AIACE
Internationale Vereinigung der ehemaligen Bediensteten der Europäischen Union
Über 12.000 Mitglieder – offen für die Ehemaligen aller Organe und Einrichtungen der EU

Das Pensionssystem der Europäischen Union

Ziel und Zweck dieses Dokuments ist es, die Mitglieder der AIACE über die Natur des Pensionssystems der EU, insbesondere über seine Finanzierung, zu informieren und dem Präsidenten bei seinen Diskussionen mit den Organen der EU als Leitfaden zu dienen, wenn in den kommenden Jahren die Zukunft des Pensionssystems zum Diskussionsthema wird. Es sollen darin so viele stichhaltige Informationen wie möglich zusammengestellt werden, ergänzt durch eine ausführliche Dokumentation im Anhang.

Die Einführung ("executive summary") erläutert den Rechtsrahmen, insbesondere Artikel 83 des Statuts, der vorsieht, dass Pensions- und andere Leistungen zu Lasten des Haushalts gehen, dass die Mitgliedsstaaten gemeinsam die Zahlung dieser Leistungen garantieren und dass das Personal ein Drittel zur Finanzierung des Regimes beiträgt, die verbleibenden zwei Drittel gehen zu Lasten des Arbeitgebers.

Die Beiträge von Personal und Arbeitgeber werden nicht in einen auf den Kapitalmärkten angelegten Pensionsfonds einbezahlt, sondern einem fiktiven oder virtuellen Fonds zugeordnet, mit der Rechtsverpflichtung der Mitgliedsstaaten zur Zahlung der Pensionen. Wichtig ist die Feststellung, dass es sich nicht um ein Umlagensystem handelt. Die Höhe der Beiträge wird jährlich angepasst und ist nicht an die Höhe der laufenden Pensionsausgaben gekoppelt, sondern wird auf Grundlage jährlicher finanzmathematischer Bewertungen festgelegt, um so den Kosten der in jedem Dienstjahr erworbenen Pensionsansprüche zu entsprechen. So wird das finanzielle Gleichgewicht gewahrt, und wenn die Angehörigen des Personals in den Ruhestand treten, wurden die Kosten für ihre Pension bereits entrichtet.

Die Pensionsschuld wird am Ende jedes Jahres festgelegt. Sie ergibt sich aus dem aktualisierten Unterschied zwischen den in das System einfließenden Beiträgen und den bereits ausbezahlten Pensionen. Dieser Betrag hängt stark von der Höhe des gewählten Aktualisierungssatzes ab – eine Senkung des Aktualisierungs- oder Zinssatzes führt zu einer Erhöhung der Schuld am Ende des Jahres und umgekehrt.

Schlussfolgernd kann festgestellt werden, dass der Wert und die finanzielle Stringenz des Pensionssystems erwiesen sind, und nach Meinung der AIACE sollten sowohl der Grundsatz wie die Mechanismen beibehalten werden; Vorschläge, es durch ein System auf Grundlage eines "kapitalisierten" Fonds zu ersetzen, wären sehr kostspielig und allen Unwägbarkeiten und Unsicherheiten des Kapitalmarktes ausgesetzt.

Das Dokument enthält auch einen kurzen historischen Überblick und eine Zusammenfassung der letzten vergleichenden Eurostat-Studie über die nationalen Pensionssysteme für Beamte in den Mitgliedsstaaten.

Martin CLEGG
Mitglied des Vorstandes der AIACE Int.
18/10/2019

The Pension Scheme of the European Union

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Legislative background

Article 14 of Protocol No 7 on the Privileges and Immunities of the TFEU provides that "The European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure and after consultation of the institutions concerned, shall lay down the scheme of social security for officials and other servants of the Union". Within that framework, the Pension Scheme is founded on the Staff Regulations (SR), notably Articles 83 and 83a as well as Annex XII of those Regulations as regards the funding aspects of the scheme.[1] These provisions, first applied with the SR of 1962, constitute the legislative basis for the funding and operation of the PSEU and the maintenance of its financial balance.

Article 83 of the SR provides that:

-the benefits paid out under the scheme are charged to the EU budget;

-the Member States jointly guarantee the payment of such benefits;

-staff contribute one third of the cost of financing the scheme.

Article 83a and Annex XII of the SR set out the principles and the detailed actuarial rules for computing the contribution rate required to guarantee the financial balance of the scheme.

The benefits paid out under the scheme are set out in Chapter 3 of Title V (Articles 77 – 85a) and in Annex VIII of the SR and include retirement pensions to former officials, their survivors and those in receipt of invalidity allowances. Following the Reforms of the SR introduced in 2004 and 2014, Section 4 of Annex XIII of the SR sets out transitional arrangements for the pensions of officials, depending on their date of recruitment to the service and/or their date of retirement.

Nature of the pension fund

The PSEU is not a "pay as you go" scheme but operates as a notional or virtual fund, with defined benefits, protected by the principle of acquired rights. There is no actual investment fund into which contributions are placed. Instead it is considered that the contributions which would have been placed in such a fund are invested in the long-term bonds of the Member States and reflected in the pension liability, with the Member States guaranteeing the payment of pension benefits, as laid down by Article 83 of the SR. This guarantee applies even in the absence of an EU budget or if the EU itself were no longer in existence. The existence of this guarantee and its recognition by all Member States has been acknowledged in Article 142(2) of the draft Withdrawal Agreement between the EU and the UK, endorsed by the European Council on 17.10.2019, which stipulates that after Withdrawal, the United Kingdom shall be liable for its share of the Union's liability for pension rights and rights to other employment-related benefits accrued on or before 31 December 2020. The annual net payments linked to this liability will be transferred when the deadline for these amounts is due or the outstanding liability may be discharged at an earlier stage based on actuarial valuations, drawn up according to specified international accounting standards.

The method of determining the contribution rate for staff and the implied rate for employers on the basis of the future cost of pensions has meant that in the initial years of the PSEU when the EU was an expanding organisation with relatively young staff, the contributions attributed to the notional fund far outweighed the level of actual pension expenditures in those early years. The mechanism under which the funds for the PSEU are retained in national treasuries (in effect, a loan by PSEU members to the Member States) has therefore meant a substantial increase in the Member State's liquidity, amounting to some tens of billions of euro. In effect, the EU budget borrows money from the members of the scheme in return for the

[1] See Annex I: Extracts from the Staff Regulations (Regulation No 31 (EEC) 11(EAEC) of 1.1.1962, as last amended by Regulation (EU, Euratom) No 1023/2013) of 22.10.2013.

guarantee by the Member States to pay future benefits. Moreover, by attributing the contributions in this way rather than investing them in a distinct fund on the capital market, the notional fund is shielded from all the risks and vagaries which can afflict the capital markets threatening the solvency of pension funds, such as occurred in the 1920's and 1930's and more recently, during the financial crisis which commenced in 2008, still evidenced by continuing low interest rates. Indeed, it can be said that the PSEU has the features of a scheme organised on the basis of the solidarity principle, as underlined by the CJEU in point 134 of its Judgment in Case T-135/05.

Unlike most of the schemes which operate in the Member States for public officials, where pension contribution rates or benefits are adjusted with the aim of achieving balance between the annual amounts raised from contributions and the annual amounts of pension expenditures, the contributions to the PSEU serve to finance the future pensions of EU staff. The total pension contribution is fixed at a level to cover the predicted cost of the pension rights acquired by officials during a given year (the service cost) and is not at all linked to actual pension expenditure in that same year. The one-third share of the service cost representing the staff contribution is applied as a percentage deduction from the basic amount of monthly salaries of each active official. Balance is assured by varying the annual rate of contribution to the scheme and, where relevant, through adjustment of the pensionable age.

Actual expenditure on pensions for any given year is met from the annual budget. Staff contributions for that year - one-third of the service cost- are booked in the budget as receipts and therefore form part of own resources.

On 31 December 2017, there were over 85 700 contributory and non-contributory members of the PSEU, of which nearly 61 300 were active staff and about 24 400 were non-active (retired officials, survivors and those on invalidity).

Annual updating of contributions

The permanent maintenance of the balance of the PSEU notional fund is assured through its periodic actuarial assessment, as if a real fund existed. The assessment, which is checked by independent external experts, is comprehensively evaluated by Eurostat every five years and updated annually. The actuarial balance principle is at the heart of the assessment, so that the acquired rights of officials to the future pensions that they will receive after retirement are evaluated at their present value, using a real discount rate (RDR) for the long-term debt of the Member States, measured by means of a moving geometric average interest rate (over the preceding 24 Years for 2018 but which will move in annual stages to reach 30 years as from 2021). For the 12-month period from 1.7.2018, this average real discount rate is 2.9%[2]. The rules set out in Annex XII of the SR provide that, in addition to the RDR and the regulatory framework provided by the SR, the annual evaluation includes the updating of other factors such as demographic parameters based on changes in the numbers of staff and pensioners, expected general salary growth, individual salary progression, mortality, retirement age, staff turnover, marital status and prospects for survivors. In the annual update, the pension contribution rate for officials (PCR) is adjusted if the new assessment shows that the calculated rate required to ensure actuarial balance differs by at least 0.25 % points from the rate currently in force. As pension levels are linked to the salary scale for officials, these move in line with the annual adjustments designed to ensure the parallel movement with the average real net remuneration of public officials in the Member States, resulting from the application of the Method. Based on the Eurostat assessment and the provisions of the SR, the PCR is fixed by the Commission each year, normally in December, with retroactive effect from 1 July of the same year.

[2] Resulting from an average Nominal Discount Rate of 4.8% for 1995-2017 and an average Inflation Rate of 1.8% over the same period.

For the 12-month period from 1.7.2018, Eurostat has assessed the service cost for pensions at around €1 425 million and expected salaries at about €4 749 million. The service cost therefore corresponds to 30.0% of the salary bill, which leads to a PCR for officials for this period of 10.0%.

Whilst Article 113 of the SR requires the Commission to assess the functioning of these Regulations as a whole by the end of 2020, Article 14 of Annex XII of the SR specifies that in 2022, the Commission shall submit a report to the Parliament and Council regarding the budgetary implications of the arrangements for assessing the actuarial balance of the PSEU contained in Annex XII and, if appropriate, submit a proposal for amendment. As specified in the Regulations, an interim report on the application of Annex XII, covering the period 2014-2018 was submitted by the Commission in December 2018[3], which concluded that the stability of the PSEU and the financial balance of the notional fund had been achieved through the regular updating of the service cost (one-third of which is met by the PCR), based on the actuarial assessment of the pension rights acquired by staff each year

The pension liability

Each year, based on the situation for the preceding December, Eurostat establishes the PSEU liability, termed the Defined Benefit Obligation (DBO), representing the balance between the amounts of the contributions that have been assigned to the scheme and the pensions which have been paid out to beneficiaries. The remaining future benefits represent a liability (DBO) which is determined on an actuarial basis, by discounting to their present value the estimated future cash flows attributed to past services by the end-year reference population of PSEU members (officials and former officials, including survivors) using a real discount rate (RDR) for this purpose. For each year concerned, the practice is to use as the RDR the spot nominal interest rate at the end of December for government bonds with a maturity approximating to the term of the related pension liability, taken to be 20 years, deflated by the expected long-term average inflation rate, also measured over 20 years. For 31.12.2018, with a RDR of 0.5%, the net DBO of the PSEU has been assessed at about €71 763 million[4](including a net DBO for the pension schemes of High Office Holders of €1 746 million), compared to about €41 949 million at the end of 2013 when the RDR was 1.8%. Although part of the increase over this period is a reflection of the increase in the number of PSEU members, the size of the latest figure for the DBO is due in large part to the use of the low nominal spot rate recorded at the end of 2018. End December rates can vary significantly from year-to-year and heavily influence the size of the RDR; it is highly improbable that current low interest rates will prevail throughout the period when the DBO will be discharged (60 years or more). By contrast, the long-term RDR used in the assessment of the PCR for the period from 1.7.2018 (average over 24 years) stood at 2.9%, which would be a much more realistic and more stable basis on which to assess the pension liability. Eurostat has estimated that a 0.1%-point change in the RDR leads to a variation in the DBO of around €1 500 million.

Up to and including 2004, the general accounts of the EU registered a provision for the acquired pension rights of officials on the liabilities side of the accounts and a debt of the Member States of the same amount on the assets side, representing the guarantee to pay future pensions (some €25 800 million for 2004). However, following a decision of the Commission's Accounting Officer, this debt has no longer appeared on the assets side since 2005. Whilst this removal from the assets side does not diminish in any way the legal guarantee by Member States to pay future pensions as set out in Article 83 of the SR and confirmed in the draft EU-UK Withdrawal Agreement, it leads nevertheless to the confusing appearance of a large deficit in the balance sheet and has been criticised as being incorrect and not in line with recognised international accounting standards. The Court of Auditors, in its report of 31.10.2006, stated that by removing this debt, the Commission had not respected its own new accounting rules (Accounting Rule No

[3] See Annex XI: Report from the Commission to the European Parliament and the Council on the application of Annex XII to the Staff Regulations (Com (2018) 829 final of 14.12.2018).

[4] Consolidated Annual Accounts of the EU for 2018 (Com (2019)316 final of 26.6.2019).

12, as decided by the Accounting Officer on 28.12.2004). The Accounting Officer's decision to exclude the pension debt from the assets has also been the subject of seven critical resolutions by the European Parliament during the period 2007-2014. It would be desirable to reinstate the debt to the assets side of the balance sheet of the general accounts, avoiding the present ambiguity and confusion.[5]

Fuller details on the funding and operation of the PSEU can be found in articles published in VOX[6], whilst summary explanations on the financing of the scheme have also been published by AIACE in 2017[7].

Conclusion and AIACE position

-the PSEU as defined in the SR assures permanent actuarial balance; the contributions of staff and the employer cover the future pension rights; their placing in a notional fund, in effect in the public debt of the Member States, has considerably improved the liquidity of the latter's treasuries; the fund is protected from the vagaries of the capital markets; the Member States guarantee the payment of the pensions of each individual when these fall due. There is therefore no necessity to amend the SR as regards the PSEU;

- the current presentation of the pension liability in the general accounts of the EU should be modified in order to include the pension debt of the Member States on the assets side of the balance sheet; the explanatory notes to the accounts should show the present value of the pension debt, calculated on the basis of the average multi-annual interest rate used for the determination of the PCR[8].

- in an independently verified study of 2016 published by the Commission on the long-term budgetary implications of pension costs[9], carried out in the context of the substantial budgetary savings resulting from the 2014 Reform of the SR, Eurostat has confirmed that through the regular updating of the actuarial assumptions and parameters laid down by the SR, regular adjustments to the PCR and, where relevant, pensionable age, ensure balance of the PSEU from one year to another and the continued viability of the regime. Indeed, it is the logical, mathematical consequence of the aforesaid budgetary savings that the PCR required to maintain balance has fallen in recent years – from 11.6% for 2010 to 10.0% for 2018.

Despite this confirmation, the Council, in its Conclusions of 19 December 2016 on the Eurostat study, expressed its preoccupations concerning the future development of the PSEU, especially its budgetary cost which it insisted should be reduced and called on the Commission to propose appropriate measures to assure the continued viability of the regime[10]. If the Commission were to accept this demand, it would involve either a violation of the acquired rights of officials and pensioners or further reduce the career and pension prospects of future staff, in a context where the Reforms of 2004 and 2013 have already adversely affected the attractiveness of the European civil service, both globally and as regards the geographical

[5] For further explanations, see Annex II a: "Our Pension Fund" by Marc Oostens, AIACE 2018, Annex II b: "Accounting for Member States' commitment to reimburse staff pension contributions" by Marc Oostens, AIACE 2018 and Annex II c "Commentaires critiques – Generation 2004's position on pensions" by Marc Oostens, AIACE 2019

[6] See Annex III a : « Le régime de pensions des fonctionnaires et autres agents de l'UE – Origines caractéristiques, et arguments en faveur de sa continuité- » par Ludvig Schubert, VOX No 86 – Novembre 2010 ; and Annex III b : « Notre régime de pensions revisité » par Ludwig Schubert, VOX No 102, Mars 2016.

[7] See Annex IV a : « Le régime de pension du personnel statuaire de l'UE », AIACE, 72/17,4.9.2017 and Annex IV b : « Short explanation of how the EU pension scheme is funded », AIACE, 73/17,4.9.2017.

[8] These points have been further developed in the letter from AIACE to Mrs Souka of 24.7.2018 (Annex V a); see also the letter from DG HR of 24.9.2018 in reply to the AIACE letter of 24.7.2018 (Annex V b).

[9] See Annex VI: Commission Staff Working Document- Eurostat Study on the long-term budgetary implications of pension costs. (SWD (2016)268 final of 28.7.2016).

[10] See Annex VII: Council conclusions of 19.12 2016 on the Eurostat study of 28.7.2016 (doc 14834/16 – draft conclusions of Coreper of 25.11.2016, adopted as an 'A' point by Council).

balance of officials' origins. These points have been further developed by AIACE in recent correspondence with the Commission.[11].

-it has been suggested that the current actuarial-based PSEU, backed up by the Member States' guarantee specified in Article 83 of the SR, could be replaced by a "capitalised" fund. However, such a fund would be subject to all the vagaries of the financial markets and its creation would require Member States to mobilise billions of euro which they currently hold in their own public debt, a move which would seem highly unlikely on their part.

