



Implementing IORP II in Cyprus

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Following the implementation of the first IORP directive, and further changes in 2014, Cypriot legislation already covers many of the IORP II requirements.

However, new legislation is needed to deal with the information rights of prospective members and scheme members in their pre-retirement phase. Although there is already a requirement for information to be given to members at the end of each year, a number of changes are required to better reflect the new PBS requirements. Given the size of IORPs in Cyprus, it is anticipated that the requirement to produce this information free of charge will be an administrative challenge.

In relation to cross-border transfers, member and sponsor consent has generally always been sought before any transfer takes place, despite this not previously being a requirement under Cypriot law. As such, this aspect of IORP II will not be new to the Cypriot Pensions Regulator.

By contrast, the enhanced governance provisions of IORP II, including the requirement for a remuneration policy and ORA, are new for Cyprus. As many schemes in Cyprus currently use their sponsor's staff to meet their operational needs (due to their small size), it is expected that such schemes will try to take advantage of the exception for IORPs with fewer than 100 members in a bid to reduce costs. Further, the requirement to take account of ESG considerations would also be new for Cyprus.

The greater regulatory scrutiny required by IORP II is also likely to be a challenge for the Cypriot Pensions Regulator. In order to be able to exercise all the supervisory review powers, duties and responsibilities given to it under IORP II, the regulator will need additional expert personnel and/or possibly to change its current structure. A political decision was taken by the Ministerial Council back in 2016, which emphasized the willingness of the Government to promote significant reforms to occupational retirement schemes in Cyprus which included the creation of a new independent regulatory authority for both IORPs and insurance companies. In connection to that the Government has issued a bill on February 2019, allowing a period for public consultation, proposing the creation of a single authority.

The Cypriot Pensions Regulator has begun the process for introducing IORP II into national law, and the draft legislation is in its final stages. However, as this has not yet been made public, it is still generally not known what the requirements will be.



Cyprus is one of the twelve Member States in respect of which no transposition measures have been communicated to the EU Commission.

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