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Cross Border Benefits Alliance – Europe (CBBA-Europe):

Summary and Key Messages of the CBBA-Europe Position Paper on the EC proposed Revision of the Directive (EU) 2016/2341 on the activities and supervision of the institutions for occupational retirement provision ("IORP II Directive")

CBBA-Europe Mission:

The Cross Border Benefits Alliance Europe (CBBA-Europe) is a Brussels-based advocacy group with a mission to promote a more integrated EU and make it a truly great space of freedom and circulation for workers and employee benefit services as well as a hallmark of robust employee benefits coverage. We promote and support improved employee benefit solutions across Europe, bringing together the private sector, EU institutions and national authorities.

To do so, we monitor the EU ongoing policy initiatives and legislation, we collect input from our members via working groups, we draft position papers and prepare reports to submit to decision makers, making us a constructive and influential interlocutor representing the needs of all employee benefits actors in Europe.

Moreover, we host local national conferences as well as an annual conference in Brussels to discuss with all actors' best practices as well as obstacles in administering and deploying employee benefit solutions. We share latest trends, how different actors approach employee benefit solutions as well as common issues encountered that could be improved with changes to legislation.

Executive Summary – Key Messages and Recommendations

On 20 November 2025, the European Commission published a legislative proposal on the revision of the Directive (EU) 2016/2341 on the activities and supervision of the institutions for occupational retirement provision ("IORP II Directive"). CBBA-Europe supports the European Commission's objective of strengthening occupational pensions within the broader framework of the Savings and Investments Union (SIU) and the Capital Markets Union (CMU). Europe faces persistent structural weaknesses, including insufficient long-term investment, fragmented financial markets, limited economies of scale and inadequate supplementary pension coverage. In this context, occupational pensions should play a stronger role both in supporting retirement adequacy and in mobilising long-term capital for the European economy, in line with the analyses developed in the Letta and Draghi reports.

At the same time, CBBA-Europe considers that the main challenge facing the European occupational pensions sector is not insufficient regulation, but fragmentation, limited cross-border integration, insufficient scale and low pension coverage. The existing IORP II framework already provides a solid prudential and governance basis. CBBA-Europe also considers that the primary structural weakness of supplementary pensions in Europe remains insufficient coverage rather than insufficient regulation. The revision should therefore focus primarily on improving the functioning of the internal market, removing unnecessary barriers, enhancing scalability and preserving the long-term investment capacity of IORPs, rather than introducing excessive additional regulatory layers.

1. Making cross-border occupational pensions operational in practice

CBBA-Europe strongly welcomes the significant improvements proposed for cross-border activities and transfers under Articles 11 and 12. These reforms represent one of the most important and long-awaited developments of the revision and are essential if the internal market for occupational pensions is to become operational in practice rather than remain largely theoretical.

In particular, CBBA-Europe strongly supports:

- the simplification of cross-border transfer procedures;
- the clarification between domestic and cross-border transfers;
- the introduction of a simple majority approval mechanism based on votes effectively expressed;
- the possibility for representatives of members and beneficiaries to express approval on their behalf;

- the limitation of participation quorum requirements to a maximum threshold, preventing unrealistic voting conditions from obstructing transfers;
- clearer supervisory timelines and enhanced coordination between authorities, including the involvement of EIOPA where appropriate;
- the simplification of notification procedures through electronic processes.

CBBA-Europe also particularly welcomes the clarification that the addition of new sponsoring undertakings to an existing cross-border IORP should no longer trigger a full new authorisation procedure. This represents a major operational improvement compared to the current framework and is essential to allow cross-border IORPs to expand efficiently, reduce administrative duplication and achieve greater scalability and economies of scale.

These reforms are fully aligned with the objectives of the SIU and CMU, notably the reduction of fragmentation and the development of larger and more efficient pools of long-term pension capital across Europe.

2. Supporting scalable and efficient pension structures

CBBA-Europe strongly supports the recognition of multi-sponsor and multi-scheme IORPs under Article 9a. Greater organisational flexibility can significantly improve operational efficiency, reduce costs and strengthen the ability of IORPs to operate as large long-term institutional investors.

The revision correctly acknowledges that pension institutions should be able to:

- manage several schemes within the same structure;
- onboard multiple sponsoring undertakings without unnecessary duplication;
- benefit from economies of scale;
- develop more efficient cross-border pension solutions.

This flexibility is particularly important in a European context still characterised by fragmented pension markets and insufficient scale.

3. Preserving long-term investment capacity and avoiding short-termism

CBBA-Europe strongly supports the clarification of the prudent person principle and the more flexible approach to long-term investment strategies. IORPs must remain able to invest in productive and long-duration assets such as infrastructure, private equity and other real economy investments consistent with their long-term liabilities.

The revision should not unintentionally encourage excessive de-risking or short-term investment behaviour. Occupational pensions are inherently long-term arrangements and prudential frameworks should reflect this nature.

In this respect, CBBA-Europe supports:

- the flexibility introduced regarding temporary underfunding;
- a principles-based and proportionate approach to stress testing and solvency assessments;
- investment flexibility consistent with diversified long-term portfolio management.

At the same time, CBBA-Europe expresses significant reservations regarding overly prescriptive benchmarking and underperformance frameworks under Article 41a.