In footnote 18 of the recent communication concerning the MFF 2021-2027[12], it is stated that: "Within the context of the re-examination of the Multi-annual Financial Framework in 2023, the Commission will undertake a reflexion on the feasibility of creating a pension fund for the staff by capitalisation." Reference was also made to such a reflection in the final remarks of the interim Report of December 2018.[13]

In the past, in responding to requests from Parliament and Council on this subject made in the 2008 Discharge, the Commission stated that:

"The European Communities Pension Scheme is defined in the Staff Regulations. When in 2003, the Commission presented a proposal amending the Staff Regulations, due consideration (backed-up by a complex actuarial study) was given to setting up a pension fund. However, the analysis did not conclude in favour of such a change. Initial set-up costs as well as risks of losses by the fund due to the investment climate and policy would be particular concerns. The Commission considers that the hypotheses of this analysis have not changed and therefore that the conclusions remain valid."[14]

Furthermore, in a Report to the Council in 2012,[15] the Commission carried out an analysis of the PSEU, undertaken in the context of the 2011 proposals to further amend the SR. That analysis confirmed the actuarial principles of the PSEU, underlining that when an official retires, the consequent new expenditure on his pension has already been paid for, in the form of the contributions paid during that staff member's period of service. Moreover, as well as making a positive assessment of the PSEU compared to national pension schemes, the Commission Report examined in some detail the effects of the possible creation of an actual pension fund, pointing out that the transfer of the whole of the liability of the PSEU notional fund to an actual fund "would involve enormous cost" in the first year, whilst other options for an actual fund to be limited to either the pension rights of newly-recruited staff or to the new rights of all staff would also involve high costs in the short to medium term.

[11] See Annex VIII a: Letter from AIACE to Mr Oettinger of 29.1.2018 and Annex VIII b: Reply of Mr Oettinger of 10.4.2018.

[12] Com (2018) 321 final (SWD (2018) 171) of 2.5.2018.

[13] See Annex XI (op cit)

[14] Page 4 of the Report from the Commission to the European Parliament and the Council on the follow-up to the Discharge for the 2008 financial year (Summary); (Com (2010)650 final of 18.11.2010, (SEC (2010)1438)).

[15] See Annex IX: Report from the Commission to the Council on the Pension Scheme of European Officials and other Servants of the European Union (Com (2012)37 final of 7.2.2012.

History and background of the EU Pension Scheme

When the European Coal and Steel Community (ECSC) was established in 1952 under the Treaty of Paris, with a duration of 50 years, a fund was set up for the officials of its High Authority to guarantee their pension rights, with staff paying one-third of the total contribution and the ECSC's budget being responsible for the remaining two-thirds. This fund was placed on the capital markets.

With the creation of the European Economic Community (EEC) and Euratom in 1958, under the Treaties of Rome, the accompanying Staff Regulations which entered into force in January 1962, set out the conditions for the salaries, pension and other social security arrangements for the personnel of these institutions. Given the unlimited duration of the Rome Treaties, it was decided that both the employer and staff contributions to the pension fund could be kept within the budget and not placed within a separate fund on the capital markets. Instead, contributions based on the actuarial evaluation of future pension commitments would be assigned to a notional fund, backed up by a legal guarantee by the Member States to pay these pensions when they would fall due. Such a system, which saw employee contributions treated as a source of receipts for the budget whilst the employer's contributory share was retained by the Member States, had clear advantages in terms of substantial budgetary savings, especially in the initial period of the scheme when few officials were reaching retirement age and actual pension expenditures were consequently low.

With the merger of the executive branches of the three institutions of the European Communities (ECSC, EEC and Euratom) in 1967, the pension rights of ECSC staff and of those already retired from this organisation were incorporated into the pension scheme of the two other institutions. The funds of the ECSC scheme were disbursed, being used for the construction of housing for workers in the coal and steel industries (employer share of the fund) and for appropriations for housing assistance for European Communities staff (employee contribution).

The changes to the Staff Regulations of 2004 introduced a number of significant changes to the benefits side of the Pension Scheme. These changes, influenced by increases in life expectancy and the tendency amongst the Member States to raise the minimum retirement age applicable to their own national schemes as well as by budgetary considerations, included the following:

-an increase in the minimum retirement age from 60 to 63 for those officials recruited as from 1 May 2004;

-an annual accrual rate of 1.9% for those recruited from 1 May 2004, instead of 2.0%, meaning that 36.8 years of acquired pension rights would be needed to reach the maximum pension of 70% of final salary, instead of 35 years previously;

-adjustments to the pension rights bonus for years worked after the minimum pensionable age;

- changes to the staffing structure, involving a lowering of salary scales including lower entry-level salaries, new conditions for promotions and the more widespread replacement of officials by contract agents. These measures combined to limit the level of the final salaries on which pensions are based.

In a Report of 2010 (SEC (2010) 989 final), the Commission, based on the work of Eurostat, estimated that compared to the pre-existing situation, the 2004 Reform would achieve steadily rising annual budgetary savings on pensions expenditure during the period 2010-2059 which would reach €1 047 million (at constant prices) by 2059. Total cost savings for the whole of the 50-year period were put at €24 785 million.

The further Reform of the Staff Regulations of 2013, which entered into force on 1 January 2014, introduced additional changes with an impact on the pension scheme and its costs, in particular:

-a new minimum pensionable age of 66 years (instead of 63) for those recruited as from 1 January 2014;

-further reduction of the annual accrual rate to 1.8% (instead of 1.9%) for those recruited from 1 January 2014, meaning that 38.9 years of pension rights are required for these staff to reach the maximum pension of 70% of final salary;

-the freezing of staff salaries for 2013 and 2014, through the non-application of the Method for those years;

-further changes to the career structure for staff.

The Eurostat study of 28.7.2016 on the long-term budgetary implications of the 2013 Reform on pension costs demonstrated that expenditures on pensions would peak in 2046 and steadily decline each year thereafter. The annual budgetary savings resulting from that Reform would rise progressively year-by-year to reach €642 million (constant prices) in 2064. Over 50 years, the savings would total €19 230 million[16].

The budgetary impact on pensions of the 2004 and 2014 Reforms, as well as the effects on staff management, have also been the subject of a report in 2019 by the European Court of Auditors[17]

It should be noted that the savings on pensions introduced by the Reforms of 2004 and 2013 have been mainly at the expense of the most recently recruited staff.

National pension schemes for Member State civil servants

Regular surveys are undertaken by Eurostat through questionnaires to delegations in order to identify the main features of national pension schemes for permanent, statutory staff working in central government. On the basis of the latest survey conducted in the early part of 2018, Eurostat has reported on the main characteristics of such schemes:

For the most part, these are of a “defined benefit” type, are unfunded in the sense that contributions are not transferred to a specific fund (although a minority of Member States operate “defined contribution” schemes or hybrid schemes) and vary widely in terms of the relative shares of employer and employee contributions, with the employee contribution as a proportion of the total ranging from 0% for a few Member States to 50% or more in a limited number of cases. The majority of Member States operate their pension arrangements as “pay-as-you-go” schemes under which the benefits of current pensioners are financed by contributions linked to the earnings of current employees, whilst in some Member States the budgetary method is used. The contribution of employees is usually calculated as a percentage of the base salary, ranging from 0% in a few cases to more than 15% for a few others; for most Member States, the rate is typically between 5% and 12.4%. The updating of the contribution rate is in general a matter for ad hoc political decisions, taken at irregular intervals.

According to Member State, there are wide variations in the maximum and normal pensionable ages and in the methods for computing the pension, including indexation. Some Member States provide for the option of a lump sum payment on retirement in return for a lower monthly pension.

The full Eurostat report for 2018 (“Survey results on central government pension schemes in the EU”) is contained in Annex X.

[16] See Annex V (op cit)

[17] Special Report No 15 of the European Court of Auditors – “Implementation of the 2014 staff reform package of the Commission – Big savings but not without consequences for staff”. ECA 2019.

Glossary of acronyms and abbreviations

CJEU: Court of Justice of the European Union

DBO: Defined benefit Obligation (Pension liability)

DG HR: The Directorate-General for Human Resources of the European Commission

ECSC: The European Coal and Steel Community

Eurostat: The Statistical Office of the European Union

MFF: The Multi-annual Financial Framework

PCR: Pension Contribution Rate (applied as a percentage deduction from the monthly basic salaries of staff and those on invalidity)

PSEU: The Pension Scheme of the European Union

RDR: Real Discount Rate (derived by deflating a nominal discount rate (interest rate) by an appropriate inflation rate)

SR: The Staff Regulations of Officials of the European Union

TFEU: The Treaty on the Functioning of the European Union

VOX: The official periodical (2-3 issues each year) of the International Association of Former Officials of the European Union (AIACE)

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Annex II c : « Commentaires critiques – Generation 2004’s position on pensions », Marc Oostens, VOX No 113, July 2019.

Annex III a : « Le régime de pensions des fonctionnaires et autres agents de l’UE-Origines, caractéristiques, et arguments en faveur de sa continuité- », Ludwig Schubert, VOX No 86, Novembre 2010.

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Annex I : Extracts from the Staff Regulations of Officials and the Conditions of Employment of other Servants of the EU concerning pensions

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This document is meant purely as a documentation tool and the institutions do not assume any liability for its contents

►**B** **REGULATION No 31 (EEC), 11 (EAEC),**

laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Economic Community and the European Atomic Energy Community

(OJ 45, 14.6.1962, p. 1385)

Amended by:

		Official Journal		
		No	page	date
►**M1**	Règlement n º 1/63/Euratom du Conseil du 26 février 1963 (*)	35	524	6.3.1963
►**M2**	Règlement n º 2/63/Euratom du Conseil du 26 février 1963 (*)	35	526	6.3.1963
►**M3**	Règlement n º 17/63/CEE du Conseil du 26 février 1963 (*)	35	528	6.3.1963
►**M4**	Regulation No 18/63/EEC of the Council of 26 February 1963	35	529	6.3.1963
►**M5**	Regulation No 5/64/Euratom of the Council of 10 November 1964	190	2971	21.11.1964
►**M6**	Regulation No 182/64/EEC of the Council of 10 November 1964	190	2971	21.11.1964
►**M7**	Règlement n º 2/65/Euratom du Conseil du 11 janvier 1965 (*)	18	242	4.2.1965
►**M8**	Règlement n º 8/65/CEE du Conseil du 11 janvier 1965 (*)	18	242	4.2.1965
►**M9**	Regulation No 4/65/Euratom of the Council of 16 March 1965	47	701	24.3.1965
►**M10**	Regulation No 30/65/EEC of the Council of 16 March 1965	47	701	24.3.1965
►**M11**	Règlement n º 1/66/Euratom du Conseil du 28 décembre 1965 (*)	31	461	19.2.1966
►**M12**	Règlement n º 14/66/CEE du Conseil du 28 décembre 1965 (*)	31	461	19.2.1966
►**M13**	Règlement n º 10/66/Euratom du Conseil du 24 novembre 1966 (*)	225	3814	6.12.1966
►**M14**	Règlement n º 198/66/CEE du Conseil du 24 novembre 1966 (*)	225	3814	6.12.1966
►**M15**	Regulation (EEC, Euratom, ECSC) No 259/68 of the Council of 29 February 1968	L 56	1	4.3.1968
►**M16**	Regulation (Euratom, ECSC, EEC) No 2278/69 of the Council of 13 November 1969	L 289	1	17.11.1969
►**M17**	Règlement (CECA, CEE, Euratom) n º 95/70 du Conseil du 19 janvier 1970 (*)	L 15	1	21.1.1970
►**M18**	Regulation (ECSC, EEC, Euratom) No 96/70 of the Council of 19 January 1970	L 15	4	21.1.1970

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►**M19**	Regulation (EEC, Euratom, ECSC) No 16/71 of the Council of 30 December 1970	L 5	1	7.1.1971
►**M20**	Regulation (EEC, Euratom, ECSC) No 2653/71 of the Council of 11 December 1971	L 276	1	16.12.1971
►**M21**	Regulation (EEC, Euratom, ECSC) No 2654/71 of the Council of 11 December 1971	L 276	6	16.12.1971
►**M22**	Regulation (Euratom, ECSC, EEC) No 1369/72 of the Council of 27 June 1972	L 149	1	1.7.1972
►**M23**	Regulation (Euratom, ECSC, EEC) No 1473/72 of the Council of 30 June 1972	L 160		16.7.1972
►**M24**	Regulation (ECSC, EEC, Euratom) No 2647/72 of the Council of 12 December 1972	L 283		20.12.1972
►**M25**	Regulation (ECSC, EEC, Euratom) No 558/73 of the Council of 26 February 1973	L 55		28.2.1973

(*) This act was never published in english.

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►**M26**	Regulation (ECSC, EEC, Euratom) No 2188/73 of the Council of 9 August 1973	L 223		11.8.1973
►**M27**	Regulation (EEC, Euratom, ECSC) No 2/74 of the Council of 28 December 1973	L 2		3.1.1974
►**M28**	Regulation (EEC, Euratom, ECSC) No 3191/74 of the Council of 17 December 1974	L 341	1	20.12.1974
►**M29**	Regulation (Euratom, ECSC, EEC) No 711/75 of the Council of 18 March 1975	L 71	1	20.3.1975
►**M30**	Regulation (Euratom, ECSC, EEC) No 1009/75 of the Council of 14 April 1975	L 98	1	19.4.1975
►**M31**	Regulation (Euratom, ECSC, EEC) No 1601/75 of the Council of 24 June 1975	L 164	1	27.6.1975
►**M32**	Regulation (Euratom, ECSC, EEC) No 2577/75 of the Council of 7 October 1975	L 263	1	11.10.1975
►**M33**	Council Regulation (ECSC, EEC, Euratom) No 2615/76 of 21 October 1976	L 299	1	29.10.1976
►**M34**	Council Regulation (ECSC, EEC, Euratom) No 3177/76 of 21 December 1976	L 359	1	30.12.1976
►**M35**	Council Regulation (ECSC, EEC, Euratom) No 3178/76 of 21 December 1976	L 359	9	30.12.1976
►**M36**	Council Regulation (EEC, Euratom, ECSC) No 1376/77 of 21 June 1977	L 157	1	28.6.1977
►**M37**	Council Regulation (EEC, Euratom, ECSC) No 2687/77 of 5 December 1977	L 314	1	8.12.1977
►**M38**	Council Regulation (EEC, Euratom, ECSC) No 2859/77 of 19 December 1977	L 330	1	23.12.1977
►**M39**	Council Regulation (Euratom, ECSC, EEC) No 912/78 of 2 May 1978	L 119	1	3.5.1978
►**M40**	Council Regulation (Euratom, ECSC, EEC) No 914/78 of 2 May 1978	L 119	8	3.5.1978
►**M41**	Council Regulation (Euratom, ECSC, EEC) No 2711/78 of 20 November 1978	L 328	1	23.11.1978
►**M42**	Council Regulation (Euratom, ECSC, EEC) No 3084/78 of 21 December 1978	L 369	1	29.12.1978
►**M43**	Council Regulation (Euratom, ECSC, EEC) No 3085/78 of 21 December 1978	L 369	6	29.12.1978
►**M44**	Council Regulation (ECSC, EEC, Euratom) No 2955/79 of 18 December 1979	L 336	1	29.12.1979
►**M45**	Council Regulation (EEC, Euratom, ECSC) No 160/80 of 21 January 1980	L 20	1	26.1.1980
►**M46**	Council Regulation (EEC, Euratom, ECSC) No 161/80 of 21 January 1980	L 20	5	26.1.1980
►**M47**	Council Regulation (Euratom, ECSC, EEC) No 187/81 of 20 January 1981	L 21	18	24.1.1981
►**M48**	Council Regulation (Euratom, ECSC, EEC) No 397/81 of 10 February 1981	L 46	1	19.2.1981

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►**M49**	Council Regulation (Euratom, ECSC, EEC) No 2780/81 of 22 September 1981	L 271	1	26.9.1981
►**M50**	Council Regulation (Euratom, ECSC, EEC) No 3821/81 of 15 December 1981	L 386	1	31.12.1981
►**M51**	Council Regulation (ECSC, EEC, Euratom) No 371/82 of 15 February 1982	L 47	8	19.2.1982
►**M52**	Council Regulation (ECSC, EEC, Euratom) No 372/82 of 15 February 1982	L 47	13	19.2.1982
►**M53**	Council Regulation (ECSC, EEC, Euratom) No 3139/82 of 22 November 1982	L 331		26.11.1982
►**M54**	Council Regulation (EEC, Euratom, ECSC) No 440/83 of 21 February 1983	L 53		26.2.1983
►**M55**	Council Regulation (EEC, Euratom, ECSC) No 1819/83 of 28 June 1983	L 180		5.7.1983
►**M56**	Council Regulation (EEC, Euratom, ECSC) No 2074/83 of 21 July 1983	L 203		27.7.1983

