

Special report

## Developing supplementary pensions in the EU

EU action not effective in strengthening occupational pensions and establishing a pan-European personal pension product



EUROPEAN  
COURT  
OF AUDITORS

# Contents

	Paragraph
<b>Executive summary</b>	I-VIII
<b>Introduction</b>	01-24
<b>Pension systems in the EU member states</b>	01-09
Three pillars: state pensions, occupational pensions and other personal pensions	01-04
Pension schemes play an important role in social protection and strengthening the EU's capital markets	05-09
<b>The regulatory framework for occupational and pan-European personal pensions in the EU</b>	10-19
Occupational pensions	10-17
Pan-European personal pension product	18-19
<b>Roles and responsibilities in occupational and private pensions in the EU</b>	20-24
<b>Audit scope and approach</b>	25-30
<b>Observations</b>	31-108
<b>EU legislation did not lead to an increase in cross-border activity by IORPs or the creation of a portable pension market</b>	31-51
The IORP sector is concentrated in a few countries	32-33
Neither the IORP II Directive nor the PEPP Regulation yielded tangible results	34-37
EU regulatory action alone cannot create a level playing field for cross-border IORPs and PEPPs	38-44
The Commission did not sufficiently demonstrate that its legislative initiatives would have desired impact	45-51
<b>Supervision of IORPs and assessment of specific and systemic risks are partially effective</b>	52-87
Supervisory standards vary across the EU	53-68
Limited use of its tools and NCA-led decision-making restrict EIOPA's efforts to enhance supervisory convergence across the EU	69-78

EIOPA has improved its assessment of systemic risks for IORPs, but gaps remain	79-87
<b>The EU's actions to improve transparency in relation to pensions and promote sustainability had limited effect</b>	<b>88-108</b>
The pension benefit statement's potential to improve access to information has not been fully exploited	89-92
EIOPA's tools did not provide transparency in relation to costs and returns for IORP members and beneficiaries	93-96
The Commission's actions to provide an overview on pensions did not materialise	97-104
Further EU initiatives to promote the sustainability of pension systems and individual pension savings were modest in scope	105-108
<b>Conclusions and recommendations</b>	<b>109-119</b>

## **Annexes**

**Annex I – Overview of pillar I and II pensions in six sampled member states (2023)**

**Annex II – Rate of people at risk of poverty by age (2023)**

**Annex III – Overview of EIOPA's supervisory convergence instruments used for IORPs**

**Annex IV – Examples of comments by the member states on the challenges to EIOPA's supervisory convergence work**

**Annex V – EIOPA stress tests – scenarios and outcomes**

**Annex VI – Shortcomings in the regulation of the PBS and EIOPA's actions**

**Annex VII – Country-specific recommendations 2019-2024, and RRF measures related to pensions**

**Annex VIII – EU pensions-related actions on financial literacy and autoenrollment**

## **Abbreviations**

## **Glossary**

## **Replies of the Commission**

**Replies of the EIOPA**

**Timeline**

**Audit team**

## Executive summary

**I** Pension systems in the EU fall under the responsibility of member states. The EU only has a role to play on issues relating to cross-border mobility, consumer protection and the internal market. In this regard, the EU sets minimum requirements for the operation of institutions for occupational retirement provision (IORPs) and has created a dedicated legal framework for a pan-European personal pension product. The EU also takes action to enhance transparency on pension entitlements for citizens and on the impact of pension-related developments in public finance. In addition, the issue of pension sustainability forms part of macro-economic policy coordination in the EU.

**II** Our audit aimed to assess whether the Commission and the European Insurance and Occupational Pensions Authority (EIOPA) have been effective in strengthening the role of IORPs and developing pan-European personal pension products. We chose this audit topic due to the relevance of these pension schemes in contributing to adequate retirement income for EU citizens in the future. The audit covered the period from 2016 to 2024. This allowed us to draw conclusions over the period, and to make relevant recommendations to the Commission regarding the regulatory framework and to EIOPA regarding appropriate supervisory measures. The report also contributes to the current debate about the revision of the frameworks for both IORPs and the pan-European personal pension product.

**III** Overall, we conclude that the Commission's and EIOPA's actions, in view of the level of responsibility accorded to them, have not been effective so far in strengthening the role of occupational pensions provided by IORPs and establishing a pan-European personal pension product.

**IV** Although the Commission's actions created the conditions for an internal market for IORPs, they did not achieve the objective of deepening this market and increasing cross-border activity. Such activity remains minimal and concentrated in a few member states, where occupational pensions were already traditionally rooted. This is mostly due to factors that do not fall within the EU's remit and are beyond the reach of what legislative initiatives at EU level can currently achieve. However, cross-border IORPs are also disadvantaged by the fact that the EU's regulatory framework lays down additional requirements for them compared to those operating only in their home market. The pan-European personal pension product, meanwhile, has not proven to be a viable retirement saving option for EU citizens compared to other products.

**V** Although not yet deepened or operating across borders as expected, the IORP market still serves 47 million members and beneficiaries and needs to be supervised effectively. EIOPA's efforts, however, have had limited effect in fostering convergence of supervisory practices in relation to IORP across the EU, ensuring members of IORPs are protected and providing more transparency in relation to IORPs. The uptake of EIOPA initiatives by national authorities was low as the framework for IORPs lays down only a basic set of binding requirements, which restricted the scope of supervisory convergence efforts. EIOPA's assessment of IORPs' specific and systemic risks has improved over time, though remains incomplete.

**VI** Tools to provide an overview of pensions, from the perspective of both individuals and public finance, are still lacking in the EU. EIOPA has initiated a number of measures which have improved access to information on IORPs, but members and beneficiaries still do not enjoy full transparency regarding the performance of their funds. Finally, both the Commission and EIOPA have taken first steps to improve citizens' financial literacy in relation to pensions and to promote pension savings and sustainability, but the effect of these initiatives has remained limited.

**VII** We recommend that the Commission:

- bring forward the completion date for its assessment of the reasons for the lack of uptake of the pan-European personal pension product, and take appropriate action;
- strengthen the supervisory framework for IORPs; and
- increase transparency of data on pensions by making progress on pension-tracking systems and dashboards.

**VIII** In relation to IORPs, we recommend that EIOPA:

- review the effectiveness of its tools and prioritise those with the greatest impact on supervisory convergence;
- improve its assessment of the impact of systemic risks; and
- improve transparency on costs and returns.

# Introduction

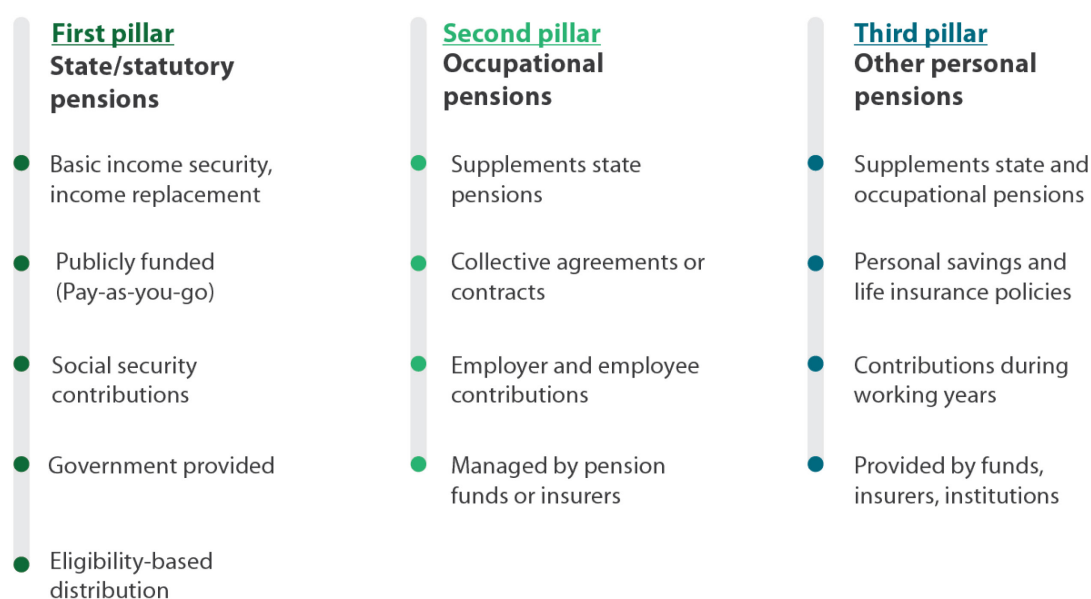
## Pension systems in the EU member states

### Three pillars: state pensions, occupational pensions and other personal pensions

**01** In the EU, pension systems are the responsibility of individual member states. As a result, the way each member state organises its pension system varies significantly, depending on the social and labour laws of each country (see [Annex I](#)). The EU has the power to make recommendations on pension systems as part of macro-economic co-ordination.

**02** Generally, pension systems in the EU are structured around three pillars. The first pillar is mandatory. In some member states, also statutory funded pensions come under this pillar. These are complemented to varying degrees by earnings-related occupational pensions, as a second pillar, and other personal pensions as a third (see [Figure 1](#)). The classification of individual pension schemes and the defining features of the pillar structure may differ among member states.

**Figure 1 – Types and main features of pension schemes in the EU**



Source: ECA.

**03** The EU has regulatory powers in relation to cross-border mobility, consumer protection, gender equality and the internal market. These powers are also relevant for occupational pension scheme providers and markets, and for ensuring market stability and protecting customers of other personal pension schemes.

**04** Finally, the right of EU citizens to a pension commensurate with their contributions and ensuring an adequate income to live in dignity in old age is enshrined in the European Pillar of Social Rights<sup>1</sup>. In this regard, the EU can take action to enhance transparency for citizens regarding their expected retirement income and the impact of pension-related developments on public finance.

### **Pension schemes play an important role in social protection and strengthening the EU's capital markets**

**05** The multi-pillar approach<sup>2</sup>, introduced in the early 1990s by the World Bank, aims to create a diversified pension system that meets the needs of citizens while taking account of the demographic challenges resulting from an ageing population, and to address the financial sustainability of these systems. It also aims to strengthen the EU's capital markets.

**06** The European Parliament and the Commission, concerned about the adequacy and fiscal sustainability of state pensions, have been encouraging member states to implement occupational pensions, in both the public and the private sectors. At the end of 2021, most people in the EU continue to rely, for their retirement, on state pensions and social security systems.

**07** State pension systems in many member states face challenges in ensuring long-term financial sustainability and maintaining pension adequacy. In 2023, the income of older people in the EU remained below 60 % of working-age income on average, with significant differences among countries, and higher for men than women.

**Figure 2** presents the “aggregate replacement ratio” (i.e. average initial pension income versus employment income before retirement), by gender, for the EU and each member state.

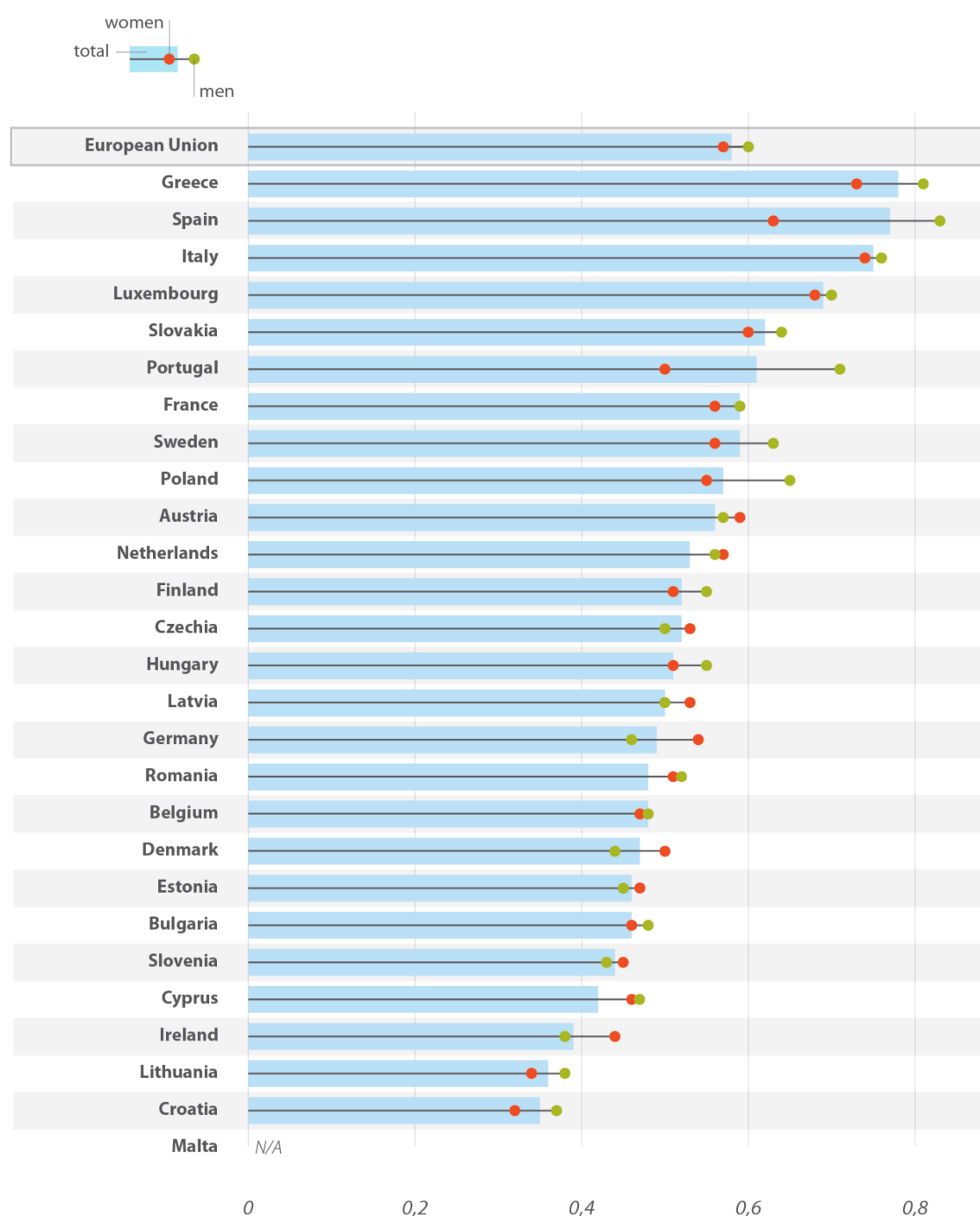
---

<sup>1</sup> Principle 15 of the 2017 [European Pillar of Social Rights](#): the right to pensions that ensure an adequate income to live in dignity in old age, both for workers and the self-employed.

<sup>2</sup> The World Bank, [Pension Systems and Reform Conceptual Framework](#), June 2008.



**Figure 2 – Aggregate replacement ratio for pensions (excluding other social benefits) by gender (2023)**



Source: ECA, based on Eurostat.

