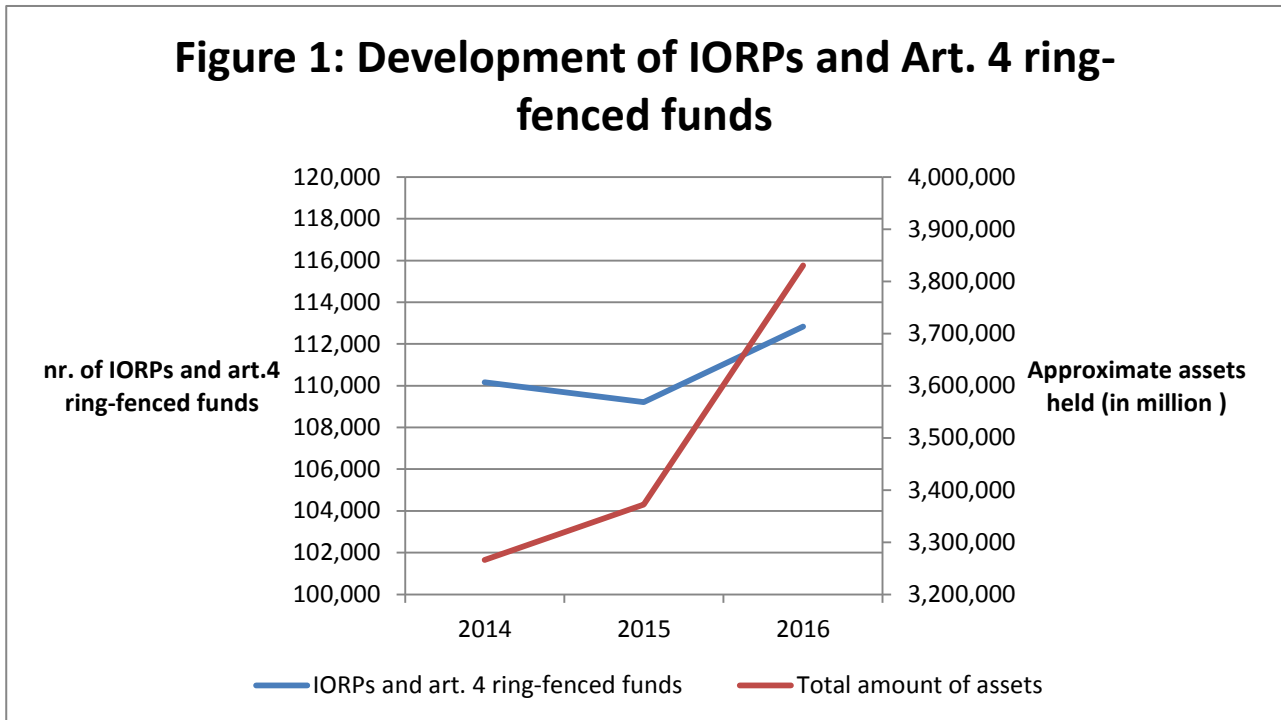
⁸ "Active" means entities holding assets related to cross-border operations.

⁹ ECB exchange rates as at 31-12-2015 (<https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>)

2. IORPs and art. 4 ring-fenced funds in the EEA

Based on the results of this year's survey 112,789 IORPs and 37 art. 4 ring-fenced funds held assets of in total 3,830,700 million euro. Last year's data indicated that 109,173 IORPs and 38 art. 4 ring-fenced funds held assets of in total 3,372,292 million euro¹⁰.

That is a 13.5 percent increase in assets over 2015. The asset growth further increased compared with 2014 which had an increase of 3.2 percent¹¹ (see figure 1). Conversely, while the number of IORPs and art. 4 ring-fenced funds had slightly decreased over 2014, an increase was reported during 2015.



The following subchapters aim to provide insights in this market situation focussing on underlying trends at national level. These include an overview of the IORPs and art. 4 landscape in the EEA, as well as insight in financial statistics.

¹⁰ 2014 and 2015 data were the most updated data available from Member States as at respectively 2 June 2014 and 1 June 2015. 2016 data refer to the data collected as at 31 December 2015 except for the UK for which 31 March 2015 was the reference date for the DB data. Last year's data was restated with information as at 31 December 2014 and with data from 31 March 2014 for the UK to use a comparable reference period.

¹¹ As the result of updates to the 2015 Market Development report data, the asset increase for the period 2014-2015 dropped from 12 percent to 3.2 percent.

2.1. Overview of the landscape

2.1.1. IORPs

As presented in table A the total number of IORPs is 112,789 as of end 2015. That is an increase by 3.3 percent compared to last year. Unchanged from the 2015 market development report¹², the vast majority of reported IORPs are located in the UK and Ireland. At the end of 2015 these two countries accounted for more than 96 percent of all IORPs in the EEA.

Increases in the number of IORPs were registered in the following four Member States: Croatia, Ireland, Norway and Sweden. Ireland had the biggest increase in IORPs during 2015 (+5,744 IORPs), mainly as the result of the formal registration of single member DC schemes. The UK reported the biggest decrease (-2,048 IORPs) as many DB schemes closed to new members and employers chose to join existing large schemes to meet their automatic enrolment duties rather than run their own small DC schemes.

Compared to last year, Hungary has been added to the list of countries that have IORPs. The Czech Republic, Estonia, France, Iceland, Lithuania and Romania do not have any domestic IORPs.

The 112,789 IORPs manage more than 130,029¹³ pension schemes. In Denmark, Finland, Ireland, Malta, Norway and the UK, the number of pension schemes is more or less equal to the number of IORPs. In all other countries that provided data, IORPs manage multiple schemes. On average, Austrian IORPs manage the highest amount of schemes: 13 IORPs manage more than 14,000 occupational pension schemes.

The 112,789 IORPs cover at least¹⁴ 52.7 million members¹⁵. Countries with most members are Germany, Italy, the Netherlands and the UK. Together, these four countries account for more than 86 percent of all reported members. Further, significant numbers of members are present in Austria, Belgium and Spain, which have respectively two, three and four percent of the reported total number of members of IORPs in the EEA.

Only a few of the 112,789 IORPs provide services to two or more unrelated¹⁶ sponsors. However, this low amount can be explained by the fact that not all countries with a high number of IORPs were able to identify the number of unrelated sponsors in their Member States.

¹² https://eiopa.europa.eu/Publications/Reports/15.2_EIOPA_BoS_15-144_Market%20development%20report%202015.pdf

¹³ The number of pension schemes is not available in Germany and Sweden.

¹⁴ Sweden did not provide data on the amount of members. Data for Cyprus, Ireland and the Netherlands does not cover the full market.

¹⁵ Members are defined as persons, other than beneficiaries or prospective members, whose past or current occupational activities entitle, may or will entitle them to retirement benefits in accordance with the provisions of a pension scheme.

¹⁶ Not in the same group.

Table A: overview of IORPs landscape in the European Economic Area (EEA) as at 31 December 2015

Countries	Nr. of IORPs	Nr. of multi-employer IORPs	Nr. of pension schemes	Nr. of Members
AT	13	7	14,363	1,002,507
BE	198	5	464	1,509,677
BG	2	2	11	6,802
CY	2,060	9	2,060	86,519
DE	171	N/A	N/A	7,974,690
DK	18	0	18	10,092
ES	346	0	1,357	2,064,892
FI	47	0	48	23,404
FR	0	0	0	0
HR	18	0	18	28,778
HU	1	1	1	618
IE ¹⁷	67,939	N/A	67,840	652,058
IT	283	107	391	4,201,306
LI	5	5	1,138	3,821
LU(CAA)	3	0	77	6,797
LU(CSSF)	14	8	22	15,448
LV	6	5	15	255,012
MT	1	0	1	88
NL	332	N/A	440	14,388,270
NO	87	N/A	87	455,760
PL	4	1	33	44,518
PT	184	46	646	167,978
SE	78	N/A	N/A	N/A
SI	3	3	10	127,640
SK	4	N/A	17	701,000
UK	40,972	N/A	40,972	19,000,000
Total	112,789	199	130,029	52,727,675

¹⁷ For Ireland only active (not frozen) schemes are reported.

2.1.2. Art.17 (1) IORPs

Only 451 IORPs out of the total 112,789 IORPs are subject to art. 17(1) of the IORP Directive (see table B). Art. 17(1) applies to IORPs that themselves, and not the sponsoring undertaking, bear the liability to cover against biometric risk, or to guarantee a given investment performance or a given level of benefits. These IORPs are obliged to hold a minimum surplus of assets over the technical provisions to serve as a buffer on a permanent basis. The minimum amount of those assets is laid down in art. 17(2) of the IORP Directive.

A few National Supervisory Authorities highlighted that there are not any art. 17(1) IORPs in their jurisdiction despite the fact that IORPs do underwrite biometric risks or offer guarantees. This is due to the fact that the national social and labour law sets out that the sponsor remains liable for the promise made to employees, even if the IORP provides guarantees or covers certain risks. These Member States often impose capital requirements at national level in accordance with art. 17(3) of the IORP Directive, which sets out the Member State option to require IORPs to hold regulatory own funds even if the requirements for the application of art. 17(1) are not met.

Table B: Overview of art. 17(1) IORPs in the EEA as at 31 December 2015

Country	Nr. of art. 17(1) IORPs
FI	1
HR	1
HU	1
IT	16
LI	5
LV	6
NL	320
NO	87
SE	11
SI	3
Total	451

Compared to last year's report, this represents a reduction by 26 art. 17(1) IORPs. As in Liechtenstein, Norway and Slovenia, all IORPs are art. 17(1) IORPs a newly established IORP in these countries automatically result in an equal increase of art. 17(1) IORPs. Similarly, since most of the Dutch IORPs are art. 17(1) IORPs and the total number of IORPs in the Netherlands decreased by 45 IORPs, the number of art. 17(1) IORPs equally reduced.

This year Hungary and Italy have been added to list of countries that have art. 17(1) IORPs.

2.1.3. Art. 4 ring-fenced funds

Just as in previous market development reports, there are three countries that register art. 4 ring-fenced funds in their jurisdiction, namely France, Slovenia and Sweden (see table C).

The aggregate number of art. 4 ring-fenced funds decreased by one (Swedish) fund compared to last year.

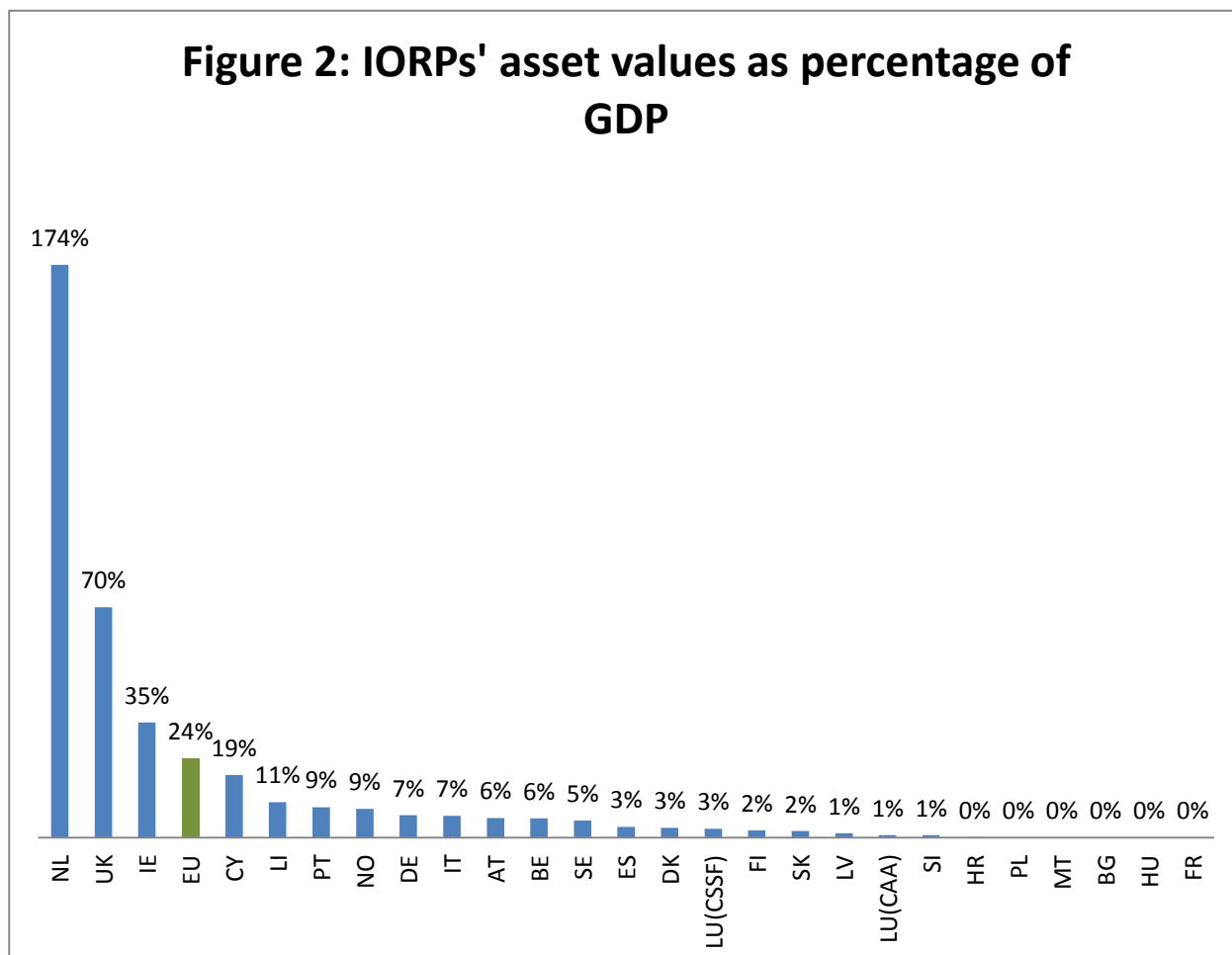
Table C: Overview of art. 4 ring-fenced funds in the EEA as at 31 December 2015

Countries	Nr. of art. 4 ring-fenced funds
FR	5
SE	27
SI	5
Total	37

2.2. Financial information

2.2.1. IORPs

Figure 2 presents the IORPs' assets as a percentage of the national GDP¹⁸, indicating the relative importance of IORPs for each country. Together IORPs' assets¹⁹ represent 24% of the EU GDP. IORPs are especially important in the Netherlands and in the UK. Generally, IORPs appear to be more important in Western Europe than in Eastern Europe. With the exception of Slovakia, assets from IORPs from Eastern European countries do not represent more than one percent of their country's GDP.