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►**M57**	Council Regulation (EEC, Euratom, ECSC) No 3647/83 of 19 December 1983	L 361		24.12.1983
►**M58**	Council Regulation (ECSC, EEC, Euratom) No 419/85 of 18 February 1985	L 51		21.2.1985
►**M59**	Council Regulation (ECSC, EEC, Euratom) No 420/85 of 18 February 1985	L 51	6	21.2.1985
►**M60**	Council Regulation (ECSC, EEC, Euratom) No 1578/85 of 10 June 1985	L 154	1	13.6.1985
►**M61**	Council Regulation (ECSC, EEC, Euratom) No 1915/85 of 8 July 1985	L 180	3	12.7.1985
►**M62**	Council Regulation (ECSC, EEC, Euratom) No 2799/85 of 27 September 1985	L 265	1	8.10.1985
►**M63**	Council Regulation (ECSC, EEC, Euratom) No 3580/85 of 17 December 1985	L 343	1	20.12.1985
►**M64**	Council Regulation (EEC, Euratom, ECSC) No 3855/86 of 16 December 1986	L 359	1	19.12.1986
►**M65**	Council Regulation (EEC, Euratom, ECSC) No 3856/86 of 16 December 1986	L 359	5	19.12.1986
►**M66**	Council Regulation (Euratom, ECSC, EEC) No 793/87 of 16 March 1987	L 79	1	21.3.1987
►**M67**	Council Regulation (Euratom, ECSC, EEC) No 3019/87 of 5 October 1987	L 286	3	9.10.1987
►**M68**	Council Regulation (Euratom, ECSC, EEC) No 3212/87 of 20 October 1987	L 307	1	29.10.1987
►**M69**	Council Regulation (Euratom, ECSC, EEC) No 3784/87 of 14 December 1987	L 356	1	18.12.1987
►**M70**	Council Regulation (ECSC, EEC, Euratom) No 2338/88 of 25 July 1988	L 204	1	29.7.1988
►**M71**	Council Regulation (ECSC, EEC, Euratom) No 2339/88 of 25 July 1988	L 204	5	29.7.1988
►**M72**	Council Regulation (ECSC, EEC, Euratom) No 3982/88 of 19 December 1988	L 354	1	22.12.1988
►**M73**	Council Regulation (EEC, Euratom, ECSC) No 2187/89 of 18 July 1989	L 209	1	21.7.1989
►**M74**	Council Regulation (EEC, Euratom, ECSC) No 3728/89 of 11 December 1989	L 364	1	14.12.1989
►**M75**	Council Regulation (Euratom, ECSC, EEC) No 2258/90 of 27 July 1990	L 204	1	2.8.1990
►**M76**	Council Regulation (Euratom, ECSC, EEC) No 3736/90 of 19 December 1990	L 360	1	22.12.1990
►**M77**	Council Regulation (EEC) No 2232/91 of 22 July 1991	L 204	1	27.7.1991
►**M78**	Council Regulation (ECSC, EEC, Euratom) No 3830/91 of 19 December 1991	L 361	1	31.12.1991
►**M79**	Council Regulation (ECSC, EEC, Euratom) No 3831/91 of 19 December 1991	L 361	7	31.12.1991
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►**M80**	Council Regulation (ECSC, EEC, Euratom) No 3832/91 of 19 December 1991	L 361	9	31.12.1991
►**M81**	Council Regulation (ECSC, EEC, Euratom) No 3833/91 of 19 December 1991	L 361	10	31.12.1991
►**M82**	Council Regulation (ECSC, EEC, Euratom) No 3834/91 of 19 December 1991	L 361	13	31.12.1991
►**M83**	Council Regulation (EEC, Euratom, ECSC) No 571/92 of 2 March 1992	L 62	1	7.3.1992
►**M84**	Council Regulation (EEC, Euratom, ECSC) No 3761/92 of 21 December 1992	L 383		29.12.1992
►**M85**	Council Regulation (EEC, Euratom, ECSC) No 3947/92 of 21 December 1992	L 404		31.12.1992
►**M86**	Council Regulation (Euratom, ECSC, EC) No 3608/93 of 20 December 1993	L 328		29.12.1993
►**M87**	Council Regulation (ECSC, EC, Euratom) No 3161/94 of 19 December 1994	L 335		23.12.1994

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►**M88**	Council Regulation (EC, Euratom, ECSC) No 2963/95 of 18 December 1995	L 310		22.12.1995
►**M89**	Council Regulation (Euratom, ECSC, EC) No 1354/96 of 8 July 1996	L 175		13.7.1996
►**M90**	Council Regulation (Euratom, ECSC, EC) No 2485/96 of 20 December 1996	L 338	1	28.12.1996
►**M91**	Council Regulation (ECSC, EC, Euratom) No 2192/97 of 30 October 1997	L 301	5	5.11.1997
►**M92**	Council Regulation (ECSC, EC, Euratom) No 2591/97 of 18 December 1997	L 351	1	23.12.1997
►**M93**	Council Regulation (EC, ECSC, Euratom) No 781/98 of 7 April 1998	L 113	4	15.4.1998
►**M94**	Council Regulation (EC, ECSC, Euratom) No 2458/98 of 12 November 1998	L 307	1	17.11.1998
►**M95**	Council Regulation (EC, ECSC, Euratom) No 2594/98 of 27 November 1998	L 325	1	3.12.1998
►**M96**	Council Regulation (EC, ECSC, Euratom) No 2762/98 of 17 December 1998	L 346	1	22.12.1998
►**M97**	Communication from the Commission to the other institutions concerning the conversion into euro of the amounts provided for in the Staff Regulations (1999/C 60/09)	C 60	11	2.3.1999
►**M98**	Council Regulation (EC, ECSC, Euratom) No 620/1999 of 22 March 1999	L 78	1	24.3.1999
►**M99**	Council Regulation (EC, ECSC, Euratom) No 1238/1999 of 14 June 1999	L 150	1	17.6.1999
►**M100**	Council Regulation (EC, ECSC, Euratom) No 2700/1999 of 17 December 1999	L 327	1	21.12.1999
►**M101**	Council Regulation (EC, ECSC, Euratom) No 212/2000 of 24 January 2000	L 24	1	29.1.2000
►**M102**	Council Regulation (EC, ECSC, Euratom) No 628/2000 of 20 March 2000	L 76	1	25.3.2000
►**M103**	Council Regulation (EC, ECSC, Euratom) No 2804/2000 of 18 December 2000	L 326	3	22.12.2000
►**M104**	Council Regulation (EC, ECSC, Euratom) No 2805/2000 of 18 December 2000	L 326	7	22.12.2000
►**M105**	Council Regulation (EC, ECSC, Euratom) No 1986/2001 of 8 October 2001	L 271	1	12.10.2001
►**M106**	Council Regulation (EC, ECSC, Euratom) No 2581/2001 of 17 December 2001	L 345	1	29.12.2001
►**M107**	Council Regulation (EC, ECSC, Euratom) No 490/2002 of 18 March 2002	L 77	1	20.3.2002
►**M108**	Council Regulation (EC, Euratom) No 2265/2002 of 16 December 2002	L 347	1	20.12.2002
►**M109**	Council Regulation (EC, Euratom) No 2148/2003 of 5 December 2003	L 323	1	10.12.2003
►**M110**	Council Regulation (EC, Euratom) No 2181/2003 of 8 December 2003	L 327	1	16.12.2003
►**M111**	Council Regulation (EC, Euratom) No 2182/2003 of 8 December 2003	L 327	3	16.12.2003
►**M112**	Council Regulation (EC, Euratom) No 723/2004 of 22 March 2004	L 124	1	27.4.2004
►**M113**	Council Regulation (EC, Euratom) No 23/2005 of 20 December 2004	L 6	1	8.1.2005
►**M114**	Council Regulation (EC, Euratom) No 31/2005 of 20 December 2004	L 8	1	12.1.2005
►**M115**	Council Regulation (EC, Euratom) No 1972/2005 of 29 November 2005	L 317	1	3.12.2005
►**M116**	Council Regulation (EC, Euratom) No 2104/2005 of 20 December 2005	L 337	7	22.12.2005
►**M117**	Council Regulation (EC, Euratom) No 1066/2006 of 27 June 2006	L 194	1	14.7.2006
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►**M118** Council Regulation (EC, Euratom) No 1895/2006 of 19 December 2006	L 397	6	30.12.2006
►**M119** Council Regulation (EC, Euratom) No 337/2007 of 27 March 2007	L 90	1	30.3.2007
►**M120** Council Regulation (EC, Euratom) No 1558/2007 of 17 December 2007	L 340		22.12.2007
►**M121** Council Regulation (EC, Euratom) No 420/2008 of 14 May 2008	L 127		15.5.2008
►**M122** Council Regulation (EC, Euratom) No 1323/2008 of 18 December 2008	L 345	10	23.12.2008
►**M123** Council Regulation (EC, Euratom) No 1324/2008 of 18 December 2008	L 345	17	23.12.2008
►**M124** Council Regulation (EC) No 160/2009 of 23 February 2009	L 55	1	27.2.2009
►**M125** Council Regulation (EU, Euratom) No 1295/2009 of 22 December 2009	L 348	9	29.12.2009
►**M126** Council Regulation (EU, Euratom) No 1296/2009 of 23 December 2009	L 348	10	29.12.2009
►**M127** amended by Council Regulation (EU, Euratom) No 1190/2010 of 13 December 2010	L 333	1	17.12.2010
►**M128** Regulation (EU, Euratom) No 1080/2010 of the European Parliament and of the Council of 24 November 2010	L 311	1	26.11.2010
►**M129** Council Regulation (EU) No 1239/2010 of 20 December 2010	L 338	1	22.12.2010
►**M130** Council Regulation (EU) No 1240/2010 of 20 December 2010	L 338	7	22.12.2010
►**M131** Regulation (EU, Euratom) No 1023/2013 of the European Parliament and of the Council of 22 October 2013	L 287	15	29.10.2013
►**M132** Council Regulation (EU) No 1331/2013 of 10 December 2013	L 335	1	14.12.2013
►**M133** Council Regulation (EU) No 1415/2013 of 17 December 2013	L 353	23	28.12.2013
►**M134** Council Regulation (EU) No 1416/2013 of 17 December 2013	L 353	24	28.12.2013
►**M135** Regulation (EU) No 422/2014 of the European Parliament and of the Council of 16 April 2014	L 129	5	30.4.2014
►**M136** Regulation (EU) No 423/2014 of the European Parliament and of the Council of 16 April 2014	L 129	12	30.4.2014

Corrected by:

►**C1** Consolidated text of corrigenda to instruments published in Special Editions 1952-72, p. 4 (31/62)
►**C2** Consolidated text of corrigenda to instruments published in Special Editions 1952-72, p. 100 (1473/72)
►**C3** Consolidated text of corrigenda to instruments published in Special Editions 1952-72, p. 106 (2647/72)
►**C4** Corrigendum, OJ L 52, 24.2.1977, p. 45 (3177/76)
►**C5** Corrigendum, OJ L 214, 4.8.1978, p. 24 (912/78)
►**C6** Corrigendum, OJ L 168, 6.7.1979, p. 43 (3085/78)
►**C7** Corrigendum, OJ L 130, 16.5.1981, p. 26 (187/81)
►**C8** Corrigendum, OJ L 130, 16.5.1981, p. 26 (397/81)
►**C9** Corrigendum, OJ L 370, 31.12.1983, p. 64 (3647/83)
►**C10** Corrigendum, OJ L 122, 18.5.1993, p. 47 (3947/92)
►**C11** Corrigendum, OJ L 77, 6.4.1995, p. 38 (3947/92)
►**C12** Corrigendum, OJ L 11, 17.1.1998, p. 45 (2591/97)
►**C13** Corrigendum, OJ L 51, 24.2.2005, p. 28 (723/2004)
►**C14** Corrigendum, OJ L 248, 22.9.2007, p. 26 (31/62)
►**C15** Corrigendum, OJ L 248, 22.9.2007, p. 27 (1473/72)
►**C16** Corrigendum, OJ L 248, 22.9.2007, p. 27 (558/73)
►**C17** Corrigendum, OJ L 248, 22.9.2007, p. 26 (723/2004)
►**C18** Corrigendum, OJ L 130, 17.5.2012, p. 24 (723/2004)
►**C19** Corrigendum, OJ L 140, 22.5.2014, p. 178 (422/2014)
►**C20** Corrigendum, OJ L 110, 29.4.2015, p. 41 (31/62)

▼B

REGULATION No 31 (EEC), 11 (EAEC),

laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Economic Community and the European Atomic Energy Community

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

THE COUNCIL OF THE EUROPEAN ATOMIC ENERGY COMMUNITY,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 179, 212 and 215 thereof;

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Articles 152, 186 and 188 thereof;

Having regard to the Protocol on the Privileges and Immunities of the European Economic Community, and in particular Articles 6 and 14 thereof;

Having regard to the Protocol on the Privileges and Immunities of the European Atomic Energy Community, and in particular Articles 6 and 14 thereof;

Having regard to the proposals submitted by the Commissions in accordance with Article 14 of the Protocols on the Privileges and Immunities of the European Economic Community and of the European Atomic Energy Community;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Court of Justice of the European Communities;

Whereas it is for the Councils, acting unanimously, in co-operation with the Commissions and after consulting the other institutions concerned, to lay down the Staff Regulations of officials and the Conditions of Employment of other servants of the European Economic Community and the European Atomic Energy Community;

Whereas those Staff Regulations and Conditions of Employment should be such as to secure for the Communities the services of staff of the highest standard of independence, ability, efficiency and integrity, recruited on the broadest possible geographical basis from among nations of Member States of the Communities, and at the same time to enable such staff to discharge their duties in conditions which will ensure maximum efficiency;

HAS ADOPTED THIS REGULATION:

Sole Article

The Staff Regulations of officials and the Conditions of Employment of other servants of the European Economic Community and the European Atomic Energy Community are laid down in the Annex, which forms an integral part of this Regulation.

▼B

This Regulation shall enter into force on 1 January 1962.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

▼M128

STAFF REGULATIONS OF OFFICIALS OF THE EUROPEAN UNION

▼B

CONTENTS

▼B

ANNEX XIII	Transitional measures applicable to officials of the Union (Article 107a of the Staff Regulations)
ANNEX XIII.1	Types of posts during the transitional period

▼B

CHAPTER 3

▼M112

Pensions and invalidity allowance

▼M131

Article 77

An official who has completed at least ten years' service shall be entitled to a retirement pension. He shall, however, be entitled to such pension, irrespective of length of service, if he is over pensionable age, if it has not been possible to reinstate him during a period of non-active status or in the event of retirement in the interests of the service.

The maximum retirement pension shall be 70 % of the final basic salary carried by the last grade in which the official was classified for at least one year. 1,80 % of that final basic salary shall be payable to an official for each year of service reckoned in accordance with Article 3 of Annex VIII.

However, in the case of officials who have been assisting a person holding an office provided for in the Treaty on European Union or the Treaty on the Functioning of the European Union, the elected President of one of the institutions or organs of the Union or the elected Chairman of one of the political groups in the European Parliament, the entitlement to pensions corresponding to the years of pensionable service acquired while working in that capacity shall be calculated by reference to the final basic salary received during that time if the basic salary received exceeds that taken as reference for the purposes of the second paragraph of this Article.

The amount of the retirement pension must not be less than 4 % of the minimum subsistence figure per year of service.

The pensionable age shall be 66 years.

The pensionable age shall be assessed every five years starting on 1 January 2014 on the basis of a report by the Commission to the European Parliament and to the Council. The report shall examine, in particular, the evolution of pensionable age for staff in the civil services of the Member States and the evolution of life expectancy of officials of the institutions.

Where appropriate, the Commission shall make a proposal amending the pensionable age in line with the conclusions of that report, paying particular attention to developments in the Member States.

▼M131

Article 78

An official shall be entitled, in the manner provided for in Articles 13 to 16 of Annex VIII, to an invalidity allowance in the case of total permanent invalidity preventing him from performing the duties corresponding to a post in his function group.

Article 52 shall apply by analogy to recipients of an invalidity allowance. If the recipient of an invalidity allowance retires before the age of 66 without having reached the maximum pension entitlement, the general rules on retirement pensions shall be applied. The amount of the retirement pension shall be based on the salary for the grade and step occupied by the official when he became an invalid.

The invalidity allowance shall be equal to 70 % of the official's last basic salary. However, it may not be less than the minimum subsistence figure.

The invalidity allowance shall be subject to contributions to the pension scheme, calculated on the basis of that allowance.

Where the invalidity arises from an accident in the course of or in connection with the performance of an official's duties, from an occupational disease, from a public-spirited act or from risking his life to save another human being, the invalidity allowance may not be less than 120 % of the minimum subsistence figure. In such cases, moreover, contributions to the pension scheme shall be paid in full from the budget of the institution or body referred to in Article 1b.

▼**B**

Article 79

The ►**M112** surviving spouse ◄ of an official or of a former official shall be entitled in the manner provided in chapter 4 of Annex VIII to a survivor's pension equal to ►**M5** 60 % ◄ of the retirement or disability pension which was paid to ►**M112** the deceased ◄, or which, irrespective of length of service ►**M62** or of age ◄, would have been payable to him if he had qualified for it at the time of his death.

The amount of the survivor's pension payable to the ►**M112** surviving spouse ◄ of an official who has died while in one of the administrative statuses specified in Article 35, ►**M62** ◄, shall be neither less than the minimum subsistence rate nor less than ►**M23** 35 % ◄ of the last basic salary received by the official.

▼**M62**

This amount shall not be less than 42 % of the final basic salary received by the official where death is due to one of the circumstances set out in ►**M112** the fifth paragraph of Article 78 ◄.

▼**M112**

▼**B**

Article 80

▼**M112**

Where an official or person entitled to a retirement pension or invalidity allowance dies leaving no spouse entitled to a survivor's pension, the children dependent on the deceased within the meaning of Article 2 of Annex VII at the time of his death shall be entitled to orphans' pension in accordance with Article 21 of Annex VIII.

▼**B**

The same pension entitlement shall apply to children who fulfill the above conditions in the event of the death or remarriage of the ►**M62** spouse in receipt of ◄ a survivor's pension.

▼M23

Where an official or person entitled to ►M112 a retirement pension or invalidity allowance ◄ dies but the conditions set out in the first paragraph are not satisfied, the dependent children within the meaning of Article 2 of Annex VII shall be entitled to orphan's pension in accordance with Article 21 of Annex VIII; the pension shall, however, be equal to half the pension calculated in accordance with that Article.

▼M112

For persons treated as dependent children within the meaning of Article 2(4) of Annex VII, the orphan's pension may not exceed an amount equal to twice the dependent child allowance.

Where a child has been adopted, the death of the natural parent who has been replaced by the adoptive parent shall not give rise to payment of an orphan's pension.