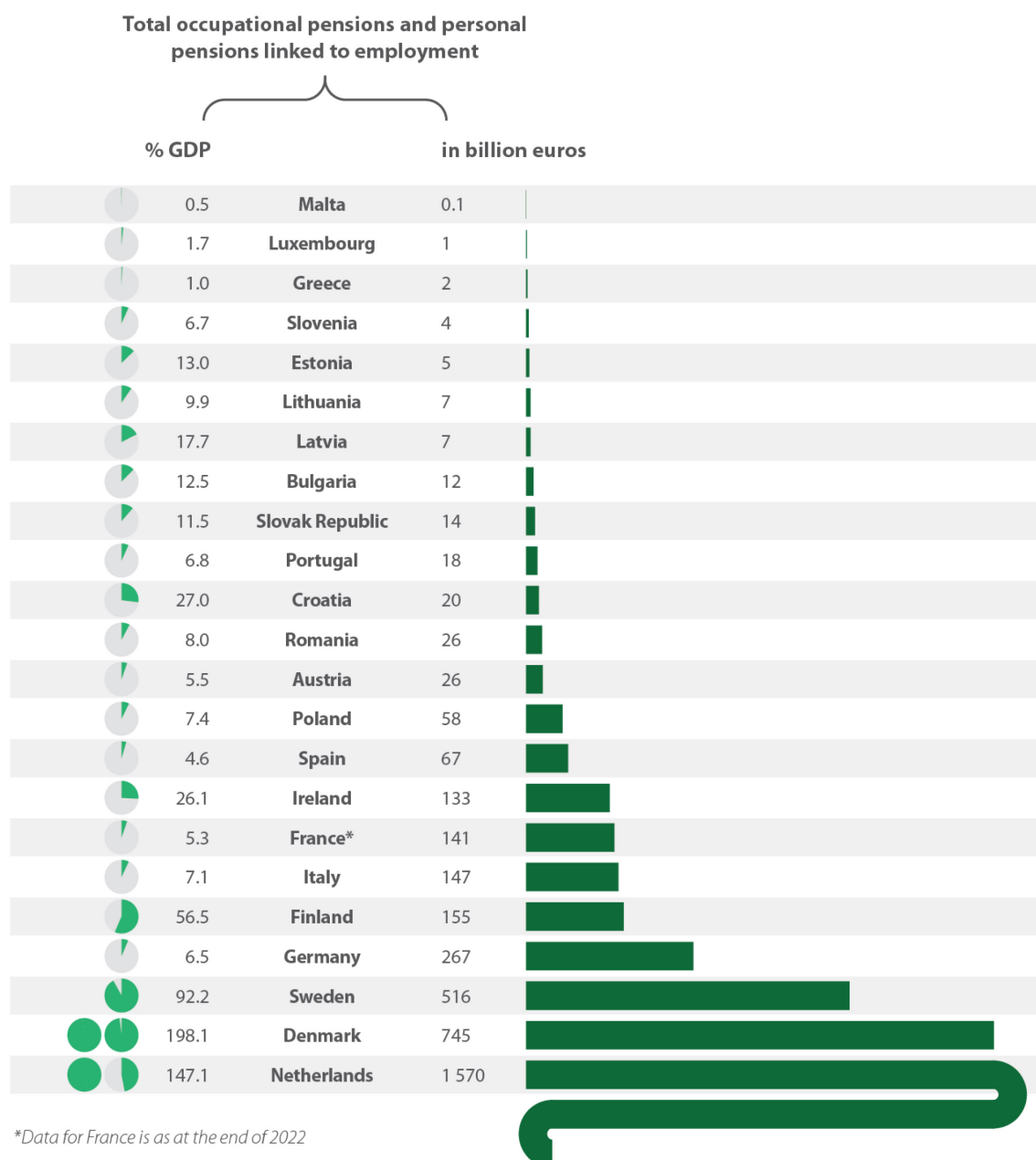
**08** Pension benefits for people aged 65-74, i.e. those in their early years of retirement, amount on average to around three fifths of the work income of those aged 50-59, i.e. those in their late working years<sup>3</sup>. In addition, according to Commission data, older people (65+) are at higher [risk of poverty](#) than those aged 18-64, especially in Central and Eastern European countries (see [Annex II](#)).

**09** The economic importance of non-state pension products managing employees' long-term and pension savings differs significantly among member states. In two member states, assets under management by occupational pension funds or other personal pensions linked to employment exceed the country's gross domestic product (GDP): Denmark (198 %) and the Netherlands (147 %) (see [Figure 3](#)). In these member states, occupational pensions are more substantial and tend to provide a larger portion of retirement income compared to state pensions. For other member states, this share was between 0.5 % (in Malta) and 92 % (in Sweden) of GDP.

---

<sup>3</sup> Commission, [The 2024 pension adequacy report – Current and future income adequacy in old age in the EU](#), Volume I, p. 31 and 34.

**Figure 3 – Value of EU occupational pensions and personal pensions linked to employment, relative to GDP and in absolute terms (as at end of 2023)**



Source: ECA, based on Organisation for Economic Co-operation and Development.

## The regulatory framework for occupational and pan-European personal pensions in the EU

### Occupational pensions

**10** Occupational pensions or employer-sponsored schemes are retirement savings plans set up by employers for the benefit of their employees. These pensions are a form of deferred compensation, meaning they are earned during an employee's working years but paid out after they retire. Employees who pay into an occupational pension scheme are referred to as "members" and become "beneficiaries" upon retirement once they start receiving the benefits they have accumulated. Some schemes are voluntary, while others are compulsory.

**11** Occupational pension plans can be divided into two basic types, though hybrid forms exist:

- defined benefit schemes, in which employers promise a specific retirement benefit amount, calculated using the length of employment under an employer and the specified salary maintained; and
- defined contribution schemes, in which the employee's retirement benefits depend on the contributions made and on investment performance (i.e. the employee bears the investment risk).

**12** In recent years across Europe, there has been a noticeable shift from schemes with defined benefits towards schemes with defined contributions.

**13** Pensions that are occupational in nature are subject to various legal frameworks. They can be:

- governed by national legislation,
- fall under the specific EU framework for occupational pensions (the Institutions for Occupational Retirement Provision Directive (IORP) II Directive<sup>4</sup>),
- not be governed by any specific regulatory framework, or

---

<sup>4</sup> Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision.

- o be only partially governed by EU law (an example being “direct commitments”, where employers undertake to pay employees’ pensions directly when they retire).

**14** In addition, insurance undertakings, which are subject to prudential supervision under the Solvency II Directive<sup>5</sup>, play an important role as providers of occupational pensions.

**15** In 2003, the European Parliament and the Council adopted the first IORP Directive<sup>6</sup>. The directive’s aim was to enable IORPs to operate across the EU and European Economic Area (EEA) member states under the supervision of the national competent authorities (NCAs) of their home country (i.e. their country of origin) without the need for authorisation in another (i.e. a host) country. The directive referred to the freedom, established by the Treaty on the Functioning of the European Union (Articles 56 and 62), to provide services in other member states. It thus created the framework for an internal market for IORPs.

**16** The IORP Directive was conceived as a “minimum harmonisation” directive, meaning that the EU would impose minimum standards while allowing member states to maintain or introduce higher standards as long as these do not conflict with other EU law. This is primarily the case in member states with developed IORP markets.

**17** In 2014, the Commission proposed a revision of the IORP Directive<sup>7</sup>. This revision, adopted in 2016, was intended to foster cross-border activity to deepen the internal market for IORPs. The revision recognised that the way IORPs were organised and regulated varied significantly among member states and that cross-border activity had been limited by differences in national social and labour law. The facilitation of cross-border activity was meant to help employers and employees, by centralising the management of retirement benefits, and facilitate the movement of workers. The revision had four specific objectives:

---

<sup>5</sup> [Directive 2009/138/EC](#) of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II).

<sup>6</sup> [Directive 2003/41/EC](#) of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision (IORP Directive).

<sup>7</sup> Proposal for a Directive of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision [COM\(2014\) 167 final 2014/0091 \(COD\)](#), 27.3.2014, points 1.1 and 3.2.

- removing remaining prudential barriers for cross-border IORPs;
- ensuring that supervisors have the necessary (enhanced) tools to supervise IORPs effectively;
- providing clear and relevant information to members and beneficiaries, thus enhancing transparency; and
- ensuring good governance and risk management.

### **Pan-European personal pension product**

**18** In July 2019, the European Parliament and the Council adopted the Commission proposal for a Pan-European Personal Pension Product (PEPP) Regulation<sup>8</sup>. This regulation, applicable since March 2022, establishes conditions for a voluntary personal pension scheme that complements existing personal pension and saving products. It provides an alternative for workers saving for retirement in the form of a portable cross-border product (under the third pillar).

**19** In particular, according to the Commission<sup>9</sup>, PEPPs would:

- offer pension savers more choice,
- allow PEPP providers to benefit from the single market and from facilitated cross-border distribution, and
- help channel savings towards capital markets and benefit investment and growth in the EU.

---

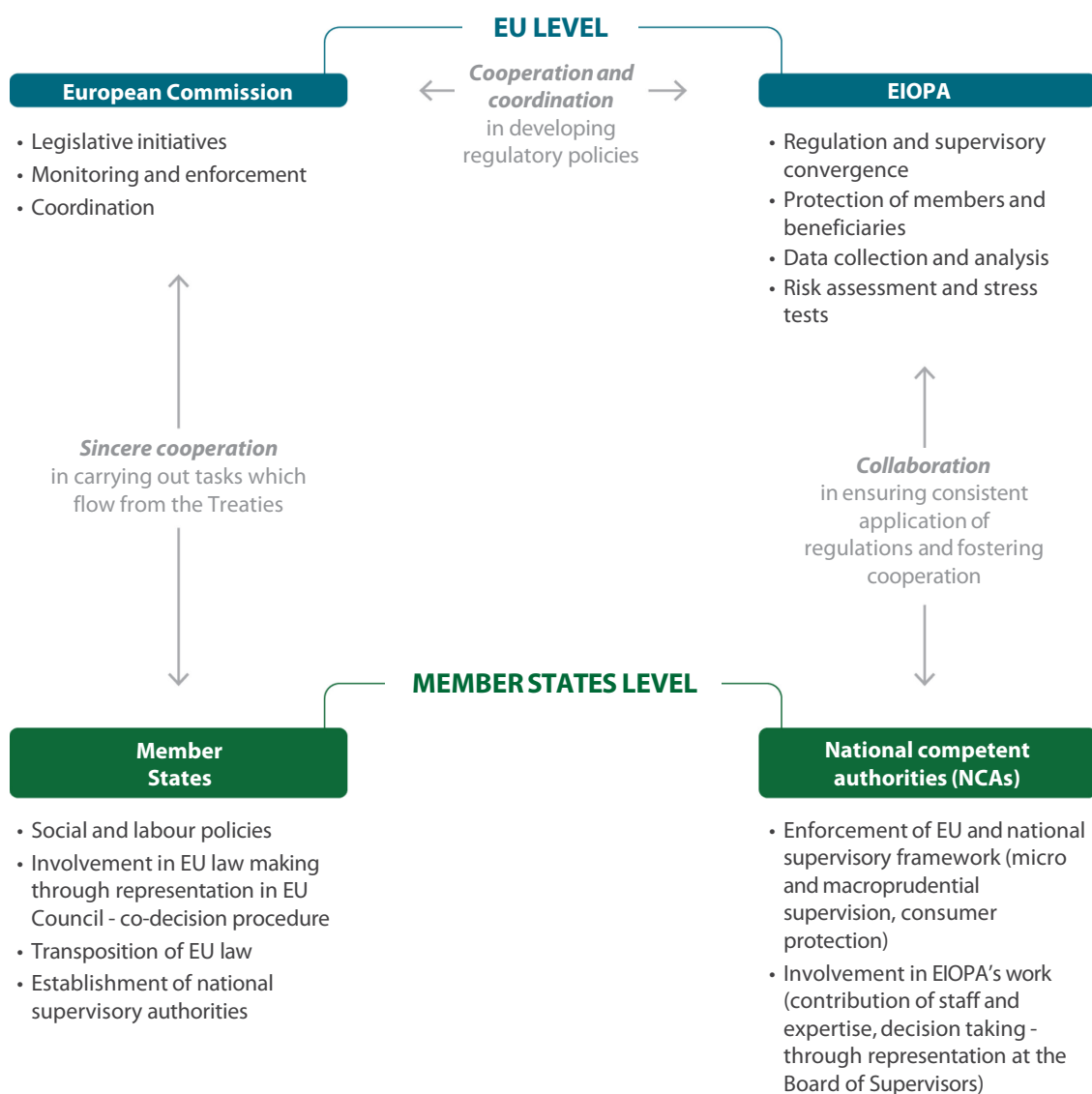
<sup>8</sup> [Regulation \(EU\) 2019/1238](#) of 20 June 2019 on a pan-European Personal Pension Product (PEPP) (PEPP Regulation).

<sup>9</sup> Commission's press release: "[Personal pensions: The pan-European personal pension product \("PEPP"\) applies as of today](#)", 22 March 2022.

## Roles and responsibilities in occupational and private pensions in the EU

**20** The regulation of occupational pensions involves various actors, including the Commission, the EU co-legislators (i.e. the European Parliament and the Council) and the European Insurance and Occupational Pensions Authority (EIOPA), as well as member states and their respective NCAs. They work together to ensure a harmonised regulatory framework within the EU and to promote the internal market for occupational pensions (see [Figure 4](#)).

**Figure 4 – Responsibilities of the main EU and national actors in the area of occupational pensions**



Source: ECA.

**21** The Commission, through its Directorate-General for Financial Stability, Financial Services and Capital Markets Union, is in charge of designing and implementing EU legislation and policies for the financial sector, including pension funds operating within the EU, as part of its efforts to improve the functioning of the internal market. In addition, the Commission's Directorate-General for Employment, Social Affairs and Inclusion promotes employment, social affairs and social inclusion, including policies related to pensions, while the Directorate-General for Economic and Financial Affairs is responsible for economic policy coordination, including support in implementing pension reforms.

**22** Moreover, since 2011, EIOPA<sup>10</sup> has been responsible for the consistent application of EU law and ensuring effective and consistent supervision of IORPs in the EU, protecting IORP members and beneficiaries and, together with the European Systemic Risk Board, monitoring risks to financial stability. EIOPA also provides advice and expertise to the Commission and maintains registers of IORP and PEPP providers.

**23** The issue of pension sustainability falls primarily within the competence of member states, while the EU plays a role in the area of macro-economic policy coordination<sup>11</sup>, which is conducted through the European Semester. The Commission monitors this aspect and makes recommendations to member states to address challenges such as aging population, financial sustainability and pension adequacy. In addition, some member states decided to include pension reforms in their recovery and resilience plans following the COVID-19 pandemic.

**24** Moreover, as part of broader efforts to enhance accessibility and transparency in the pensions market, the Commission included several pension-related actions in its flagship initiative, the capital markets union (CMU)<sup>12</sup>. In addition to the IORP II review and the PEPP Regulation, the Commission's CMU action plans included actions to identify the relevant data and methodology for developing pension dashboards and to develop best practices for the set-up of pension tracking systems (PTSs). These were intended to give citizens greater transparency regarding their expected retirement

---

<sup>10</sup> Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority) (EIOPA Regulation).

<sup>11</sup> Articles 153, 121 and 148 of the Treaty on the Functioning of the European Union.

<sup>12</sup> European Commission: [Action plan on building a capital markets union](#), 30 September 2015; [Mid-term review of the CMU action plan](#), 8 June 2017; [A capital markets union for people and businesses - new action plan](#), September 2020.



income in order to attract their interest, encourage voluntary pension savings and, ultimately, induce political action. Finally, the Commission and EIOPA have launched several initiatives to increase EU citizens' financial literacy on pensions.

## Audit scope and approach

**25** We assessed the effectiveness of the Commission's and EIOPA's actions in strengthening the role of institutions for occupational retirement provision (IORPs) in national pension systems and in developing a pan-European personal pension product (PEPP). We examined whether:

- (1) the Commission's actions have achieved their objective of creating and deepening a properly functioning internal market for occupational pensions and PEPPs, and, in particular, increased cross-border activity;
- (2) the Commission has created an appropriate supervisory framework and EIOPA has ensured appropriate supervision and assessment of specific and systemic risks in the occupational pension sector; and
- (3) the Commission's and EIOPA's actions have improved transparency in relation to occupational and other pensions and promoted pension savings and sustainability in general.

**26** The audit covers EU legislative and policy initiatives in the period from 2016 to 2024, while we also considered relevant documents preceding these. In terms of legal acts, we focused on the IORP II Directive, the regulatory framework for IORPs, and the PEPP Regulation. The Solvency II Directive, the regulatory framework for insurance companies, was outside the scope of this audit because it does not lay down specific requirements for occupational pensions.

**27** As regards the Commission, we focused on its role in law-making and the sound application of EU law by member state authorities, and on the achievement of its objectives in the area of occupational pensions and PEPPs. For EIOPA, we focused on its efforts to promote better supervision and convergence of supervisory processes and standards, to protect IORP members and beneficiaries and to contribute to financial stability in the sector. We interviewed staff from the Commission and EIOPA and examined relevant documentation.

**28** In addition, we carried out a survey of NCAs in all 27 member states to obtain their views on the appropriateness and performance of the Commission's and EIOPA's actions within the audit scope. All 27 NCAs responded to our survey. We also interviewed representatives of six NCAs (Belgium, Germany, Italy, the Netherlands, Romania and Slovakia), which we selected based on the size (encompassing both countries with large IORP markets and those with no market at all). Moreover, we met

relevant associations of pension funds and consumers and several IORPs and asset management providers, both in the selected member states and at EU level. Finally, we analysed EIOPA's 2022 stress test with support from recognised experts in this area.

**29** Our audit criteria derive from applicable EU law (in particular, the IORP II Directive, the PEPP Regulation and the EIOPA Regulation) and the Commission's [better regulation](#) principles.

**30** This audit forms part of a series of ECA audits on the internal market in financial services and the supervision of the financial sector. We chose this audit topic due to the relevance of occupational and other personal pension schemes in ensuring that pension systems in EU member states can continue providing adequate income to citizens once retired and due to the role attributed to pre-funded pensions in the development of capital markets. Our audit findings contribute to the Commission's IORP II Directive's review (initially due in January 2023<sup>13</sup>) and the forthcoming PEPP evaluation planned for March 2027<sup>14</sup>.