¹⁸ Eurostat, 2015 GDP at market prices for all countries except Liechtenstein (World Development Indicators. World Bank. 2015 GDP rates).

¹⁹ Not including Norway and Liechtenstein

In terms of assets under management, the market remains dominated by the Netherlands and the UK, in which IORPs hold 84 percent of the EEA total assets under management (see table D). Including Germany, the third biggest IORP market in terms of assets, this number raises to 90 percent.

Less than four percent of IORPs can be found outside Ireland and the UK. Despite this small amount of IORPs outside these two countries, those four percent hold almost 47 percent of the EEA total assets.

Compared to last year, IORPs' assets have increased by 13.5 percent²⁰. In absolute terms, the highest increases were reported in Germany, the Netherlands and the UK. In relative terms, the highest increases were reported in Denmark (+15%), Liechtenstein (+18%), Norway (+17%) and the UK (+25%)²¹. The increase in the UK asset value data stems mostly from the difference in reference dates and the change in foreign exchange rate between the pound and the Euro. The change in Liechtenstein mainly stems from the significant change of the foreign exchange ratio between Swiss francs, which is Liechtenstein's currency, and euros.

Only Croatia and Finland have reported decreases in assets compared to last year. For Finland the difference is marginal.

In 2015 IORPs received at least²² 59 billion euros in contributions and paid at least²³ 48 million euros in pension benefits. As not all countries were in a position to provide this information - including some of the countries with a high value of IORP assets under management - the actual numbers may be significantly higher.

In France, there are solely art. 4 ring-fenced funds and not one IORP, which explains the zero percent assets under management by IORPs in terms of the French GDP. As explained further in the below, art. 4 ring-fenced funds account for one percent of the French GDP.

²⁰ Please remark that adjustments have been made to the asset values included in last year's report to total 3,146,255 euro as at 31 December 2014. Again, it is worthwhile noting that for DB data the UK reference date is 31 March.

²¹ Comparisons with last year's report would also highlight significant increases in asset values for Belgium and Portugal. However, following an update to the data provided last year, changes are respectively 5% and 3%.

²² Cyprus, Sweden and the UK did not provide the aggregated contributions at 31 December 2015.

²³ Cyprus, Hungary, Sweden and the UK did not provide the aggregated benefits paid as at 31 December 2015.

Table D: Financial information of IORPs in the EEA as at 31 December 2015

Country	Approximate assets held by all IORPs (in million €)	Approximate contributions to all IORPs (in million €)	Approximate benefits paid by all IORPs (in million €)
AT	20,569	1,230	1,016
BE	24,576	1,178	784
BG	5	1	0
CY	3,384	N/A	N/A
DE	209,530	9,501	6,437
DK	8,016	36	220
ES	35,672	1,130	1,588
FI	4,593	16	254
FR	0	0	0
HR	99	16	4
HU	1	0	N/A
IE	89,373	4,105	3,460
IT	110,313	9,686	5,611
LI	542	96	35
LU(CAA)	395	73	38
LU(CSSF)	1,440	67	46
LV	331	68	22
MT	1	1	0
NL	1,175,722	29,301	27,936
NO	31,250	1,556	772
PL	421	32	13
PT	16,908	785	530
SE	23,483	N/A	N/A
SI	578	60	36
SK	1,545	220	112
UK	1,814,477	N/A	N/A
Total	3,573,225	59,157	48,913

2.2.2. Art. 17(1) IORPs

The 451 art. 17(1) IORPs hold 34 percent of IORPs' assets under management in the EEA. Almost 96 percent of these assets are held by Dutch IORPs (see table E). Compared to last year, the assets of art. 17(1) IORPs grew by 4.4 percent. This is almost equal to the overall IORPs' asset growth (+3.7%).

Table E: Financial information of art. 17(1) IORPs in the EEA as at 31 December 2015

Country	Approximate assets held by art. 17(1) IORPs (in million €)	Approximate contributions to art. 17(1) IORPs (in million €)	Approximate benefits paid by art. 17(1) IORPs (in million €)
FI	20	0	0
HR	10	4	4
HU	1	0	N/A
IT	5,900	N/A	N/A
LI	541	96	35
LV	335	N/A	N/A
NL	1,172,723	28,619	27,936
NO	31,250	1,556	772
SE	15,214	833	640
SI	578	60	36
Total	1,226,571	31,169	29,423

2.2.3. Art. 4 ring-fenced funds

Figure 3 presents the assets of art. 4 ring-fenced funds expressed as a percentage of national GDP. It shows that art. 4 ring-fenced funds are an important occupational pension vehicle in Sweden, with assets worth more than 50 percent of the Swedish GDP. In Slovenia and Sweden, the importance of art. 4 ring-fenced funds seems to be higher than the importance of the IORP market based on these figures. There are no IORPs in France (please also see 2.2.1 on France).

At aggregate level art. 4 ring-fenced funds represent two percent of the EU GDP.

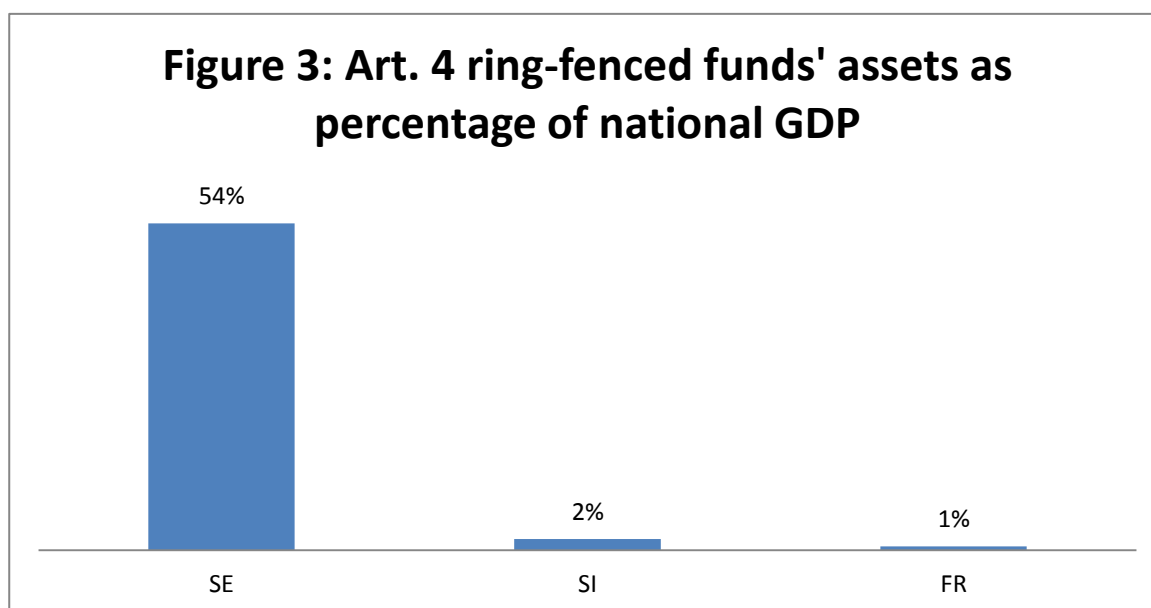


Table F indicates that the art. 4 ring-fence funds are predominant in Sweden, despite the fact that associated assets have doubled in France. In France the significant increase is due to one insurer having transferred a substantial amount from its own general fund to its art. 4 ring-fenced fund. Compared to last year, art. 4 ring-fenced

funds' assets increased by 14 percent for those three countries, which is significantly higher than the asset growth in IORPs.

Table F: Overview of Art. 4 ring-fenced funds in the EEA as at 31 December 2015

Country	Approximate assets held by art. 4 IORPs (in million €)	Approximate contributions to art. 4 IORPs (in million €)	Approximate benefits paid by art. 4 IORPs (in million €)
FR	13,355	N/A	N/A
SE	242,677	17,018	6,412
SI	1,443	97	50
Total	257,475	17,115	6,462

2.3. Scheme information

2.3.1. In number of schemes

IORPs and art. 4 ring-fenced funds mainly manage DC schemes - 92 percent of the reported schemes are DC schemes (see figure 4 and table G). This number is strongly influenced by the two biggest Member States in number of schemes - Ireland and the UK - which mainly feature DC schemes.

EIOPA introduced definitions of different scheme types (see annex 6), however those may still be interpreted differently from Member State to Member State.

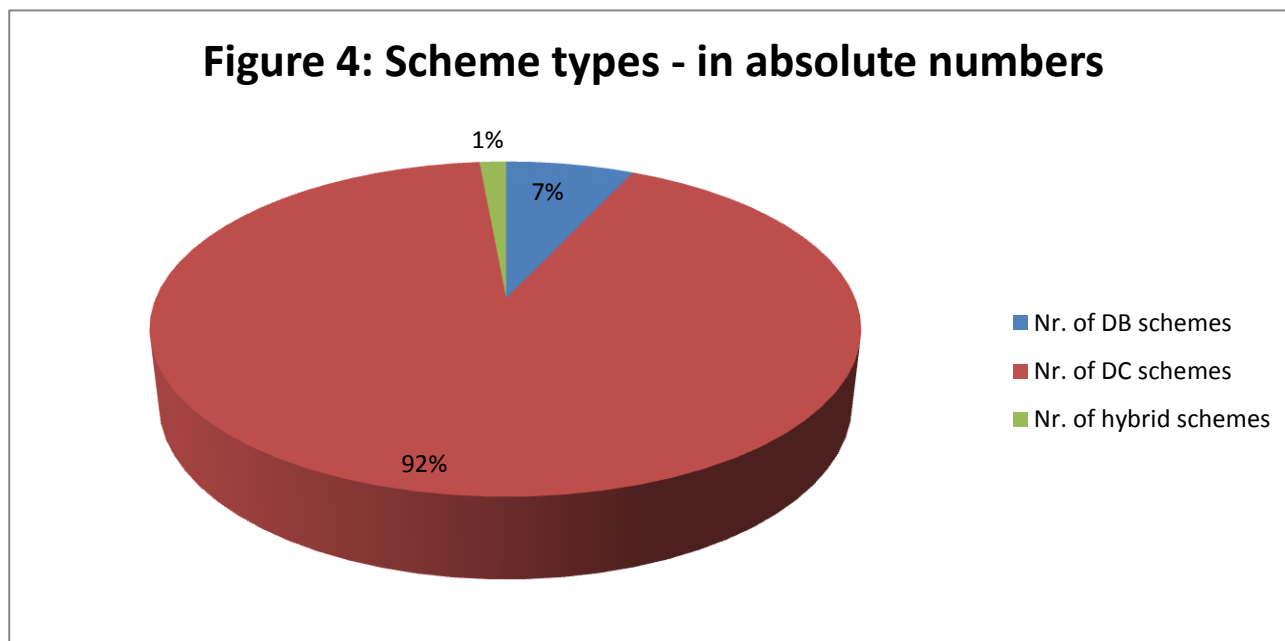


Figure 4 shows only small changes compared to the corresponding graph presented in last year's report, even though different definitions were used last year and the results are not fully comparable. For example, many Belgian pension schemes were classified as DB/DC, whereas according to the revised definitions, these are classified as DB schemes in this year's report.