▼M131

Entitlement as provided for in the first, second and third paragraphs shall apply in the event of the death of a former official entitled to an allowance under Article 50 of the Staff Regulations, Article 5 of Council Regulation (EEC, Euratom, ECSC) No 259/68 ([1]), Article 3 of Council Regulation (Euratom, ECSC, EEC) No 2530/72 ([2]) or Article 3 of Council Regulation (ECSC, EEC Euratom) No 1543/73 ([3]) and in the event of the death of a former official who left the service before reaching pensionable age and requested that his retirement pension be deferred until the first day of the calendar month following that in which he reached pensionable age.

▼M112

Persons in receipt of an orphan's pension may not receive more than one such pension from the ►M128 Union ◄. Where a surviving child has entitlement to more than one ►M128 Union ◄ pension, he shall receive the pension providing the higher or highest amount.

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(1) Council Regulation (EEC, Euratom, ECSC) No 259/68 of 29 February 1968 laying down the Staff Regulations and the Conditions of Employment of Other Servants of the European Communities and instituting special measures temporarily applicable to officials of the Commission (OJ L 56, 4.3.1968, p. 1).

(2) Council Regulation (Euratom, ECSC, EEC) No 2530/72 of 4 December 1972 introducing special and temporary measures applicable to the recruitment of officials of the European Communities in consequences of the accession of new Member States, and for the termination of service of officials of those Communities (OJ L 272, 5.12.1972, p. 1).

(3) Council Regulation (ECSC, EEC Euratom) No 1543/73 of 4 June 1973 introducing special measures temporarily applicable to officials of the European Communities paid from research and investment funds (OJ L 155, 11.6.1973, p. 1).

▼B

Article 81

▼M112

A person entitled to a retirement pension or to an invalidity allowance, or to a survivor's pension shall be entitled, under the conditions laid down in Annex VII, to the family allowances specified in Article 67; the household allowance shall be calculated by reference to the pension or the allowance of the recipient. These allowances shall be paid to recipients of a survivor's pension only in respect of the children dependent on the deceased official or former official at the time of death.

▼M23

The amount of the dependent child allowance payable to the person entitled to a survivor's pension shall, however, be twice the amount of the allowance provided for in Article 67 (1) (b).

▼**M62**

Article 81a

1. Notwithstanding any other provisions, notably those concerning the minimum amounts payable to persons entitled to a survivor's pension, the total amount payable by way of survivor's pension plus family allowances less tax and other compulsory deductions to the widow and other entitled persons may not exceed the following:

(a) in the event of the death of an official having one of the administrative statuses set out in Article 35, the amount of the remuneration which the official would have received in the same grade and step if he had still been in the service, plus any family allowances received by him in that case and less tax and other compulsory deductions;

(b) for the period following the date on which the official referred to in (a) above would have reached the ►**M131** age of 66 ◄, the amount of the retirement pension to which he would have been entitled thereafter, had he been alive, based on the same grade and step at the time of death, plus any family allowances which he would have received, less tax and other compulsory deductions;

(c) in the event of the death of a former official entitled to a retirement pension or to an ►**M112** invalidity allowance ◄, the amount of the pension to which he would have been entitled, had he been alive, subject to the allowances and deductions referred to in (b);

▼**M131**

(d) in the event of the death of a former official who left the service before reaching pensionable age and requested that his retirement pension be deferred until the first day of the calendar month following that in which he reached pensionable age, the amount of the retirement pension to which he would have been entitled at pensionable age had he been alive, subject to the allowances and deductions referred to in point (b);

▼**M62**

(e) in the event of the death of an official or a former official entitled, on the day of his death, to an ►**M131** allowance under Article 41, 42c or 50 ◄ of these Staff Regulations, Article 5 of Regulation (EEC, Euratom, ECSC) No 259/68, Article 3 of Regulation (Euratom, ECSC, EEC) No 2530/72, Article 3 of Regulation (ECSC, EEC, Euratom) No 1543/73, Article 2 of Regulation (ECSC, EEC, Euratom) No 2150/82 or Article 3 of Regulation (ECSC, EEC, Euratom) No 1679/85, the amount of the allowance to which he would have been entitled, had he been alive, subject to the allowances and deductions set out in (b);

(f) for the period following the date on which the former official referred to in (e) would have ceased to be entitled to the allowance, the amount of the retirement pension to which he would have been entitled on that date, had he been alive and satisfied the relevant age requirements for the grant of pension rights, subject to the allowances and deductions set out in (b).

2. For the pursposes of paragraph 1, weightings shall be disregarded, which could affect the various amounts in question.

3. The maximum amount as defined in subparagraphs (a) to (f) above shall be apportioned among the persons entitled to a survivor's pension in proportion to their respective entitlements, paragraph 1 being disregarded for this purpose.

The second, ►**M112** and third ◄ subparagraphs of Article 82 (1) shall apply to the amounts thus apportioned.

▼**M112**

Article 82

1. The pensions provided for above shall be calculated by reference to salary scales in force on the first day of the month in which entitlement commences.

No correction coefficient shall be applicable to pensions.

Pensions expressed in euro shall be paid in one of the currencies referred to in Article 45 of Annex VIII to the Staff Regulations.

▼**M131**

2. Where remuneration is updated in accordance with Article 65(1), the same update shall be applied to pensions.

▼**M112**

3. The provisions of paragraphs 1 and 2 shall apply by analogy to recipients of an invalidity allowance.

▼**B**

Article 83

1. Benefits paid under this pension scheme shall be charged to the budget of the ►**M128** Union ◄. Member States shall jointly guarantee payment of such benefits in accordance with the scale laid down for financing such expenditure.

▼**M131**

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▼**B**

2. Officials shall contribute one third of the cost of this pension scheme. The contribution shall be ►**M133** 10,3 % ◄ of the official's basic salary, the weightings provided for in Article 64 not being taken into account. It shall be deducted monthly from the salary of officials. ►**M112** The contribution shall be adjusted in accordance with the rules laid down in Annex XII. ◄

3. The procedure for calculation of the pensions of officials who have spent part of their service with the European Coal and Steel Community or who belong to the institutions or organs common to the

►**M128** Union ◄, and the apportionment of the cost of such award between the European Coal and Steel Community pension fund and the budgets of the European Economic Community and the European Atomic Energy Community shall be settled by a Regulation made by agreement between the Councils and the Committee of Presidents of the European Coal and Steel Community, after consulting the Staff Regulations Committee.

▼**M112**

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Article 83a

1. The scheme shall be kept in balance in accordance with the detailed rules set out in Annex XII.

▼**M131**

2. Agencies which do not receive a subsidy from the general budget of the European Union shall pay into that budget the entire amount of the contributions needed to finance the scheme. From 1 January 2016 agencies which are partly financed from that budget shall pay the part of the employers' contributions which corresponds to the proportion between the agency's revenues without the subsidy from the general budget of the European Union and its total revenues.

3. The balance of the pension scheme shall be ensured by the pensionable age and the rate of contribution to the scheme. On the occasion of the five-yearly actuarial assessment in accordance with Annex XII, the rate of contribution to the pension scheme shall be updated in order to ensure the balance of the scheme.

4. Each year the Commission shall update the actuarial assessment referred to in paragraph 3, in accordance with Article 1(2) of Annex XII. Where it is shown that there is a gap of at least 0,25 points between the rate of contribution currently applied and the rate required to maintain actuarial balance, the rate shall be updated, in accordance with the arrangements laid down in Annex XII.

5. For the purposes of paragraphs 3 and 4 of this Article, the reference figure set out in Article 83(2) shall be updated. The Commission shall publish the resulting updated rate of contribution within two weeks after the update in the C series of the *Official Journal of the European Union* for information purposes.

▼**B**

Article 84

Detailed rules governing the foregoing pension scheme are contained in Annex VIII.

▼**B**

CHAPTER 4

Recovery of overpayments

Article 85

▼M23

Any sum overpaid shall be recovered if the recipient was aware that there was no due reason for the payment or if the fact of the overpayment was patently such that he could not have been unaware of it.

▼M112

The request for recovery must be made no later than five years from the date on which the sum was paid. Where the Appointing Authority is able to establish that the recipient deliberately misled the administration with a view to obtaining the sum concerned, the request for recovery shall not be invalidated even if this period has elapsed.

▼M62

CHAPTER 5

Subrogation in favour of the ►M128 Union ◄

Article 85a

1. Where the death, accidental injury or sickness of a person covered by these Staff Regulations is caused by a third party, the ►M128 Union ◄ shall, in respect of the obligations incumbent upon them under the Staff Regulations consequent upon the event causing such death, injury or sickness, stand subrogated to the rights, including rights of action, of the victim or of those entitled under him against the third party.

2. The subrogation provided for by paragraph 1 shall extend *inter alia* to the following:

— continued payment of remuneration in accordance with Article 59 to the official during the period when he is temporarily unfit to work,

— payments effected in accordance with Article 70 following the death of an official or of a former official entitled to a pension,

— benefits paid under Articles 72 and 73 and their implementing rules, relating to insurance against sickness and accident,

— payment of the costs involved in transporting the body, as referred to in Article 75,

— supplementary family allowances paid in accordance with Article 67 (3) and with Article 2 (3) and (5) of Annex VII in respect of a dependent child suffering from serious illness, infirmity or handicap,

— ►M112 invalidity allowances ◄ paid in the event of accident or sickness resulting in permanent invalidity preventing the official from performing his duties,

— survivor's pensions paid in the event of the death of an official or of a former official or the death of the spouse of an official or of a former official entitled to a pension, where the spouse is not an official nor a member of the temporary staff,

▼M62

— orphan's pensions paid regardless of age to the child of an official or former official where that child is prevented by serious illness, infirmity or handicap from earning a livelihood after the death of the person on whom he was dependent.

3. However, the ►M128 Union ◄ shall not be subrogated to rights of compensation in respect of purely personal damage such as non-

material injury, damages for pain and suffering or compensation for disfigurement and loss of amenity over and above the allowance granted for those headings under Article 73.

4. The provisions of paragraphs 1, 2 and 3 may not be a bar to direct action by the ►**M128** Union ◄.

▼**B**

▼**B**

ANNEX VIII

Pension scheme

CONTENTS

CHAPTER 1

General provisions

Article 1

1. Where the medical examination made before an official takes up his duties shows that he is suffering from sickness or invalidity, the appointing authority may, in so far as risks arising from such sickness or invalidity are concerned, decide to admit that official to guaranteed benefits in respect of invalidity or death only after a period of five years from the date of his entering the service of the ►**M128** Union ◄.

The official may appeal against such decision to the Invalidity Committee.

2. An official on 'leave for military service' shall cease to benefit from the guarantees in respect of invalidity or death arising directly from an accident sustained, or sickness contracted, by reason of the military service. The foregoing provisions shall not affect the entitlement of survivors to pension on the basis of rights acquired by the official on the date when he is placed on 'leave for military service'.

▼**B**

CHAPTER 2

Retirement pension and severance grant

Section 1

RETIREMENT PENSION

Article 2

A retirement pension shall be payable on the basis of the total number of years of pensionable service acquired by the official. Each year of service reckoned as provided in Article 3 shall entitle him to one year of pensionable service and each complete month to one-twelfth of a year of pensionable service.

The maximum number of years of pensionable service which may be taken into account for the calculation of retirement pension rights shall be ►**M112** the number necessary to achieve the maximum pension, within the meaning of the second paragraph of Article 77 of the Staff Regulations ◄.

▼**M112**

Article 3

Provided that the servants concerned have paid their shares of the pension contributions in respect of the periods of service concerned, the following shall be taken into account for the purpose of calculating years of pensionable service within the meaning of Article 2:

(a) the period of service as an official of one of the institutions in one of the administrative statuses set out in Article 35(a), (b), (c), and (e) and (f) of the Staff Regulations. However, officials covered by Article 40 of the Staff Regulations shall be subject to the conditions laid down in the last sentence of the second subparagraph of paragraph 3 thereof;

(b) periods of entitlement to the allowance ►**M131** under Articles 41, 42c and 50

◄ of the Staff Regulations, up to a maximum of five years; (c) periods of

entitlement to an invalidity allowance;

(d) periods of service in any other capacity in accordance with the Conditions of Employment of other servants. However, where members of the contract staff within the meaning of those Conditions of Employment become officials, the years of pensionable service they have acquired as members of the contract staff shall, up to the number of years of actual service, entitle them to a number of years of pensionable service as officials calculated on the basis of the ratio between the last basic salary received as a member of the contract staff and the first basic salary received as an official. The surplus contributions, if any, corresponding to the difference between the number of years of pensionable service calculated and the number of years of actual service, shall be reimbursed to the person concerned on the basis on the last basic salary received as a member of the contract staff. This provision shall, with the necessary changes, apply where officials become members of the contract staff.

Article 4

1. An official who having previously completed a period of activity in the service of one of the institutions either as an official, as a member of the temporary staff or as a member of the contract staff resumes active employment with a ►**M128** Union ◄ institution shall acquire further pension rights. He may request that, in accordance with Article 3 of this Annex, for the purpose of calculating his pension rights, the whole of the period of service as an official, a member of the temporary staff or a member of the contract staff for which contributions have been paid be taken into account, subject to:

▼**M112**

(a) repayment of the severance grant paid under Article 12, plus compound interest at a rate of ►**M123** 3,1 % ◄ per annum. Where Article 42 or 112 of the Conditions of Employment of other servants has been applied in the case of the official concerned, the latter shall also be required to repay the amount paid under that Article, plus compound interest at the abovementioned rate;

(b) having an amount set aside for this purpose, before calculation of the credited contribution years provided for in Article 11(2) and providing the official has requested and obtained the application of that Article after resuming service, equal to the part of the amount transferred to the ►**M128** Union ◄ pension scheme that corresponds to the actuarial

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equivalent calculated and transferred to the scheme of origin pursuant to Article 11(1) or Article 12 (1) (b), plus compound interest at a rate of ►**M123** 3,1 % ◄ per annum.

Where Article 42 or 112 of the Conditions of Employment of other servants has been applied in the case of the official concerned, the calculation of the amount to be set aside shall also take account of the amount paid under those Articles, plus compound interest at ►**M123** 3,1 % ◄ per annum.

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Where the amount transferred to the ►**M128** Union ◄ scheme is insufficient to make up the pension rights covering the previous period of employment in full, the official shall be authorised, on request, to make the amount up to that defined at point (b) of the first paragraph.

2. The interest rate specified in paragraph 1 may be revised in accordance with the rules laid down in Article 10 of Annex XII.

▼**M131**

Article 5

Notwithstanding the provisions of Article 2 of this Annex, officials who remain in service after pensionable age shall be entitled to an increase of their pension equal to 1,5 % of the basic salary taken into account for the calculation of their pension per year worked after that age, with the proviso that the total of their pension plus the increase does not exceed 70 % of their final basic salary as referred to in the second or third paragraph, as the case may be, of Article 77 of the Staff Regulations.

Such increase shall likewise be payable in the event of death of an official who has remained in the service after pensionable age.

▼**B**

Article 6

▼**M23**

The minimum subsistence figure for the purpose of calculating pension benefits shall correspond to the basic salary of an official in ►**M112** at ►**M131** the first step of grade AST 1 ◄ ◄.

▼**M112**

▼**M112**

Article 8

Actuarial equivalent of the retirement pension means the capital value of the benefits accruing to the official by reference to the mortality table referred to in Article 9 of Annex XII and subject to ►**M123** 3,1 % ◄ interest per annum,

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which rate may be revised in accordance with the rules laid down in Article 10 of Annex XII.

▼**M131**

Article 9

An official leaving the service before reaching pensionable age may request that his retirement pension:

(a) be deferred until the first day of the calendar month following that in which he reaches pensionable age; or

(b) be paid immediately, provided that he is not less than 58 years of age. In that case, the retirement pension shall be reduced by an amount calculated by reference to the official's age when he starts to draw his pension.

The pension shall be reduced by 3,5 % for every year before the one in which the official would become entitled to a retirement pension within the meaning of Article 77 of the Staff Regulations. If between the age at which entitlement to a retirement pension is acquired within the meaning of Article 77 of the Staff Regulations and the age of the person concerned at the time, the difference exceeds an exact number of years, an extra year shall be added to the reduction.

▼**M112**

Article 9a

For the purposes of determining the reduced pension of officials who have acquired pension rights exceeding the equivalent of 70 % of their final basic salary and who request immediate payment of their retirement pension in accordance with Article 9, the reduction under Article 9 shall be applied to a notional figure corresponding to the years of pensionable service rather than to an amount capped at 70 % of the final basic salary. In no case, however, may the reduced pension thus calculated exceed 70 % of the last basic salary within the meaning of Article 77 of the Staff Regulations.

▼**B**

Article 10

The right to receive payment of retirement pension shall have effect from the first day of the calendar month following that in which the official, whether automatically or at his own request, becomes eligible for that pension; he shall continue to receive his remuneration until his pension becomes payable.

▼B

Article 11

▼M83

1. An official who leaves the service of the ►**M128** Union ◄ to:

— enter the service of a government administration or a national or international organization which has concluded an agreement with the ►**M128** Union ◄;

— pursue an activity in an employed or self-employed capacity, by virtue of which he acquires pension rights under a scheme whose administrative bodies have concluded an agreement with the ►**M128** Union ◄,

shall be entitled to have the actuarial equivalent of his retirement pension rights ►**M112** updated to the actual date of transfer, ◄ in the ►**M128** Union ◄ transferred to the pension fund of that administration or organization or to the pension fund under which he acquires retirement pension rights by virtue of the activity pursued in an employed or self-employed capacity.