---

<sup>13</sup> Article 62(1) of the IORP II Directive.

<sup>14</sup> Article 73(1) of the PEPP Regulation.

## Observations

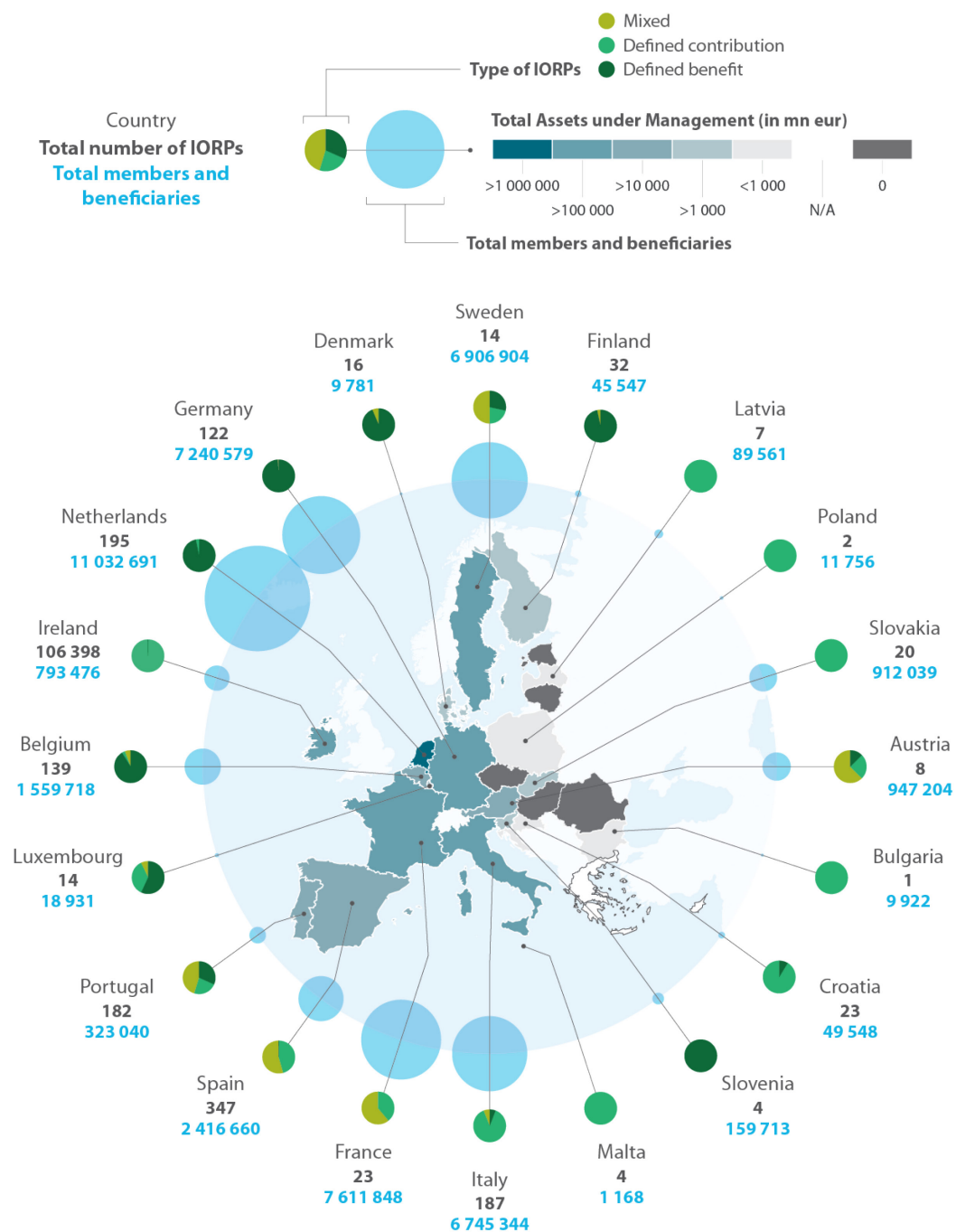
### EU legislation did not lead to an increase in cross-border activity by IORPs or the creation of a portable pension market

**31** We assessed whether the revision of the IORP Directive in 2016 (the [IORP II Directive](#)) and the adoption of the [PEPP Regulation](#) in 2019 have deepened the internal market for the respective schemes and products. The two legislative initiatives were aimed, among other things, at increasing cross-border activity in relation to occupational pensions and creating alternative portable private pension products. In this context, we examined whether this legislation had been effective in removing obstacles to cross-border activity.

### The IORP sector is concentrated in a few countries

**32** In total, the IORP sector in the EU is estimated to have around €2.8 trillion in assets under management, serving around 47 million members and beneficiaries (see [Figure 5](#)).

**Figure 5 – Occupational pensions sector falling under IORP II Directive in EU countries (2023)**



\* No data available for IORPs in Greece and Cyprus

\*\* IORPs do not exist in five EU countries (Czechia, Estonia, Hungary, Lithuania and Romania)

Source: ECA, based on EIOPA data.

**33** IORPs play a particularly important role in the Netherlands (around 60 % of all EU assets under management) and – to lesser extent – in several other countries (France, Germany, Ireland, Italy, and Sweden). However, they are not important in most other EU countries and in some cases do not exist (Czechia, Estonia, Hungary, Lithuania and Romania). There are two main reasons for this:

- **The structure of the pension system in each country:** For example, Dutch state pensions provide all residents with a basic income, while mandatory occupational pensions form a major part of employees' retirement income. In other countries, state pensions are more substantial, with occupational pensions – compulsory or otherwise – providing additional income.
- **The structure of the market** (i.e. the way it is divided among different types of providers in each country): For example, in Belgium IORPs account for 20 % of occupational pensions in the domestic market, whereas 80 % are provided by insurance undertakings. In Germany, roughly 25 % of the market is made up of IORPs, while the rest comprises life insurance products (supervised under the Solvency II Directive), direct pension commitments by employers and public providers of supplementary pensions. Therefore, the importance of the pension schemes falling under the IORP II Directive varies significantly among member states in terms of their contribution to ensuring adequate income for pensioners.

### Neither the IORP II Directive nor the PEPP Regulation yielded tangible results

**34** The freedom to provide services ensures that financial institutions can operate and offer pension products on a cross-border basis. Once an IORPs or any other financial services firm is authorised in one EU or EEA country, it can provide its services throughout the EEA, or open branches in other countries, after notifying its home supervisor. These operational arrangements, laid down in EU legal acts as proposed by the Commission, are intended to facilitate the cross-border provision of financial products. We examined how cross-border provision by IORPs had evolved recent years and whether the PEPP was marketed effectively.

**35** Since 2010, the number of cross-border IORPs has first stagnated and then fallen substantially, primarily due to the UK's withdrawal from the EU<sup>15</sup>. At the end of 2023, only 28 IORPs operated across borders in the EU and the EEA (see [Figure 6](#)). This represents a small portion (0.2 % of members and 0.4 % of total assets) of all IORPs in

---

<sup>15</sup> EIOPA, [Technical advice for the review of the IORP II Directive](#), 28 September 2023, p. 89.

the EEA. Most of these cross-border IORPs are concentrated in only a few countries, mainly Belgium, and are mostly multinational companies providing occupational pensions to their employees across Europe<sup>16</sup>. Therefore, expectations regarding the scale of the internal market for IORPs have so far not been met; nor has it enabled member states with smaller populations to benefit from schemes offered by larger providers based in other member states.

---

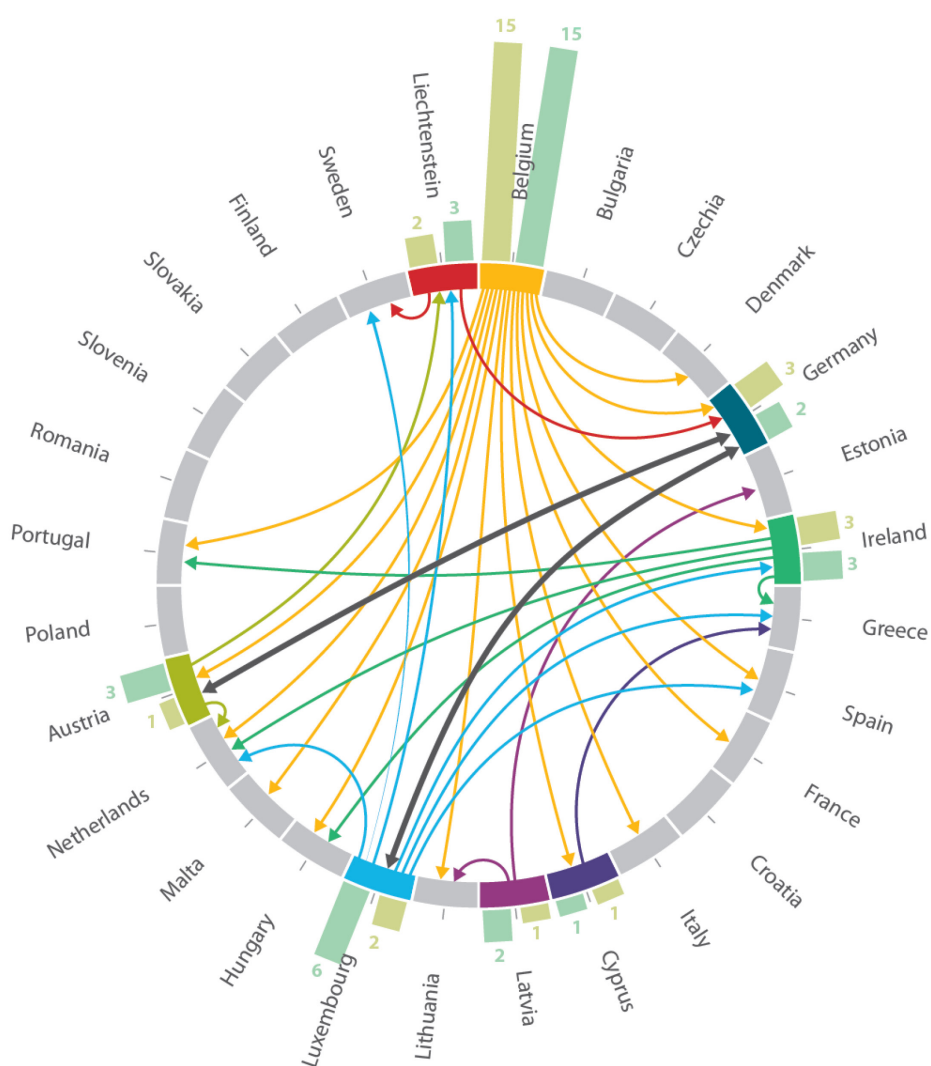
<sup>16</sup> EIOPA, [Cross-border IORPs](#), 27 November 2023, p. 3.

**Figure 6 – Cross-border IORPs (2023)**

**Legend**

**Cross-border IORPs**

- Number of cross-border IORPs in the home country
- Number of cross-border IORPs in host countries
- Home to host country relationship (one direction)
- Dual home-host relationship (countries which are both the home and host for cross-border IORPs)



Source: ECA, based on EIOPA.

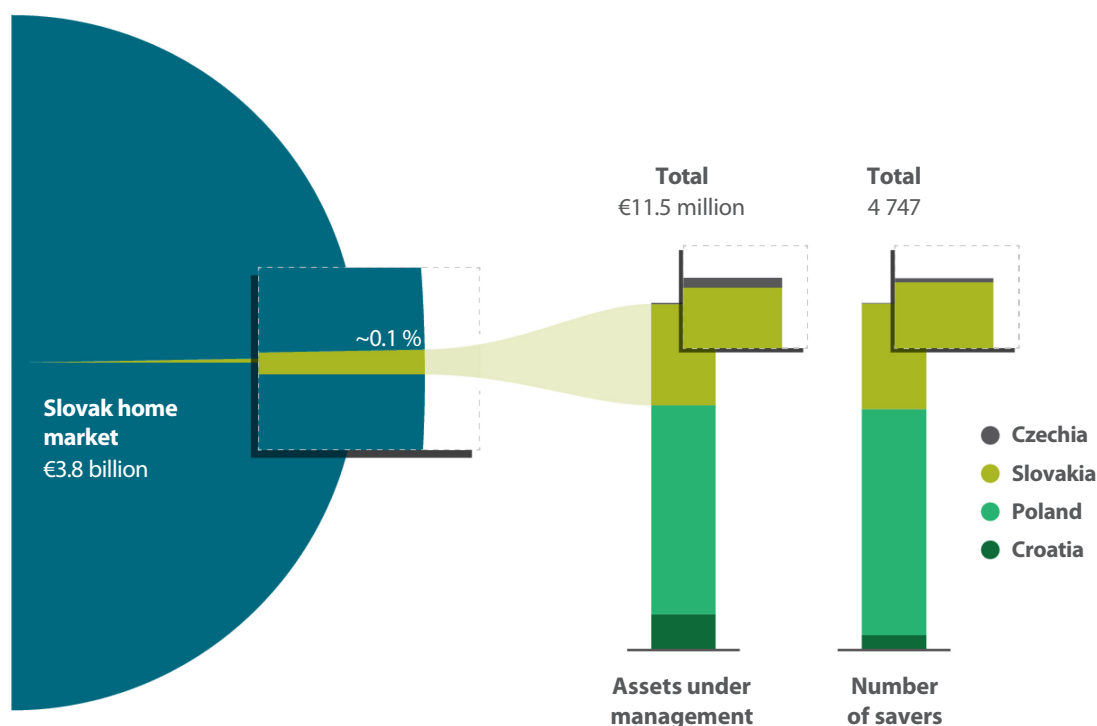
**36** While the number of cross-border IORPs has not increased, existing ones have expanded their activities. For example, one IORP based in Latvia was allowed to operate across the Baltics, offering a product that is not available from domestic



providers in the other Baltic member states. However, according to EIOPA, this trend observed in previous years has stopped.

**37** As regards products under the PEPP Regulation, the Commission initially estimated this market's potential value at €0.7 trillion over the 2020-2030 period<sup>17</sup>. However, in 2025, 3 years after the regulation became applicable, there is only one PEPP on the market (offered in the home country and three countries in the region). Uptake has been extremely low so far, with fewer than 5 000 savers in all four countries and less than €12 million in assets under management (see [Figure 7](#)), and the sole provider has a negligible share of 0.1 % in its home market (Slovakia).

**Figure 7 – Data on the only PEPP provider in the EU (as of 2023)**



Source: ECA, based on National Bank of Slovakia.

<sup>17</sup> Impact Assessment, Commission Staff Working Document [SWD \(2017\) 243 final](#), 29.6.2017, Annex 4, section A.

## **EU regulatory action alone cannot create a level playing field for cross-border IORPs and PEPPs**

### **Differences in social and labour laws make cross-border IORPs more costly to operate**

**38** Given that EU law is meant to facilitate the cross-border provision of financial products, we examined why this had happened only to a limited extent. The key factor limiting cross-border IORPs is differences in applicable national social and labour laws, as also recognised in EU legislation<sup>18</sup>. The need to comply with different sets of social and labour laws increases the costs, complexity, and operational risks of managing cross-border IORPs. This makes cross-border IORPs more costly and hence less profitable to operate. This fundamental problem cannot be solved by the EU legislation on occupational pensions, as the EU's competence in the area of social and labour laws is limited under the Treaty on the Functioning of the European Union<sup>19</sup>.

**39** In essence, this means that cross-border IORPs can at best play a role in a specific subset of the market. For example, there may be an economic case for setting up or merging existing IORPs into a cross-border IORP for multinationals who want to have a single pension fund or for multi-employer schemes.

### **The Commission did not provide evidence that excessively burdensome procedures are a reason for cross-border IORPs' difficulties**

**40** While reviewing the IORP Directive, the Commission intended to amend the procedures for cross-border IORPs to increase cross-border activity. These include the home-host notification procedure for IORPs to inform the home and host regulators of their intention to operate in another member state. In its proposal, the Commission assessed the procedures as excessively burdensome and found the definitions of some terms relating to cross-border activity to be unclear and open to interpretation.

**41** However, the Commission did not provide evidence that the existing procedures as stipulated in the directive were excessively burdensome. Based on our analysis, we consider that they were and remain largely consistent with the corresponding procedures laid down in EU regulations for other financial sectors. Our assessment further showed that the lack of cross-border activity was not caused by the cross-border procedures themselves but related to the applicable social and labour law (see paragraph 45). This was confirmed by the responses given by most NCAs to a recent

---

<sup>18</sup> Recitals 13 and 16 to the IORP II Directive.