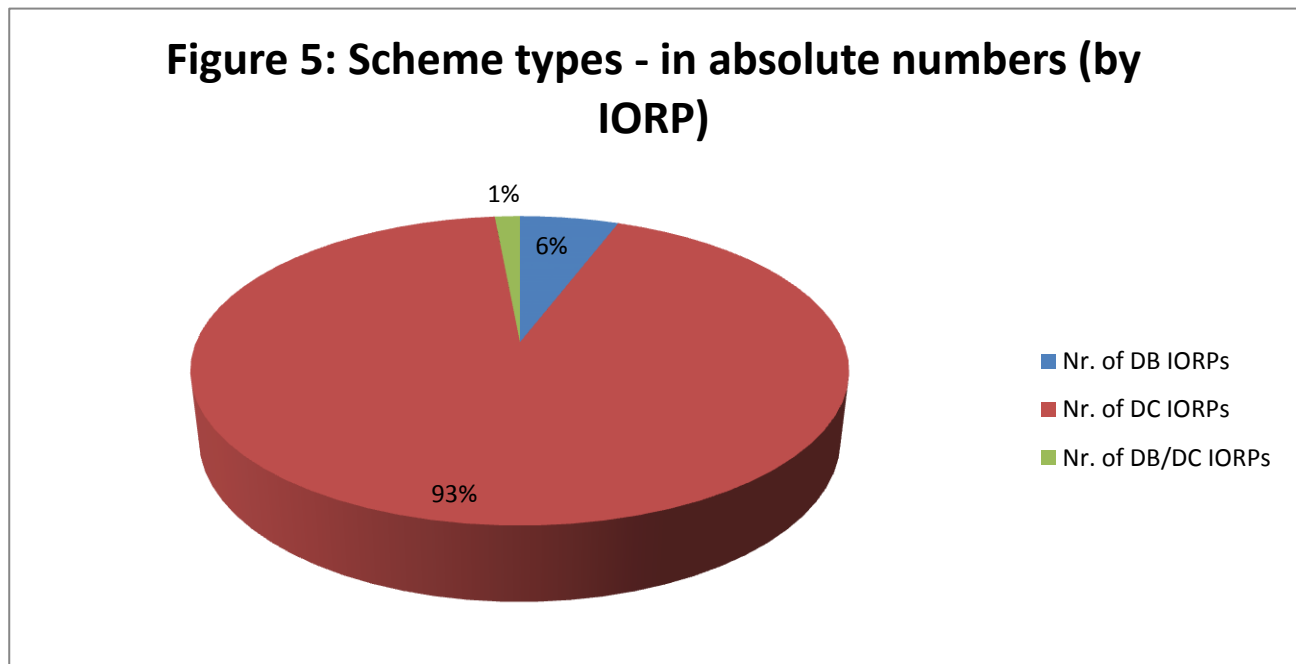
Table G: Overview scheme types by number of schemes as at 31 December 2015

Country	Nr. of DB schemes	Nr. of DC schemes	Nr. of hybrid schemes
AT	N/A	N/A	N/A
BE	464	0	0
BG	0	11	0
CY ²⁴	7	2,053	0
DE	N/A	N/A	N/A
DK	18	0	0
ES	12	948	397
FI	47	1	0
FR	N/A	N/A	N/A
HR	1	17	0
HU	0	1	0
IE	715	67,125	0
IT	38	353	0
LI	919	219	0
LU(CAA)	5	72	0
LU(CSSF)	10	10	2
LV	0	15	0
MT	0	1	0
NL	336	52	52
NO	87	0	0
PL	0	33	0
PT	268	378	0
SE	N/A	N/A	N/A
SI	10	0	0
SK	0	17	0
UK	5,089	34,662	1,221
Total	8,026	105,968	1,672

²⁴ In Cyprus the number of DB schemes refers only to those of the registered IORPs. There exist a number of IORPs operating DB schemes which are not yet registered. This number is greater than the seven already registered IORPs. The long procedure that delays the registration of these pension funds is caused firstly by the great number of amendments made to the pension rules as a result of the continuous pension reforms (imposed by the recent Cyprus Adjustment Program) and secondly by the different pension rule approvals requirements of various government bodies (i.e. various Ministries, the Attorney General, the Council of Ministers, the Parliament etc.). However, these schemes are small in terms of number of members and assets. All the DB pension schemes cover mainly the employees of the broader public sector in Cyprus. The pension benefits are guaranteed by the sponsor which is fully under the control of the central government.

In certain countries²⁵ only data on IORPs or art. 4 ring-fenced funds is collected, not on the underlying schemes. Therefore, a split by number of scheme types is not available for France and Sweden. In Germany there are only DB schemes. To include the data of these countries and to find a solution for countries where IORPs manage several schemes of several types, respondents have been asked to report on the characteristics of the vast majority of scheme types managed by an IORP. If the vast majority could not be determined, or if the vast majority were hybrid products, respondents were asked to identify the IORP as DB/DC.

The results of this exercise are presented in figure 5. It shows little variation with the above graph as Ireland's and the UK's numbers dominate the number of IORPs and of number of schemes.

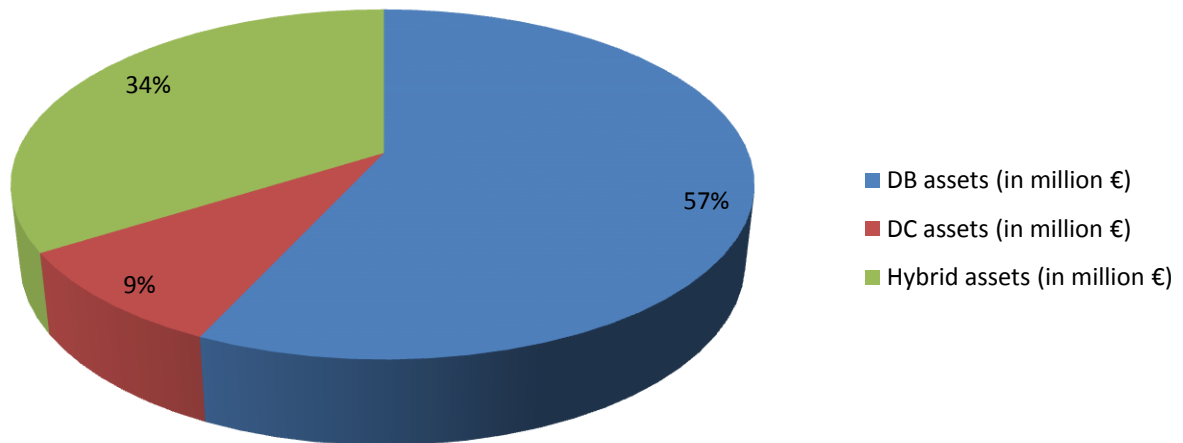


2.3.2. In terms of assets

In total and as indicated in figure 6, 57 percent of IORPs' assets under management are invested by DB schemes. 34 percent of assets are reported by hybrid schemes and only nine percent are managed by DC schemes.

²⁵ France, Germany and Sweden

Figure 6: Scheme type - asset values (in million €)



These results are in sharp contrast to the split in terms of number of schemes. This can be explained by the many small IORPs in Ireland mainly managing DC schemes. Also, even though the vast majority (almost 87%) of the reported UK IORPs manage DC schemes, they only manage 2.5 percent of the assets. Small schemes might also incur significantly higher costs than large schemes. Consolidation and scheme mergers would therefore likely be beneficial. However, certain IORPs are small pension arrangements, sometimes set up for just one person. For these, consolidation and mergers are less likely to occur and other solutions to reduce costs should be considered.

Table H sets out the total assets under management, provided by IORPs and art. 4 ring-fenced funds - by scheme type. DB schemes are predominant in most countries: in Belgium, Cyprus, Denmark, Finland, Germany, Ireland, Luxemburg, Norway, Portugal, Slovenia and the UK²⁶. DC schemes are prevalent in Bulgaria, Croatia, Italy, Latvia, Poland, Slovakia and Sweden. Hybrid schemes are the largest in asset terms in the Netherlands²⁷ and Spain.

²⁶ UK DB figures include both DB schemes and hybrids.

²⁷ NL hybrid figures include both DB schemes and hybrids.

Table H: Overview of scheme types in terms of assets as at 31 December 2015

Country	DB assets (in million €)	DC assets (in million €)	Hybrid assets (in million €)
AT	N/A	N/A	N/A
BE	24,576	0	0
BG	0	5	0
CY ²⁸	2,000	1,384	0
DE	209,530	0	0
DK	8,016	0	0
ES	504	9,188	25,980
FI	4,592	1	0
FR	N/A	N/A	N/A
HR	10	89	0
HU	0	1	0
IE	61,090	28,283	N/A
IT	6,274	104,039	0
LI	412	130	0
LU(CAA)	71	325	0
LU(CSSF)	1,040	202	198
LV	0	331	0
MT	0	1	0
NL ²⁹	0	2,999	1,172,723
NO	31,250	0	0
PL	0	421	0
PT	15,615	1,293	0
SE	23,680	152,064	90,416
SI	2,021	0	0
SK	0	1,545	0
UK ³⁰	1,768,901	45,576	0
Total	2,159,581	347,878	1,289,317

²⁸ The value of DB assets is an approximation and refers both to the assets of the 7 registered IORPs and also the assets of the IORPs that are under registration (see also footnote 21). The number of DC assets is an approximation based on 2014 data.

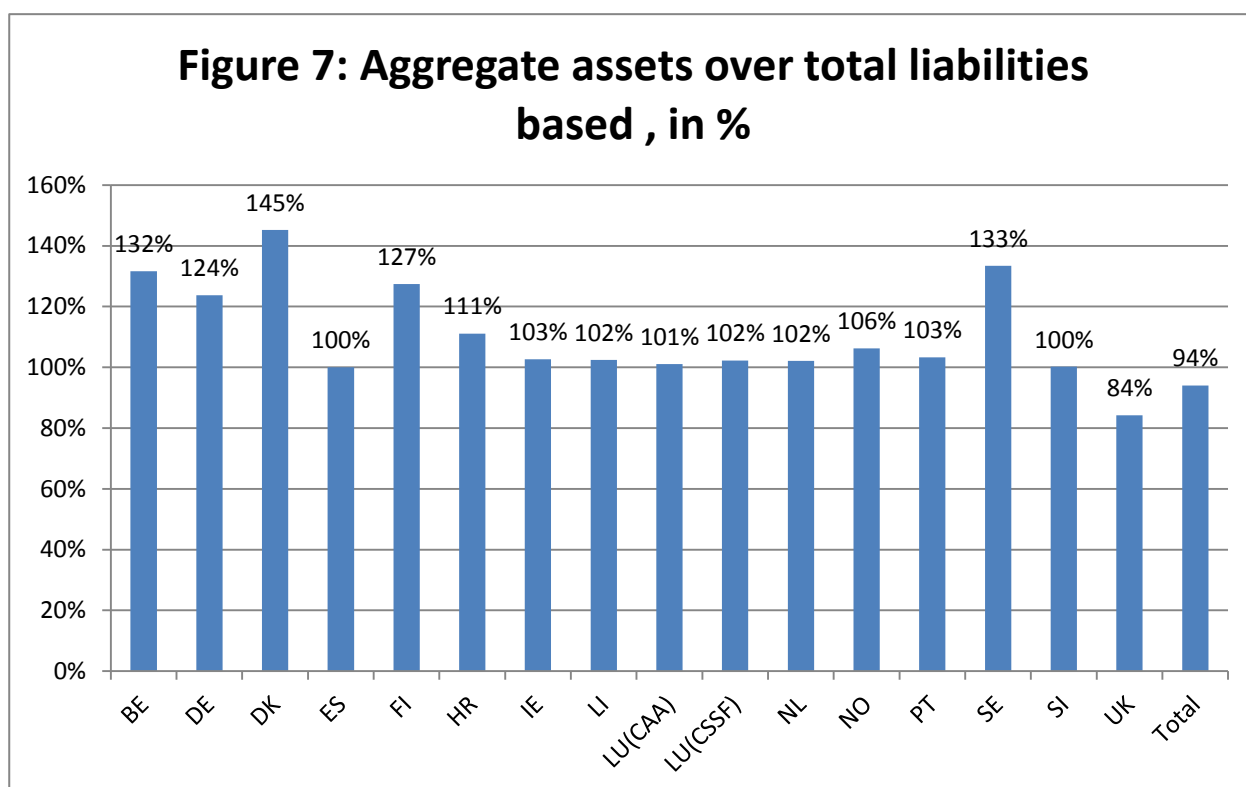
²⁹ For Dutch IORPs, it is not always possible to identify whether an IORP operates only DB schemes, only DC schemes, hybrid schemes or a combination. Therefore, all figures for Dutch art. 17(1) IORPs reported as hybrid.

³⁰ UK DB figures include both DB schemes and hybrids.

Comparing the results to last year's report, the assets under management of all scheme types increased. However, the amount of DC assets has increased significantly compared to last year's report (+40%). This increase can mainly be attributed to a different interpretation and consequent reclassification of IORPs in Sweden from DB schemes to DC schemes. However, also without taking the Swedish data into account, DC assets increased by eight percent. This is less than DB schemes (+19%). This increase is mainly caused by an increase in UK DB assets. Assets included in hybrid schemes increased by 2.8 percent. EIOPA will continue to monitor these results, both at European and at national level.