2. An official who enters the service of the ►**M128** Union ◄ after:

— leaving the service of a government administration or of a national or international organization; or

— pursuing an activity in an employed or self-employed capacity;

▼M112

shall be entitled, after establishment but before becoming eligible for payment of a retirement pension within the meaning of Article 77 of the Staff Regulations, to have paid to the ►**M128** Union ◄ the capital value, updated to the date of the actual transfer, of pension rights acquired by virtue of such service or activities.

In such case the ►**M131** appointing authority of the institution ◄ in which the official serves shall, taking into account the official's basic salary, age and exchange rate at the date of application for a transfer, determine by means of general implementing provisions the number of years of pensionable service with which he shall be credited under the ►**M128** Union ◄ pension scheme in respect of the former period of service, on the basis of the capital transferred, after deducting an amount representing capital appreciation between the date of the application for a transfer and the actual date of the transfer.

Officials may make use of this arrangement once only for each Member State and pension fund concerned;

▼B
▼M56

3. Paragraph 2 shall also apply to an official who is reinstated after a period of secondment under the second indent of Article 37 (1) (b) of the Staff Regulations and to an official who is reinstated following expiry of a period of leave on personal grounds under Article 40 of the Staff Regulations.

Section 2

SERVERANCE GRANT ▼M112

Article 12

▼M131

1. An official aged less than the pensionable age whose service terminates otherwise than by reason of death or invalidity and who is not entitled to an immediate or deferred retirement pension shall be entitled on leaving the service:

(a) where he has completed less than one year's service and has not made use of the arrangement laid down in Article 11(2), to payment of a severance grant equal to three times the amounts withheld from his basic salary in respect of his pension contributions, after deduction of any amounts paid under Articles 42 and 112 of the Conditions of Employment of Other Servants;

(b) in other cases, to the benefits provided under Article 11(1) or to the payment of the actuarial equivalent of such benefits to a private insurance company or pension fund of his choice, on condition that such company or fund guarantees that:

(i) the capital will not be repaid;

(ii) a monthly income will be paid from age 60 at the earliest and age 66 at the latest;

(iii) provisions are included for reversion or survivors' pensions;

(iv) transfer to another insurance company or other fund will be authorised only if such fund fulfils the conditions laid down in points (i), (ii) and (iii).

2. By way of derogation from point (b) of paragraph 1, officials under pensionable age who, since taking up their duties, have, in order to establish or maintain pension rights, paid into a national pension scheme, a private insurance scheme or a pension fund of their choice which satisfies the requirements set out in paragraph 1, and whose service terminates for reasons other than death or invalidity without their qualifying for an immediate or deferred retirement pension, shall be entitled, on leaving the service, to a severance grant equal to the actuarial value of their pension rights acquired during service in the institutions. In those cases the payments made in order to establish or maintain their pension rights under the national pension scheme in application of Articles 42 or 112 of the Conditions of Employment of Other Servants shall be deducted from the severance grant.

▼M112

3. Where an official's service has been terminated by removal from his post, the severance grant to be paid or, as the case may be, the actuarial equivalent to be transferred shall be determined by reference to the decision taken in accordance with Article 9(1)(h) of Annex IX.

▼B

CHAPTER 3

▼M112

Invalidity allowance

▼B

Article 13

►**M112** 1. ◄ Subject to the provisions of Article 1 (1), an official aged less than sixty-five years who at any time during the period in which he is acquiring pension rights is recognised by the Invalidity Committee to be suffering from total permanent invalidity preventing him from performing the duties corresponding to a post in his career bracket, and who is obliged on these grounds to end his service with ►**M15** the ►**M128** Union ◄ ◄, shall be entitled, for so long as such incapacity persists, ►**M23** to ►**M112** invalidity allowance ◄ as provided in Article 78 of the Staff Regulations ◄.

▼M112

2. Persons in receipt of an invalidity allowance may not engage in gainful employment without the prior authorisation of the Appointing Authority. Any income from such gainful employment which, in combination with the invalidity allowance, exceeds the final total remuneration received while in active service as determined on the basis of the salary scale in force on the first day of the month in which the allowance is to be paid shall be deducted from the invalidity allowance.

The recipient of the allowance shall be required to provide on request any written proof which may be requested and to notify his or her institution of any factor that may affect entitlement to the allowance.

▼B

Article 14

▼M62

The right to receive payment of ►**M112** invalidity allowance ◄ shall have effect from the first day of the calendar month following the official's retirement under Article 53 of the Staff Regulations.

▼M23

When ►**M62** the former official ◄ ceases to satisfy the requirements for payment of the ►**M112** allowance ◄ he must be reinstated in the first post corresponding to his career bracket which falls vacant in his category or service, provided that he satisfies the requirements for that post. If he declines the post offered to him, he shall retain his right to reinstatement when the next vacancy corresponding to his career bracket occurs in his category or service subject to the same proviso; if he declines a second time, he may be required to resign ►**M112** ◄.

Where ►**M62** a former official ◄ in receipt of ►**M112** invalidity allowance ◄ dies, entitlement to ►**M112** allowance ◄ shall cease at the end of the calendar month during which he died.

▼B
▼B

Article 15

While ►M62 a former official ◄ drawing invalidity ►M112 allowance ◄ is aged less than ►M131 the pensionable age ◄, the institution may have him medically examined periodically to ascertain that he still satisfies the requirements for payment of the pension.

▼M112

CHAPTER 4

Survivor's pension

Article 17

►M23 Where an official dies having one of the administrative statuses set out in Article 35 of the Staff Regulations ►M112 the surviving spouse ◄ shall be entitled ◄, ►M112 provided that the couple were married ◄ for at least one year at the time of his death and subject to the provisions of Article 1 (1) and Article 22, to a ►M112 survivor's pension ◄ equal to ►M5 60 % ◄ of the retirement pension which the official would have been paid if he had qualified, irrespective of length of service ►M62 or of age ◄, for such pension at the time of death.

The duration of the marriage shall not be taken into account if there are one or more children of the marriage or of a previous marriage of the official provided that ►M112 the surviving spouse ◄ maintains or has maintained those children, or if the official's death resulted either from physical disability or sickness contracted in the performance of his duties or from accident.

▼M56

Article 17a

Subject to Article 1 (1) and Article 22, ►M112 the surviving spouse ◄ of a former official who was removed from his post orwhose service was terminated by virtue of Regulation (EEC, Euratom, ECSC) No 259/68, (Euratom, ECSC, EEC) No 2530/72 or (ECSC, EEC, Euratom) No 1543/73 and who died whilst in receipt of a monthly allowance under Article 50 of the Staff Regulations or under one of the abovementioned Regulations shall be entitled, ►M112 provided that the couple were already married before the official left the service of an institution and that the marriage had lasted at least one year ◄, to a ►M112 survivor's pension ◄ equal to 60 % of the retirement pension to which ►M112 the spouse ◄ would have been entitled if he had qualified, irrespective of length of service or of age, for such pension at the time of death.

The amount of the ►M112 survivor's pension ◄ provided for in the first

▼B

paragraph shall not be less than the amount provided for in the second paragraph of Article 79 of the Staff Regulations. The amount of the ►M112 survivor's pension ◄ shall in no case, however, exceed the amount

of the first payment of the retirement pension to which the former official would have been entitled assuming that, had he stayed alive and exhausted his rights to one or other of the abovementioned allowances, he would have been entitled to a retirement pension.

The duration of the marriage specified in the first paragraph shall not be taken into account if there are one or more children of a marriage contracted by the official before he left the service, provided that ►M112 the surviving spouse ◄ maintains or has maintained such dependent children within the meaning of Article 2 (2) of Annex VII.

Nor shall the duration of the marriage be taken into account if the former official's death occurs in one of the circumstances described in the second paragraph of Article 17.

▼**M112**

Article 18

Where a former official was in receipt of retirement pension the surviving spouse shall be entitled, provided that the couple were already married before the official left the service of an institution and that the marriage had lasted at least one year, and subject to the provisions of Article 22, to a survivor's pension equal to 60 % of the retirement pension which he was receiving at the time of his death. The minimum survivor's pension shall be 35 % of the last basic salary; the amount of the survivor's pension shall in no case, however, exceed the amount of the retirement pension which the spouse was receiving at the time of death.

The duration of the marriage shall not be taken into account if there are one or more children of a marriage contracted by the official before he left the service, provided that the surviving spouse maintains or has maintained those children.

▼**M23**

Article 18a

►**M112** The surviving spouse ◄ of a former official who left the service before reaching the ►**M131** pensionable age ◄ and requested that his retirement pension be deferred until the first day of the calendar month following that during which he reached the ►**M131** pensionable age ◄ shall be entitled, ►**M112** provided that the couple were already married before the official left the service of an institution and that the marriage had lasted at least one year. ◄, and subject to the provisions of Article 22, to a ►**M112** survivor's pension ◄

equal to 60 % of the retirement pension which would have been payable to ►**M112** the spouse ◄ at the ►**M131** pensionable age ◄. The minimum ►**M112** survivor's pension ◄ shall in no case, however, exceed the amount

of the retirement pension to which the official would have been entitled at the ►**M131** pensionable age ◄.

The duration of the marriage shall not be taken into account if there are one or more children of a marriage contracted by ►**M62** the former official ◄ before he left the service provided that ►**M112** the surviving spouse ◄ maintains or has maintained those children.

▼**M112**

Article 19

Where a former official was in receipt of invalidity allowance the surviving spouse shall be entitled, subject to the provisions of Article 22 of this Annex, provided that the couple were married when the official became eligible for the allowance, to a survivor's pension equal to 60 % of the invalidity allowance which the spouse was receiving at the time of death.

The minimum survivor's pension shall be 35 % of the final basic salary; the amount of the survivor's pension shall in no case, however, exceed the amount of the invalidity allowance which the spouse was receiving at the time of death.

▼**B**

Article 20

►**M62** For the purpose of Articles 17a, 18, 18a, and 19 ◄ the duration of the marriage shall not be taken into account where the marriage, though contracted after termination of the official's service, has lasted at least five years.

Article 21

1. The orphan's pension provided for in Article 80 ►**M62** first, second and third paragraphs ◄ of the Staff Regulations shall for the first orphan be equal to eight tenths of the survivor's pension to which the official's ►**M62** or that of a former official in receipt of ►**M112** a retirement pension or invalidity allowance ◄ ◄ the ►**M112** surviving spouse ◄ would have been entitled, the reductions set out in Article 25 being disregarded.

▼**M23**

It shall not be less than the minimum subsistence figure, subject to the provisions of Article 22.

▼**B**

2. The pension shall be increased, for each dependent child after the first, by an amount equal to twice the dependent child allowance.

▼**M23**

Orphans shall be entitled to education allowance in accordance with Article 3 of Annex VII.

▼**B**

3. The total amount of pension and allowance calculated in this way shall be divided equally among the orphans entitled.

Article 22

Where an official leaves ►**M112** a surviving spouse ◄ and also orphans of a previous marriage or other persons entitled under him, the total pension, calculated as if for ►**M112** a surviving spouse ◄ having all these persons dependent on her, shall be apportioned among the various persons concerned in proportion to the pensions which would have been payable to each category of them if treated separately.

Where an official leaves orphans of different marriages, the total pension, calculated as though all the children were of the same marriage, shall be apportioned among the various persons concerned in proportion to the pensions which would have been payable to each category of them if treated separately.

For the purposes of calculating this apportionment, children of a previous marriage of either spouse who are recognised as dependants within the meaning of Article 2 of Annex VII to the Staff Regulations shall be included in the category of children of the marriage to the official ►**M62** or former official in receipt of ►**M112** a retirement pension or invalidity allowance ◄ ◄.

In the case envisaged in the second paragraph, ascendants who are recognized as being dependants as provided in Article 2 of Annex VII to the Staff Regulations shall be treated in the same way as dependent children and, for the purpose of calculating the apportionment, included in the category of descendants.

▼**M62**

▼**B**

Article 24

▼B

The right to receive payment of survivor's pension shall have effect from the first day of the calendar month following that in which the official ►M62 or former official in receipt of ►M112 a retirement pension or invalidity allowance ◄ ◄ died. ►M23 However, where the payment provided for in Article 70 of the Staff Regulations is made on the death of the official or of the person entitled to a pension, such right shall take effect on the first day of the fourth month following that in which death occurred. ◄

The right to receive payment of survivor's pension shall cease at the end of the calendar month in which the recipient of the pension dies or ceases to satisfy the requirements for payment of the pension. ►M112 Similarly the right to an orphan's pension shall cease if the recipient ceases to be regarded as a dependent child within the meaning of Article 2 of Annex VII. ◄

Article 25

Where the difference in age between the deceased official ►M62 or former official in receipt of ►M112 a retirement pension or invalidity allowance ◄ ◄ and his surviving spouse, less the length of time they have been married, is more than ten years, the survivor's pension, calculated in accordance with the preceding provisions, shall be subject to a reduction, per full year of difference, amounting to:

— 1 % for the years between ten and twenty;

— 2 % for the years twenty up to but not including twenty-five;

— 3 % for the years twenty-five up to but not including thirty;

— 4 % for the years thirty up to but not including thirty-five;

— 5 % for the years from thirty-five upwards.

Article 26

►M112 A surviving spouse's ◄ entitlement to survivor's pension shall cease on remarriage. ►M112 He or she shall be entitled ◄ to immediate payment of a capital sum equal to twice the annual amount of her survivor's pension, provided that the second paragraph of Article 80 of the Staff Regulations does not apply.

▼M112

Article 27

The divorced spouse of an official or a former official shall be entitled to a survivor's pension, as defined in this Chapter, provided that, on the death of the former spouse, he/she can justify entitlement on his/her own account to receive maintenance from him by virtue of a court order or as a result of an officially registered settlement in force between himself/herself and his/her former spouse.

The survivor's pension may not, however, exceed the amount of maintenance paid at the time of death of the former spouse, the amount having been ►**M131** updated ◄ in accordance with the procedure laid down in Article 82 of the Staff Regulations.

The divorced spouse's entitlement shall cease if he or she remarries before the former spouse dies. Article 26 shall apply in the event of remarriage after the death of the former spouse.

▼**B**

Article 28

▼**M62**

Where the deceased official leaves more than one ►**M112** divorced spouse ◄ entitled to survivor's pension or one or more ►**M112** divorced spouses ◄ and ►**M112** a surviving spouse ◄ entitled to a survivor's pension, that pension

shall be divided in proportion to the respective duration of the marriages. The provisions of the second and third paragraphs of Article 27 shall apply.

▼**B**

If any of the persons entitled to pension dies or renounces ►**M112** his or her

share, that share ◄ shall accrue to the shares of the other persons, except where there are orphans' rights under the second paragraph of Article 80 of the Staff Regulations.

▼B

Reductions in respect of difference in age, as provided in Article 25, shall be applied separately to pensions divided in accordance with this Article.

Article 29

Where under Article 42 ►M112 the divorced spouse ◄ ceases to be entitled to a pension, the total pension shall be payable ►M112 to the surviving spouse ◄, provided the second paragraph of Article 80 of the Staff Regulations does not apply.

CHAPTER 5

Provisional pensions

Article 30

The spouse of persons recognised as dependants of an official ►M62 having one of the statuses listed in Article 35 of the Staff Regulations ◄ whose whereabouts are unknown for more than one year may provisionally receive the survivor's pension to which they would be entitled under this Annex.

Article 31

The spouse or persons recognised as dependants ►M62 of a former official ◄ in receipt of ►M112 retirement pension or invalidity allowance ◄ whose whereabouts are unknown for more than one year may provisionally receive the survivor's pension to which they would be entitled under this Annex.

▼M62

Article 31a

The spouse or persons recognized as dependants of a former official within the meaning of Article 18a of Annex VIII, or of a former official entitled to an allowance either under Article 50 of the Staff Regulations ►M112 or under Regulation (EEC) No 1857/89 ([1]), Regulation (EC, Euratom) No 1746/2002 ([2]), Regulation (EC, Euratom) No 1747/2002 ([3]) or Regulation (EC, Euratom) No 1748/2002 ([4]) ◄ may, if the former official's whereabouts are unknown for more than one year, provisionally receive a survivor's pension to which they would be entitled under this Annex.

▼B

Article 32

The provisions of Article 31 shall apply to persons recognised as a dependant of a person in receipt of or entitled to a survivor's pension whose whereabouts are unknown for more than one year.

Article 33

▼B

Provisional pensions under Articles 30, 31 ►M62 , 31a ◄ and 32 shall be converted into definitive pensions when the death of the official ►M62 or former official ◄ has been duly confirmed or he has been legally declared missing, presumed dead.

(1) OJ L 181, 28.6.1989, p. 2. Regulation as amended by Regulation (EC, ECSC, Euratom) No 2458/98 (OJ L 307, 17.11.1998, p. 1).
(2) OJ L 264, 2.10.2002, p. 1.
(3) OJ L 264, 2.10.2002, p. 5.
(4) OJ L 264, 2.10.2002, p. 9.

CHAPTER 6

Pension increases in respect of dependent children

Article 34

The provisions of the second paragraph of Article 81 of the Staff Regulations shall apply to persons in receipt of a provisional pension.

▼M112

Articles 80 and 81 of the Staff Regulations shall also apply to children born less than 300 days after the death of the official or former official in receipt of a retirement pension or invalidity allowance.

▼M23

▼B

Article 35

▼M23

The award ►M112 of a retirement or survivor's pension or of an invalidity allowance ◄ or of a provisional pension shall not entitle the pensioner to expatriation allowance.

▼B

CHAPTER 7

Section 1

FUNDING OF THE PENSION SCHEME

Article 36

Salaries ►M112 and invalidity allowances ◄ shall in all cases be subject to deduction of the contribution to the pension scheme provided for in Articles 77 to 84 of the Staff Regulations.