<sup>19</sup> Articles 148, 149 and 153 of the Treaty on the Functioning of the European Union.

EIOPA survey<sup>20</sup>. Moreover, when analysing the Commission’s legislative proposal for the 2016 revision of the IORP Directive, we found that only minor changes to the relevant provisions were proposed.

### **Additional supervisory requirements did and continue to apply to cross-border IORPs**

**42** With the revision of the IORP Directive, the Commission also intended to clarify the boundaries of NCAs’ supervisory responsibilities<sup>21</sup>. However, at the end of the legislative process, the directive allocated to home NCAs tasks that are outside their regular prudential remit. We found two specific situations where this revision led to additional problems:

- Firstly, the IORP II Directive made the home NCA responsible for ensuring IORPs comply with social and labour law in the host country where they intend to operate<sup>22</sup>. Thus, the revision has resulted in an additional regulatory burden for cross-border IORPs.
- Secondly, the directive introduced requirements for cross-border transfers of pension schemes, i.e. when one IORP assigns all or part of its assets and liabilities to another IORP. This was meant to clarify and simplify the transfer process but did not have the intended impact.

**43** Another issue that the Commission sought to address was legal barriers in the form of specific higher prudential requirements that apply only to cross-border IORPs. We found that these requirements in the IORP II Directive itself persisted, and that the revision had not addressed them or had done so partially (see [Table 1](#)).

---

<sup>20</sup> EIOPA, [Technical advice for the review of the IORP II Directive](#), 28 September 2023, chapter 3.

<sup>21</sup> Recital 70 of the IORP II Directive.

<sup>22</sup> Article 11(10) of the IORP II Directive.

**Table 1 – Discriminatory prudential requirements for cross-border IORPs**

Problem description	Article of the IORP II Directive	ECA analysis
Additional funding requirements for IORPs set up in another member state	<b>Article 14(3)</b> on the funding of technical provisions	The directive requires IORPs' cross-border activities to be fully funded at all times; there is no equivalent for domestic IORPs.  This discriminatory requirement in the IORP Directive was not removed.
Possibility of requiring the appointment of a depositary in the host member state	<b>Article 33(1)</b> on the appointment of a depositary	The directive allows host member state authorities to require the appointment of a depositary in that member state.  The power to require the appointment of a depositary is a prudential requirement and, as such, should lie solely with the home supervisor. Such a requirement restricts the basic freedoms of both the IORP and depositary institutions.

Source: ECA.

#### **A lack of tax incentives and a regulatory cap on fees reduce the attractiveness of the pan-European personal pension product**

**44** As regards PEPPs, NCAs and industry representatives confirmed that there is only limited interest in such products. This is due to two main issues that are beyond the Commission's control:

- o firstly, member states do not provide a harmonised set of tax incentives for such products, or they already provide tax incentives for national retirement products which compete with the PEPP. While tax deductibility is not a pre-condition for a private pension product, it is often a key factor that can make such products more attractive to customers; and
- o secondly, the PEPP Regulation introduced an annual cap of 1 % on cost and fees, as proposed by the Parliament and the Council, which does not exist for other financial products. Consequently, there are few incentives for financial institutions to offer such a product.

In addition, potential customers have access to alternative products.

## The Commission did not sufficiently demonstrate that its legislative initiatives would have desired impact

**45** As part of its “better regulation” agenda, the Commission evaluates laws, policies and spending to determine their impact on people and businesses in the EU. An independent body within the Commission, the Regulatory Scrutiny Board, provides quality assurance and makes recommendations. Our analysis of the Commission’s impact assessments underlying the IORP II Directive and the PEPP Regulation showed that the better regulation principles were not always fully complied with.

**46** As regards the IORP II Directive, we consider that the Commission did not demonstrate the need for a revision of the procedures for cross-border activity. Our analysis shows that the Commission had no evidence that home-host notification procedures had impeded cross-border activity (see paragraph [41](#)). Accordingly, it did not demonstrate that the proposed amendments would contribute to the desired outcomes.

**47** We also found that the Commission’s own [Impact Assessment Board](#) (IAB), the Regulatory Scrutiny Board’s predecessor, had rejected the impact assessment for the IORP II Directive twice for similar reasons. The IAB criticised the lack of evidence of the stated problems and of any explanation of how the planned measures would be effective.

**48** The IAB also pointed to the lack of performance indicators or benchmarks for measuring progress in implementing Commission’s policies, that our audit confirmed. In addition, the deadline for the required *ex post* evaluation of the IORP II Directive was missed by more than 2 years, due to its significantly delayed transposition (see paragraph [56](#)). As a result, the Commission cannot show the extent to which the revision was successful or explain what went wrong.

**49** Similarly, for the PEPP Regulation, our analysis of the Commission’s impact assessment<sup>23</sup> showed that there was no convincing explanation of why the PEPP Regulation would address the problems identified. In particular, the Commission:

- did not demonstrate that the introduction of the PEPP would address the reasons for the very limited demand for cross-border pension products;

---

<sup>23</sup> Impact assessment, Commission staff working document [SWD \(2017\) 243 final](#), 29.6.2017, in particular sections 2.3.2., 2.4. and 4.2.7.

- o highlighted that it was not possible to ensure that the PEPP would benefit from tax advantages across the EU, resulting in a lack of competitiveness; and
- o had no reliable empirical basis for its estimate of the uptake of PEPPs (see paragraph 37).

**50** The Regulatory Scrutiny Board had highlighted many of these weaknesses of the impact assessment and had rejected a first draft. It accepted the revised impact assessment only subject to conditions, including better explanations on what would make the PEPP more attractive than national products<sup>24</sup>. However, the amendments made by the Commission did not sufficiently address the lack of justification.

**51** Since the IORP II revision is upcoming and the evaluation of the PEPP Regulation is planned for March 2027, the Commission will have an opportunity to critically assess again the merits and the potential impact of a legislative initiative in this field.

## **Supervision of IORPs and assessment of specific and systemic risks are partially effective**

**52** With the IORP II Directive, the Commission aimed to ensure, among other things, appropriate supervision, good governance and risk management of IORPs (see paragraph 17). We assessed whether the Commission had created an effective regulatory framework for the supervision of IORPs and whether EIOPA had been effective in supporting NCAs' supervisory activities, enhancing supervisory convergence across the internal market, and identifying and measuring systemic risks in the IORP sector.

### **Supervisory standards vary across the EU**

**53** The IORP II Directive specifies two main objectives of prudential supervision: (i) protecting the rights of scheme members and (ii) ensuring the stability and soundness of the IORPs<sup>25</sup>. Effective supervisory standards require both a robust legislative framework and strong implementation practices.

---

<sup>24</sup> Regulatory Scrutiny Board, [Opinion on Impact Assessment / Pan-European Personal Pension Product- SEC\(2017\)316](#), 22.05.2017, section B.

<sup>25</sup> Article 45 of the IORP II Directive.

**54** We identified four areas where the current supervisory framework remains weak or where insufficient progress has been made in its implementation:

- the transition from rules-based to risk-based and forward-looking supervision;
- the ongoing shift from defined benefit to defined contribution pension schemes (see paragraph 12);
- a lack of regular supervisory reporting in some member states; and
- the risk of regulatory arbitrage.

**Minimum harmonisation and differing implementation of the IORP II Directive across the EU diminish the effectiveness and impact of risk-based supervision**

**55** The IORP II Directive strengthened prudential supervision by requiring NCAs to adopt a risk-based and forward-looking approach. It also established specific governance and transparency requirements for IORPs, emphasising effective management standards within pension schemes, including operational risk management. Additionally, IORPs must conduct their own risk assessment and regular risk evaluations and report the results to NCAs. Furthermore, the directive extended NCAs' supervisory powers to cover these new requirements.

**56** However, the current state of the supervisory framework in various member states depends on the implementation status of the IORP II Directive, which 17 member states were late to transpose. Between 2021 and 2023, the Commission started infringement procedures against these member states, which were closed following its preliminary assessment of the completeness of their transpositions. The Commission has not yet finished its checks on whether the member states have transposed the directive correctly.

**57** Moreover, according to EIOPA, at the end of 2022 some NCAs were at an early stage in implementing risk-based supervision or transitioning to a risk-based approach<sup>26</sup>. This situation can be attributed to several factors, including the complexity of developing and integrating risk-based frameworks, the need for specialised training and resources, and the varying levels of readiness among member states, as well as differences in the supervisory culture. Several weaknesses identified in the peer review

---

<sup>26</sup> Follow-up report on peer review on supervisory practices with respect to the application of the prudent person rule for IORPs, 8 December 2023, p. 14.

on the application of the “prudent person rule”<sup>27</sup> for IORPs<sup>28</sup>, including variations in supervisory practices among member states, governance gaps, and the need for better supervisory tools, had not yet been remedied by the time of the follow-up report.

**58** According to EIOPA, most NCAs considered the various governance and prudential requirements in the IORP II Directive to be adequate, or adequate as an EU minimum. Several NCAs also stressed in our survey and interviews that the flexibility to go beyond the minimum standards set by the directive is a key aspect of their regulatory approach. The member states supplemented the governance and prudential standards to varying degrees.

**59** With its “minimum harmonisation” approach, the IORP II Directive poses challenges to the effectiveness of EU intervention, as the differing implementation among member states can result in varied supervision and enforcement. During our audit, for example, we noted that the authorisation procedures or the rules requiring a local depository differed significantly from one member state to another. While this variation may present obstacles to achieving a fully uniform regulatory framework, it also highlights the Directive’s ability to adapt to different national landscapes.

**The IORP II did not deal adequately with specific supervision aspects, including many related to defined contribution schemes**

**60** We identified three aspects related to supervision that the IORP II Directive does not deal with adequately, particularly in relation to the shift from defined benefit to defined contribution pension schemes which was already ongoing at the time the IORP II Directive was adopted:

- Firstly, IORPs are not explicitly required to act in accordance with the principle of duty of care towards their members and beneficiaries. The duty-of-care principle involves regularly assessing members’ risk profiles and offering them suitable investment options, aligned with their goals, as well as qualified guidance. This is particularly important for members in defined contribution-based IORPs because they have more flexibility and investment choices. From a supervisory perspective, this constitutes a protection gap.
- Secondly, there is an increasing trend among IORPs of outsourcing certain activities (such as investment management and administrative functions) to

---

<sup>27</sup> Article 19(1) of the IORP II Directive.

<sup>28</sup> [Results of the EIOPA peer review on supervisory practices with respect to the application of the prudent person rule for IORPs, 2019.](#)



service providers. However, the IORP II Directive does not require IORPs to disclose potential conflicts of interest between them and their service providers. This is a problem because, as indicated in EIOPA's cost data and supervisory review analysis<sup>29</sup> as well as in a report by Better Finance<sup>30</sup>, outsourcing in cases where a conflict of interest exists may result in additional costs and fees, ultimately to the detriment of members.

- o Thirdly, the IORP II Directive defines no framework or procedure for handling members' complaints. The establishment of a complaints procedure in the legislation would offer additional protection for IORP members, especially those in defined contribution schemes.

### **Lack of regular supervisory reporting is one key issue impacting the quality and consistency of supervision across the EU**

**61** Article 2 of the IORP II Directive allows certain pension schemes to be excluded from the directive's requirements. Member states have flexibility in determining which pension schemes are exempt under their national laws and regulations, thus leading to potential inconsistencies in supervision and governance.

**62** While the Article 2 exemptions provide flexibility, these variations necessitate strong supervisory reporting to ensure effective monitoring of both exempted schemes and those under the IORP framework. Supervisory reporting is essential as it ensures that NCAs receive sufficient information and can trigger supervisory action. The IORP II Directive requires member states to ensure that NCAs have the power to collect data necessary for their supervision.

**63** However, the directive does not explicitly mention regular quantitative prudential reporting. As stated in EIOPA's recent technical advice for the review of the IORP II Directive, NCAs in some member states (Austria, Germany, Ireland and Slovenia) are not allowed to decide independently on all aspects of data collection from IORPs, as this power often lies with the government. This impacts the efficiency and effectiveness of their supervision and prevents them from complying with their reporting obligations to EIOPA.

---

<sup>29</sup> [Opinion on the supervisory reporting of costs and charges of IORPs, 7 October 2021.](#)

<sup>30</sup> [Better Finance, The Real Return of Long-term and Pension Savings report, 2023 Edition, p. xi, 29, 30, and 186.](#)

**64** Moreover, there is no harmonised accounting framework for IORPs, meaning they are subject to national accounting standards, which differ significantly across the EU. Thus, even the full standardisation of aspects such as prudential requirements, reporting and risk assessment would not necessarily ensure a level playing field.

#### **The IORP II Directive does not address the risk of regulatory arbitrage**

**65** The Commission aimed to prevent regulatory arbitrage (the practice of taking advantage of differences in regulations to gain a competitive edge) both between financial services sectors and between member states. The Commission's impact assessment had pointed to the risk of potential arbitrage if providers of occupational pensions had to meet different prudential requirements depending on the type of provider (e.g. life-insurance companies versus IORPs<sup>31</sup>) and the member state concerned ("jurisdiction shopping"). The latter can hamper the functioning of the internal market and jeopardise the adequate protection of members and beneficiaries.

**66** Arbitrage can also happen as a result of other factors such as differences in the rules for calculating pension liabilities. While EIOPA emphasised<sup>32</sup> that the IORP II Directive should stipulate specific requirements for the calculation of pension liabilities, this was not done (see [Box 1](#)).

---

<sup>31</sup> Recital 24 to the IORP II Directive.

<sup>32</sup> EIOPA, [Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs](#), 14 April 2016.

### **Box 1: Exploiting arbitrage opportunities – why differences in accounting rules matter**

The choice of discount rate significantly impacts pension liabilities. The higher the discount rate, the lower the liabilities, and vice versa. For instance, a 1 % decrease in the discount rate can raise the liabilities of large pension funds by billions of euros.

Seven Dutch IORPs, including the occupational pensions schemes of large US firms, have relocated to Belgium to benefit from more favourable accounting rules for pensions.

Under the stricter rules in the Netherlands, IORPs have to calculate their liabilities using the risk-free rate. Due to low interest rates, pension liabilities increased and many funds had low coverage rates and were forced to cut benefits. In Belgium, pension funds are allowed to use a higher discount rate. This meant that relocating to Belgium immediately put the IORPs in a better financial position by lowering the net present value of pension liabilities purely as a result of different accounting rules. In addition, the Belgian supervisor sets lower funding requirements and charges lower supervisory costs.

**67** The IORP II Directive explicitly emphasises the importance of ensuring that the directive does not lead to distortions of competition. It also describes how such distortions can be avoided: by applying the directive’s prudential requirements to the occupational pension business of life-insurance companies or extending their application to other regulated financial institutions<sup>33</sup>. However, it did not make such requirements mandatory and only three out of 27 member states adopted such measures before the option of doing so ceased to exist in 2023.

**68** The IORP II Directive also did not address the risk of regulatory arbitrage between member states, even though the Commission justified EU-level action by arguing that it could have substantial added value in this area. The Commission has not proposed any such rules.

---

<sup>33</sup> Recital 24 to the IORP II Directive.

## Limited use of its tools and NCA-led decision-making restrict EIOPA's efforts to enhance supervisory convergence across the EU

**69** One of EIOPA's key strategic priorities in its multi-annual work programme for 2024-2026<sup>34</sup> is to achieve supervisory convergence across the EU. EIOPA has defined a set of key characteristics of effective supervision, which were first published in 2015<sup>35</sup>. These characteristics apply to both insurance undertakings and providers of occupational pensions under the IORP II Directive.

**70** However, our analysis of EIOPA's organisational structure shows that its supervisory activities continue to focus largely on insurance undertakings. In 2023, it had four experts dealing with IORPs as compared to approximately 60 staff working on the supervision of insurance undertakings. The number of staff allocated reflects EIOPA's existing mandate and the differences between the respective legislative frameworks governing the insurance and pensions sectors.

### **EIOPA has so far made only limited use of the legal instruments at its disposal to ensure consistent supervisory practices**

**71** EIOPA has several legal instruments (also called "tools") at its disposal to promote a sound regulatory framework and consistent supervisory practices, of which some are legally enforceable and some are not (see [Figure 8](#) and [Annex III](#)). However, under EIOPA's governance, it is the NCAs themselves, as the authorities directly supervising the IORPs, who make each decision on which instrument to use to ensure convergence.

**72** Our analysis shows that EIOPA has used these instruments only to a limited extent for IORPs since 2019.

---

<sup>34</sup> Final Single Programming Document 2024-2026.