2.4. Funding position

Figure 7 and table I present the assets and liabilities of DB schemes and hybrid schemes for IORPs and art. 4 ring-fenced funds. At aggregate level the liabilities exceed the assets and there is an aggregate deficit.



The total deficit reported in the 2016 market development report is the result of the UK reporting the funding position of its IORPs based on the cost of transferring the aggregate liabilities to an insurer, rather than on book value of the technical provisions. The overall comparability of the data is affected, as not all countries have provided information on their aggregated assets and liabilities and different methods to report on the assets and to calculate the liabilities have been used.

EIOPA's 2015 pension stress test results confirmed the results of the 2015 market development report, in which three countries reported aggregate underfunding of their IORPs:

- Cyprus did not provide liabilities as at 31 December 2015 and was therefore not included in this year's results on the funding level.
- Irish IORPs, which were underfunded at aggregate level last year in both the market development report and the stress test have closed their funding gap during 2015. This was mainly due to a strong market performance during 2015.

Ireland took further actions that helped to close the gap, as evidenced by the approval of 13 funding proposals and 13 benefit reduction applications³¹. As of 31 December 2015 all schemes (except 9) are now either fully funded or following a plan to bring the scheme in compliance with the funding standard at national level.

- The aggregate funding gap in the UK has grown by 12% compared to the data reported last year. This increase can partly be explained by the change in the euro-British pound exchange rates; however, the funding gap has also increased under the national currency.

³¹ See also page 35 of the annual report of the Irish Pensions Authority for further information: http://www.pensionsauthority.ie/en/Publications/Annual_Report/The_Pensions_Authority_Annual_Report_and_Accounts_20151.pdf

Table I: IORPs' and art. 4 ring-fenced funds' DB and hybrid assets and liabilities as at 31 December 2015

Country	Assets DB and hybrid schemes (in million €)	Liabilities DB and hybrid schemes (in million €)
AT	N/A	N/A
BE	24,576	18,676
CY	2,000	N/A
DE	209,530	169,278
DK	8,016	5,521
ES	26,483	26,438
FI	4,592	3,605
FR	N/A	N/A
HR	10	9
IE	61,090	59,520
IT ³²	6,274	6,274
LI	412	402
LU(CAA)	71	70
LU(CSSF)	1,238	1,211
NL ³³	1,146,321	1,121,980
NO	31,250	29,403
PT	15,615	15,114
SE	90,613	67,893
SI	2,021	2,016
UK ³⁴	1,768,901	2,101,668
Total	3,399,013	3,629,078

Except for the UK, all countries that provided input (see table I) on both assets and liabilities have reported surpluses of assets over liabilities on a national calculation basis. However, results from one country cannot be compared directly with results from another country. The IORP Directive takes a minimum harmonisation approach³⁵

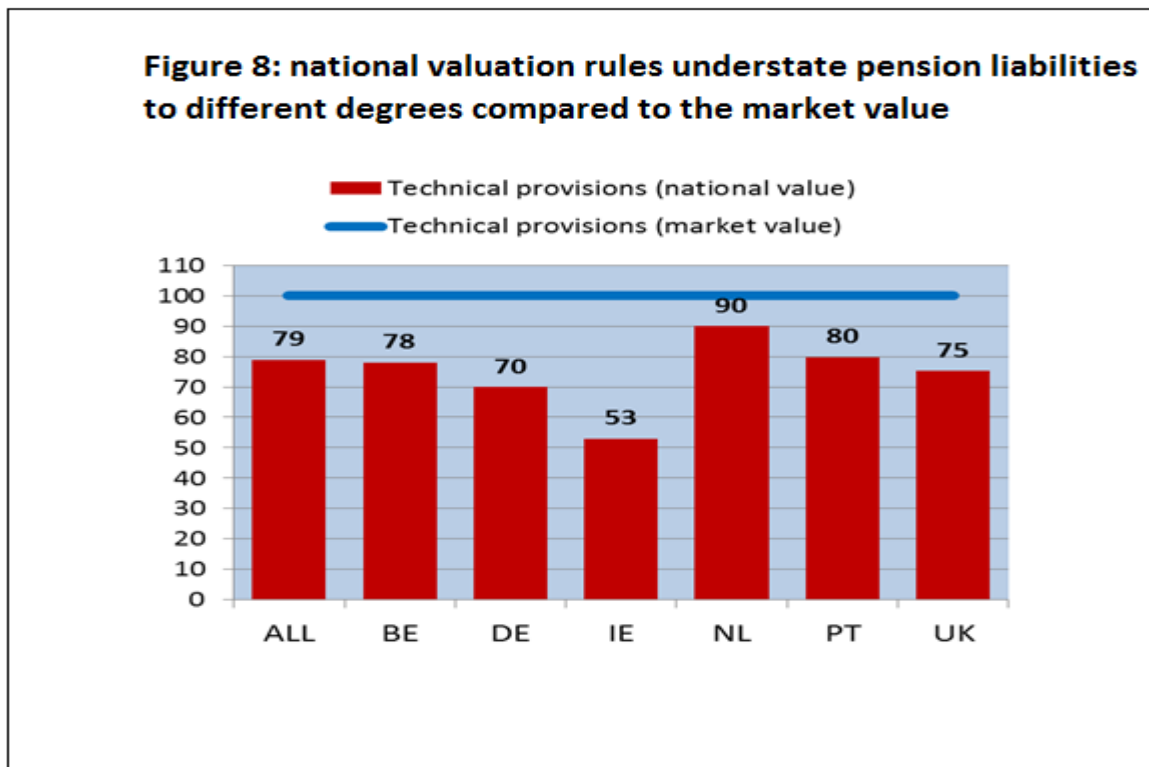
³² For Italian IORPs, the national prudential regulation does not set common rules to compute IORPs liabilities. Therefore, the aggregate data related to liabilities is set equal to the total of assets.

³³ Assets refer assets for technical provisions. These are those assets that are available to cover the technical provisions, and thus exclude non-freely available assets that are needed to cover specific liabilities. Liabilities refer to technical provisions. This is the amount of money that is needed to finance the accrued benefits. Compared to the total liabilities of the IORP, this figure excludes own funds and non-pension liabilities such as subordinated loans.

³⁴ Reported UK liabilities are based on the cost of transferring liabilities to an insurance undertaking.

³⁵ The IORP Directive does not specify rules for the valuation of assets. The valuation of technical provisions should be based on prudent principles. The discount rate may range from the market yield on high-quality or government bonds to the projected return on assets. The IORP Directive prescribes that technical provisions should be funded by assets. Only art. 17(1) IORPs where the institution itself underwrites risk, instead of the sponsoring employer, are subject to a regulatory own funds requirement. The regulatory own funds requirement reflects (to some extent) biometric risks but not market risks.

to valuation standards and funding requirements, which may be supplemented by Member States at national level. This has not led to convergent national valuation frameworks throughout Europe. Member States impose – for example - different valuation rules with discount rates ranging from risk-free market rates to the expected return on assets (see figure 8).



Source: EIOPA, Annex 2 to Opinion (Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs³⁶): Results of the quantitative assessment, 14 April 2016.

Note: Technical provisions exclude the value of potential benefit reductions.

EIOPA published an Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs. The Opinion recommends not to amend existing funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency in the European regulations for IORPs. According to the opinion, IORPs would value the common framework’s balance sheet on a market-consistent basis and include all security and benefit adjustment mechanisms, such as sponsor support, pension protection schemes and benefit reductions. This would increase the comparability of information between Member States.

2.5. Market differences

One of the new features included in this report is the assessment of the differences in the European IORP market in terms of members and technical provisions.

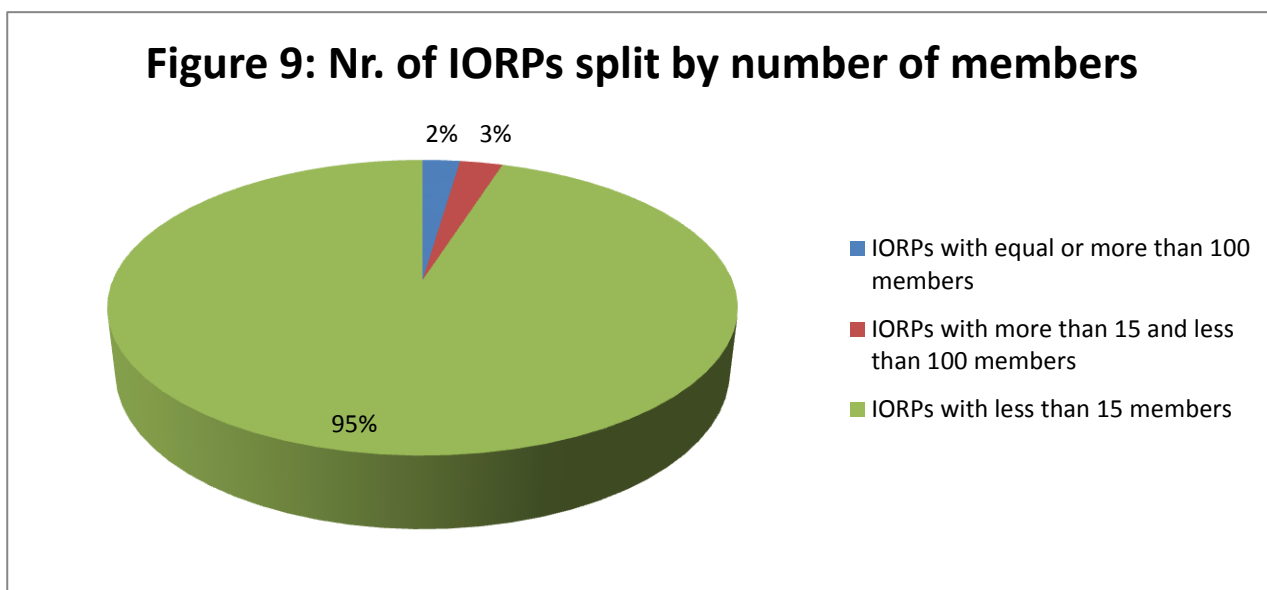
³⁶ EIOPA, Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs, EIOPA-BoS-16/075, 14 April 2016

2.5.1. Split by number of members³⁷

In order to better understand the differences of the European pension landscape, EIOPA asked respondents to provide information on the number of IORPs, their assets and the respective number of members split in three categories (in line with the corresponding provisions set out in the political agreement on IORP II):

- IORPs with 100 or more members
- IORPs with 15 or more but less than 100 members
- IORPs with less than 15 members

Excluding the UK, IORPs with more than 100 members account for two percent of the IORPs (see figure 9). IORPs with 15 members or more but less than 100 represent three percent of the IORPs reported while the majority of the reported IORPs are IORPs with less than 15 members.



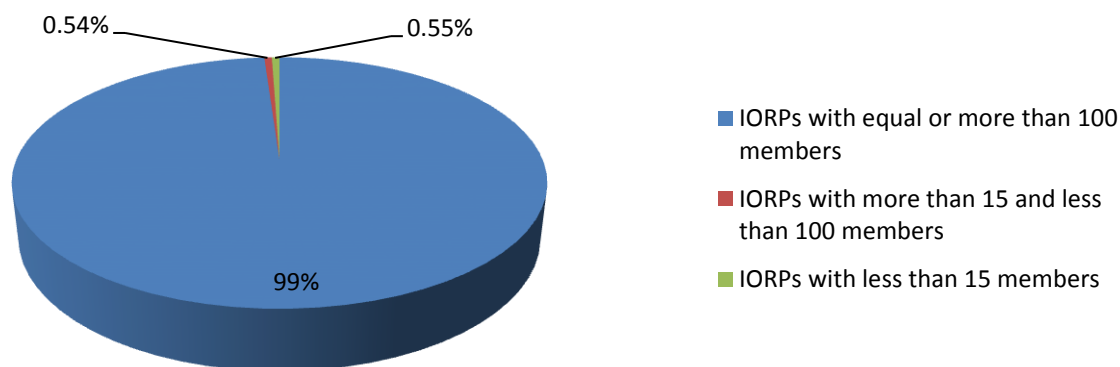
On the other hand, IORPs with more than 100 members manage more than 99 percent of the reported assets (see figure 10). These results are, however, not representative for the EEA as the UK (totalling 50 percent of the reported assets) does not collect scheme data in this format. This is currently not necessary for the carrying out of its supervisory functions.

For the countries reported here, only 113,996 members are affiliated to IORPs with more than 15 and less than 100 members. IORPs with less than 15 members account for 136,443 members in total. The remaining 34,030,455 members of the reported IORPs are affiliated to IORPs with 100 or more members.

With the caveat that EIOPA has not received complete datasets in this area, the provided evidence suggests that most reported IORPs have less than 15 members but most members in total numbers are part of reported IORPs with more than 100 members.

