Deutsches Aktieninstitut
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IORP: An Important Step towards Productive Investments such as Shares

Do Not Introduce Overly Strict Stress Tests and Solvency II for Defined Benefit Schemes

Comment on proposed amendments tabled by Members of the European Parliament and the Council of the European Union, 21 September 2026

Promotion of Share Investments: Yes – Additional Burden on Pension Schemes: No

Strengthening EU-wide occupational pensions ensures that workers in Europe improve their old age provisions. Investing at least part of the pension assets in shares of European companies helps to finance growth, innovation and employment.

The European Commission's legislative proposal to amend the Directive on Institutions for Occupational Retirement Provision (IORP II) correctly identifies the need for occupational pensions to evolve, recognising that they must offer attractive returns to become an important component of retirement income. This also holds true for amendments proposed by Members of the European Parliament and the Council of the European Union (ECOFIN), on which we comment in this paper.

We support amendments…

- making it easier to invest in productive investments like shares, private equity or venture capital, e.g. the extension of investment limits for share investments;
- streamlining authorisation and notification procedures, facilitating cross-border activities;
- declining the Commission's proposals related to unreasonably strict stress testing (Art. 18a) and to the introduction of risk-based capital requirement like Solvency II for defined benefit schemes. Our impact assessment for a typical Pensionskasse, the largest pension scheme in Germany falling within the scope of the IORP Directive, shows the financial implications. The application of Solvency II would require additional assets of 28 per cent of total assets. Extrapolated across all Pensionskassen in Germany, the additional costs amount to EUR 58.8 billion.[1] As employers would be forced to add these funds, pension schemes would lose attractiveness
- rejecting the Commission's proposal introducing the requirement, that IORPs investment decisions should reflect individual sustainability preferences of members and beneficiaries (Art. 19 (1c) & (1d)). In many cases, IORPs invest their assets collectively. Considering individual preferences is not feasible.

[1] See Deutsches Aktieninstitut (2026): Stress Tests and Solvency II under IORP: Additional Costs of Billions of Euros, Frankfurt.

Amendments promoting investments in shares

In many European countries like Sweden or the Netherlands IORPs utilise long-term returns of investments in shares, private equity or venture capital resulting in higher pensions for their members/beneficiaries. In other countries, e.g. Germany, ratios of these investments are low to the detriment of members and beneficiaries. The main reasons are that almost every pension scheme in Germany is required by law to provide defined benefit pensions. Nevertheless, we support proposals which make it easier, especially for defined contribution pensions, to invest in shares and other equities.

In this regard, amendment 49 (Damian Boeselager) and amendment 348 (Isabel Benjumea Benjumea) state that productive investments shall not contradict the prudent person principle per se (Art. 19). These amendments are helpful, as they clarify that long-term high yielding but short-term fluctuating assets like shares are in line with the prudent person principle. Nevertheless, it is important that the definition of “productive investments” explicitly includes shares of single companies and equity funds, which is so far not the case. As some IORPs are too small to have their own asset management department, this list should also include products based on portfolios that invest, at least in part, in listed or unlisted equities, e.g. capitalisation products.

We also support the position of the Council that allows IORP to invest 100 per cent of the assets in shares, negotiable securities treated as shares and corporate bonds admitted to trading on regulated markets, or through MTFs or OTFs (Art. 19). In this regard, we also welcome the Commission proposal that IORPs should invest their assets predominantly on Regulated Markets, MTFs or OTFs. We understand this proposal as a recommendation for IORPs to invest in liquid listed instruments like shares to a large extent. The term “predominantly” means that IORPs are also encouraged to invest in non-listed equities, but to a smaller extend. Therefore, the Commission’s proposal strikes the right balance between the financing needs of scaleups and startups and the risks for investors associated with the illiquidity of these instruments. We oppose amendments 45 and 46 (Damian Boeselager) deleting this proposal.

Amendments enhancing cross-border investments

We welcome the Commission’s proposals to simplify and streamline procedures, such as those regarding notification requirements (Art. 11). Amendments 30 to 33 (Damian Boeselager) aim to accelerate procedures with an assumption of approval, which we support.