<sup>35</sup> A Common Supervisory Culture: Booklet.

**Figure 8 – Analysis of EIOPA’s use of its main legal instruments for IORPs**

**Enforceability\***

● Enforceable

● Non-enforceable

	Legal instrument/ supervisory convergence tool	Used for IORPs	Times used	Date of use	ECA Comments
●	Product intervention, technical standards, mediation	✗			EIOPA does not have mandates for technical standards under the IORP II Directive.
●	Breach of Union Law	✓	1	December 2023	Non-enforceable recommendation to the NCA and enforceable decision to the financial institutions concerned if conditions met.
●	Warnings, guidelines, recommendations, inquiries; opinions to European Parliament, Council, and Commission	✗			Guidelines and recommendations are typical of EIOPA’s “comply or explain” mechanism and expected to have a reputational impact on the NCA due to the publication of the NCA’s “comply or explain” response.
●	Opinions to NCAs	✓	6	4 in July 2019, 2 in October 2021	
●	Supervisory statements	✓	1	November 2020	
●	Peer reviews	✓	1	April 2019 and follow-up in September 2023	

\* A feature to ensure compliance by legal means with the adopted EIOPA’s measure.

Source: ECA, based on [EIOPA’s website](#) and legal handbook.

**73** As regards its enforceable instruments, EIOPA's mandate under the IORP II Directive has changed, in particular where implementing technical standards are concerned. Following the adoption of the IORP II Directive, the delegated acts that had previously given EIOPA the powers to issue these standards under IORP I were removed. Consequently, EIOPA cannot issue technical standards, which are used widely for the insurance sector. Instead, EIOPA has had to revert to other, less powerful tools. However, in 2023 it launched the first Breach of Union Law procedure, one of its most intrusive tools, and issued a recommendation to the Cypriot NCA (see [Box 2](#)).

### **Box 2: EIOPA's 2023 Breach of Union Law procedure in relation to several Cypriot IORPs**

The obligation for member states to register all IORPs is the fundamental requirement of the IORP II Directive. Allowing unregistered IORPs to operate undermines the directive's purpose, as the safeguards it provides apply in respect of registered IORPs only.

In 2020, EIOPA used a non-enforceable instrument – a [supervisory statement](#) – to address the issue of divergent practices among NCAs for registering and authorising IORPs. In the absence of harmonised rules, the supervisory statement recommended that NCAs carry out a prudential assessment while registering or authorising IORPs and assess their operational viability and sustainability as part of the supervisory review process.

Despite EIOPA's efforts, the Cypriot NCA failed to fulfil the above obligation as several IORPs were operating in the country without proper registration. EIOPA therefore initiated a Breach of Union Law procedure and, in December 2023, issued a recommendation to the Cypriot NCA setting out the actions necessary to restore compliance with the directive. To this end, EIOPA also used relevant information collected during a field visit in April 2023 triggered by lack of reporting to EIOPA.

Source: ECA.

**74** As regards non-enforceable instruments, we found that EIOPA had never used guidelines and recommendations, which include a “comply or explain” mechanism in the area of pensions, even though they are more likely than other non-enforceable instruments to result in compliance by NCAs. We also note that EIOPA's supervisory outputs are less ambitious for IORPs than they are in the insurance sector. This applies both to the substance of its outputs and to the tools used (e.g. it chooses opinions for IORPs but guidelines for similar areas of work such as liquidity risk).

**75** EIOPA also uses other tools such as NCA networks or supervisory workshops. It is also developing a supervisory handbook for IORPs, setting out good practices. This includes working closely with NCAs on a dedicated chapter to facilitate the transition to risk-based supervision (see paragraphs [55-56](#)).

#### **NCAs implement the output of EIOPA’s supervisory work only to a limited extent**

**76** NCAs implement the outputs of EIOPA’s supervisory work for IORPs only to a limited extent (see [Figure 8](#) above and [Annex III](#)). According to EIOPA’s monitoring data, only one third of NCAs fully implemented the four opinions from 2019. The follow-up was similar for the only peer review carried out for IORPs so far. EIOPA has not yet conducted a peer review on occupational pensions since the IORP II Directive entered into force, and no peer review on IORPs was planned for 2023-2024<sup>36</sup>.

**77** EIOPA has only partly analysed the implementation of the supervisory tools it has applied since 2019 and, more importantly, it has not assessed their effectiveness in ensuring converging supervisory practices. The NCAs of some member states with more developed IORP markets generally had well-established supervisory practices even before EIOPA introduced these tools. Therefore, the tools have had little impact on those NCAs’ supervisory work in practice.

**78** NCAs responding to our survey also frequently referred to the challenges posed to supervisory activities by the “minimum harmonisation” nature of the EU regulatory framework and the heterogeneity of national pension markets (see [Annex IV](#)). Finally, fewer than a fifth of the NCAs in countries with IORPs considered that EIOPA needs additional tasks and powers to ensure converging supervisory practices in the area of occupational pensions.

---

<sup>36</sup> [Peer Review Work Plan 2023-2024](#).

## **EIOPA has improved its assessment of systemic risks for IORPs, but gaps remain**

**79** Under the [European System of Financial Supervision](#), EIOPA is in charge of assessing the financial stability of the IORP sector. This includes monitoring the sector and publishing regular reports, as well as performing EU-wide stress tests<sup>37</sup>. We examined the extent to which EIOPA had performed these two tasks and whether it had done so effectively.

### **EIOPA's data collection framework has been progressively developed and refined since 2004**

**80** EIOPA's ability to thoroughly analyse systemic risks for IORPs largely depends on the quality and completeness of the data it receives from regulatory reporting and external sources. EIOPA has been collecting data on IORPs for several years and has published related statistics since 2004, while the data collection framework has been progressively developed and refined. This framework is mainly based on the EIOPA Regulation and a decision by EIOPA's Board of Supervisors<sup>38</sup>. The implementation of a new "[data point model](#)" standard in June 2023 further standardised and automated data submission.

**81** A recent Board of Supervisors decision is intended to further enhance EIOPA's ability to assess risks and vulnerabilities and to close existing data gaps. However, even after the decision enters into force in 2025, some data gaps will remain and continue to affect the depth and comprehensiveness of EIOPA's risk assessments.

### **EIOPA reports do not focus on pension schemes' ability to generate sufficient returns over the long term**

**82** Since 2011, EIOPA has published a [financial stability report](#) twice a year. This report monitors and assesses risks in the insurance and IORP sectors. Since February 2024, EIOPA has also published a quarterly risk dashboard for IORPs. This dashboard's aim is to help readers understand the current risk landscape and make informed decisions.

---

<sup>37</sup> Article 32 of the EIOPA Regulation.

<sup>38</sup> EIOPA, [Decision of the Board of Supervisors on EIOPA's regular information requests regarding provision of occupational pensions information](#), 10 February 2023.



**83** We found that EIOPA’s publications focused on immediate and medium-term risks and vulnerabilities in the financial system. At the same time, they do not provide enough insight into how these risks affect pension schemes’ ability to generate sufficient returns over the long term. They also do not cover the long-term horizons relevant for IORPs – typically 30-40 years of saving followed by 20-25 years of retirement. Consequently, they do not provide an understanding of the potential long-term implications of the systemic risks identified.

**The 2022 EU-wide stress test was not entirely effective in identifying systemic risks to which IORPs are exposed**

**84** Stress testing plays a crucial role in assessing systemic risks within financial systems, including for occupational pensions. The adverse scenario must be both severe and plausible. Robust data and realistic assumptions are essential for developing the scenarios.

**85** The EIOPA Regulation requires EIOPA to conduct regular stress tests and evaluate the resilience of the insurance and occupational pensions sectors under various adverse scenarios. Since 2015, EIOPA has initiated and coordinated the stress tests for the occupational pensions, in cooperation with the European Systemic Risk Board.

*Annex V* provides an overview of the scenarios and outcomes of the stress tests from 2015 to 2022.

**86** Based on our review of the 2022 stress test and interviews with stakeholders, we found that EIOPA’s procedures for conducting stress tests are overall well-developed and function effectively. However, we noted several shortcomings in the design of the most recent stress test (the 2022 climate stress test) and in the assumptions used, while bearing in mind that it was the first of its kind (see *Box 3*).

**Box 3: 2022 climate stress test – the first of its kind, but with shortcomings**

For our analysis of the 2022 climate stress test, we used EIOPA’s framework for stress-testing IORPs and the methodology and scenarios developed by the relevant standard setter, the *Network for Greening the Financial System*, as audit criteria.

We identified the following shortcomings:

- The exercise focused on short-term balance sheet effects, while EIOPA excluded liquidity and the capacity to generate long-term returns, which we consider critical to ensure appropriate retirement income, from its scope.
- The stress test's focus on transition risks overlooks immediate physical risks such as flooding or extreme weather events. In our view, this reduces the relevance of climate risk assessment.
- The losses IORPs suffered in the stress test were significantly lower than actual losses in 2022, due to a similar scenario: an energy price shock.
- Some key assumptions were not supported by historical data and/or consistent with the narrative of the scenario. This applied in particular to the assumption that inflation would only rise moderately and quickly revert to the ECB's inflation target. In addition, the scenario did not account for the inflationary pressures stemming from energy price shocks and the green transition.

These shortcomings affected the assessment of the safety of retirement income from systemic risks as well as its capacity to reveal potential losses from climate change.

**87** Despite our concerns regarding the specific design and assumptions of the 2022 stress test, which was a pilot exercise for climate testing, we consider that it has promoted the development of a unified taxonomy, potentially facilitating the adoption of more detailed scenarios in future analyses. We observe also that, overall, EIOPA's stress tests since 2015 have covered the relevant risks for IORPs.

## **The EU's actions to improve transparency in relation to pensions and promote sustainability had limited effect**

**88** Both the Commission and EIOPA have taken several steps to inform citizens about the importance of pension savings and the different types of pension schemes, and to increase transparency both in relation to individual pensions and at an aggregated level. We examined the implementation status of these initiatives and their effectiveness, including:

- o the information provided to IORP members and beneficiaries through the pension benefit statement (PBS) and EIOPA's information tools to enhance information on IORPs;

- o the pension tracking system (PTS) and the pension dashboard, which are intended to provide a comprehensive overview and comparison of pensions in the EU. These two actions under the 2020 CMU action plan were considered key to raise awareness among EU citizens of their future retirement income, but also to improve policy making; and
- o other EU initiatives to improve pension literacy and to increase pension savings and sustainability in general.

### **The pension benefit statement's potential to improve access to information has not been fully exploited**

**89** The IORP II Directive introduced new information requirements for IORPs, including the issuing of an annual PBS<sup>39</sup>. The purpose of this document is to help IORP members and beneficiaries understand their pension status, contributions and potential benefits. It is also meant to give them details on costs and performance in relation to their retirement savings.

**90** The introduction of the PBS under the IORP II Directive enhanced information transparency, as also confirmed by the stakeholders we interviewed and 70 % of NCAs who responded to our survey. However, we found that the directive's provisions lack several important details, making it challenging for members and beneficiaries to grasp both the past and future performance of their pension scheme. In particular, the IORP II Directive does not specify sufficiently which details and assumptions IORPs should disclose in relation to their benefit projections. The directive also does not require a comprehensive breakdown of costs (see [Annex VI](#)).

**91** In 2018, EIOPA issued a comprehensive report on the PBS, providing detailed principles and guidance on the statement's design and content. However, as EIOPA has not collected any data or made assessments regarding the content of the information provided to members and beneficiaries through the national PBS templates, it is unknown to what extent NCAs have been following these guidelines.

**92** Furthermore, in 2020 EIOPA developed two model templates of PBS documents<sup>40</sup>, following consultations with a range of stakeholders, including NCAs, consumer organisations and industry representatives, and a testing process. The

---

<sup>39</sup> Article 38 of the IORP II Directive.

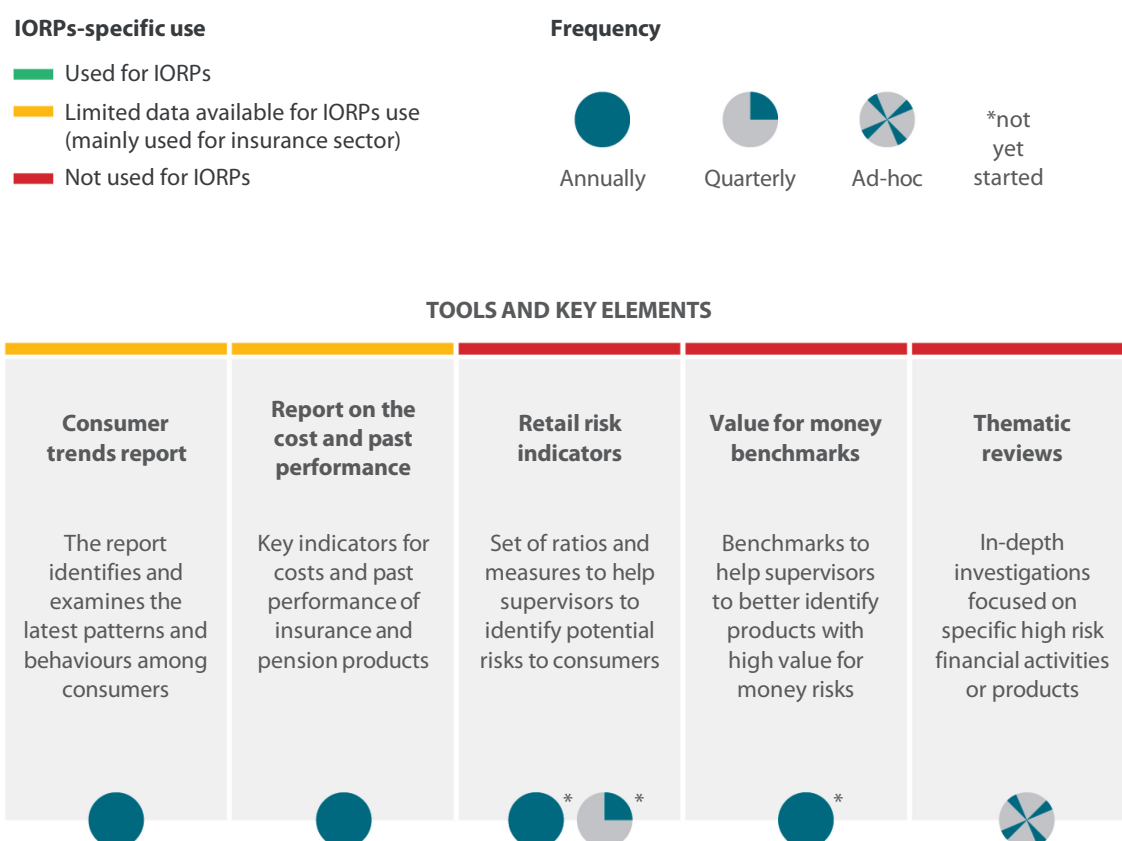
<sup>40</sup> [EIOPA's Pension Benefit statement packaged files](#), 25 March 2020.

templates covered important elements not specified by the directive. According to EIOPA, Slovakia is the only country using either one of the EIOPA templates. There are several reasons for the limited uptake of the templates, including their non-binding nature, but also significant delays in launching it and the fact that national models already existed. Consequently, EIOPA's efforts in this area did not ultimately contribute to enhancing the transparency and comparability of information at EU level.

### EIOPA's tools did not provide transparency in relation to costs and returns for IORP members and beneficiaries

**93** EIOPA has created a set of tools to monitor both the insurance and pension markets, to identify product trends and detect business conduct issues that could pose a risk to consumers as well as to financial markets. However, due mainly to a lack of data, these tools covered IORPs only to a very limited extent (see [Figure 9](#)).

**Figure 9 – EIOPA's main information tools for consumers**



Source: ECA.