While benchmarking may provide useful contextual information and support transparency, any framework based on short-term supervisory triggers risks generating unintended behavioural distortions. In particular:

- a three-year underperformance period is too short considering the long-term horizon of pension investing;
- excessive focus on benchmark comparisons may encourage herding behaviour and benchmark-tracking;
- IORPs may become reluctant to invest in illiquid but productive long-term assets;
- supervisory assessments should not evolve into de facto performance management.

Benchmarking should therefore remain:

- contextualised;
- strategy-consistent;
- scheme-specific;
- primarily informational rather than mechanistic or punitive.

Similarly, the concept of value for money should be interpreted holistically and not reduced to simplistic cost or short-term performance comparisons. In occupational pensions, value for money must primarily reflect:

- long-term net retirement outcomes;
- risk-adjusted performance;
- governance quality;
- efficiency over the long term;
- the specific characteristics of collective pension arrangements.

A narrow focus on isolated cost indicators or short-term underperformance risks producing misleading conclusions and encouraging suboptimal investment behaviour.

4. Better information for members without excessive complexity or double reporting

CBBA-Europe supports the objective of improving pension communication and transparency for members and beneficiaries. However, communication should remain:

- understandable;
- decision-relevant;
- proportionate;
- operationally feasible.

The revision should avoid excessive standardisation and over-disclosure requirements that may lead to information overload and reduced member engagement.

CBBA-Europe therefore supports:

- a principle-based approach to the Pension Benefit Statement (PBS);
- preserving sufficient national flexibility;
- digital delivery as the default option;
- communication focused on meaningful long-term retirement outcomes rather than excessively technical disclosures.

At the same time, the Directive should avoid creating duplicative reporting obligations for cross-border IORPs. Compliance with home Member State requirements should be recognised as sufficient, or appropriate mutual recognition and coordination mechanisms should be established, in order to avoid double reporting and unnecessary administrative burdens.

5. Pension Tracking Systems and the European Tracking Service

CBBA-Europe supports the progressive development of national Pension Tracking Systems (PTS) and their future interconnection through the European Tracking Service (ETS).

The association supports maintaining:

- the voluntary nature of PTS for Member States;
- the absence of EU-level harmonisation of technical architectures or data models.

However, where national PTS already exist, CBBA-Europe considers that all relevant occupational pension providers — including IORPs and insurance-based occupational schemes — should progressively participate in those systems in a proportionate manner.

This balanced approach would strengthen transparency, improve pension visibility for citizens and contribute to the long-term development of a more integrated European pension information framework.

6. Avoiding excessive prescriptiveness and unnecessary regulatory duplication

CBBA-Europe supports a proportionate and principles-based approach to governance and supervision.

The revision should avoid introducing unnecessary additional layers of regulation, particularly where existing EU legislation already addresses similar objectives.

In this respect, CBBA-Europe expresses reservations regarding:

- excessive expansion of governance obligations;
- overly prescriptive conduct-style supervision;
- duplication with existing EU frameworks in areas such as remuneration policies;
- overly prescriptive or insufficiently proportionate requirements regarding diversity and inclusion policies;
- unnecessary proliferation of mandatory governance functions.

Governance requirements should remain focused on:

- prudential soundness;
- effective risk management;
- operational efficiency;
- protection of members and beneficiaries.

Similarly, the introduction of an explicit “Duty of Care” should not transform the prudential nature of IORP supervision into outcome-based or retail-style conduct supervision. Compliance should primarily be assessed on the basis of governance quality, fiduciary processes and information available at the time decisions were taken, rather than through retrospective assessments influenced by ex post market developments.

Finally, CBBA-Europe emphasises that proportionality, ORA frameworks and supervisory practices should support supervisory convergence and mutual trust, without creating divergent national interpretations that could undermine mutual recognition or create new barriers to cross-border activity.

7. Proportionality and supervisory consistency

CBBA-Europe supports a proportionate application of prudential and governance requirements, taking into account the size, nature, scale and complexity of IORPs. However, proportionality should remain sufficiently predictable and operational in practice.

While CBBA-Europe agrees that purely mechanical quantitative thresholds may not always adequately reflect the diversity of pension institutions, the complete removal of objective or quantitative reference criteria may also create legal uncertainty and increase the risk of divergent supervisory interpretations across Member States.

A balanced approach is therefore needed. Qualitative supervisory assessments should be complemented by sufficiently clear and objective criteria in order to preserve legal certainty, support supervisory convergence and avoid unintended obstacles to cross-border activity and mutual recognition within the internal market.

Overall Recommendation

CBBA-Europe calls for a balanced revision of the IORP II Directive that:

- strengthens the internal market for occupational pensions;
- facilitates genuinely operational cross-border activity;
- supports economies of scale and long-term investment;
- improves pension transparency and member understanding;
- preserves flexibility and proportionality;
- avoids transforming IORP II into an overly prescriptive or quasi-insurance supervisory framework;
- avoids unnecessary fragmentation, duplication and excessive prescriptive regulation.

The success of the revision should ultimately be measured not by the quantity of additional regulation introduced, but by its ability to expand pension coverage, mobilise long-term capital and contribute to a stronger and more integrated European economy.

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