³⁷ The UK was not able to provide a split by members as it uses a different classification. For Ireland, the split by members includes active and closed (frozen) schemes. For Cyprus, all active IORPs operating DC schemes were included (number of IORPs and approximate assets were provided with a reference date 31.12.13). For the Netherlands, not all amounts are provided because pension funds in liquidation and fully re-insured pension funds do not have to provide the more detailed data that is collected to report on the market differences. Assets figures do cover almost 98% of the total Dutch IORP market. For Luxembourg (CSSF) no asset figures were reported. No split could be provided by Italy in terms of IORPs with less than 15 members and IORPs with 15 or more members but less than 100 members. All IORPs have been included in the set of IORPs with 15 or more members.

Figure 10: Asset values split by number of members



2.5.2. Split by technical provisions³⁸

The differences in the European IORP landscape can also be presented based on a split by technical provisions³⁹. EIOPA asked to provide information on the amount of IORPs, their assets and the respective number of members split by technical provisions. Based on the results, EIOPA grouped the technical provisions in four different groups to get insights in a range of different sizes of IORPs:

- IORPs with less than 25 million euros of technical provisions
- IORPs with more than 25 million euros but less than 100 million euros of technical provisions
- IORPs with more than 100 million euros but less than 1 billion euros of technical provisions
- IORPs with more than 1 billion euros of technical provisions

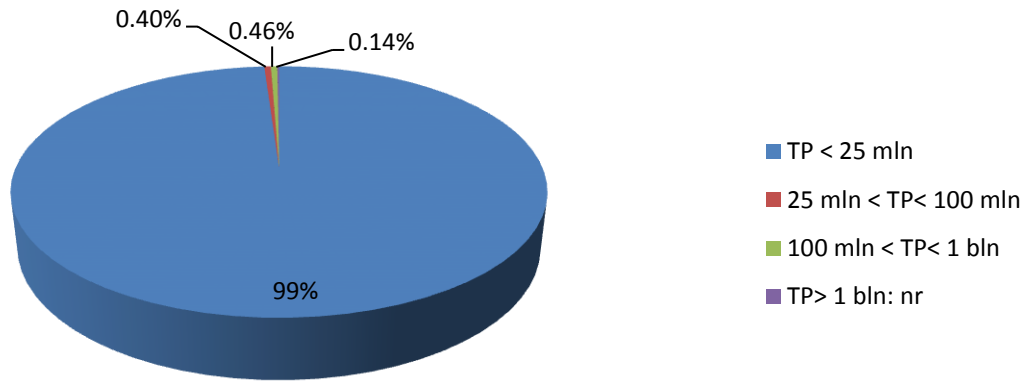
For those countries that provided input assets values only represent 44 percent of the total IORP assets. Therefore, the results and graphs below are not representative of the entire EEA. Again, it should be taken into account that the calculation of technical provisions is not the same across countries but rather based on national rules.

Figure 11 shows that - for those countries that provided input - nearly all IORPs have less than 25 million euros of technical provisions. This should be read in the context of the very high number of extremely small Irish IORPs.

³⁸ No information was provided by Cyprus, Italy, Latvia, Luxembourg (CSSF), Slovakia, Sweden and the UK. For the Netherlands, not all amounts are provided because pension funds in liquidation and fully re-insured pension funds do not have to provide the more detailed data that is used to collect the market differences figures. Assets figures do cover almost 98% of the total Dutch IORP market. For Ireland, the amounts provided relate to both active and closed (frozen) schemes.

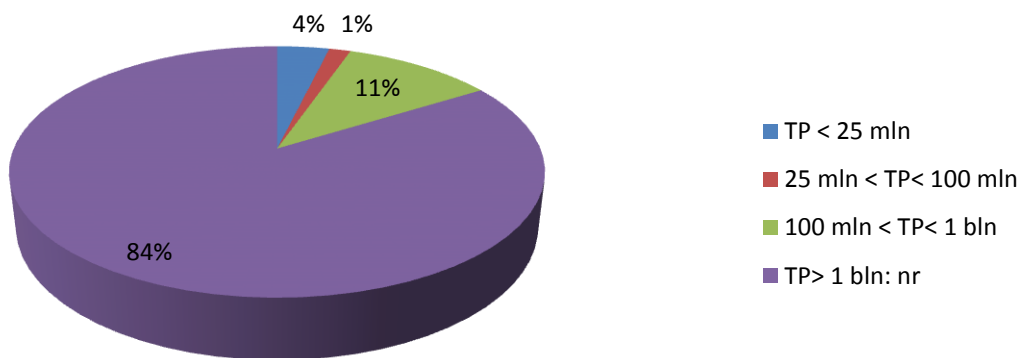
³⁹ DC schemes do not have technical provisions. For these the asset value has been taken as technical provisions.

Figure 11: Nr. of IORPs split by technical provisions (TP)



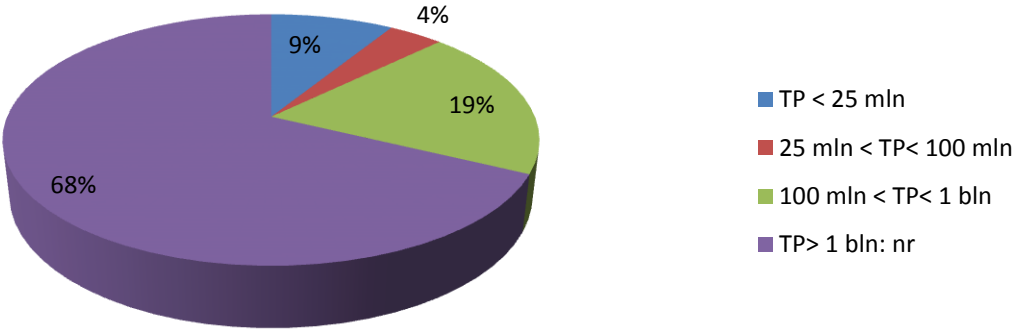
Looking at the value of assets shown in figure 12, the picture is very different. The largest IORPs manage 84 percent of the total asset values in countries that participated in this exercise. Solely four percent of the assets are managed by IORPs with technical provisions of less than 25 million euro.

Figure 12: Asset values split by technical provisions (TP)



Considering the number of members - in the countries that provided input to this question - one notes that 68 percent of the members participate in IORPs with more than 1 billion euros in technical provisions. Together, these IORPs hold 84 percent of the reported assets. On the other hand, nine percent are members of IORPs with less than 25 million euros in technical provisions that together manage four percent of the reported assets. While this could give food for thought, it should be taken into account that not all countries have participated to this study and the information does not cover all IORPs in every country.

Figure 13: Members split by technical provisions (TP)



3. Zooming in on cross-border

Cross-border changes only relate to changes between 1 June 2015 and 31 December 2015.

3.1. Overview of the cross-border IORPs that have finalised the notification procedure

3.1.1. General overview

Table J presents the number of authorised cross-border IORPs that finalised the notification procedure and the number of authorised cross-border IORPs that are active, i.e. hold assets and liabilities relating to their cross-border activity as at 31 December 2015.

As at 31 December 2015, there are 90 IORPs that finalised the notification procedure for operating cross-border. Out of these 90 IORPs, 79 are actively operating on a cross-border basis.

Table J: Authorised IORPs that (actively) operate cross-border as at 31 December 2015

Countries	Authorised cross-border IORPs that finalised the notification procedure to operate cross border	Active cross-border IORPs
AT	2	1
BE	14	13
DE	4	4
IE	35	28
LI	4	4
LU(CAA)	1	1
LU(CSSF)	2	2
MT	1	1
NO	1	0
UK	26	26
Total	90	79

A list of reported active cross-border IORPs is presented in annex 3 at the end of the report.

Similar to last year's report, the number of active cross-border IORPs is lower than the number of IORPs that completed the notification procedure to operate cross-border. One of the reasons is that it may take some time, even after the notification procedure is finalised, before the cross-border activity can actually start.

Compared to last year's report, there is an increase by two authorised cross-border IORPs that finalised the notification procedure. This is the net result of three new IORPs that finalised the notification procedure (one from Belgium and two from the UK) and two cross-border IORPs that have been withdrawn⁴⁰.

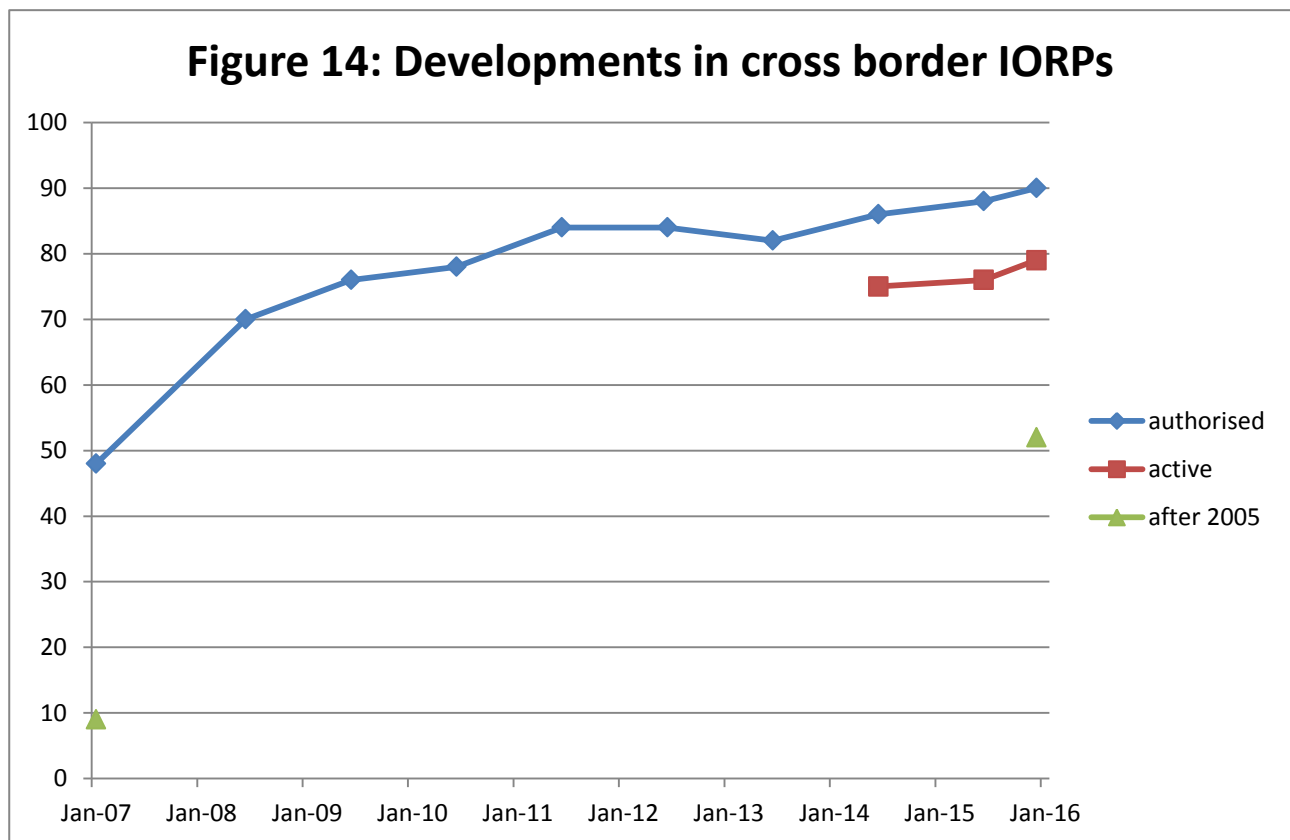
⁴⁰ In addition, one IORP from the UK has been added, while its notification and activities have started before June 2015.

The number of active cross-border IORPs has increased by one Belgian and two UK cross-border IORPs compared to June 2015⁴¹.

3.1.2. Cross-border trends

The IORP Directive became applicable in 2005. EIOPA (and previously CEIOPS) started to collect annual information on the amount of cross-border IORPs as of 2007. The 2008 market development report showed immediately a big growth in the number of authorised cross-border IORPs. However, following this sharp increase, the amount of authorised cross-border IORPs that finalised the notification procedure has only showed a slow growth over the following eight years (see figure 15).

In EIOPA's first market development report⁴², only nine out of the 48 cross-border IORPs were set-up after the IORP Directive was implemented. Looking at this year's results, only two out of 54⁴³ active non-UK cross-border IORPs existed before the IORP Directive was implemented.



To gain further insight in the drivers of, and obstacles to, cross-border provision, EIOPA has organised a roundtable with market participants on 15 June 2016. A brief summary of the discussions can be found in annex 1.

⁴¹ Two Irish IORPs has been added, while their notification and activities have started before June 2015. At the same time, two non-active British schemes were withdrawn. These two UK schemes were reported as active schemes in last year's report.

⁴² <https://eiopa.europa.eu/CEIOPS-Archive/Documents/Reports/CEIOPS-OP-03-07Reportonmarketdevelopment.pdf>

⁴³ The UK did not provide the amount of active cross-border IORPs that were set-up after the implementation of the IORP Directive.