Article 37

An official on secondment shall continue to pay the contribution referred to in the preceding Article on the basis of the salary carried by his step and grade. This shall also apply, up to a maximum of five years as provided in Article 3, to officials receiving the allowance provided for in respect of non-active status or retirement in the interests of the service ►M39 and to officials on leave on personal grounds who are continuing to acquire further pension rights on the conditions laid down in Article 40 (3) of the Staff Regulations. ◄.

▼**B**

All benefits to which any such official or those entitled under him may be entitled under this pension scheme shall be calculated on the basis of such salary.

Article 38

Contributions properly deducted shall not be refunded. Contributions wrongly deducted shall not confer the right to receive a pension; they shall be reimbursed without interest at the request of the official concerned or of those entitled under him.

▼**M112**

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Section 2

CALCULATION OF PENSION

Article 40

▼**M23**

The institution in which the official was serving at the time when his active employment ended shall be responsible for calculating the amount of ►**M112** retirement, or survivor's or provisional pension or invalidity allowance ◄. A detailed statement of the calculation shall be communicated to the official or to those entitled under him and to the ►**M128** European

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Commission ◄, which is the paying agency, at the same time as the decision awarding the pension.

▼**M112**

A retirement pension or invalidity allowance shall not be paid concurrently with the salary payable from the general budget of the European Union or by one of the agencies nor with the allowance payable under Articles 41 and 50 of the Staff Regulations. Similarly, they shall be incompatible with any remuneration derived from a post in one of the institutions or agencies.

▼**B**

Article 41

The amount of pension may at any time be calculated afresh if there has been error or omission of any kind.

They shall be liable to modification or withdrawal if the award was contrary to the provisions of the Staff Regulations or of this Annex.

Article 42

Where an official ►**M62** or former official in receipt of ►**M112** a retirement pension or invalidity allowance ◄ ◄ dies and those entitled under him do not apply for their pension ►**M112** or allowance ◄ within one year from the date

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of his death, they shall lose their entitlement, save where *force majeure* is duly established.

Article 43

►**M62** A former official ◄ or those entitled under him in favour of whom benefits arise under this pension scheme shall furnish such written proof as may be required and inform the institution referred to in the second paragraph of Article 45 of any facts liable to affect their entitlement.

▼B

Article 44

Where an official has been ►M112 temporarily ◄ deprived, in whole or in part, of his pension rights ►M112 under Article 9 of Annex IX ◄, he shall be entitled to claim reimbursement in proportion to the amount by which his pension has been reduced of the pension contributions he has paid.

Section 3

PAYMENT OF BENEFITS

Article 45

Benefits under this pension scheme shall be paid monthly in arrears.

These benefits shall, ►M15 on behalf of the ►M128 Union ◄ ◄, be provided by the institution designated by the budgetary authorities; no other institution may, under any description whatsoever, pay out of its own funds benefits provided for under this pension scheme.

▼M112

For pensioners residing in the European Union, benefits shall be paid in euro into a bank in the ►M131 European Union. ◄

For pensioners residing outside the European Union, pensions shall be paid, in euro into a bank ►M131 in the European Union or ◄ in the country of residence. The pension may by way of exception be paid ►M131 ◄ in foreign currency in the country of residence of the pensioner, converted at the most up-to-date exchange rates used for the implementation of the general budget of the European Union.

This Article shall apply by analogy to the recipients of an invalidity allowance.

▼M62

▼B

Article 46

Any sums due from an official ►M62 or former official in receipt ►M112 of a retirement pension or invalidity allowance ◄ ◄ to ►M15 the ►M128 Union ◄ ◄ at the date when a benefit is payable under this pension scheme shall be deducted from the amount of his benefit or from the benefits payable to those entitled under him. The deduction may be spread over a number of months.

▼B
▼M62

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▼B

CHAPTER 8

Transitional provisions

Article 48

An official to whom the Staff Regulations are applied pursuant to the transitional provisions shall be entitled to pension rights computed from the date of his joining the temporary joint provident scheme of the institutions of the ►M128 Union ◄.

If an official so requests, his pension rights shall, notwithstanding any provisions to the contrary in the Staff Regulations, be computed from the date on which he entered the service of an institution of ►M128 the European Union ◄ in any

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capacity whatever. Where during the whole or part of his previous service he had not contributed under the provident scheme, he shall be entitled, by payment in instalments, to buy in the pension rights for which he had been unable to contribute. The amounts contributed by the official, together with the corresponding amounts contributed by the institution, shall be deemed to have been standing to the official's credit under the temporary provident scheme at the date of entry into force of these Staff Regulations.

Article 49

Where an official has exercised his option to withdraw from his account with the temporary joint provident scheme of the institutions of the ►M128 Union ◄

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sums which he was required to contribute in his country of origin in order to maintain his pension rights there, his pension rights shall, in respect of the period when he was a member of the temporary provident scheme, be reduced in proportion to the sums withdrawn from his account.

The preceding paragraph shall not apply where an official has asked, within three months of the Staff Regulations being applied to him, to be allowed to repay those sums plus compound interest at the rate of 3·5 % per annum.

Article 50

An official to whom the Staff Regulations are applied pursuant to the transitional provisions shall be entitled, if he leaves the service at the age of sixty-five years without having completed the ten years required under the first paragraph of Article 77 of the Staff Regulations, to opt for payment of a grant calculated in accordance with Article 12 of this Annex or for a proportionately reduced pension calculated in accordance with the second paragraph of Article 77 of the Staff Regulations.

Article 51

This pension scheme shall apply to the widow of and those entitled under any servant of the ►M128 Union ◄ who died while in active employment before

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the entry into force of the Staff Regulations and to any servant of the ►M128 Union ◄ who, before the entry into force of the Staff Regulations, was suffering from total permanent invalidity within the meaning of Article 78 of the Staff Regulations, subject to the transfer to the ►M128 Union ◄ of the

▼**B**

amounts standing to his credit under the temporary joint provident scheme of the institutions of the ►**M128** Union ◄. The ►**M128** Union ◄ shall assume the liability for payment of the benefits provided for in this pension scheme.

▼M131

▼**M112**

ANNEX XII

Rules for implementing Article 83a of the Staff Regulations

CHAPTER 1

GENERAL PRINCIPLES

Article 1

1. In order to determine the contribution of officials to the pension scheme referred to in Article 83(2) of the Staff Regulations, the Commission shall, every five years starting in 2004, carry out the actuarial assessment of the balance of the pension scheme referred to in Article 83a(3) of the Staff Regulations. This assessment shall indicate whether the contribution of the officials is sufficient to finance one third of the cost under the pension scheme.

2. In preparation for the examination referred to in Article 83a(4) of the Staff Regulations, the Commission shall every year update this actuarial assessment, having regard to changes in the population as defined in Article 9 of this Annex, in the interest rate as defined in Article 10 of this Annex ►**C18** and in the rate of annual change in the salary scales of officials as defined in Article 11 of this Annex. ◄

3. The assessment and updates shall be carried out in each year n, on the basis of the population of active members of the pension scheme at 31 December of the previous year (n-1).

▼**M131**

Article 2

1. Any update of the contribution rate shall take effect on 1 July at the same time as the annual update of remuneration under Article 65 of the Staff Regulations. Any update shall not lead to a contribution being more than one percentage point above or below the valid rate of the previous year.

2. The difference established between the update of the contribution rate which would have resulted from the actuarial calculation and the update resulting from the variation referred to in the last sentence of paragraph 1 shall not be recovered at any time, or, consequently, taken into account in subsequent actuarial calculations. The contribution rate which would have resulted from the actuarial calculation shall be mentioned in the assessment report provided for in Article 1 of this Annex.

▼**M112**

CHAPTER 2

ASSESSMENT OF THE ACTUARIAL BALANCE

Article 3

▼**M112**

The five-yearly actuarial assessments shall lay down the conditions for balance by taking into account, as charges on the scheme, the retirement pension as defined in Article 77 of the Staff Regulations, the invalidity allowance as defined in Article 78 of the Staff Regulations, survivors' pensions as defined in Articles 79 and 80 of the Staff Regulations.

Article 4

1. The actuarial balance shall be assessed on the basis of the method for calculation set out in this chapter.

2. Under the method, the actuarial value of the pension rights earned before the calculation date represents a past service liability, while the actuarial value of the pension rights that will be earned in the year of service beginning on the calculation date represents the 'service cost'.

3. It is assumed that all retirements (except for invalidity) will occur at a fixed average age (r). The average retirement age shall be updated only on the occasion of the five-yearly actuarial assessment referred to in Article 1 of this Annex and may be different for different groups of staff.

4. In determining the actuarial values:

(a) the future changes in each official's basic salary between the calculation date and the assumed retirement age shall be taken into account;

(b) the pension rights earned before the calculation date (the past service liability) shall not be taken into account.

5. All the relevant provisions provided for in these Staff Regulations (particularly in Annexes VIII and XIII) shall be taken into account in the actuarial evaluation of the service cost.

6. A smoothing process shall be applied to determine the real discount rate and the rate of annual change in the salary scales of officials of the ►**M128** Union ◄. The smoothing shall be obtained through a ►**M131** 30- year ◄ moving average for the interest rate and for the increase in the salary scales.

Article 5

1. The contribution formula is based on the equation: year n contribution

rate ¼ year n service cost=total annual basic salaries

2. The contribution of officials to the cost of financing the pension scheme shall be calculated as one third of the ratio between the service cost of the current year (n) for all officials who are active members of the pension scheme and the total annual basic salaries for the same population of active members of the pension scheme at 31 December of the previous year (n-1).

3. The service cost shall be the sum of:

(a) the retirement service cost (detailed in Article 6 of this Annex), i.e. the actuarial value of the pension rights that will be earned during year n, including the value of the portion of that pension that will become payable to

▼**M112**

the surviving spouse and/or dependent children upon the death of the official after retirement (reversion);

(b) the invalidity service cost (detailed in Article 7 of this Annex), i.e. the actuarial value of the pension rights that will become payable to the active officials who are expected to become invalids during year n; and

(c) the survivor's service cost (detailed in Article 8 of this Annex), i.e. the actuarial value of the pension rights that will become payable on behalf of active officials who are expected to die during year n.

4. The evaluation of the service cost shall be based on the pension rights and on the appropriate annuities, as detailed in Articles 6 to 8 of this Annex.

These annuities shall give the actuarial present value of EUR 1 per year, taking into account the interest rate, the rate of annual change in the salary scales and the probability to be still alive at the age of retirement.

5. The minimum subsistence figures mentioned in Chapter 2 of Title V of the Staff Regulations and in Annex VIII shall be taken into account.

Article 6

1. In order to calculate the value of retirement pensions, the pension rights earned during year n shall be calculated for each active official by multiplying his projected basic salary at retirement by his applicable accrual factor.

If the cumulated pension rights (rights from the recruitment, including transfers) credited to the official at 31 December of year n-1 are at least 70 % he will deemed not to have acquired any right to pension during year n.

2. The projected basic salary (PS) at retirement shall be calculated starting from the basic salary at 31 December of the previous year and taking into account the rate of annual increase in the salary scales and the estimated annual rate of increase due to seniority and promotions as follows:

$$PS = SAL \times (1 + GSG + ISP)^{m}$$

where:

SAL = present salary

GSG = estimated annual rate of General Salary Growth, (the rate of annual change in the salary scales)

ISP = estimated annual rate of Increase due to Seniority and Promotions

m = difference between the assumed age of retirement (r) and the official's present age (x)

▼M112

Since the calculations shall be made in real terms, net of inflation, the rate of annual change in the salary scales and the annual rate of increase due to seniority and promotions shall be rates of increases net of inflation.

3. On the basis of the calculation of the pension rights earned by a given official, the actuarial value of those pension rights (and of the reversionary pensions linked to them) shall be calculated by multiplying the annual pension rights as defined above by the sum of:

(a) an immediate deferred annuity at age x, deferred m years: mj αx ¼ ω ÄX x þ 1 Í Î1

þ1 τ k Ä 0:5 Ü k p x Ü ð1 þ ~~GSGÞ~~ k Ä m Ä 0:5 k ¼ m þ 1

where:

x = official's age at 31 December of year n-1

τ = interest rate

k p x = probability of a person of age x still being alive in k years

m = difference between the assumed age of retirement (r) and the official's present age (x)

GSG = estimated annual rate of General Salary Growth, (the rate of annual change in the salary scales)

ω = ceiling of the mortality table;

and

(b) an immediate deferred reversionary annuity at ages x and y, where y is the assumed age of the spouse. This latter annuity shall be multiplied by the probability of the official of being married and by the applicable reversion rate established in accordance with Annex VIII: mj αxy ¼ X Í Î1 þ τ Ä 0:5 Ü k p y Ü ð1

Ä k p x Þ Ü ð1 þ GSGÞ k Ä m Ä 0:5 ω Ä x þ 1 1 k

k ¼ m þ 1

where:

x = official's age at 31 December of year n-1

y = age of the official's spouse at 31 December of year n-1

▼**M112**

τ = interest rate

$_{k}p_{x}$ = probability of an official of age x still being alive in k years

$_{k}p_{y}$ = probability of a person of age y (spouse of the official of age x) still being alive in k years

m = difference between the assumed age of retirement (r) and the official's present age (x)

GSG = estimated annual rate of General Salary Growth, (the rate of annual change in the salary scales)

ω = ceiling of the mortality table.

4. The calculation of the service cost for retirement shall take into account:

(a) the accrual incentive for officials remaining in service after the pensionable age;

(b) the reduction coefficient for officials leaving the service before the pensionable age.

Article 7

1. In order to calculate the value of invalidity allowances, the number of such allowances expected to become payable during year n shall be measured by applying to each active official the probability that he could become an invalid during the year. That probability shall then be multiplied by the annual amount of the invalidity allowances to which the official should become entitled.

2. In calculating the actuarial value of the invalidity allowances first becoming payable in year n, the following annuities shall be used:

(a) an immediate temporary annuity at age x:

$$\alpha_x = \sum_{k=1}^{m} \frac{1}{(1+\tau)^{k-0.5}} \times {}_{k}p_{x} \times (1+GSG)^{k-0.5}$$

where:

x = official's age at 31 December of year n-1

τ = interest rate

▼**M112**

$_{k}p_{x}$ = probability of a person of age x still being alive in k years

m = difference between the assumed age of retirement (r) and the official's present age (x)

GSG = estimated annual rate of General Salary Growth, (the rate of annual change in the salary scales),

and

(b) an immediate reversionary annuity. This latter annuity shall be multiplied by the probability of the official of being married and by the applicable reversion rate:

$$\alpha_{xy} = \sum_{k=1}^{\infty} \frac{1}{(1+\tau)^{k-0.5}} \times {}_{k}p_{y} \times (1 - {}_{k}p_{x}) \times (1 + GSG)^{k-0.5-m}$$

where:

x = official's age at 31 December of year n-1

y = age of the official's spouse at 31 December of year n-1

τ = interest rate

$_{k}p_{x}$ = probability of a person of age x still being alive in k years

m = difference between the assumed age of retirement (r) and the official's present age (x)

$_{k}p_{y}$ = probability of a person of age y (spouse of the person of age x) still being alive in k year

GSG = estimated annual rate of General Salary Growth, (the rate of annual change in the salary scales).

Article 8

1. The value of the pension rights that will become payable to survivors during year n shall be measured by applying to each active official the probability that he might die during the year. That probability shall then be multiplied by the annual amount of spouse's pension that will become payable in the current year. The calculation shall take into account the possible orphans' pensions that might become payable.

2. In calculating the actuarial value of the pension rights that will become payable to survivors during year n, an immediate annuity shall be used. This annuity shall be multiplied by the probability that the official is married:

▼**M112**

α y ¼ ω ÄX y þ 1 Í Î þ1 k Ä 0:5 Ü k p y Ü ð1 þ GSGÞ k Ä 0:5 k ¼ 1

1 τ

where:

y = age of the official's spouse at 31 December of year n-1

τ = interest rate

$_k p_y$ = probability of a person of age y (spouse of the person of age x) still being alive in k years

GSG = estimated annual rate of General Salary Growth, (the rate of annual change in the salary scales)

ω = ceiling of the mortality table.

CHAPTER 3

SYSTEM OF COMPUTATION

Article 9

1. The demographic parameters to be taken into consideration for the actuarial assessment shall be based on observation of the population of participants in the scheme, comprising staff in active service and pensioners. This information shall be collected annually by the Commission using information received from the different institutions and agencies whose staff are members of the scheme.

From the observation of this population shall be deduced in particular the structure of the population, the average age of retirement and the invalidity table.

2. The mortality table shall relate to a population which has characteristics as close as possible to those of the population of members of the scheme. It shall be updated only on the occasion of the five-yearly actuarial assessment referred to in Article 1 of this Annex.

Article 10

1. The interest rates to be taken into consideration for the actuarial calculations shall be based on the observed average annual interest rates on the long-term public debt of Member States as published by the Commission. An appropriate consumer price index shall be used to calculate the corresponding interest rate net of inflation as needed for the actuarial calculations.

2. The effective annual rate to be taken into consideration for the actuarial calculations shall be the average of the real average interest rates for the ►**M131** 30 years ◄ preceding the current year.

Article 11

▼**M112**

1. The annual change in the salary scales of officials to be taken into consideration for the actuarial calculations shall be based on the specific indicators referred to in Article 1(4) of Annex XI.

2. The effective annual rate to be taken into consideration for the actuarial calculations shall be the average of the net specific indicators for the European Union for the ►**M131** 30 years ◄ preceding the current year.

