

Annex on quantitative investment limits in supplement to the IORP II's Prudent Person Rule

EIOPA's report on the results of the peer review on supervisory practices with respect to the application of the prudent person rule for IORPs identified 17 EEA countries¹ imposing quantitative investment limits for individual assets and eligible asset classes.² The report showed the drawback of investment restrictions in that it discourages forward-looking and risk-based supervision by NCAs, as required by Article 47(2) of the IORP II Directive. In EEA countries that do not impose quantitative restrictions, NCAs apply a risk-based and forward-looking approach to supervise compliance with the prudent person rule. In EEA countries with quantitative investment limits, NCA generally use a more compliance-based approach, checking whether IORPs stay within the investment limits.

Nevertheless, EIOPA does not actively monitor and keep an inventory of how Member States made use of the option in Article 19(6). In this sense, the OECD's Annual Survey of Investment Regulation of Pension Providers of 2025 provides more recent and detailed information on investment restrictions of pension providers.³ According to this survey, almost half of EEA countries⁴ (12 countries) have restrictions in place on IORPs' investments in alternative assets (see Table). Often the restrictions leave ample room for IORPs to invest in alternative assets, considering the market capitalisation of alternative asset classes and current IORP exposures.

Restrictions on IORPs' investments in alternative assets	
BG	equities not traded on regulated markets, MTFs or OTFs (0%), direct real estate (10%), retail alternative investment funds (2%), private investment funds (0%), loans (0%)
DE (Pensionskassen)	unlisted equity (15%), real estate (25%), closed-ended private equity funds (15%), hedge funds/commodity funds (7.5%), securitisations (7.5%)
ES	non-UCITS investment funds (30%), mortgage loans and real estate combined (30%)
FI	unlisted equity (10%), unlisted private investment funds (10%)
GR	direct real estate (20%), private equity funds (5%), loans (0%), long-term investments not traded on regulated markets, MTFs or OTFs (10%)

¹ AT, BG, CY, DE, DK, ES, FI, HU, IT, LV, LU, MT, NO, PL, PT, SI and SK.

² EIOPA, [Results of the peer review on supervisory practices with respect to the application of the prudent person rule for IORPs](#), 2019.

³ OECD, [Annual survey of investment regulation of pension providers](#), 2025.

⁴ CY and LI are not included in the survey, IS is not subject to the IORP II Directive, and CZ, EE, HU, LT, RO and SK did not complete the survey in respect of IORPs.

HR (DC)	real estate (0%), UCITS and non-UCITS retail funds (30%), private alternative investment funds (15%), loans (0%), non-listed instruments with long-term perspective (10%)
HR (DB)	equities (10%), real estate (10%), private investment funds (10%), loans (0%), infrastructure projects in Croatia (10%)
IT	direct real estate (0%), loans (0%), closed-ended real estate investment funds (20%), non-UCITS investment funds other than closed-ended real estate funds (20%), cumulative limit closed-ended real estate investment funds, non-UCITS investment funds other than closed-ended real estate investment funds and securities not traded on regulated markets (30%)
LV	direct real estate (15%), loans (0%)
MT	direct commercial real estate (10%), direct residential real estate (5%), indirect real estate (10%), private investment funds (0%), loans (0%)
PL	direct real estate (0%), private investment funds (0%), loans (1.5%)
PT	securities not traded on regulated markets (15%), non-UCITS investment funds (10%)
SI	direct real estate (20%), unlisted equity (5%), open-ended non-UCITS investment funds (30%), loans (10%)
Source: OECD (2025) & additional information from NCAs in IT, PT and SE (no restrictions)	

The IORP II Directive prescribes that any investment restrictions imposed by Member States should be prudentially justified. Potential prudential justifications for imposing investment limits include:

1. The risk-return characteristics of the investment portfolio as a whole;
2. The risks of investing in specific asset classes; and
3. The risk of concentration in particular assets, issuers or groups of undertakings.

Higher expected returns on the overall investment portfolio are generally accompanied by higher risk. IORPs or sponsoring undertakings may not be able to bear this risk where IORPs and/or their sponsors provide guarantees, also considering the nature and duration of the liabilities. Similarly, where investment risks are borne by members and beneficiaries, the risk of the investment portfolio may exceed the risk-bearing capacity of members and beneficiaries and/or may conflict with their risk-return preferences. The risks (and expected returns) of investment portfolios can be reduced by limiting the weight of equity-type instruments in favour of fixed income instruments, in particular government bonds as the safe asset.

Investments in certain asset classes may be subject to specific risks. A notable example of such asset classes are alternative investments due to their complexity, illiquidity and valuation uncertainty. Investment limits will prevent IORPs with insufficient understanding of these kind of asset classes from making inappropriate and potentially loss-making investments. This would be particularly important

where members and beneficiaries bear the investment risks and/or where they are offered such asset classes as part of investment options.

The IORP II Directive specifies in Article 19(1)(f) that the assets should be properly diversified and that excessive reliance on any particular asset, issuer or group of undertakings should be avoided. Member States may impose explicit concentration limits, similar to the 5% concentration limit regarding investments in the sponsoring undertaking imposed by Article 19(1)(g) of the IORP II Directive.