3.1.3. Cross-border art. 17(1) and multi-employer IORPs⁴⁴

Only Liechtenstein has reported art. 17(1) cross-border IORPs (see table K). All its cross-border IORPs are subject to art. 17(1) of the IORP Directive. All of them are authorised to provide services to multiple unrelated sponsoring undertakings. Likewise, all Austrian cross-border IORPs are open to multiple unrelated sponsors while Belgium has two multi-employer cross-border IORPs. So far, no cross-border activities have been started by art. 4 ring-fenced funds.

Table K: Art. 17(1) and multi-employer cross-border schemes as at 31 December 2015

Countries	Active art. 17(1) cross-border IORPs	Active multi-employer cross-border IORPs
AT	0	1
BE	0	2
LI	4	4
Total	4	7

3.2. Developments in cross-border activity

3.2.1. New cross-border IORPs and withdrawals

Table L shows that during the period between 1 June 2015 and 31 December 2015, three IORPs finalised the notification procedure to operate cross-border.

Table L: New cross-border IORPs authorised to operate cross-border that finalised the notification period between 1 June 2015 and 31 December 2015.

Home state	Host state	Nr. of new authorised cross-border IORPs
Belgium	The Netherlands	1
United Kingdom	Ireland	2
Total		3

All of the IORPs authorised to operate cross-border and finalised the notification period have commenced the actual cross-border operations before 31 December 2015.

3.2.2. Growth of existing cross-border IORPs

Growth of cross-border IORPs should not only be measured by assessing the establishment of new cross-border IORPs. Growth should also be assessed by looking at already existing cross-border IORPs expanding their business to new host countries or attracting new sponsoring undertakings.

Table M shows that during the period between 1 June and December 2015, the active Austrian cross-border IORP has expanded its business to the Netherlands.

⁴⁴ No data was available from Germany, Ireland, Luxemburg (CSSF) or the UK.

Table M: New host states for existing cross-border IORPs between 1 June 2015 and 31 December 2015

Home	Host	Nr. of new host countries for existing cross border schemes ⁴⁵
Austria	The Netherlands	1
Total		1

Table N indicates that one Irish cross-border IORP attracted a new sponsor setting up a new scheme with the UK.

Table N: New schemes or sponsoring undertakings for existing cross-border IORPs between 1 June 2015 and 31 December 2015

Home	Host	Nr. of new schemes or sponsoring undertakings for existing XB schemes ⁴⁶
Ireland	United Kingdom	1
Total		1

3.3. Number of sponsors, members and beneficiaries of cross-border IORPs

There are at least⁴⁷ 1,448 sponsoring undertakings of active cross-border IORPs in the EEA (see table O). This is an increase by 1,139 sponsoring undertakings compared to the number of sponsoring undertakings presented in the 2015 market development report. This difference can be explained by the fact that Liechtenstein reported on the number of cross-border IORPs last year and not on the number of sponsoring undertakings. Excluding Liechtenstein from these numbers, the amount of cross-border undertakings increased by five⁴⁸ additional sponsoring undertakings. At national level, the biggest increase can be noted in Belgium where cross-border IORPs attracted 23 new sponsoring undertakings. Ireland and Luxembourg cross-border IORPs attracted two new sponsoring undertakings. With the exception of one Irish cross-border IORP, the increase is related to increases in sponsoring undertakings with solely domestic occupational pension activities.

⁴⁵ Luxembourg (CSSF) did not provide input to new host states for existing cross-border IORPs.

⁴⁶ Germany, Liechtenstein, Luxembourg (CAA and CSSF) did not provide input to the growth of existing cross-border IORPs.

⁴⁷ This information is not collected in Austria, Germany and Luxembourg (CAA).

⁴⁸ The 22 sponsoring undertakings reported by Luxemburg (CAA) last year are no longer included in this year's report.

Table O: Figures from IORPs that also operate cross-border as at 31 December 2015

Countries	Nr. of sponsoring undertakings (domestic and cross-border)	Nr. of members (domestic and cross-border)	Nr. of beneficiaries (domestic and cross-border)
AT	N/A	N/A	N/A
BE	102	30,975	3,934
DE	N/A	446,385	132,743
IE	32	56,360	14,848
LI	1,138	2,524	1,297
LU(CAA)	N/A	N/A	N/A
LU(CSSF)	5	670	918
MT	1	88	88
UK	170	148,246	Together with Nr. of members
Total	1,448	685,248	153,828

Additionally, the table indicates that there are at least⁴⁹ 839,076 members and beneficiaries of IORPs that operate domestically and cross-border. It should be noted that the vast majority of members are related to domestic activities.

This is a one percent increase in number of members compared with last year. The biggest differences can be found in Belgium (+7%⁵⁰) and Liechtenstein (+13%) whereas the number of members and beneficiaries of Irish cross-border IORPs have decreased by 15 percent due to members leaving the closed DB schemes. In the UK, members and beneficiaries of cross-border IORPs have grown by 8 percent. German cross-border IORPs kept a relatively stable number of members and beneficiaries with a one percent increase.

3.4. Assets and funding position of cross-border IORPs

Active cross-border IORPs have assets under management of at least⁵¹ 63,314 million euros in total (see table P). This translates into an 18 percent increase of cross-border IORPs' assets compared to the figures reported last year. The biggest increases can be found in Belgium (+11%⁵²) and Liechtenstein (+18%). Ireland reported an increase in assets of 22 percent as a result of strong market performance while assets reported by the UK increased by 10 percent and in Germany by 0.3 percent⁵³. Only in Luxembourg, there was a small decrease in assets (-2%).

⁴⁹ This information was not provided by Austria and Luxembourg (CAA).

⁵⁰ Comparing the results with last year's report would result to an 60% increase. However, number of members and beneficiaries included in last year's report has been adjusted to 32,715.

⁵¹ This information was not provided by Austria.

⁵² Comparing the results with last year's report would result to an 83% increase. However, assets included in last year's report have been adjusted to 2,325 billion.

⁵³ Comparing the results with last year's report would result to a 22% increase. However, asset included in last year's report have been adjusted to 33,225 billion.

Despite the increase in assets, cross-border IORPs represent only 1.65 percent of IORPs' and Art. 4 ring fenced funds' total assets under management. Furthermore, this number covers both the domestic and the cross-border activities of the IORPs. As a result, the assets of cross-border activities are even lower.

Table P: Assets from cross-border IORPs (covers both their domestic and cross-border activities) as at 31 December 2015

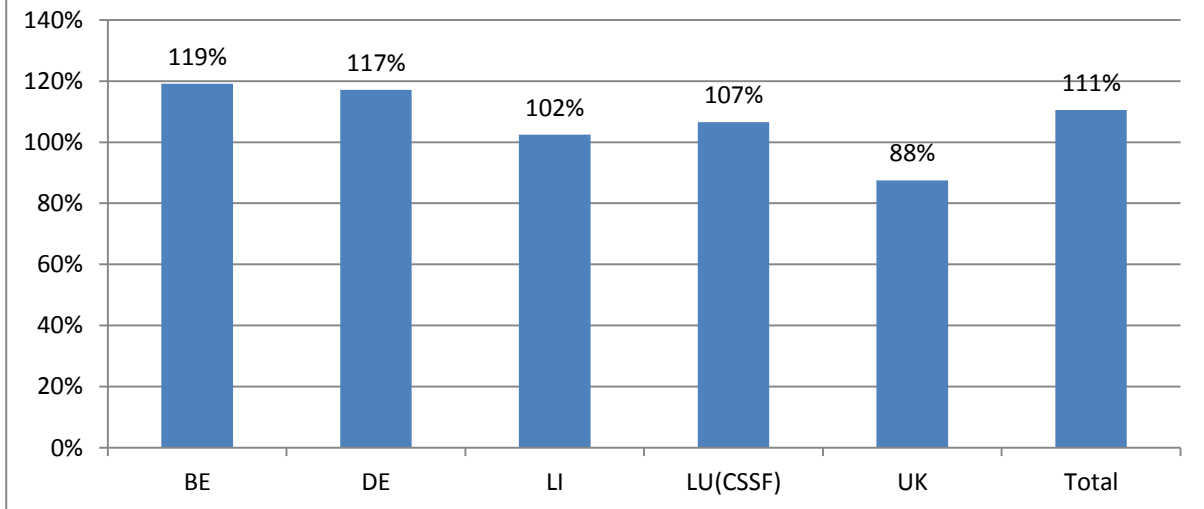
Country	Assets of cross-border IORPs (domestic and cross-border) in million €
AT	N/A
BE	2,577
DE	33,309
IE	13,969
LI	541
LU(CAA) ⁵⁴	325
LU(CSSF)	434
MT	1
UK	12,158
Total	63,314

Belgium, Germany, Liechtenstein, Luxembourg (CSSF) and the UK provided data on both assets and liabilities, under national valuation rules, of DB IORPs⁵⁵ that operate both domestic and cross-border activities. Belgium, Germany, Liechtenstein and Luxembourg (CSSF) reported a surplus of assets over liabilities (see figure 15). Only the UK reported a deficit of assets over liabilities.

⁵⁴ For Luxembourg (CAA) there are 303 million euro liabilities covered by reinsurance recoverable directly relating to the cross-border activity.

⁵⁵ Under the revised definitions, there were no cross-border hybrids identified.

Figure 15: Aggregate cross-border assets over total liabilities , in %



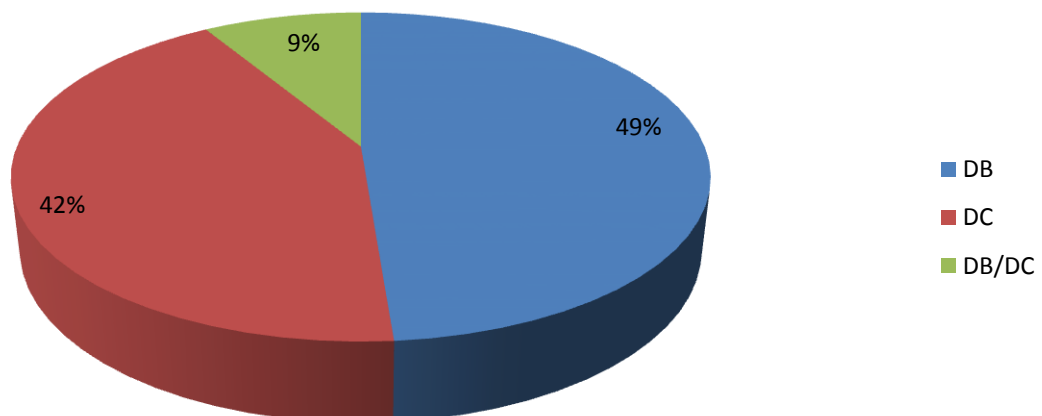
3.5. Scheme types of cross-border IORPs

3.5.1. In number of schemes

Almost half of the cross-border IORPs provide DB schemes with over 40 percent of the cross-border IORPs providing DC schemes. There are only a few schemes for which it is difficult to determine whether the IORP provides hybrids, or DB or DC schemes (see figure 16).

A list of scheme types per cross-border IORP is presented in annex 3 at the end of the report.

Figure 16: Scheme type - absolute numbers



Compared to the 2015 market development report, there was little change in the distribution by scheme type. Cross-border IORPs providing mainly DC schemes have

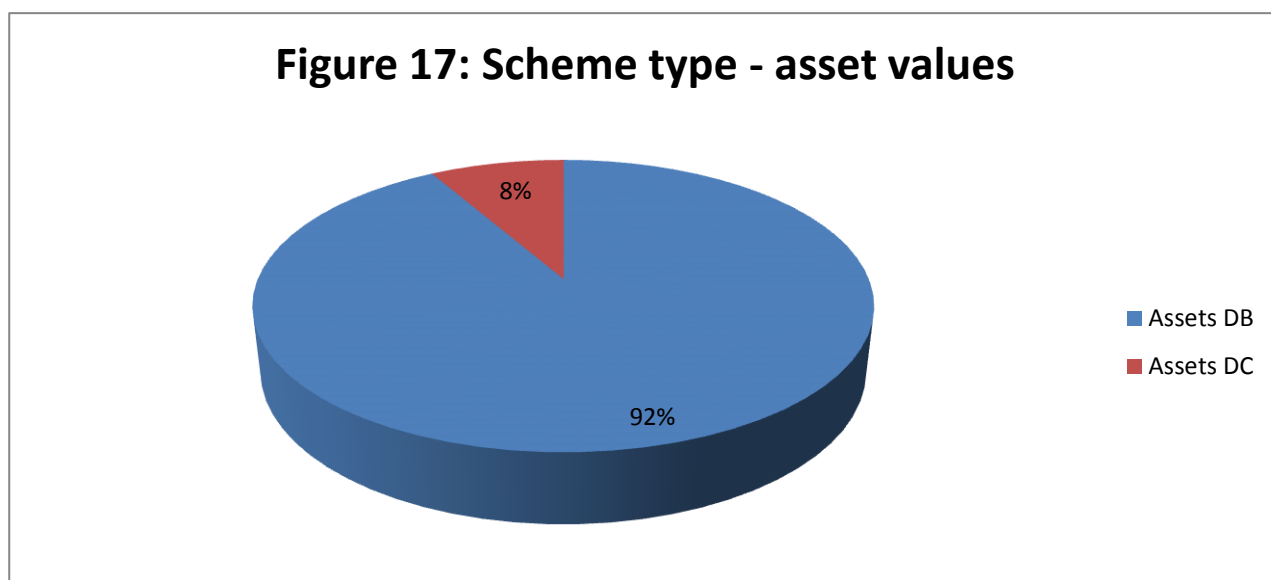
slightly increased (+3 schemes). Cross-border IORPs providing mainly DB schemes increased by one DB scheme while DB/DC⁵⁶ IORPs remained stable.