▼**M131**

Article 11a

Until 2020, for the application of Articles 4(6), 10(2) and 11(2) of this Annex, the moving average shall be calculated on the basis of the following time scale:

In 2014 – 16 years

In 2015 – 18 years

In 2016 – 20 years

In 2017 – 22 years

In 2018 – 24 years

In 2019 – 26 years

In 2020 – 28 years

▼B

▼M131

Article 12

The rate in Articles 4 and 8 of Annex VIII for the calculation of compound interest shall be the effective rate referred to in Article 10 of this Annex and shall, if necessary, be updated on the occasion of the five-yearly actuarial assessments.

With respect to the update, the rate referred to in Articles 4 and 8 of Annex VIII shall be understood as a reference rate. The Commission shall publish the updated effective rate within two weeks after the update in the C series of the *Official Journal of the European Union* for information purposes.

▼M112

CHAPTER 4

IMPLEMENTATION

Article 13

1. Eurostat shall be the authority responsible for the technical implementation of this Annex.

2. Eurostat shall be assisted by one or more qualified independent experts in carrying out the actuarial assessments referred to in Article 1 of this Annex. Eurostat shall provide such experts with, in particular, the parameters referred to in Articles 9 to 11 of this Annex.

3. Each year on 1 September Eurostat shall submit a report on the assessments and updatings referred to in Article 1 of this Annex.

4. Any questions of methodology raised by the implementation of this Annex shall be dealt with by Eurostat in cooperation with national experts from the relevant departments of the Member States and the qualified independent expert or experts. Eurostat shall convene a meeting of this group for that purpose at least each year. However, Eurostat may convene more frequent meetings if it feels it necessary.

CHAPTER 5

REVISION CLAUSE

▼M131

Article 14

1. In 2022 the Commission shall submit a report to the European Parliament and the Council. That report shall have regard to the budgetary implications of this Annex and shall assess the actuarial balance of the pension system. On the basis of that report the Commission will, if appropriate, submit a proposal to amend this Annex.

2. In 2018 the Commission shall submit an interim report to the European Parliament and the Council on the application of this Annex.

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ANNEX XIII

Transitional measures applicable to officials of the ►M128 Union ◄
(Article 107a of the Staff Regulations)

▼M112

Section 4

Article 20

1. The pensions of officials who retire before 1 May 2004 shall be subject to the correction coefficient referred to in point (b) of Article 3(5) of Annex XI to the Staff Regulations for Member States in which they have established proven main residence.

The minimum applicable correction coefficient shall be 100.

If they establish their residence in a third country, the applicable correction coefficient shall be 100.

By way of derogation from Article 45 of Annex VIII, the pension of beneficiaries who reside in a Member State shall be paid in the currency of the Member State of residence under the conditions laid down in the second paragraph of Article 63 of the Staff Regulations.

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▼M112

3. For officials recruited before 1 May 2004 not receiving a pension as at 1 May 2004, the method of calculation of the preceding paragraphs shall apply at the time when pension rights are determined:

(a) to years of pensionable service within the meaning of Article 3 of Annex VIII acquired before 1 May 2004, and

(b) to years of pensionable service resulting from a transfer under Article 11 of Annex VIII concerning the pension rights acquired under the system of origin before 1 May 2004 by the official in service before 1 May 2004.

▼M131

Their pensions shall be subject to the correction coefficient only if the residence of the official coincides with their last place of employment or with the country of their place of origin within the meaning of Article 7(4) of Annex VII. However, for family or medical reasons, officials receiving a pension may request the appointing authority to change their place of origin; the decision in that regard shall be taken on production by the official concerned of appropriate supporting evidence.

▼M112

By way of derogation from Article 45 of Annex VIII, the pension of beneficiaries who reside in a Member State shall be paid in the currency of the Member State of residence under the conditions laid down in the second paragraph of Article 63 of the Staff Regulations.

([1]) Regulation (EU) No 1023/2013 of the European Parliament and of the Council of 22 October 2013 amending the Staff Regulations of Officials of the European Union and the Conditions of Employment of Other Servants of the European Union (OJ L 287, 29.10.2013, p. 15)

▼M112

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4. This Article shall apply by analogy to invalidity allowances and to allowances under Articles 41 and 50 of the Staff Regulations and Regulations (EEC) No 1857/89 (EC, Euratom, ECSC) 2688/95 [1] , (EC Euratom, ECSC) 2689/95 [2] , (EC, Euratom) No 1746/2002, (EC, Euratom)

No 1747/2002 or (EC, Euratom) No 1748/2002. ►**M131** ◄

▼M131

Article 21

Notwithstanding the second sentence of the second paragraph of Article 77 of the Staff Regulations, officials who entered the service before 1 May 2004 shall be entitled to 2 % of their salary referred to therein for every year of pensionable service calculated in accordance with Article 3 of Annex VIII.

Officials who entered the service in the period from 1 May 2004 until 31 December 2013 shall be entitled to 1,9 % of their salary referred to therein for every year of pensionable service calculated in accordance with Article 3 of Annex VIII.

Article 22

1. Officials with 20 or more years' service on 1 May 2004 shall become entitled to a retirement pension when they reach the age of 60.

Officials aged 35 years or more on 1 May 2014 and who entered the service before 1 January 2014 shall become entitled to a retirement pension at the age shown in the table below:

Age on 1 May 2014	Pensionable age	Age on 1 May 2014	Pensionable age
60 years and above	60 years	47 years	62 years 6 months
59 years	60 years 2 months	46 years	62 years 8 months
58 years	60 years 4 months	45 years	62 years 10 months
57 years	60 years 6 months	44 years	63 years 2 months
56 years	60 years 8 months	43 years	63 years 4 months
55 years	61 years	42 years	63 years 6 months
54 years	61 years 2 months	41 years	63 years 8 months
53 years	61 years 4 months	40 years	63 years 10 months
52 years	61 years 6 months	39 years	64 years 3 months
51 years	61 years 8 months	38 years	64 years 4 months
50 years	61 years 11 months	37 years	64 years 5 months
49 years	62 years 2 months	36 years	64 years 6 months
48 years	62 years 4 months	35 years	64 years 8 months

Officials aged less than 35 years on 1 May 2014 shall become entitled to a retirement pension at the age of 65 years.

(1) OJ L 280, 23.11.1995, p. 1. Regulation as amended by Regulation (EC, ECSC, Euratom) No 2458/98 (OJ L 307, 17.11.1998, p. 1).

▼B

(2) OJ L 280, 23.11.1995, p. 4. Regulation as amended by Regulation (EC, ECSC, Euratom) No 2458/98.

▼M131

However, for officials aged 45 years or more on 1 May 2014 who entered the service between 1 May 2004 and 31 December 2013, the pensionable age shall remain 63 years.

For officials in service before 1 January 2014 pensionable age to be taken into consideration for all references to the pensionable age in these Staff Regulations shall be determined in accordance with the above provisions, save as otherwise provided in these Staff Regulations.

2. Notwithstanding Article 2 of Annex VIII, officials who enter the service before 1 January 2014 and remain in service after the age at which they would have become entitled to a retirement pension shall be entitled to an additional increase of 2,5 % of their final basic salary for each year worked after that age, provided that their total pension does not exceed 70 % of the final basic salary within the meaning of the second or third paragraph of Article 77 of the Staff Regulations, as the case may be.

However, for officials aged 50 years or over or with 20 or more years' service on 1 May 2004, the increase in pension provided for in the previous subparagraph shall not be less than 5 % of the amount of the pension rights acquired at the age of 60.

The increase shall also be granted in the event of death, if the official has remained in service beyond the age at which he became entitled to a retirement pension.

If, pursuant to Annex IVa, an official who enters the service before 1 January 2014 and working part-time contributes to the pension scheme in proportion to the time worked, the increase in pension entitlements provided for in this Article shall be applied only in the same proportion.

3. If the official retires before reaching pensionable age as laid down in this Article, only half of the reduction laid down in point (b) of Article 9 of Annex VIII shall be applied for the period between the age of 60 and the pensionable age.

4. By way of derogation from the second subparagraph of paragraph 1 of the Sole Article of Annex IV, an official to whom a pensionable age of less than 65 years applies in accordance with paragraph 1 shall receive the allowance provided for in that Annex under the conditions laid down therein until the day on which the official reaches his pensionable age.

However, above that age and up to the age of 65 years the official shall continue to receive the allowance until he reaches the maximum retirement pension unless Article 42c of the Staff Regulations applied.

Article 23

1. When point (a) of Article 52 of the Staff Regulations applies, and without prejudice to the provisions of Article 50, an official in service before 1 January 2014 shall be retired automatically on the last day of the month in which he reaches the age of 65. For officials in service before 1 January 2014, the words 'age of 66' and 'age 66' in the second paragraph of Article 78 and point (b) of

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Article 81a(1) of the Staff Regulations and in point (b) of Article 12(1) of Annex VIII shall be read as 'age of 65' and 'age 65'.

▼M131

2. Notwithstanding Article 52 of the Staff Regulations, officials who entered the service before 1 January 2014 and who leave the service before the age at which they would have become entitled to a retirement pension in accordance with Article 22 of this Annex may request that point (b) of Article 9 of Annex VIII be applied

(a) until 31 December 2015 as from the age of 55; (b)

until 31 December 2016 as from the age of 57.

3. By way of derogation from the eighth paragraph of Article 50 of the Staff Regulations, an official who is retired in the interests of the service in accordance with the first paragraph of Article 50 of the Staff Regulations shall be entitled to receive the payment of a pension under Article 9 of Annex VIII in accordance with the table below:

Date of the decision under the first paragraph of Article 50	Age
Until 31 December 2016	55 years
After 31 December 2016	58 years

▼M112

Article 24

1. In the case of a pension determined before 1 May 2004, the recipient's pension entitlement shall continue to be determined after that date in accordance with the rules applied when the entitlement was initially determined. The same holds true as regards cover under the joint sickness insurance scheme. However, the rules on family allowances and correction coefficients in force as from 1 May 2004 shall apply immediately without prejudice to the application of Article 20 of this Annex.

Notwithstanding the first subparagraph, recipients of an invalidity pension or a survivor's pension may ask to be covered by the provisions applicable as from 1 May 2004.

2. When these provisions enter into force, the nominal amount of net pension received before 1 May 2004 shall be guaranteed. That guaranteed amount shall nevertheless be adjusted if the recipient's family situation or country of residence changes. For persons who retire between 1 May 2004 and 31 December 2007, the nominal amount of net pension received on retirement shall be guaranteed with reference to the Staff Regulations provisions in force on the date of their retirement.

For the purposes of applying the first subparagraph, if the pension calculated on the basis of the provisions in force is less than the nominal pension as defined below, a compensatory amount equal to the difference shall be granted.

For recipients of a pension before 1 May 2004, the nominal pension shall be calculated each month taking into account the family situation and the country of residence at the time of calculation, and the Staff Regulations rules in force on the date preceding 1 May 2004.

For officials who retire between 1 May 2004 and 31 December 2007, the nominal pension shall be calculated each month taking into account family situation and country of residence at the time of calculation, and the Staff Regulations rules in force on the date when they retire.

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In the event of the death after 1 May 2004 of a recipient of a pension determined before that date, the survivor's pension shall be determined taking into account the guaranteed nominal pension which the deceased was receiving.

3. Provided that recipients of an invalidity pension have not asked to be covered by the provisions applicable as from 1 May 2004 and have not been declared fit to resume their duties, their invalidity pensions thus maintained shall be considered retirement pensions when the recipients reach the age of 65 years.

4. Paragraphs 1 and 2 shall apply to recipients of one of the allowances paid under Articles 41 or 50 of the Staff Regulations or under Regulation (EEC) No 1857/89, Regulation (EC, Euratom, ECSC) 2688/1995, Regulation (EC Euratom, ECSC) No 2689/1995, Regulation (EC, Euratom) No 1746/2002, Regulation (EC, Euratom) No 1747/2002 or Regulation (EC, Euratom) No 1748/2002. However, their retirement pensions shall be determined in accordance with the rules in force on the date on which their payment commences.

▼M131

Article 24a

In the case of a pension determined before 1 January 2014, the recipient's pension entitlement shall continue to be determined after that date in accordance with the rules applied when the entitlement was initially determined. The same applies to the cover under the joint sickness insurance scheme.

▼M112

Article 25

1. For pensions determined before 1 May 2004, the grade used for calculating pension shall be determined in accordance with the tables in Articles 2(1) and 8(1) of this Annex.

The basic salary taken into account for determining the recipient's pension shall be equivalent to the salary in the table in Article 66 of the Staff Regulations for the new grade thus determined, at the same step, weighted by a percentage equivalent to the ratio of basic salary under the old scale to that under the scale in Article 66 of the Staff Regulations for the same step.

For steps under the old scale without correspondence in the scale in Article 66 of the Staff Regulations, the last step of the same grade shall be used as the reference for calculating the percentage referred to in the second subparagraph.

For steps in grade D4 under the old scale, the first step in the first grade shall be used as the reference for calculating the percentage referred to in the second subparagraph.

2. On a transitional basis, the basic salary within the meaning of Articles 77 and 78 of the Staff Regulations and of Annex VIII shall be determined by applying the corresponding multiplication factor laid down in Article 7 to the salary which corresponds to the recipient's grading taken into account to determine entitlement to retirement pension or invalidity benefit, in accordance with the table in Article 66 of the Staff Regulations.

For steps under the old scale without correspondence in the scale in Article 66 of the Staff Regulations, the last step in the same grade shall be used as the reference for calculating the multiplication factor.

For retirement pensions and invalidity benefits determined between 1 May 2004 and 30 April 2006, Article 8(1) shall apply.

3. For recipients of a survivor's pension, paragraphs 1 and 2 of this Article shall apply by reference to the deceased official or former official.

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4. Paragraphs 1 and 2 of this Article shall apply by analogy to recipients of one of the allowances paid under Articles 41 or 50 of the Staff Regulations or under Regulation (EEC) No 1857/89, Regulation (EC, Euratom, ECSC) 2688/1995, Regulation (EC Euratom, ECSC) No 2689/1995, Regulation (EC, Euratom) No 1746/2002, Regulation (EC, Euratom) No 1747/2002 or Regulation (EC, Euratom) No 1748/2002.

Article 26

1. Requests to qualify for the facilities for transfer of pension rights under Article 11(2) of Annex VIII submitted before 1 May 2004 shall be considered in accordance with the rules in force at the time of their submission.

2. In so far as the time limit stipulated in Article 11(2) of Annex VIII has not yet been exceeded on 1 May 2004, the officials concerned who did not submit such a request within the time limits previously stipulated, or whose request has been rejected for having been submitted after those time limits, shall still be able to submit or resubmit a request for transfer under Article 11(2) of Annex VIII.

3. Officials who submitted a request for transfer within the time limits but rejected the offer made to them, who did not submit a transfer request within the time limits previously stipulated, or whose request was rejected for having been submitted after those time limits, may still submit or resubmit such a request by 31 October 2004 at the latest.

4. In the cases provided for in paragraphs 2 and 3 of this Article, the institution where the official is working shall determine the number of pensionable years to be taken into account under its own scheme pursuant to the general implementing provisions adopted in respect of Article 11(2) of Annex VIII, which shall take into account the provisions of this Annex. However, for the purposes of paragraph 3 of this Article the official's age and grade to be taken into account shall be those at the time of establishment.

5. Officials who agreed to transfer their pension rights pursuant to Article 11(2) of Annex VIII before 1 May 2004 may request recalculation of the bonus already obtained under the ►**M128** Union ◄ institutions' pension scheme pursuant to that Article. Recalculation shall be based on the parameters in force at the time when the bonus was obtained, adjusted in accordance with Article 22 of this Annex.

6. Officials who obtain a bonus pursuant to paragraph 1 may, from notification of the bonus under the ►**M128** Union ◄ institutions' pension scheme, request application of paragraph 5.

Article 27

1. When the actuarial equivalent referred to in Article 11(1) and Article 12(1)(b) of Annex VIII to the Staff Regulations is calculated, officials and temporary staff shall be covered, for the portion of their rights relating to periods of service before 1 May 2004, by the provisions set out below.

The retirement pension actuarial equivalent may not be less than the sum of:

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(a) the amount of the sums deducted from basic salary as pension contributions, plus compound interest at the rate of 3,5 % a year;

(b) a severance grant proportional to the length of service actually completed, calculated on the basis of one and a half months of final basic salary subject to deduction per year of service;

(c) the total sum paid to the ►**M128** Union ◄ in accordance with Article 11(2) of Annex VIII to the Staff Regulations, plus compound interest at the rate of 3,5 % a year.

2. However, where officials or temporary servants leave because their contracts are revoked or terminated, the severance grant to be paid or actuarial equivalent to be transferred shall be determined in the light of the decision taken on the basis of Article 9(1)(h) of Annex IX to the Staff Regulations.

3. Unless they have benefited from Article 11(2) or (3) of Annex VIII to the Staff Regulations, officials in service on 1 May 2004 and who would, for lack of a transfer option under Article 11(1), have been entitled to payment of a severance grant in accordance with the Staff Regulations rules in force before 1 May 2004, shall retain the right to payment of a severance grant calculated in accordance with the rules in force before that date.

▼M131

Article 28

1. Servants referred to in Article 2 of the Conditions of Employment of Other Servants who were under contract on 1 May 2004 and who are appointed as officials after that date and before 1 January 2014 shall, on retirement, be entitled to an actuarial adjustment of the pension rights they acquired as temporary servants which takes into account the change in their pensionable age as referred to in Article 77 of the Staff Regulations.

2. Servants referred to in Articles 2, 3a and 3b of the Conditions of Employment of Other Servants who are under contract on 1 January 2014 and are appointed as officials after that date shall, on retirement, be entitled to an actuarial adjustment of the pension rights they acquired as temporary or contract staff which takes into account the change in their pensionable age as referred to in Article 77 of the Staff Regulations, in the event that they are at least 35 years old on 1 May 2014.