**94** Moreover, regarding EIOPA's report on the costs and past performance, which is one of the two most relevant reports for IORPs, we identified a number of specific shortcomings:

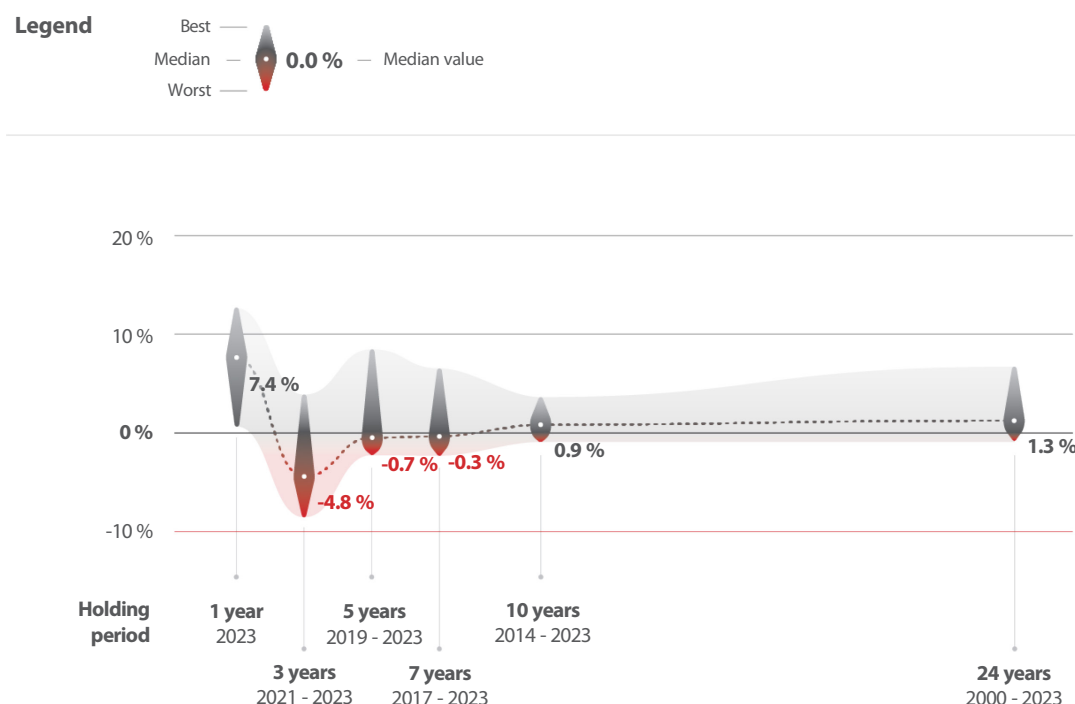
- o the report includes only one single cost indicator, the expense ratio (annual fee expressed as a percentage of investment), which does not account for all types of costs and charges associated with IORPs, and fails to detail the specific components;
- o the expense ratio is not comparable across member states due to varying calculation methodologies;
- o the report lacks comprehensive data on the performance of IORPs as the expense ratio it uses does not provide a complete picture of the overall performance of IORPs; and
- o the report does not include any information from NCAs on value-for-money risks for IORPs (i.e. an assessment whether the products are aligned with the target market's needs, including analysis of market and asset return risks; operational, liquidity and transparency risks), as it does for insurance products, even though understanding these risks is essential for the effective protection of members and beneficiaries.

**95** EIOPA itself does not publish data on IORPs' past performance. However, according to Better Finance<sup>41</sup>, the sole available source, the medium- and long-term returns of occupational pensions in the EU are relatively modest. Over holding periods of 3, 5 and 7 years, median annualised returns, after charges and inflation, are negative. Only over periods longer than 10 years do they start to hover around 1 % (see [Figure 10](#)).

---

<sup>41</sup> Better Finance, [The Real Return of Long-term and Pension Savings, 2024 edition](#), Table GR.3, p. 27.

**Figure 10 – Annualised performance of occupational pensions in real terms over varying holding periods (2000-2023)**



Source: ECA, based on [Better Finance](#).

**96** For comparison, according to Better Finance a theoretical portfolio composed equally of EU equities and bonds would have yielded return of around 1.9 % annually on average after charges and inflation over the same period. This means that, over longer periods (seven or more years), around 75 % of the occupational pensions in the sample analysed by Better Finance would fail to beat the performance of the theoretical capital market benchmark (i.e. the balanced portfolio composed of EU equities and bonds). This raises concerns about IORPs' ability to provide adequate retirement income to their beneficiaries.

### The Commission's actions to provide an overview on pensions did not materialise

**97** The Commission's 2020 CMU action plan included actions to identify the relevant data and methodology for developing pension dashboards and to develop best practices for the set-up of national pension tracking systems. These additional tools were aimed at increasing transparency on pension gaps at individual and country level:

- **Pension tracking systems (PTSs)** provide individuals with a comprehensive overview of their pension entitlements from various sources, including state, occupational and personal pensions. This helps individuals understand their total

future retirement income, identify any gaps, and make informed decisions about additional savings or investments.

- o **Pension dashboards** provide member states with a more comprehensive view of the adequacy of their pension systems. They offer an aggregated view at a macro level, helping policymakers and stakeholders monitor pension developments across different countries and EU-level demographics. This is intended to support more informed decision-making and improve the management of pension systems.

**98** Although many member states have a PTS, this primarily covers state pensions (first pillar). Several member states (Belgium, Croatia, Denmark, Estonia, France, Germany, Latvia, Netherlands, Slovakia and Sweden) have a PTS that covers at least two pillars. The remaining member states are currently either not offering their citizens a comprehensive overview of their pension entitlements in one place, or do not have any tracking system at all. This lack of comprehensive information can hinder citizens' ability to plan effectively for retirement. Moreover, even though a range of pension statistics are publicly available, no member state has yet created a national-level pension dashboard offering similar advantages as the one proposed by EIOPA, such as ease of communication, completeness and comprehensiveness (i.e. displaying a range of indicators that shed light on different aspects of pension adequacy and sustainability).

**99** At EU level, efforts to improve information on pension entitlements for individuals, and especially for mobile workers, included the roll-out of a European tracking service on pensions. The service has been piloted since 2018, and the Commission took further steps towards its roll-out at the end of 2024 by connecting more national tracking systems to the European one, as well as providing an exchange of best practices on pension tracking systems.

**100** A European pension dashboard that could provide an EU-wide overview of pension systems, and of pension gaps persisting in the member states, has also been considered. To date, no further action has been taken in relation to a European pension dashboard due to missing data.

**101** As requested by the Commission, in 2021 EIOPA submitted technical advice<sup>42</sup> on both actions, which provided extensive analysis and suggested potential good practices. EIOPA's public consultations on the pension dashboard showed only partial support among national stakeholders for this initiative. While the proposals were discussed with member states, no consensus was reached, and the Commission has not taken any follow-up policy action since then.

**102** EIOPA explored the continuation of work on pension dashboards by initiating a pilot European pension dashboard project with voluntary cooperation from member states, whose contribution is key in order to fill crucial data gaps. However, EIOPA's Board of Supervisors decided not to pursue this initiative in February 2024 due to the lack of a specific request from the Commission as well as limited staff resources. The Commission also decided not to take the lead on this initiative and did not take any other steps (e.g. creating a dashboard itself or issuing recommendations). We note, however, that recent statements and conclusions from the Eurogroup and the Council<sup>43</sup> highlight a renewed commitment to this initiative.

**103** Prior to the dashboard and tracking initiatives, the Commission had already been publishing, every 3 years, two reports related to pensions: one on pension adequacy (since 2012) and one on ageing in the EU (since 2006)<sup>44</sup>. Both contain relevant information on the architecture of the pension systems in the member states. However, we found that these reports lacked a full overview of the systems, including key information on IORPs.

**104** Considering the current and projected demographic trends and their influence on the labour market, it is essential for citizens to have access to comprehensive pension information as they approach retirement. This transparency is equally important for governments, enabling them to address the sustainability of pension systems and ensure fiscal stability. Pension tracking systems and dashboards provide

---

<sup>42</sup> EIOPA: [Technical advice on the development of Pension Dashboards and the collection of pensions data](#), and [Technical advice on the development of Pension Tracking Systems](#), 01 December 2021.

<sup>43</sup> Special meeting of the European Council – [Conclusions, April 2024](#) and [Council Conclusions on Pension Adequacy](#), June 2024.

<sup>44</sup> Commission, [2024 pension adequacy report](#), and [2024 ageing report. Economic and budgetary projections for the EU Member States \(2022-2070\)](#).



valuable insights into pension adequacy and sustainability, allowing public authorities to identify and address emerging gaps early on.

### **Further EU initiatives to promote the sustainability of pension systems and individual pension savings were modest in scope**

**105** In its annual report published in 2024, the European Fiscal Board once again stressed the implications of demographic developments for the sustainability of pension systems, as well as their fiscal implications<sup>45</sup>. As can be inferred, among other things, from this report, pension adequacy also poses a serious social concern that risks undermining the EU's social market economy model.

**106** Since 2011, the Commission has issued nearly 450 pension-related country-specific recommendations in the context of the European Semester<sup>46</sup>. During the period covered by this audit, 29 such recommendations were made (see [Annex VII](#)). These recommendations focused on the financial sustainability of pension systems rather than on pension adequacy. In particular, since 2019 only two pension-related recommendations have concerned occupational pensions. These recommendations were issued to only one member state: the Netherlands. The Commission assessed their progress as of the end of 2024 as substantial.

**107** Under the Recovery and Resilience Facility (RRF), member states receive funding linked to measures which address all or a significant subset of their 2019/2020 country-specific recommendations. Although no RRF policy areas directly concern pensions, member states have included 26 RRF measures relating to their pension systems. Five of these measures, which vary in scope and depth, relate to occupational pensions (two in Cyprus and one each in Germany, Spain and the Netherlands; see examples in [Box 4](#)). The actual fiscal impact of these reforms will become apparent only in the long term.

---

<sup>45</sup> Annual Report 2024, [European Fiscal Board](#), Box 5.1.

<sup>46</sup> Journal of Common Market Studies: [Financial Sustainability Above All Else? Drivers and Types of Pension Reform Recommendations in EU Socio-economic Governance](#), 2024, pages 1-23.

**Box 4 – Examples of RRF measures related to occupational pensions**

**Germany:** Development of a digital pension overview portal to enable citizens to obtain information about their individual pension provision from all three pillars and to identify any action they need to take.

**Netherlands:** Implementation of pension reforms to enhance fairness, including entry into force of the law reforming the system's second pillar, which will abolish the systemic redistribution between different age groups (adequate pension for all generations).

*Source:* ECA.

**108** The Commission and EIOPA have taken other actions to improve financial literacy (see [Annex VIII](#)). These were modest in scope, due to the EU's limited competence in the areas of pensions and education, and did not focus on IORPs specifically. The Commission, as part of its 2020 CMU action plan, has also explored and promoted auto-enrolment for pension schemes.

## Conclusions and recommendations

**109** We conclude that, in view of the level of responsibility accorded to them, the actions taken by the Commission and EIOPA have so far not been effective in deepening the internal market for occupational pensions, strengthening the role of cross-border institutions for occupational retirement provision (IORPs) or developing a pan-European personal pension product.

**110** In particular we found that:

- cross-border activity by IORPs remains minimal and concentrated in a few member states where occupational pensions were already traditionally rooted. This is mostly due to factors that do not fall within the EU's remit (including national social, labour and fiscal laws) and are beyond the reach of what legislative initiatives at EU level can currently achieve;
- the Pan-European personal pension product (PEPP), proposed by the Commission, has neither proven to be an alternative retirement saving option for EU citizens nor attracted interest from suppliers, mainly due to a lack of tax incentives, the 1 % cost cap and the existence of alternatives;
- the efforts of the European Insurance and Occupational Pensions Authority (EIOPA) to foster supervisory convergence and the protection of members have not been entirely effective. This is due to the “minimum harmonisation” framework within which EIOPA is operating and a lack of uptake of EIOPA initiatives among national competent authorities (NCAs).
- EIOPA's assessment of IORPs' specific and systemic risks has improved, though remains incomplete; and
- initiatives by the Commission and EIOPA to increase transparency and public awareness regarding pension products and increase citizens' financial literacy in relation to occupational pensions have been limited in scope and scale.

**111** The Commission pursued its legislative proposals for the revised IORP Directive and for the PEPP Regulation without sufficient evidence, as also pointed out by the Regulatory Scrutiny Board. In addition, there remain design issues with both legislative acts. In particular, the IORP II Directive has led to higher regulatory requirements for cross-border IORPs compared to domestic occupational pension schemes. Based on our audit findings, we consider that making a significant step forward in terms of

developing an internal market for occupational pensions is not possible by relying on incremental changes under the current minimum harmonisation framework.

**112** Finally, the Commission has not put in place an adequate performance monitoring framework with indicators that would allow it to assess the effectiveness of the IORP II Directive. The Commission also missed the deadline for the *ex post* evaluation of the directive, due to its significantly delayed transposition. As a result, the Commission does not have an overview of why its objectives were not achieved. An evaluation of the PEPP Regulation is planned only in March 2027 (see paragraphs [31-51](#)).

### **Recommendation 1 – Bring forward the completion date for the assessment of the reasons for the lack of uptake of the Pan-European personal pension product, and take appropriate action**

---

The Commission should bring forward the completion date for its assessment of the reasons for the lack of uptake of the PEPP, and decide whether the PEPP project should be pursued at EU level, amended or repealed.

**Target implementation date: December 2025.**

**113** While the IORP II Directive has improved governance standards and enhanced certain supervisory powers for NCAs, we conclude that its implementation and enforcement vary widely among member states. Most NCAs value the flexibility to exceed the minimum standards set in the IORP II Directive, and often supplement these requirements in their national legislation. Some NCAs are still in early stages of adopting a risk-based approach, further contributing to divergence in the supervisory framework. This divergence is due to the choice of legal instrument – a directive, which member states need to transpose into national law, rather than a regulation, which is directly applicable as well as the “minimum harmonisation” approach. Moreover, the lack of a duty-of-care requirement and insufficient measures to address conflicts of interest and member complaints procedure represent major gaps in the supervisory framework. Additionally, further issues, including a lack of regular supervisory reporting, impact the quality and consistency of supervision across the EU (see paragraphs [52-64](#)).

**114** Finally, the revision of the IORP Directive did not introduce, as intended, sufficiently robust safeguards against regulatory arbitrage (see paragraphs [65-68](#)).

## Recommendation 2 – Strengthen the supervisory framework for IORPs

---

When revising the IORP II Directive, the Commission should address the need to strengthen the supervisory framework by:

- (a) amending existing prudential requirements to fully reflect the specific risks related to defined contribution schemes; this should include introducing an explicit duty-of-care principle (encompassing the objective of providing adequate returns) and additional safeguards against conflicts of interest, and establishing a clear complaint-handling framework; and
- (b) increasing the minimum standards and the quality of supervision as well as introducing explicit safeguards against the risk of regulatory arbitrage.

**Target implementation date: when revising the IORP II Directive.**

**115** EIOPA’s efforts to enhance supervisory convergence across the EU are hindered by the fact that it cannot propose technical standards and makes limited use of other tools at its disposal. For the tools that EIOPA did use, the uptake by NCAs was low. The challenges posed by the EU’s “minimum harmonisation” regulatory framework and diverse national pension systems have further limited the impact of EIOPA’s efforts. Although EIOPA has defined effective supervision principles, its focus and resources are mainly allocated to the insurance sector, which is a direct reflection of EIOPA’s current mandate. Additionally, EIOPA has not fully assessed the effectiveness of its initiatives to foster supervisory convergence (see paragraphs [69-78](#)).

## Recommendation 3 – Review the effectiveness of tools and prioritise those with the greatest impact on supervisory convergence

---

EIOPA should build on initial IORP II evaluations and review the effectiveness of the tools it uses in order to identify gaps and prioritise the most impactful instruments (including guidelines, recommendations and the Breach of Union Law procedure) in its future work.

**Target implementation date: 2027.**

**116** EIOPA’s publications provide a solid foundation for understanding systemic risks to which IORPs are exposed but lack specific analysis of how these risks impact

long-term real net returns. Furthermore, they do not assess whether IORPs can generate returns exceeding inflation to meet retirees' needs, and do not cover sufficiently extended periods considering the long-term horizons relevant for IORPs (see paragraphs [79-83](#)).

**117** Stress tests have been carried out regularly, and EIOPA's procedures for conducting them are well developed and function effectively. However, we noted shortcomings in its 2022 climate stress test, which was the first of its kind. Therefore, we consider that this stress test was not entirely effective in revealing the vulnerabilities of IORPs' portfolios stemming from climate change risks (see paragraphs [84-87](#)).

## **Recommendation 4 – Improve the assessment of the impact of systemic risks on institutions for occupational retirement provision**

---

To enhance its assessment of systemic risks for IORPs, EIOPA should:

- (a) where relevant, report on the impacts that the identified systemic risks and market trends have on funding levels and IORPs' ability to generate returns above inflation, considering long-term horizons; and
- (b) ensure that future climate stress tests include further key parameters and assumptions for the sector (for example, physical risks and more severe inflationary impact) which are plausible and severe enough to assess the impact of the relevant systemic risks on IORPs.