3.5.2. In amount of assets

Figure 17, showing the scheme types split by total assets values, confirms that also for cross-border IORPs, DB schemes are by far the predominant type in terms of asset values. Almost 92 percent of the assets are under the management of DB schemes.

Compared to last year's report, DB schemes increased by two percent while DC schemes remain constant. This change has occurred as a result of a change in definitions which transformed the DB/DC schemes defined for last year's report into DB schemes in this year's report. No hybrid cross-border schemes were reported.

While most of the cross-border schemes have been set-up after the introduction of the IORP Directive - and as such there was already an ongoing trend expected from DB to DC - the vast majority of assets are related to DB schemes. This could be explained by the fact that many Member States were not able to split assets related to cross-border activities from the assets that relate to domestic activities. As such old domestic schemes cannot be separated from the newer cross-border schemes⁵⁷.



3.6. Home activity in Member States⁵⁸

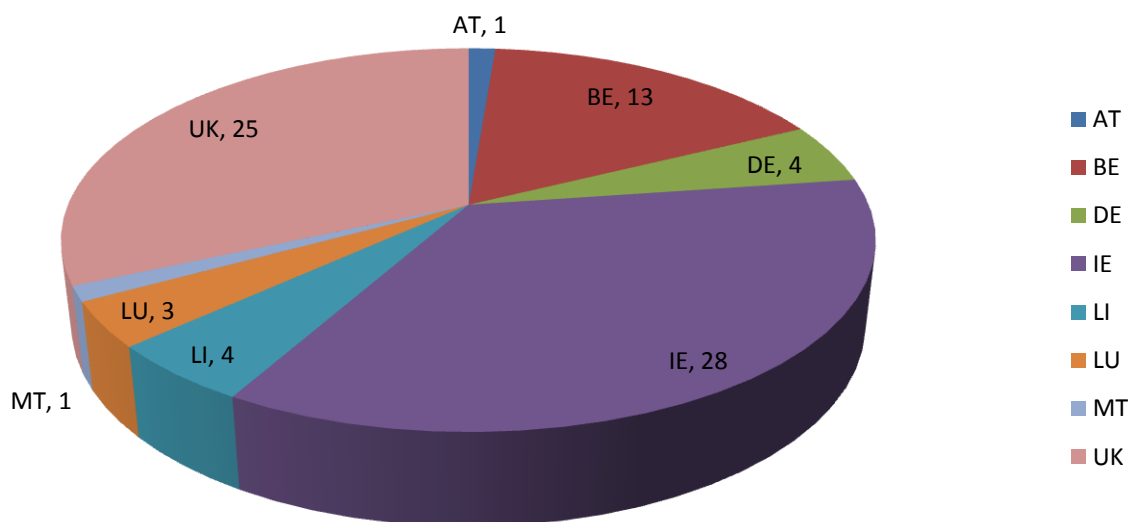
Since the publication of last year's market development report, the number of home Member States with active cross-border IORPs did not change and remains at eight as at December 2015 (see figure 18). It should be noted that the authorised cross-border IORP in Norway is not yet active.

⁵⁶ DB/DC schemes include hybrid schemes and those schemes where the home Member State could not determine if the underlying scheme was DB or DC or a combination thereof.

⁵⁷ The IORP Directive does not require ring-fencing from cross-border assets and liabilities.

⁵⁸ LU reflects both LU(CAA) and LU(CSSF).

Figure 18: Home States, number of active cross-border IORPs



3.7. Host activity of Member States⁵⁹

There are substantially more host Member States for cross-border IORPs than there are home Member States. The majority of EEA countries host one or more cross-border IORPs.

The total number of host countries for cross-border IORPs remains at 17 as at December 2015. Norway has been added to the list of host countries of IORPs with home country UK⁶⁰.

The Netherlands were added as host country of an Austrian cross-border IORP and is host country of a newly established Belgian cross-border IORP. Ireland became host country of two cross-border schemes with home country being the UK. Both the UK (+2) and Luxembourg (+1) have been added as host countries to Irish cross-border IORPs⁶¹.

Figure 19 below should be read as follows: the total number of active cross-border IORPs is 79. Some of these IORPs are active in more than one host country (see annex 3). For example, the UK acts as host country for 28 active cross-border IORPs, Austria for two active cross-border IORPs.

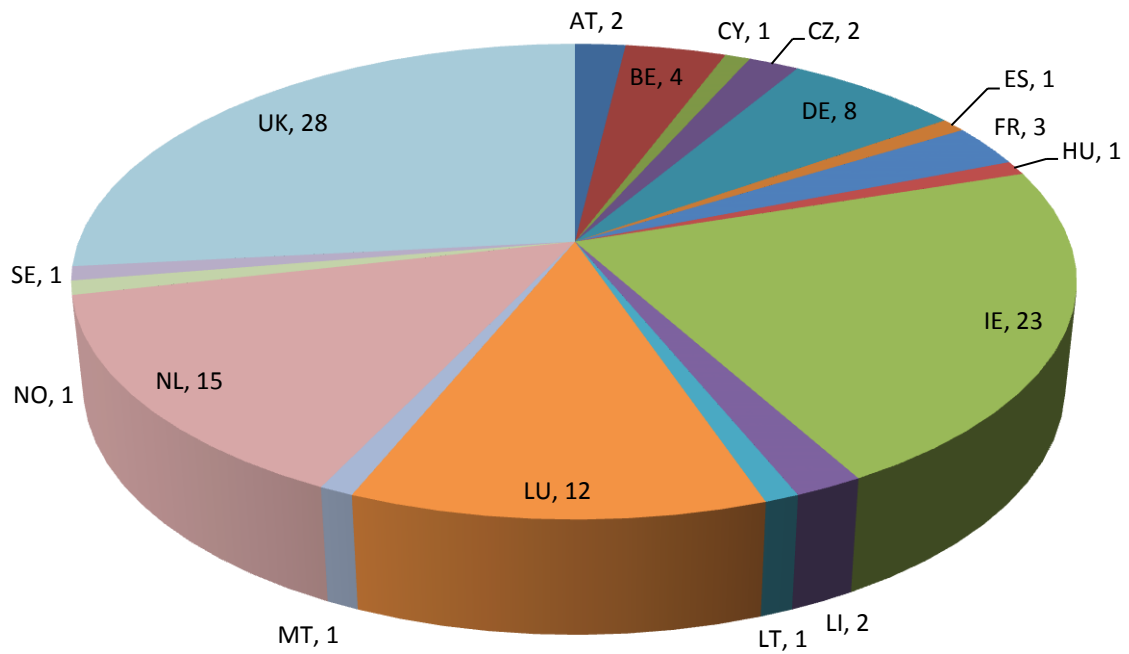
⁵⁹ LU reflects both LU(CAA) and LU(CSSF)

⁶⁰ As a result of activity originated before 1 June 2015.

⁶¹ As a result of activity originated before 1 June 2015.

Figure 19: Host states for the 79 active cross-border IORPs

■ AT ■ BE ■ CY ■ CZ ■ DE ■ ES ■ FR ■ HU ■ IE ■ LI ■ LT ■ LU ■ MT ■ NL ■ NO ■ SE ■ UK



Annex 1: Round-table on pan-European pensions

On 15 June 2016, EIOPA organised a roundtable meeting in Frankfurt with cross-border stakeholders to gain further insight in the obstacles to cross-border pension provision. Participants of the meeting were representatives of occupational pension sponsors, providers of pension services (e.g. consultancy, asset management), pension associations and academics.

Participants of the meeting agreed that the low number of cross-border IORPs did not come as a surprise. They highlighted that sponsoring undertakings were more concerned in cost savings over the past years. Therefore only a few new cross-border IORPs were set up. Local IORPs were often considered to be a cheaper solution compared to the perceived complexity of setting-up cross-border arrangements, requiring considerable amounts of time and efforts from management and consultants, which could make cross-border provision unattractive from a cost perspective, in particular during the start-up phase.

Additionally, participants stressed that regulatory changes might also deter employers from moving into cross-border schemes. Sponsoring undertakings prefer stability and a fixed framework, which indicates that they preferred to wait for the outcome of IORP II before deciding on setting-up cross-border schemes. Also the fully-funded requirement was brought up as an obstacle to facilitate cross-border arrangements.

With regards to IORP II, participants indicated its new provisions on cross-border would help to solve problems of notifications but will not provide solutions to other obstacles, such as for example the fully funded requirement. However, it was emphasised that facilitating cross-border IORPs is not only a matter of solving legal obstacles but that finding solutions for operational obstacles is equally challenging. The low number of cross-border IORPs in itself is also a barrier for other undertakings that intend to set-up a cross-border scheme or IORP. First mover costs could outweigh the benefits.

On the other hand, participants stated that there is demand to set-up cross-border IORPs. In this regards, the following arguments were raised:

- During the financial crisis, sponsoring undertakings prefer to focus on their core business and to outsource their pension promises;
- Improved efficiencies in governance, reporting and investments should result in a better use of limited internal resources;
- Improved outcomes for employees taking account of the lower expenses due to lower cost structure and economies of scale for investment management charges;
- It allows entities in smaller countries with a developing pensions market to have access to bigger economies.

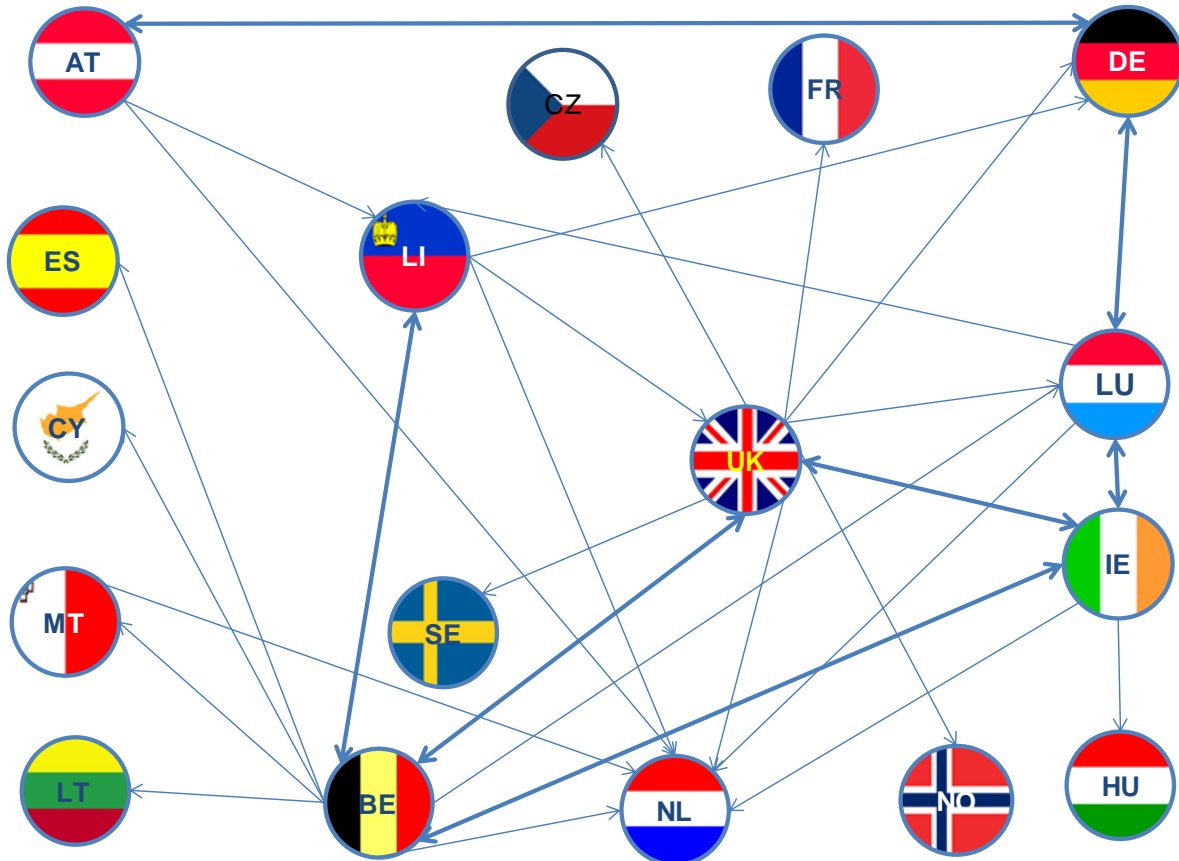
Active cross-border IORPs have proven to overcome various obstacles which could provide valuable insights for sponsoring undertakings intending to set-up a cross-border scheme. Also more and more providers of pension services have developed operational solutions (including for DC) to set-up cross-border schemes or IORPs. Together with the revision of the IORP Directive now being finalised, more providers having an interest in cross-border solutions and sponsoring undertakings realising the benefits of cross-border IORPs, participants at the roundtable expected a positive evolution of the cross-border market.

