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WORKING DOCUMENT

From:	Commission
To:	Working Party on Financial Services and Banking Union (IORP) Financial Services Attachés
Subject:	Working Party on Financial Services and Banking Union (IORP) - 30 January 2026 Commission presentation - IORP proposal

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IORP proposal

Working Party on Financial Services and Banking Union
30 January 2026

FISMA D4

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Key objectives and measures of the supplementary pensions package

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- **Ensure adequate retirement income** in a sustainable and inclusive manner:
  - Extending the **coverage of supplementary pensions** *via* auto-enrolment and greater awareness on individual and collective pension gaps
  - **Improving returns** on occupational pensions by fostering scale and risk diversification
  - **Enriching the offer** and increasing the competitiveness of personal pensions
- **Mobilise private long-term savings** to help finance private investments in the EU real economy and EU strategic priorities (e.g. digital and green transitions):
  - (In addition to the above measures) Clarifying the Prudent Person Principle in managing pension funds investments, thereby fostering a better balance between risk-mitigation and return goals, in the best interest of members and beneficiaries

The pension package is **not intended to weaken or replace statutory pensions**, firmly under Member States' competence, nor to disrupt already well-functioning multi-pillar systems.

Elements of the pension package adopted on 20.11.2025

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- A **Recommendation to Member States**, fostering best practices for the implementation of:
  - Pension tracking systems
  - Pension dashboards
  - Auto-enrolment
- **An amending Directive** reviewing the existing EU frameworks for Institutions for Occupational Retirement Provision (**IORPs**)
- **An amending Regulation** reviewing the Pan-European Personal Pension Product (**PEPP**)
- **A chapeau Communication**, including a clarification on the **Prudent Person Principle** for pension funds

Review of the IORP II Directive

- To strengthen the capacity of occupational pension funds to **deliver adequate retirement income** and to **support long-term investment** in Europe's economy
- **Larger scale is a key enabler of these objectives. This is pursued through:**
  - **enhanced supervisory dialogue and powers** to address IORPs' underperformance (remedial plans, asset pooling or collective transfers);
  - **enhanced disclosure** of underperformance towards supervisors, members and beneficiaries;
  - **simplified cross-border transfers** of assets and liabilities.
- The review of the **prudent person principle** facilitates **more investments in the real economy via equity**:
  - better balance between return and risk mitigation objectives;
  - focus of risk management on portfolio diversification rather than on individual asset classes.
- More professionalisation *via* **reinforced governance requirements and internal controls**.

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Technical annex – Issues to be discussed on 30 January 2026

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Clarifications

- IORPs operated by authorised entities
- IORPs also operating social security schemes
- Optional application to other institutions
- Personal pension business by IORPs

Authorisation and operations

- Prudential assessment & business plan
- Multi-sponsor IORPs
- Sufficiency of financial resources

Streamlining of cross-border activities

- Optimisation of cross-border procedures and new simplified notifications

Article 2 – Background – Legal structures of pension funds

Institutional pension funds (not affected)

- An independent legal entity with legal personality
- On governing body

Contractual pension funds

- A segregated pool of assets without legal personality
- Operated and governed by a separate authorised entity, governed by EU or national law
- Governance fully exercised by the authorised entity or shared with an oversight committee

Hybrid structures

- Pension fund has legal personality
- But no internal governing body
- Governance and operational functions are exercised by an authorised entity acting on its behalf

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Article 2 – What is codified and clarified

- **Legal personality**
  - o Article 2(1) also covers IORPs with legal personality that are operated by authorised entities
- **Responsibility allocation**
  - o Directive shall apply to the IORP, the authorised entity, or both, in line with the allocation of responsibilities under national law
- **Separation of assets**
  - o The assets of the IORP must be legally separate from those of the authorised entity operating it and acting on its behalf
- **Cross-border operation of authorised entities – Non-discrimination provision**
  - o Where national law allows certain authorised entities to operate IORPs, and
  - o Where those entities are governed by EU law (e.g. insurance undertakings) (Article 2(2)(b)),
  - o Member States may not restrict such entities established in other Member State from also carrying out such activities

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Article 4 – Optional application

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Background

- In several Member States, employment-related retirement provision is carried out by funded institutions that:
  - Fall outside the scope of the Directive under Article 2(2), or
  - Are otherwise not covered by the Directive and not subject to any other EU prudential framework
- Many of these institutions:
  - Hold very substantial assets, and
  - Form an important part of the retirement provision landscape

Policy Aim

In light of the solid governance framework of the Directive:

→ Member States should have the option to apply the Directive to the abovementioned funded institutions, particularly where benefits depend on asset performance

Article 4 – Optional application

Proposed Amendments

- Discretion granted to Member States to apply all or some of the provisions of the Directive to
  - Funded institutions excluded under Article 2(2)(a) and (d)
  - Other funded institutions not covered by any EU prudential framework
- Can apply to institutions active in occuptional and personal retirement provision whether occupational or personal
- Passporting applies only where the Directive applies in full

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Article 6 and 7 – Personal pension provision by IORPs

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Background

- In some Member States, IORPs are authorised under national law to provide personal pension products, including the pan-European Personal Pension Product (PEPP)
- Article 6(1)(c) of the PEPP Regulation already recognises IORPs as potential PEPP providers where permitted under national law

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Clarifications

- An IORP may, where permitted under national law, also carry out personal retirement provision, in additional to occupational retirement provision (Articles 6(1) and 7)
- Explicitly reflects in the Directive to the ring-fencing requirement for personal pension provision already applicable to PEPPs provided by IORP under the PEPP Regulation (Article 7)

Risk-based proportionality requirements

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Proposed amendment

→ Size is removed as a proportionality criterion. However, scale is preserved

Policy objective

→ Clarify that size is not an appropriate criterion for IORPs because -

- Prudential and governance requirements should reflect an IORPs' risk profile, not the absoute size
- Regulations should be tailored to the specific nature, scale, and complexity of the IORP's risks
- Although small IORPs are more likely to have a low risk profile, this is not necessarily the case. The activities and products provided by small IORPs may also be complex and risky
- Revised wording aligns with Solvency II & the principle of risk-based supervision

Article 9 - Authorisation of IORPs

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Problems

→ Diverse Member State authorisation approaches, ranging from simple registration to full prudential assessment

→ Uneven level of protection for members and beneficiaries

Objectives

✓ Ensure a level-playing field across Member States

✓ Ensure that only financially sound and professionally managed IORPs can be authorised

Proposed amendment

IORPs must undergo an <u>authorisation procedure</u> by the competent authority, including a <u>prudential assessment</u> and submission of a <u>business plan</u>, in line with OECD Guidelines

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Article 9 - Authorisation of IORPs (2)

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Prudential assessment by the competent authority :

- Shall take into account the nature, scale, and complexity of the activities of the IORP

Business plan submitted by the IORP shall include at least:

- All planned activities, detailing financial resources to cover current and future operating costs
- Income and expenses projections for at least 3 years
- Breakdown of operational costs, including where relevant, distribution and acquisition costs and other elements

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Article 9a - Multi-sponsor IORPs – Codification of existing practices

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- Codifies existing practice and reflects existing provisions (e.g. Articles 19(1)(g) and 29)
- Facilitates economies of scale
- **It is up to the IORP** to decide if it wishes to -
  → Operate multiple schemes
  → Accept multiple sponsors (whether in the same scheme or not)
- Member States can require operation of such multi-sponsor IORPs under Solvency II

Member States ensure IORPs are **allowed** to...

Operate different pension schemes

(including those with different investment policies)

Accept multiple sponsors within the same pension scheme

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Article 10 - Operating requirements

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New proposed operating requirement

- Member States shall ensure that IORPs have sufficient financial resources to cover their current and future operating costs
  - Adequate means to cover such costs without relying on unsustainably high fees
- Viable and sustainable long-term business, in particular for multi-sponsor IORPs

Non-binding guidelines

- The European Court of Auditors Special Report (2025) recommended EIOPA to prioritise guidelines in its future work on IORPs
  - The proposal foresees guidelines on the prudential assessment for authorisation of IORPs, as well as other governance and operational rules
- Guidelines foster shared understanding and supervisory coherence

Article 11 – Facilitating cross-border activities

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- **Streamlining of cross border procedures**
  → Shortening of deadlines
  → Closer alignment with Solvency II
  → Single Contact Point in each Member State

- **Member States determine the authority responsible to monitor SLL compliance**

- **Supervisory powers more closely aligned with Solvency II**

Article 11a – Facilitating cross-border activities

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New Article 11a

IORP notifies home and host authorities of changes to the information previously notified under Article 11, at least one month before making the change

For IORPs where members and beneficiaries fully bear the investment risk, a simplified notification procedure shall apply with respect to:

- Additional sponsoring undertakings to a previously notified scheme
- Non-material amendments to the characteristics of that scheme

- Avoids repetition of procedures
- Less administrative burden, costs and delays
- Authorities remain appropriately informed