Amendments opposing the strict stress test scenarios

We welcome all proposals tabled by Members of the European Parliament and the Council of the European Union addressing the problems of too strict stress tests for defined benefit schemes proposed by the Commission: A permanent relative decrease in interest rates, a decline in investment returns on non-depreciable assets such as listed shares or private equity and a decrease in the mortality rates of members and beneficiaries (Art. 18a). This proposal places an undue burden on IORPs and contradicts their long-term investment horizon.

Amendments 159, 294 (Markus Ferber, Andrea Wechsler), 292 (Engin Eroglu) and 295 (Isabel Benjumea Benjumea) propose to delete the stress test requirements.

We also welcome the aim of the Council of the European Union outlined in its negotiating position, that the IORP Directive should preserve its minimum harmonisation character. In this regard, the Council states that national competent authorities should specify the stress test scenarios and deletes the strict requirements in the Commission's proposal.

We reject amendment 41 (Damian Boeselager) extending the stress test to a climate-related exercise which will increase the burden for IORPs further.

Amendments declining the introduction of Solvency II like measures

Regarding the prudent person principle and the likely introduction of Solvency-II-risk based capital requirements (Art. 19), we welcome amendment 163 (Markus Ferber, Andrea Wechsler) clearly stating that defined benefit pension schemes differ fundamentally from insurance undertakings. Therefore, the amendment rejects the application of Solvency II, as it does not suit the long-term investment horizon, involves disproportionate costs and penalises investments in long-term productive assets.

Furthermore, amendments 347 and 348 (Isabel Benjumea Benjumea) allows member states to lay down rules governing defined benefit schemes. The Council of the European Union also follows this approach, allowing member states to lay down rules, including quantitative rules, provided they are prudentially justified. Both amendments give member states the discretion to not introduce Solvency II, which we welcome.

Amendments rejecting individual sustainability preferences

The European Commission proposes in Art. 19(1) that IORPs have to consider sustainability preferences of members and beneficiaries. The Commission explicitly defines the sustainability preferences as an individual choice. As IORPs typically invest the assets of their members and beneficiaries collectively, considering individual preferences/choices is not feasible. Therefore, we support amendment 337 (Anouk Van Brug, Engin Eroglu, Stéphanie Yon-Courtin), amendment 338 (Markus Ferber, Andrea Wechsler) and amendment 339 (Dirk Gotink) deleting the requirement.

The Council addresses the issue mentioned above and states that IORPs shall consider the potential long-term impact of their investment strategy and investment decisions on sustainability factors. We support this approach as it sufficiently incorporates sustainability considerations into the pension asset management strategy.

Amendments concerning other issues

We recommend that the IORP rules should reflect the diversity of the pension markets as regards e.g. the scale of IORPs or the asset management strategy. In this regard, we support

- the introduction of a pension tracking system, which provides IORP beneficiaries and members an overview of their pension entitlements (Art. 37a). Nevertheless, in order to avoid double reporting it is necessary to use existing formats and data streams. Where national pension tracking systems already exist, they should not be overruled by EU law. In this regard e.g. support amendments 410 and 412 (Isabel Benjumea Benjumea) are very helpful.
- amendment 458 (Markus Ferber, Andrea Wechsler), amendment 459 (Anouk Van Brug, Engin Eroglu, Stéphanie Yon-Courtin) and the Council's amendment deleting the Commission's proposal to introduce uniform benchmarks (Art. 41a). These benchmarks cannot cover the individual specifics of IORPs across the EU and penalise short-term deviations due to long-term investment strategies. This will incentivize short-term investments with stable returns like fixed income products and discourage long-term investments in public and private equity.
- amendment 529 (Markus Ferber, Andrea Wechsler) and amendment 530 (Martin Schirdewan) deleting the Commission's proposal (Art. 49a) that the adequacy of its size or its capacity for consolidation should be part of the dialogue with supervisory authorities. This is a very detailed rule which

does not reflect that smaller IORPs should not be forced to justify their size.

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