However, in order to facilitate the set-up of cross-border business, participants emphasised the importance to keep communicating about the possibilities and benefits brought by cross-border IORPs to both the employees and employers and to further promote the operational tools available to set-up cross-border schemes.

Annex 2: overview of home-host relationships

The picture below provides an overview of the 'home-host relationships' with regards to the 79 'active' IORPs.

Arrows indicate the home and host countries (from home → to host).



Annex 3: Cross-border activity as at 31 December 2015

Home country	Nr. of active cross-border IORPs	Host countries in which IORPs are active	DB, DC or DB/DC
AT	1	DE, LI, NL	DC ⁶²
BE	4	LU	DB, 3 DB/DC
BE	1	LU, IE	DB
BE	5	NL	4 DB, 1 DB/DC
BE	1	IE	DB
BE	1	IE, ES	DB/DC
BE	1	CY, LT, LU, MT, IE, UK	DB/DC
DE	2	LU	DB
DE	2	AT	DB
IE	23	UK	14 DB, 9 DC
IE	1	NL, UK	DC
IE	1	UK, LU	DC
IE	1	HU, UK	DC
IE	1	LU	DC
IE	1	BE	DB
LI	2	DE	DB
LI	1	UK, NL ⁶³	DC
LI	1	BE, DE, NL ⁶⁴ , SE	DC ⁶²
LU(CAA)	1	DE, NL, LI	DC ⁶²
LU(CSSF)	1	NL, IE	DB, DC
LU(CSSF)	1	NL	DC
MT	1	NL	DC
UK	2	DE	1 DB, 1 DC ⁶²
UK	16	IE	8 DB, 7 DC, 1 DB/DC
UK	1	NL	DC
UK	1	FR, LU	DC
UK	1	BE, CZ, IE	DB
UK	1	CZ, FR, LU, NL	DC
UK	1	FR, NO, SE	DC
UK	1	BE	DC
UK	1	IE, NL, DE	DB
Total	79		

⁶² The definition of what constitutes a DB or DC scheme may differ from Member State to Member State. The Austrian, Liechtenstein, Luxembourg and UK national supervisory authority reports these pension scheme to be a DC scheme, whereas it is regarded a DB scheme by the German national supervisory authority.

⁶³ This scheme does not have a sponsoring undertaking (from the Netherlands) anymore that pays contributions into the scheme.

⁶⁴ Due to the specificities of the contract, Dutch Social and Labour Law is not applicable to this scheme.

Annex 4: Home and host States to active IORPs as at 31 December 2015

Country	Home State	Host State
AT	Yes	Yes
BE	Yes	Yes
BG	-	-
CY	-	Yes
CZ	-	Yes
DE	Yes	Yes
DK	-	-
EE	-	-
EL	-	-
ES	-	Yes
FR	-	Yes
FI	-	-
HR	-	-
HU	-	Yes
IE	Yes	Yes
IS	-	-
IT	-	-
LI	Yes	Yes
LT	-	Yes
LU	Yes	Yes
LV	-	-
MT	Yes	Yes
NL	-	Yes
NO	-	Yes
PL	-	-
PT	-	-
RO	-	-
SE	-	Yes
SI	-	-
SK	-	-
UK	Yes	Yes

Annex 5: List of active cross-border IORPs

Presented below is a list of active cross-border IORPs as at 31 December 2015.

Home country	Host countries	Name IORP
AT	DE, LI, NL	APK PENSIONSKASSE AG
BE	NL	PENSION & CO IBP, OFP
BE	IE, ES	BP PENSIOENFONDS, OFP
BE	NL	UNITED PENSIONS, OFP
BE	CY, IE, LT, LU, MT, UK	CITCO IBP, INSTELLING VOOR BEDRIJFSPENSIOENVOORZIENING, OFP
BE	NL	ALCON PENSIOENFONDS, OFP
BE	IE	CHEVRON ORGANISME VOOR DE FINANCIERING VAN PENSIOENEN, OFP
BE	IE, LU	NESTLE PENSIOENFONDS (NPF), OFP, FONDS DE PENSIONS NESTLE (FPN), OFP
BE	LU	PENSIOENFONDS RICOH, OFP, FONDS DE PENSION RICOH, OFP
BE	NL	J & J PENSION FUND, OFP
BE	LU	PENSIOENFONDS GROEP-STAAAL, OFP, FONDS DE PENSION GROUPACIER, OFP
BE	LU	PFIZER PENSIOENFONDS, OFP, FONDS DE PENSION PFIZER, OFP
BE	NL	EUROCLEAR PENSION FUND, OFP
BE	LU	PENSIOENFONDS VAN GROEP BRUSSEL LAMBERT, OFP, FONDS DE PENSION DU GROUPE BRUXELLES LAMBERT, OFP
DE	LU	R+V PENSIONSVERSICHERUNG A.G.
DE	LU	BVV VERSICHERUNGSVEREIN DES BANKGEWERBES A.G.
DE	AT	NÜRNBERGER PENSIONSKASSE AKTIENGESELLSCHAFT
DE	AT	NESTLÉ PENSIONSFONDS AG
IE	UK	2004 SICON LTD GROUP DEFINED CONTRIBUTION PENSION AND DEATH BENEFITS SCHEME
IE	UK	ACTAVO GROUP LIMITED
IE	UK	AERCAP IRELAND LTD EMPLOYEE BENEFIT PLAN
IE	UK	AIB GROUP IRISH PENSION SCHEME
IE	UK	BANK OF IRELAND AFFILIATED PENSION FUND
IE	UK	COMMERZBANK IRISK PENSION SCHEME

Home country	Host countries	Name IORP
IE	UK	GAELECTRIC HOLDINGS PLC PENSION SCHEME
IE	UK	IRISH AIRLINES (GENERAL EMPLOYEES) SUPPERANNUATION SCHEME
IE	UK	IRISH CONTINENTAL GROUP DEFINED CONTRIBUTION PENSION SCHEME
IE	UK	IRISH NATIONAL TEACHERS' ORGANISATION PENSION SCHEME
IE	UK	IRISH TIMES LIMITED PENSION AND LIFE ASSURANCE PLANS
IE	UK	SIPTU PENSION AND LIFE ASSURANCE PLAN
IE	UK	SISK HEALTCARE EUROPEAN PENSION SCHEME
IE	UK	SIX NATIONS RUGBY LIMITED RETIREMENT BENEFITS SCHEME
IE	UK	THE 1991 CONCERNS RETIREMENT BENEFITS SCHEME
IE	UK	THE AECOM IRELAND DC PENSION SCHEME
IE	UK	THE ALLIANZ GROUP PENSION SCHEME
IE	UK	THE BANK OF IRELAND STAFF PENSIONS FUND
IE	UK	THE CHURCH OF IRELAND CLERGY PENSIONS FUND
IE	UK	THE GREENCORE GROUP PENSION SCHEME
IE	UK	THE KPMG STAFF PENSION SCHEME
IE	UK	THE MERCER DC MASTER TRUST
IE	UK	THE SECOND AER LINGUS SUPPLEMENTATARY SCHEME
IE	NL, UK	XTRATHERM LIMITED PENSION PLAN
IE	LU, UK	THE KENNEDY WILSON EUROPE LTD PENSION SCHEME
IE	HU, UK	INTEL PAN-EUROPEAN PENSION PLAN
IE	LU	PNC GLOBAL INVESTMENT SERVICING (EUROPE) LIMITED PENSION SCHEME
IE	BE	IRISH BUSINESS AND EMPLOYERS CONFEDERATION PENSION PLAN
LI	DE	AAK ALLGEMEINE AUSGLEICHKASSE AG
LI	DE	LV1871 PENSIONS FONDS AG
LI	NL, UK	"ROFENBERG" STIFTUNG FUR PERSONALVORSORGE
LI	BE, DE, NL, SE	SWISS LIFE INTERNATIONAL EMPLOYEE BENEFITS PENSION FUND (COLLECTIVE FOUNDATION)
LU	DE, NL, LI	SWISS LIFE INTERNATIONAL PENSION FUND
LU	NL, IE	THE UNILEVER PENSION PLAN
LU	NL	AMUNDI PENSION FUND
MT	NL	PLEGT-VOS RETIREMENT SCHEME

Home country	Host countries	Name IORP
UK	DE	E.ON (CROSS-BORDER) PENSION SCHEME
UK	DE	THE SCISYS PLC SECTION 615 PENSION PLAN FOR OVERSEAS EMPLOYEES
UK	IE	POOLE LIGHTING RETIREMENT AND DEATH BENEFIT PLAN
UK	IE	TSSA STAFF PENSION SCHEME
UK	IE	EXXONMOBIL PENSION PLAN
UK	IE	THE CAPITA INTERNATIONAL RETIREMENT BENEFIT SCHEME
UK	IE	HELLA LIMITED RETIREMENT BENEFITS SCHEME
UK	IE	RNLI1983 CONTRIBUTORY PENSION SCHEME
UK	IE	ROBERT BOSCH LIMITED MONEY PURCHASE PLAN
UK	IE	SUNGARD RETIREMENT BENEFITS SCHEME - SUNGARD SECTION
UK	IE	THOMSON REUTERS UK RETIREMENT PLAN
UK	IE	TRINITY MIRROR PENSION PLAN
UK	IE	THE HACHETTE UK PENSION PLAN
UK	IE	MERCK INTERNATIONAL PENSION SCHEME
UK	IE	SEI MASTER TRUST
UK	IE	NUJ IRISH STAFF PENSION SCHEME
UK	IE	CONLON RETIREMENT BENEFIT SCHEME
UK	IE	SISK GROUP INTERNATIONAL PENSION SCHEME
UK	NL	TNT GROUP PENSION SCHEME
UK	FR, LU	J.P. MORGAN UK PENSION PLAN
UK	BE, CZ, IE	VF CORPORATION UK PENSION PLAN
UK	CZ, FR, LU, NL	VODAFONE UK DEFINED CONTRIBUTION PENSION PLAN
UK	FR, NO, SE	THE HSBC INTERNATIONAL MANAGERS DEFINED CONTRIBUTION RETIREMENT BENEFITS SCHEME
UK	BE	THE ASSOCIATED PRESS DEFINED CONTRIBUTION RETIREMENT PLAN
UK	IE, NL, DE	THE NALCO LIMITED OVERSEAS PENSION PLAN (2007)

Annex 6: Definitions used

General IORP information	
IORPs	Institutions for Occupational Retirement Provision
Art. 4 ring-fenced funds	Art. 4 ring-fenced funds refers to the occupational retirement provision business of insurance undertakings covered by Directive 2009/138/EC to which certain provisions of the IORP Directive are applied in accordance with article 4 of the IORP Directive 2003/41/EC. In that case, all assets and liabilities corresponding to the said business shall be ring-fenced, managed and organised separately from the other activities of the life insurance undertaking, without any possibility of transfer.
Art. 17(1) IORPs	Art. 17(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 art.17(1) of the IORP Directive 2003/41/EC.
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 information	
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 ⁶⁵	<p>DB schemes are defined as:</p> <ul style="list-style-type: none"> * Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service. * Schemes which operates like a DC scheme but which targets a specified level of benefits at retirement. * Schemes which operates like a DC scheme but which guarantees a minimum rate of investment return on contributions paid. A plan which operates like a DC scheme but which guarantees a certain annuity purchase price (annuity conversion factor). * Schemes which operate like a DC scheme but which guarantees that at least the sum of contributions paid is returned. * Schemes in which benefits are mostly determined by the contributions paid and the results of their investment, but that offers minimum guarantees and in the case of occupational pensions the employer has the final responsibility for the minimum guarantees.
DC schemes ⁶⁶	<p>DC schemes are defined as schemes where the only obligation of the plan sponsor is to pay a specified contribution (normally expressed as a percentage of the employee's salary) to the plan on the employee behalf. There are no further promises or 'guarantees' made by the sponsor.</p>
Hybrid schemes ⁶⁷	<p>Hybrid schemes are defined as schemes that have separate DB and DC components, but which are treated as part of the same scheme.</p>

General cross-border information	
Authorised cross-border IORPs	IORPs which are authorised to operate cross-border, and have finalised the notification procedure.
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.

⁶⁵ source: https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/Pensions_Register/EIOPA-BoS-13-054_Database_of_pension_plans_and_products_in_EEA_Guide_for_compilation.pdf

⁶⁶ source: https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/Pensions_Register/EIOPA-BoS-13-054_Database_of_pension_plans_and_products_in_EEA_Guide_for_compilation.pdf

⁶⁷ source: https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/Pensions_Register/EIOPA-BoS-13-054_Database_of_pension_plans_and_products_in_EEA_Guide_for_compilation.pdf