**Target implementation date: a) 2026 and b) for the next climate stress test.**

**118** The Commission's and EIOPA's actions to improve citizens' understanding of their pensions have been modest in scope, due partly to the EU's limited competence in this area. At an individual level, EIOPA's models of the pension benefit statement to help IORP members and beneficiaries understand their pension status have not been taken up by NCAs. In addition, there are limitations in terms of data availability. Thus, EIOPA's information tools, predominantly tailored to the insurance market, do not provide sufficient transparency regarding costs and returns for IORP members and beneficiaries (see paragraphs [88-96](#)). Other EU initiatives to increase financial literacy did not address occupational pensions as such or had a limited effect (see paragraph [108](#)).

## Recommendation 5 – Improve transparency on IORPs’ costs and returns

---

EIOPA should systematically collect, analyse and publish comparable data on the costs and charges, past performance and value-for-money risks of IORPs in all member states.

**Target implementation date: 2026.**

**119** Similarly, the success of the Commission’s policy initiatives to provide a comprehensive overview and comparability of pensions in the EU has been limited so far. There is a lack of information and transparency on pensions, both for individuals and at country level. By October 2024 the Commission was only starting the roll-out phase for the European tracking service on pensions, while it has not taken any follow-up action in relation to the European pensions dashboard since then. These tools enable a comprehensive, EU-wide view on pension systems and highlight existing pension gaps across member states. Accurate and transparent data is necessary for informed policymaking at both national and EU level. The coverage of occupational pensions in the country-specific recommendations issued as part of the European Semester and in the measures of the national Recovery and Resilience Plans is modest in scope (see paragraphs [97-107](#)).

## Recommendation 6 – Increase transparency on pensions by making progress on pension tracking systems and dashboards

---

The Commission should improve the transparency of data on pension gaps, both for individuals and at country level, by following up its policy action on pension tracking systems and dashboards.

**Target implementation date: December 2025.**

This report was adopted by Chamber IV, headed by Mr Mihails Kozlovs, Member of the Court of Auditors, in Luxembourg at its meeting of 8 April 2025.

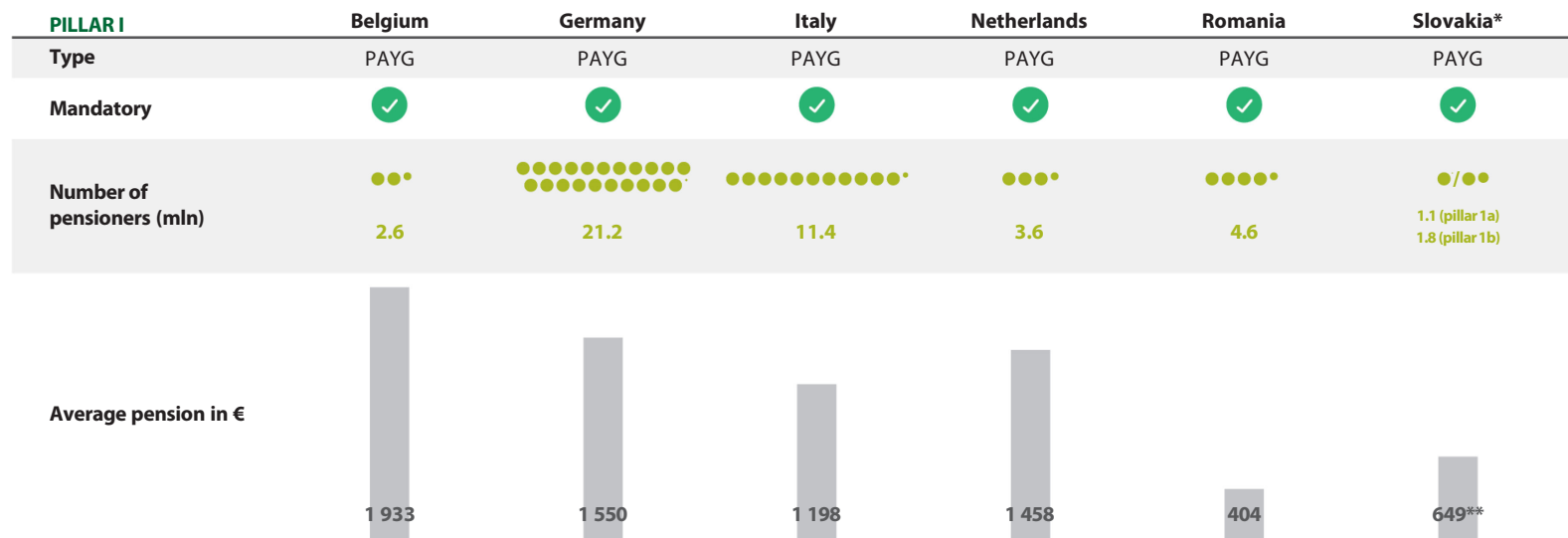
*For the Court of Auditors*

Tony Murphy  
*President*



# Annexes

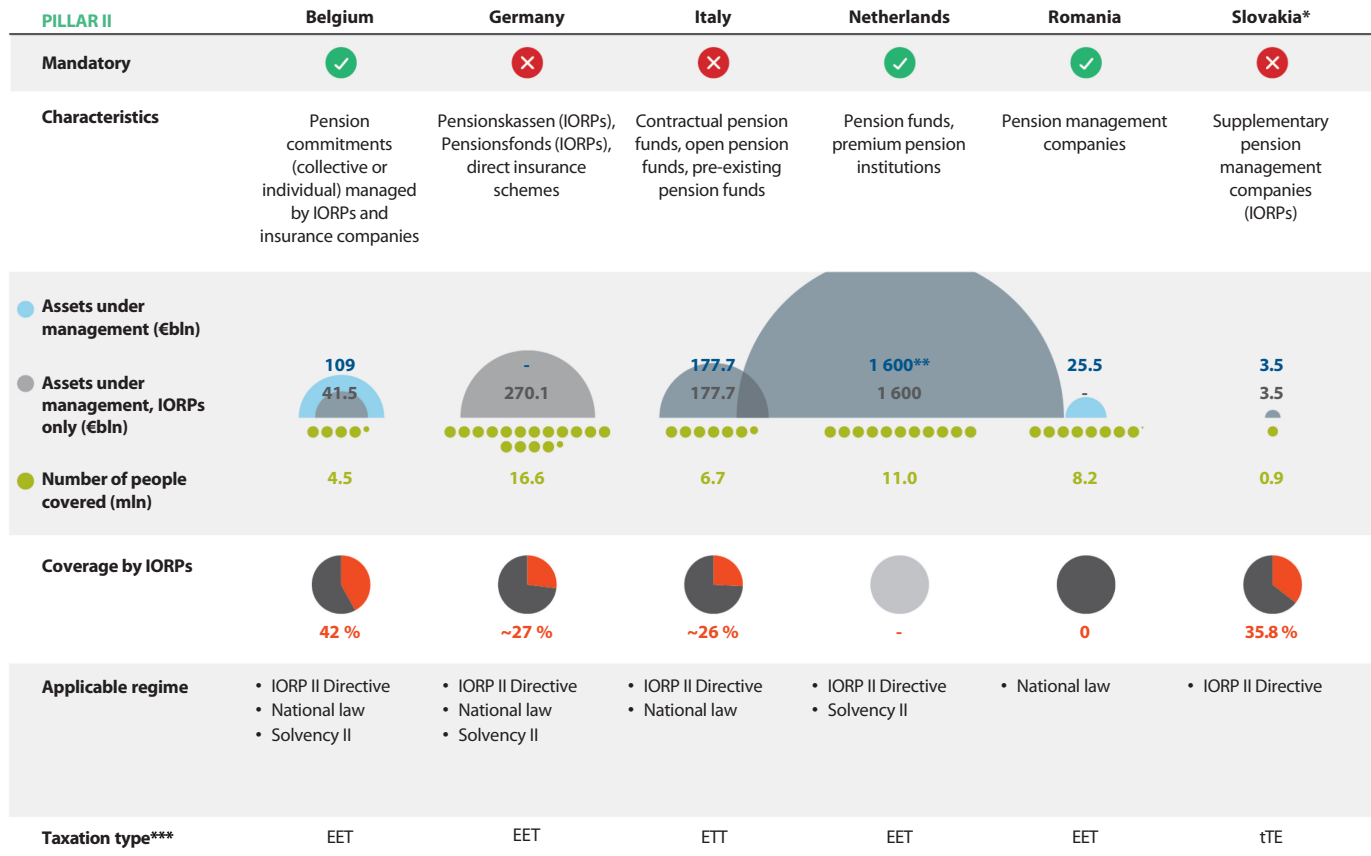
## Annex I – Overview of pillar I and II pensions in six sampled member states (2023)



Note: PAYG – Pay as you go

\* In Slovakia: state pension pillar I (1a) and private pension pillar II (1b, mandatory with automatic participation but possibility of leaving within 2 years) are aggregated here under pillar I for presentation purposes.

\*\* In Slovakia: figure only includes the average pension from state pensions under pillar I (it does not take into account the amount of benefits paid from private pensions under pillar II).



\* In Slovakia: IORPs fall under pillar III (presented here under pillar II) and are mandatory for some categories of jobs.

\*\* In the Netherlands: insurers also provide pillar II pensions on the Dutch market, but there are no data on their market share. The overall size of the occupational pensions market thus exceeds the amount of assets under management stated for IORPs.

\*\*\*Taxation type:

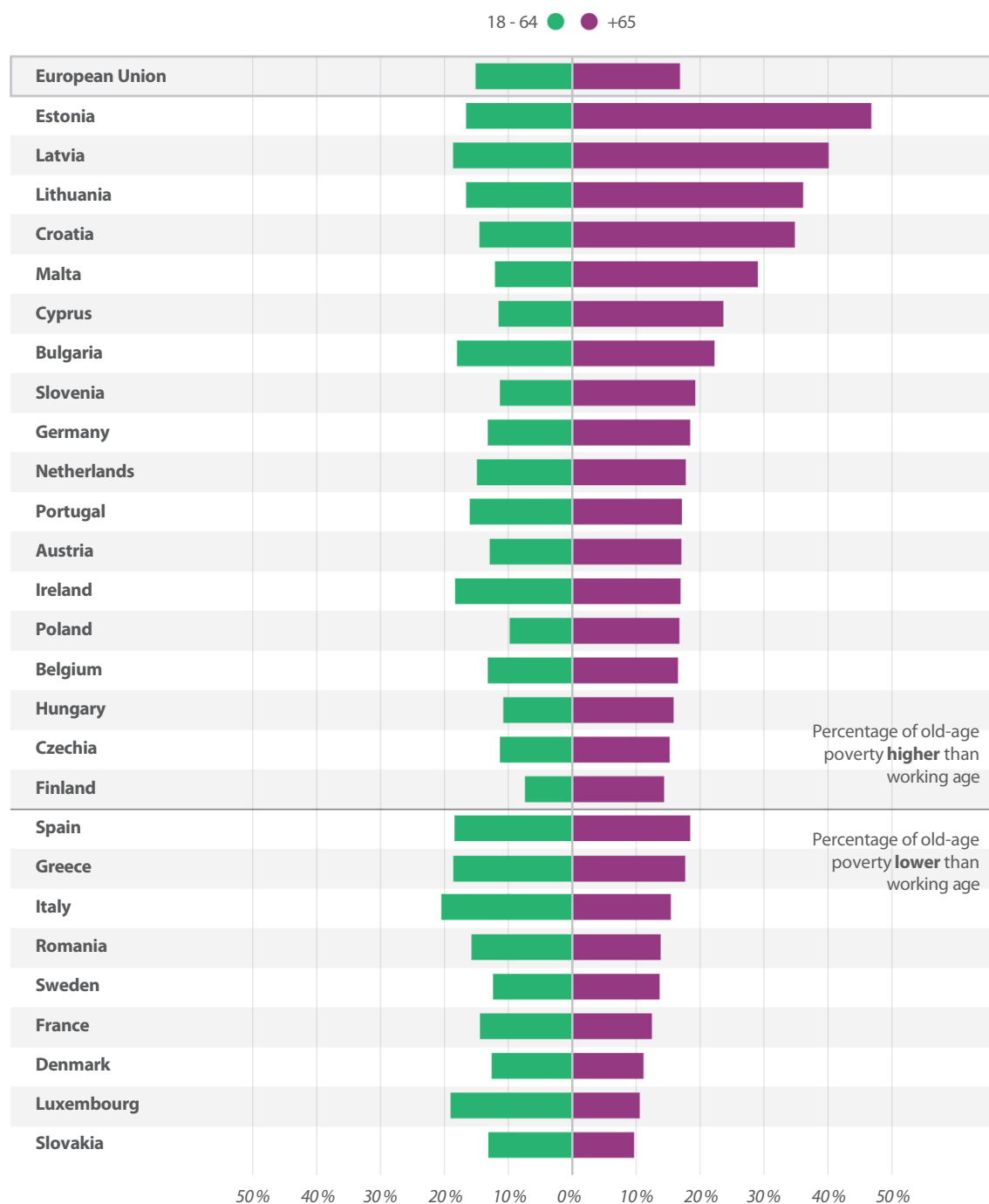
EET ("exempt-exempt-taxed") – contributions are exempt, the investment income and capital gains of the pension fund are exempt, and benefits are taxed as part of personal income taxation.

ETT ("exempt-taxed-taxed") – employee contributions are exempt, while investment returns and benefits are taxed.

tTE ("taxed-taxed-exempt") – contributions and interest are taxed while benefits are tax-exempt, and financial incentives are applied as regards the taxation of contributions.

Source: ECA, based on EIOPA and data from the National Competent Authorities.

## Annex II – Rate of people at risk of poverty by age (2023)



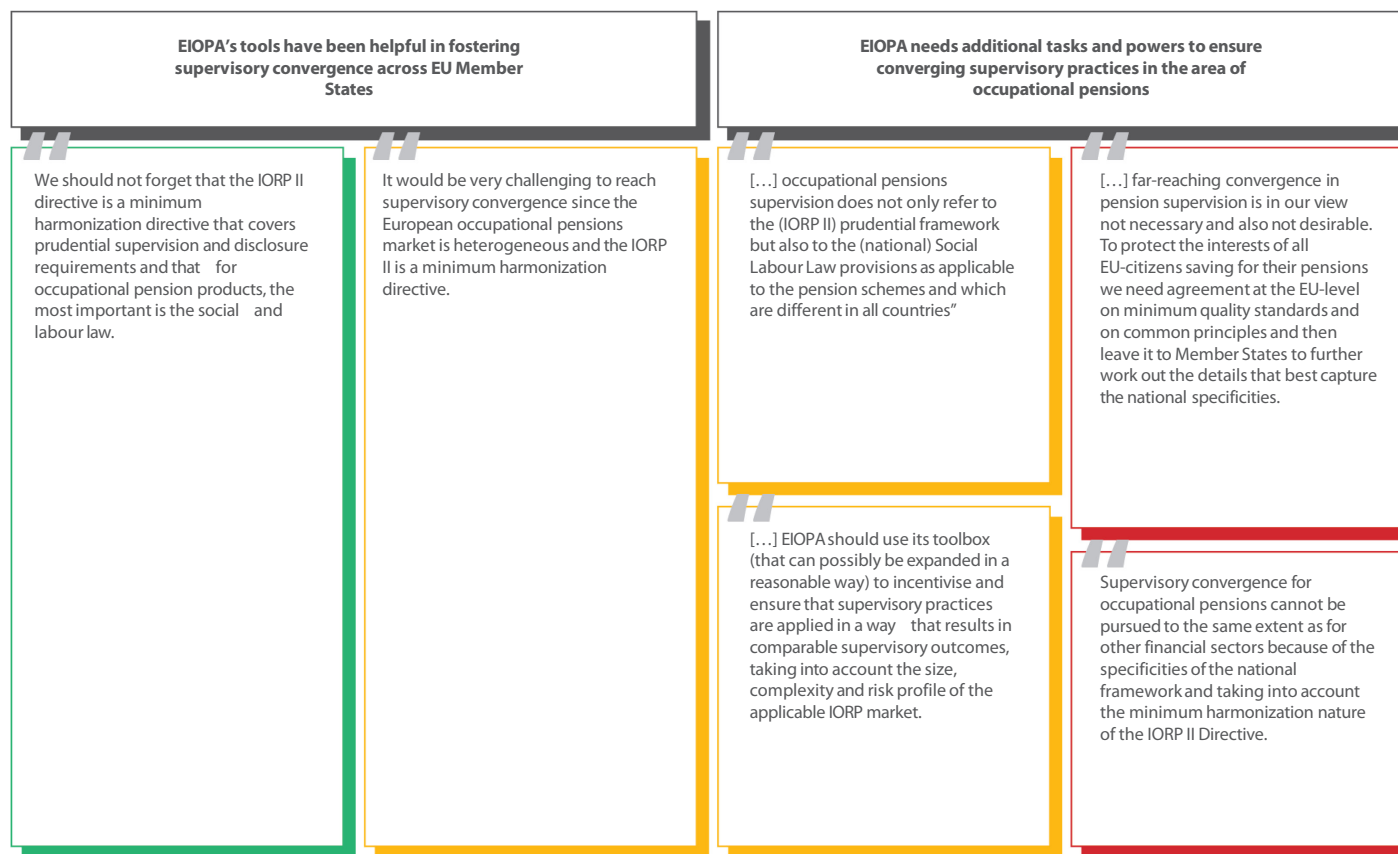
Source: ECA, based on Eurostat.

### Annex III – Overview of EIOPA’s supervisory convergence instruments used for IORPs

Tool	Opinions to NCAs	Supervisory statements	Peer reviews	Breach of Union Law procedure
<b>Purpose</b>	Address a lack of convergence on supervisory practices which are due to different interpretations of the regulatory framework	Address divergent practices in areas where the rules are concretely defined, and divergences are mainly driven by different supervisory practices	Perform an objective assessment and comparison of some or all of the NCAs’ activities	used when there is a systemic or repeated infringement of EU law, and the breach has a significant, direct impact on EIOPA’s objectives
<b>Title (month and year)</b>	<ul style="list-style-type: none"> <li>(1) Opinion on the use of governance and risk assessment documents in the supervision of IORPs (July 2019)</li> <li>(2) Opinion on the practical implementation of the common framework for risk assessment and transparency of IORPs (July 2019)</li> <li>(3) Opinion on the supervision of the management of operational risks faced by IORPs (July 2019)</li> <li>(4) Opinion on the supervision of the management of environmental, social and governance risks faced by IORPs (July 2019)</li> <li>(5) Opinion on the supervisory reporting of costs and charges of IORPs (October 2021)</li> <li>(6) Opinion on the supervision of long-term risk assessment by IORPs providing defined contribution schemes (October 2021)</li> </ul>	Supervisory statement on sound practices within the registration or authorisation process of IORPs, including as regards suitability for cross-border activity (November 2020)	Peer review on supervisory practices with respect to the application of the “prudent person rule” for IORPs (April 2019 initial peer review and September 2023 follow-up)	Recommendation to the Registrar of IORPs on actions necessary to comply with Directive (EU) 2016/2341 (December 2023)

Source: ECA.

## Annex IV – Examples of comments by the member states on the challenges to EIOPA’s supervisory convergence work



Note: Illustrative replies out of the comments made some of the 27 NCAs that responded to our survey.

- Agree
- Neither Agree nor Disagree
- Disagree/Strongly disagree

Source: ECA survey.

## Annex V – EIOPA stress tests – scenarios and outcomes

Year	Focus	Scenario	Outcome
2015	Low-interest-rate environment and increased life expectancy	Prolonged low interest rates and increased life expectancy	Highlighted vulnerabilities in defined benefit and defined contribution schemes, showing many IORPs would struggle to meet liabilities under prolonged low-interest rates.
2017	Resilience to adverse market conditions	Shock to EU equity markets and drop in risk-free interest rates	Revealed funding shortfalls for many IORPs and emphasised potential impact on the real economy and financial markets. Adjustments to restore sustainability of IORPs would fall disproportionately on younger generations.
2019	Resilience to adverse market scenarios and shock transfer	Sudden reassessment of risk premia and shocks to interest rates on short maturities, resulting in increased yields and widening of credit spreads	Financial situation of IORPs heavily affected in the short term, requiring financial support from sponsoring undertakings/other security mechanisms. If these short-term effects were to become permanent, there would be long-term impacts on the future retirement income of members.
2022	Climate change scenario	Sudden, disorderly transition to climate neutrality with sharp rise in carbon and energy prices	Sizeable overall drop of 12.9 % in assets mostly offset by drop in liabilities due to rising risk-free rates.

Source: ECA.

## Annex VI – Shortcomings in the regulation of the PBS and EIOPA's actions

Shortcomings in the regulation of the PBS in the IORP II Directive	EIOPA's actions
<b>Lack of standardisation:</b> no common standard or template for the PBS; not all relevant information specified (e.g. considering the shift from defined benefit to defined contribution pension schemes)	In 2018, EIOPA issued a <b>report on the PBS</b> , setting out principles and guidance on its design and content. In 2020, it <b>developed two voluntary PBS</b> models specifically tailored to defined contribution schemes.
<b>Incomplete cost and charges information:</b> lack of regulatory requirements for cost and charges reporting	In 2023, EIOPA published an <b>opinion</b> (only 7 years after the relevant requirements became applicable) analysing issues related to the disclosure of IORP costs to participants.
<b>Insufficient risk information:</b> incomplete cost and charges reporting leads to lack of reporting guidance on value-for-money risks	<b>The PBS models include value-for-money risks</b> giving the members a clearer understanding of the potential risks associated with their pension products.
<b>Absence of performance data:</b> no requirement for the PBS to show investment performance or a brief indication of current investment options	<b>The PBS models include information</b> on how the pension pot has changed over the years and the return on the investment.
<b>Lack of projections:</b> no detailed guidance on the assumptions to be used or the specific information to be included in the PBS	<b>The PBS models include projections based on three different scenarios</b> (estimate of retirement savings under various conditions), helping members understand how much money they might receive upon retirement.
<b>Lack of electronic document:</b> only a paper copy must be made available upon request	EIOPA has <b>highlighted the critical importance</b> of digitalising the PBS format (also providing electronic information).

Source: ECA.

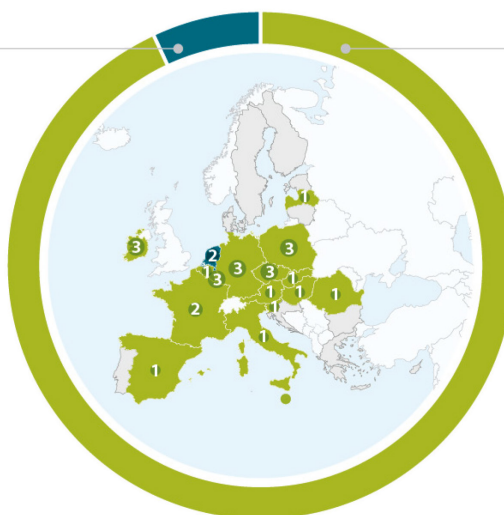
## Annex VII – Country-specific recommendations 2019-2024, and RRF measures related to pensions

### Country-specific recommendations regarding pension systems

Occupational  
pensions-related reforms

**2**

Netherlands



Sustainability, adequacy  
and retirement age

**27**

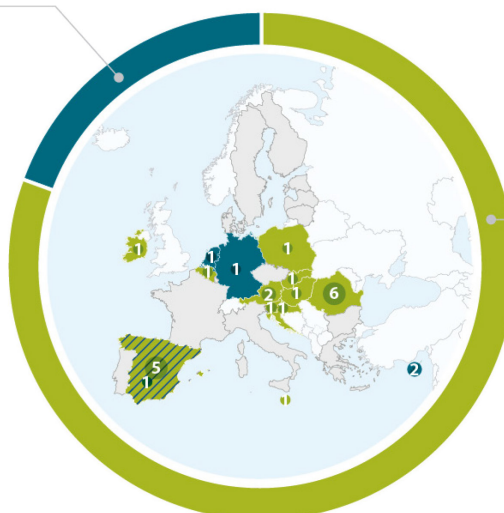
Austria, Belgium, Czechia,  
Germany, Spain, France, Hungary,  
Ireland, Italy, Luxembourg, Latvia,  
Malta, Poland, Romania, Slovenia,  
Slovakia

### Recovery and resilience facility measures regarding pension systems

Occupational  
pensions-related reforms

**5**

Cyprus, Germany, Spain,  
Netherlands



Sustainability, adequacy  
and retirement age

**21**

Austria, Belgium, Spain, Croatia,  
Hungary, Ireland, Malta, Poland,  
Romania, Slovenia, Slovakia

Source: ECA.



## Annex VIII – EU pensions-related actions on financial literacy and autoenrollment

Area	Action and year	Author	Subject	IORPs related?
<b>Financial literacy</b>	Two financial competence frameworks: one for adults (2022), and another for children and youth (2023)	European Commission	Both documents cover planning for retirement and pensions, but not occupational pensions explicitly or additional/alternative solutions to first-pillar pensions.	Not explicitly
<b>Financial literacy</b>	An <a href="#">interactive map</a> of EEA countries' national financial education websites (2021)	EIOPA	A map thanks to which consumers can use to learn about insurance and pension products in general	Not explicitly
<b>Auto-enrolment</b>	Best practices on auto-enrolment for pension schemes (2021)	European Commission	These schemes automatically enrol eligible employees in a pension plan while allowing them to opt out.	Directly

Source: ECA.

# Abbreviations

**CMU:** Capital markets union

**EEA:** European Economic Area

**EIOPA:** European Insurance and Occupational Pensions Authority

**IAB:** Impact Assessment Board

**IORP:** Institution for occupational retirement provision

**NCA:** National competent authority

**PBS:** Pension benefit statement

**PEPP:** Pan-European personal pension product

**PTS:** Pension tracking system

# Glossary

**Better regulation:** Concept that guides EU policy and law-making, based on the principles that regulation should achieve its objectives at minimum cost and be designed in a transparent, evidence-based manner with citizen and stakeholder involvement.

**Conformity check:** Check that the relevant provisions of an EU directive have been accurately reflected in national implementing measures.

**Defined benefit scheme:** Type of pension providing a pre-defined retirement income based on salary and the number of years worked for the employer.

**Defined contribution scheme:** Type of pension providing retirement income that depends on pre-defined contributions made and the performance of the funds in which they are invested.

**Discount rate:** Interest rate used to value pension entitlements for individuals, and pension liabilities for pension providers, in today's money.

**Duty of care principle:** Principle whereby IORPs are expected to act fairly and in accordance with the best interests of members and beneficiaries, and to help prospective members and beneficiaries assess the choices or options available to them.

**Effectiveness:** Extent to which the objectives pursued are achieved through the activities undertaken.

**Efficiency:** Best relationship between the resources employed, the activities undertaken and the achievement of objectives.

**European Insurance and Occupational Pensions Authority (EIOPA):** EU agency responsible for supervising and regulating insurance and occupational pension activities across EU member states.

**European Semester:** Annual cycle which provides a framework for coordinating the economic policies of EU member states and monitoring progress.

**European Systemic Risk Board (ESRB):** Body responsible for supervising the EU financial system as a whole, from a risk perspective.

**Home and host national competent authorities:** As a general principle, home NCAs are responsible for prudential supervision and host NCAs have some differing responsibilities for supervising compliance with conduct of business rules, including those related to information to be provided to consumers and transparency of conditions.

**Impact assessment:** Analysis of the likely (*ex ante*) or actual (*ex post*) effects of a policy initiative or other course of action.

**Infringement procedure:** Procedure whereby the Commission takes action, in various stages, against an EU member state that fails to meet its obligations under EU law.

**Institution for occupational retirement provision (IORP):** Financial institution that manages an occupational pension scheme on behalf of one or more employers.

**National competent authority (NCA):** National body responsible for the supervision of a financial sector such as banking, insurance or pensions.

**Pan-European personal pension product (PEPP):** Voluntary personal pension scheme that allows EU citizens to continue saving even if they take up residence in another member state.

**Pay-as-you-go:** Method of financing pensions where revenue from current contributions is used to pay current pension benefits and there is no advance funding of pensions liabilities.

**Pension adequacy:** The concept described in the Commission's Pensions Adequacy Report, published every three years, distinguishing three main dimensions of adequacy: (i) poverty protection, (ii) income maintenance, and (iii) pension/retirement duration.

**Prudent person rule:** Legal principle requiring someone managing assets of value for another person or people to invest prudently and in their best interests.

**Prudential requirements:** Regulatory standards and guidelines designed to ensure the stability and soundness of financial institutions.

**Regulatory arbitrage:** Practice of using loopholes in regulatory systems to circumvent unfavourable regulations.

**Risk-free rate:** Rate of return that an investor would expect to earn on an investment that carried zero risk.

**Statutory funded pensions:** Legislated pension scheme in which a part of participants' social security contributions is converted into funded assets that are typically administered by authorised private managers.

**Stress testing:** Simulation to assess a financial institution's ability to withstand different crisis scenarios.

**Supervisory convergence:** Process of promoting the consistent and effective implementation and application of harmonised (but not uniform) rules by national competent authorities across the EU.

**Systemic risk:** Risk that affects an entire financial market or system, and not just specific participants.

**Value-for-money risks:** In the context of pension schemes, risks that pension products offered in the market do not offer reasonable retirement benefits.

## Replies of the Commission

<https://www.eca.europa.eu/en/publications/sr-2025-14>

## Replies of the EIOPA

<https://www.eca.europa.eu/en/publications/sr-2025-14>

## Timeline

<https://www.eca.europa.eu/en/publications/sr-2025-14>

## Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber IV – Regulation of markets and competitive economy, headed by ECA Member Mihails Kozlovs. The audit was led by ECA Member Mihails Kozlovs, supported by Edite Dzalbe, Head of Private Office and Laura Graudina, Private Office Attaché; Kamila Lepkowska, Principal Manager; Anna Ludwikowska, Head of Task; Anca Staicu, Georgia Bichta, Jörg Genner and Marc Hertgen, Auditors. Michael Pyper provided linguistic support. Dunja Weibel provided graphical support.



Mihails Kozlovs



Edite Dzalbe



Laura Graudina



Kamila Lepkowska



Anna Ludwikowska



Anca Staicu



Georgia Bichta



Jörg Genner



Marc Hertgen



Michael Pyper



Dunja Weibel

## COPYRIGHT

© European Union, 2025

The reuse policy of the European Court of Auditors (ECA) is set out in [ECA Decision No 6-2019](#) on the open data policy and the reuse of documents.

Unless otherwise indicated (e.g. in individual copyright notices), ECA content owned by the EU is licensed under the [Creative Commons Attribution 4.0 International \(CC BY 4.0\) licence](#). As a general rule, therefore, reuse is authorised provided appropriate credit is given and any changes are indicated. Those reusing ECA content must not distort the original meaning or message. The ECA shall not be liable for any consequences of reuse.

Additional permission must be obtained if specific content depicts identifiable private individuals, e.g. in pictures of ECA staff, or includes third-party works.

Where such permission is obtained, it shall cancel and replace the above-mentioned general permission and shall clearly state any restrictions on use.

To use or reproduce content that is not owned by the EU, it may be necessary to seek permission directly from the copyright holders.

Software or documents covered by industrial property rights, such as patents, trademarks, registered designs, logos and names, are excluded from the ECA's reuse policy.

The European Union's family of institutional websites, within the europa.eu domain, provides links to third-party sites. Since the ECA has no control over these, you are encouraged to review their privacy and copyright policies.

### Use of the ECA logo

The ECA logo must not be used without the ECA's prior consent.

HTML	ISBN 978-92-849-5243-4	ISSN 1977-5679	doi:10.2865/3513277	QJ-01-25-031-EN-Q
PDF	ISBN 978-92-849-5242-7	ISSN 1977-5679	doi:10.2865/0667271	QJ-01-25-031-EN-N



## HOW TO CITE

European Court of Auditors, [special report 14/2025](#): “Developing supplementary pensions in the EU – EU action not effective in strengthening occupational pensions and establishing a pan-European personal pension product”, Publications Office of the European Union, 2025.

Because of demographic and fiscal challenges, supplementary pensions are becoming increasingly important to ensure adequate retirement income for EU citizens. In this context, the EU has set minimum requirements for supplementary pensions provided by institutions for occupational retirement provision (IORPs) and established a legal framework for a pan-European personal pension product. We found that, as yet, neither pension type plays a significant role in the supplementary pension market. We recommend that the Commission and the European Insurance and Occupational Pensions Authority take additional steps to strengthen these segments of the market. In addition, we recommend that they improve the supervision of IORPs and enhance transparency regarding costs and returns for IORP members as well as pension gaps.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



EUROPEAN  
COURT  
OF AUDITORS



Publications Office  
of the European Union

EUROPEAN COURT OF AUDITORS  
12, rue Alcide De Gasperi  
1615 Luxembourg  
LUXEMBOURG

Tel. +352 4398-1

Enquiries: [eca.europa.eu/en/contact](https://eca.europa.eu/en/contact)

Website: [eca.europa.eu](https://eca.europa.eu)

Social media: @EUAuditors