▼M112

Article 29

For temporary servants engaged before 1 May 2004, in accordance with Article 2(c) of the Conditions of Employment of Other Servants, to assist a political group in the European Parliament the requirement laid down in Article 29(3) and (4) of the Staff Regulations that the temporary servant has passed a selection procedure in conformity with Article 12(4) of the Conditions of Employment shall not apply.

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Annex II a : “Our Pension Fund” by Marc Oostens, 2018

<u>Our pension fund</u> (by Marc Oostens)

Background

"Our pension system can be considered to be an accounting fund recorded in the public debt of the Member States[1]."

The financing of this pension system is ensured by annual contributions and in order to maintain the equilibrium of the system, if necessary, the contribution rates are adapted annually, in accordance with the Staff Regulations. Each year these contributions finance the pension rights acquired by the officials during the year in question. These officials contribute one third of the financing of the pension scheme. These annual contributions for covering the pension rights, are not capitalised in a "pension fund" but are retained by the Member States within the annual budgetary balance. As a counterpart, Article 83 of the Staff Regulations provides that the Member States collectively guarantee the payment of the pensions. This remains the case even beyond their membership of the EU and beyond the existence of the EU.

The debt of the Member States

Until 2005, the accounts of the European Union recorded on the liabilities side of the accounts a provision for the acquired pension rights of officials and on the assets side, a debt to the Member States for the same amount (€26 billion in 2004).

In 2004, in the context of the modernisation of the accounting system of the EU, an international committee of experts proposed that the accounting rules of the EU should be aligned with international accounting standards. The new Accounting Rule of 28 December 2004, after consultation with the accountants of all the Institutions and of all the European agencies, was published by the Commission's Accountant and confirmed that the debt of the Member States is to be recorded on the assets side of the EU budget[2] .

For the experts, there is no doubt: the Member States have capitalised these contributions and thus have a debt towards officials and former officials. The debt of each Member State corresponds to its share, fixed according to the contribution key for the financing of this expenditure[3].

The international accounting standards

In its report of 31 October 2006, the Court of Auditors noted that the Chief Accountant of the Commission had not respected its new Accounting Rule N° 12. In its discharge of the accounts for the year 2005, the European Parliament regretted that the Commission had not respected the accounting Rules and requested that the debt of the Member States be recorded on the assets side of the balance sheet.

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[1] "Notre régime de pension revisité" Ludwig Schubert, AIACE, VOX n° 102 – March 2016
Affirmation confirmed by the report of the Statistical Office – SWD(2016)268 final, pages 5 and 6

[2] Accounting Rule N° 12 of the EU applying to all the institutions:" In the absence of a specific IPSAS standard dealing with the particular case of the debts linked to the pensions commitments and considering that the IFRS do not completely correspond to the particularities of the public sector, it has been decided to apply the rules currently in force. Thus, since the Member States collectively guarantee the payment of pensions, according to the fixed contribution key for the financing of expenditures, a debt for the Member States will be recorded on the assets side, reflecting their commitment to pay."

[3] Staff Regulations, Art. 83

To justify the removal of the Member States' debt[4], the Chief Accountant of the Commission maintained that the accounting rules for international accounts for the public sector had been respected; which did not correspond to reality.

Indeed, in 2004, in the absence of specific rules for the public sector (IPSAS[5]), the Committee of experts (see above) decided to respect the regulations for the private sector (IAS[6]) regarding the accounting of pension rights.

In October 2006 the International Public Sector Accounting Standard (IFAC) published a draft accounting standard for the recording of pension rights in the public sector. It repeats verbatim the standard foreseen for the private sector, but even specifies that "**for international organisations, where the Member States have committed themselves to paying pension rights, this commitment must be recorded on the assets side of the balance sheet**."

The international accounting rule for the public sector is identical to that of the private sector and there was no reason not to respect it.

Creation of a pension fund by capitalisation?

"Within the context of the re-examination of the Multi-annual Financial Framework in 2023, the Commission will undertake a reflexion on the feasibility of creating a pension fund for the staff of the EU by capitalisation."[7]

The pension fund already exists, but it is capitalised in the national treasuries, where it is not subject to the ups and downs of rates on the financial markets.

Moreover, the draft agreement between the United Kingdom and the European Union (Brexit) stipulates that the UK must reimburse its share of the debt corresponding to acquired pension rights *"the United Kingdom will contribute its part of the liability to the Union for the pension and other staff advantages on 31 December 2020. The payments linked to this liability will be transferred when the deadline for these amounts is due."*[8]

Even if the present non-respect of the accounting regulations in no way affects the very clear legal provisions in the Staff Regulations, we believe that this is the moment to insist on the respect of the international accounting standards and for the debt of the other Member States to be recorded in the accounts of the European Union. In this way our pension fund will again become a reality in the EU's balance sheet. This will help to diffuse some of the pointless confusion in the minds of some about our pension system.

[4] About 65 668 million (including the pension schemes for High Office Holders) at the end of 2017, according to the Consolidated Annual Accounts of the EU for 2017 (Com(2018)52 final of 27.6.2018).
[5] IPSAS: International Public Sector Accounting Standards.
[6] IAS: International Accounting Standards -
[7] Multi Annual Financial Framework 2021-2027 - COM (2018)321 final – Note n° 18, bottom of page, Chapter VII
[8] Draft agreement on the Withdrawal of the United Kingdom of 19 March 2018 – Article 135.2

Annex II b : “Accounting for Member States’ commitment to reimburse EU staff pensions contributions” by Marc Oostens, 2018

ACCOUNTING FOR MEMBER STATES' COMMITMENT TO REIMBURSE EU STAFF PENSIONS CONTRIBUTIONS

1. Accounting framework in the EU

The accounting standards to be used by entities financed by the general budget of the Union is regulated by the Financial Regulation applicable to the general budget of the Union[1]. In its article 143 (rules governing the accounts) the Financial Regulation (FR) requires the accounting officer of the Commission to "adopt rules based on internationally accepted accounting standards for the public sector." As public sector accounting in Europe is not regulated at EU level, i.e. no EU public sector accounting standards exist, the only relevant set of public sector accounting standards that one can consider as being internationally accepted are the International Public Sector Accounting Standards (IPSAS) as issued by the International Federation of Accountants (IFAC). Consequently, the accounting officer of the Commission has adopted and adopts 'EU accounting rules' based on these IPSAS which are applicable to all entities in the scope of article 141 FR.

The accounting officer adopts the EU accounting rules after having received advice from the Commission's advisory group of experts on accounting standards and after an interservice consultation with all Commission DGs and all accounting officers of the other institutions and bodies.

2. IPSAS standards

The IPSAS standard currently applicable (as of 1 Jan 2018) for pensions is IPSAS 39 (employee benefits) as issued by IFAC in July 2016. IPSAS 39 replaces IPSAS 25 (employee benefits) which was applicable until 31 December 2017. Both IPSAS 25 and 39 are based on the corresponding private sector standard IAS 19.

IPSAS 25 was issued in February 2008 following the publication of exposure draft (ED) 31 in October 2006 for comments. ED 31 included the provisions of IAS 19 but also proposed some additional elements on public sector. The most relevant addition can be found under the heading 'Reimbursements' which deals with the issue of when an entity can recognise its right to reimbursement as an asset in cases where the entity can expect another entity to reimburse all or part of its expenditure to settle a defined benefit obligation. In paragraph 121 the following example is given:

"*For example, the national governments which are members of a supra-national public sector body may have entered into a legally enforceable commitment to pay part or all of the expenditure required to settle the defined benefit obligations of that supra-national body*."

This IPSAS text suggests that the commitment given by the EU Member States to cover the expenditure of the EU institutions for pensions should be considered as a reimbursement right to be recorded on the asset side of the balance sheet.

Following the publication of ED 31 and the comments received by the Accounting Officer of the EU, the IPSAS Board decided to not retain this example in the final text. L'IPSAS 25 reprend néanmoins le texte de l'IAS 19 en précisant que l'entité "**doit**" reconnaître le droit à remboursement à l'actif du bilan alors que l'IAS 19 en faisait simplement une recommandation ("should") :
"*When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, an entity shall recognize its right to*

[1] Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26 October 2012, p. 1) and Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 (OJ L 362, 31 December 2012, p. 1) laying down detailed rules of application of this Financial Regulation.

reimbursement as a separate asset. where the reimbursement exactly matches the amount and timing of the benefits payable under a defined benefit plan".

The current IPSAS 39 is unchanged in this respect.
The reason given for the removal of the example is included in the basis for conclusions (paragraph 12) of the final standard:

"…The IPSASB considered whether there may be cases in the public sector where another public sector entity may enter into a legally binding commitment to provide part or all of the expenditure required to settle a defined benefit obligation of the reporting entity. The IPSASB considered that there may be such circumstances. ED 31 therefore included expanded commentary to acknowledge that such circumstances may arise. Some submissions considered that this revised commentary was confusing. Acknowledging this view the IPSASB decided to use the same commentary as in IAS 19 and to put the onus on entities to determine whether they have an asset arising from a right to reimbursement by reference to the definition of an asset in the IPSASB literature."

Consequently, the recognition of a separate asset for the Member State's commitment to guarantee the staff pension is a matter of judgement of the Accounting Officer of the Commission.

3. Development of EU accounting rules on pensions

The first EU accounting rule under the accrual accounting system (accounting standard 12) was issued in December 2004 and was based on IAS 19, the private sector accounting standard on pensions since no IPSAS on pensions was available at that time. Accounting standard 12 contained the following paragraph:

"*En l'absence d'une norme IPSAS spécifique traitant du cas particulier des créances liées aux engagements de retraites et compte tenu du fait que les IFRS ne répondant pas totalement aux particularités du secteur public, il a été décidé d'appliquer les règles actuellement en vigueur. Ainsi, les Etats Membres garantissant collectivement le paiement des prestations de pension, selon la clé de répartition fixée pour le financement des dépenses, il sera constaté à l'actif une créance sur les Etats Membres pour refléter leurs engagements. Cette position des Communautés Européennes est temporaire et sera reconsidérée lors de l'adoption par l'IFAC d'une norme IPSAS traitant des engagements de retraite."*
« La présente décision entre en vigueur le 1er janvier 2005. Fait à Bruxelles, le 28 décembre 2004
Signé : Le comptable de la Commission - Brian Gray »

Conformément à l'article 147 du règlement financier, le Comptable de la Commission a envoyé le 31 mars 2006 les comptes pour l'exercice 2005 à la Cour des Comptes :

"*The accounting officer of the Commission shall send to the Court of Auditors, by 31 March of the following year, the provisional accounts of the Commission and the consolidated provisional accounts of the Union*."

Dans son rapport annuel relatif à l'exercice 2005 la Cour des Comptes constate à l'article 1.49 :

"*The Court observed that the Accounting Officer did not fully comply with Accounting Rules Nos 2 and 12 with regard to the new structure and presentation of the balance sheet and the revised treatment of the Communities' pension liabilities*".

Lors de la décharge sur l'exercice 2005, le Parlement européen fait la même observation :

"*The European Parliament : (7) Regrets that, as noted by the Court of Auditors in paragraph 1.49 of its 2005 annual report, the accounting officer failed fully to comply with Accounting Rules Nos 2 and 12* *with regard to the new structure and presentation of the balance sheet and the revised treatment of the Communities' pension liabilities*;"

Dans la décharge sur les comptes de la Cour des Comptes, le Parlement constate :

"*The European Parliament : (7) Believes that both the liability for future pension payments and also the long-term claim against the Member States - by virtue of their guaranteeing the financing of the pension scheme - should be included in the balance sheet in order to reflect the principles of accrual accounting applicable from 1 January 2005;*"

Conformément à la Règle comptable n°12 de la Commission, les Comptables de la Cour des Comptes et de la Cour de Justice avaient inscrit la dette des EM à l'actif de leur bilan au 31/12/2005. Le Comptable de la Commission a supprimé cet actif lors de la consolidation et l'envoi des comptes à la Cour des Comptes.

Le Directeur général de la DG Budget ayant été averti de l'erreur du comptable en juin 2006, le Comptable de la Commission a convoqué en urgence le comité d'experts sur les règles comptables durant l'été 2006, afin de modifier les règles qu'il avait lui-même décidées et les mettre en conformité avec les comptes qu'il avait finalisés.

After consulting the advisory group of experts on accounting standards, the accounting standard 12 has been revised and in October 2006 an amended version was adopted. The first set of EU accruals accounts (opening balance sheet at 1 January 2005) which were sent to the Court of Auditors on 31 March 2006 did not contain a receivable towards Member States for pensions with the following explanation:

"*As part of the application of the new accounting rules* {October 2006}, *it was decided by the Commission's Accounting Officer* {March 2006}, *following advice from and discussions with the Advisory Expert Group for Accounting Standards, that the guarantee given by Member States to fund the pensions does not meet the criteria necessary for it to be recognised as a receivable on the balance sheet*."

Au même moment, en octobre 2006 paraissait également l'IPSAS ED 31 qui appliqué à l'Union européenne se traduit : les Institutions européennes doivent comptabiliser leurs droits de remboursements en tant qu'actifs distincts car elles sont certaines que les Etats membres rembourseront en totalité, les dépenses nécessaires au règlement des prestations de retraite.
The accounting rule of 2004 was in line with IAS 19 and the new EU accounting rule 12 (October 2006) is not in line with ED 31 (October 2006) and IPSAS 25 (not yet issued).

The Court's remark criticises the fact that the accounting rule 12 had not been updated to reflect the approach followed. After the amendment of rule 12 the European Court of Auditors did not make any subsequent remarks regarding the absence of the receivable towards Member States.
The remark in paragraph 1.49 of the 2005 annual report was in fact not an expression on the content (to record or not record the receivable) but rather that a parallel recognition of receivables and payables has the effect of neutralising the impact on the economic outturn, as it does not show the change from one year to another. Une modification de la présentation du résultat économique aurait pu répondre à la critique de la Cour des Comptes.
Les contributions patronales et salariales mensuelles financent les droits à pension acquis par les fonctionnaires pendant l'année. Les taux de contributions sont revus chaque année afin de maintenir le régime de pension en équilibre (Statuts). Ces contributions « devraient » être inscrites annuellement à l'actif du bilan (dette des EM) et au passif du bilan (provision pour droits acquis).
Le «résultat économique» doit faire apparaître le montant des contributions annuelles au fonds de pension actuariel.

4. **Commission's advisory group of experts on accounting standards**
The issue of recording or not recording a receivable towards Member States for their commitment regarding the staff pensions has been discussed at a number of advisory group meetings. The reasons for the frequency of discussion were on the one hand that initially there was no IPSAS on employee benefits available and so there was a regulatory gap and on the other hand once IPSAS 25 became available the IPSAS Board "*put the onus on entities to determine whether they have an asset arising from a right to reimbursement by reference to the definition of an asset in the IPSASB literature*."

The first detailed discussion on this subject happened at the meeting on 22 April 2004.

At that meeting it had been decided "*En attendant une norme IPSAS dans la matière, la présentation actuelle n'est pas modifiée, l'actif étant constitué des montants à appeler des EM. Si cette créance est transférée aux hors bilan, les CE auraient des fonds propres négatifs*". Based on this decision the first accounting rule 12 (employee benefits) had been adopted. It should be noted that at this very first discussion the compliance of this approach with IAS 19 was not discussed.

The next discussion on this subject took place at meeting on 10 July 2006. The accounting officer at that time explained that *"...up to 2004, an asset with regard to the Member States guarantee of staff pensions was recognised in the accounts. But is this a true receivable? Each Member State does not know what its portion of the liability is – in fact they pay their contributions after the adoption of the budget, and part of revenue comes from the traditional own resources collected in the budgetary year concerned. Thus to present the reality of the situation, the EC has chosen a vertical balance sheet format with the new heading "Amounts to be called from Member States" and the pension receivable was not recognised amongst the assets*."

The experts of the advisory group debated the issue. One external member of the group considered that recognition of a pension receivable represented the economic reality, the other did not. The conclusion of this meeting was thus that both options (no receivable recognised versus receivables recognised) could be applied. Following this meeting the amended accounting rule 12 which followed the option of not recognising a receivable was adopted by the accounting officer of the Commission.

At the meeting of the group on 1 July 2008 in the context of the update of accounting rule 12 due to the issuance of IPSAS 25, the experts of the advisory group agreed unanimously to confirm their advice of 10 July 2006.

Based on the expert advice received the updated accounting rule 12 based on IPSAS 25 was adopted with the specification that no asset or contingent asset be recognised regarding the Member States guarantee. It concluded the discussions on this matter.

5. Accounting assessment
If IPSAS 25 (39) do not contain any specific provisions as regards public sector entities covering expenditure of other public sector entities for pensions, the preliminary documents explicitly made a reference to this situation. The IPSAS text (ED 31) stipulates that the commitment given by the EU Member States to cover the expenditure of the EU institutions for pensions should be considered as a reimbursement right to be recorded on the asset side of the balance sheet.

In absence of a specific provision in a standard/EU accounting rule one has to refer to the general asset definition (EU accounting rule 1.4):

"*Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity*."

The pensions are paid from the EU budget (cash budgetary accounting). The employers' and wage contributions to finance accrued pension rights are not capitalized by the Institutions but reimbursed to Member States.
In the case of the guarantee given by the Member States, the future amounts to be received from MS to cover future pensions are at the balance sheet date in the treasuries of the MS. This is a past event that give to the EU institutions a claim towards Member States. An asset arises when (sovereign or legal) power is exercised and the right exists (at the balance sheet date) to receive resources. Both are given in the case of the guarantee of Member States for staff pensions. Amounts are due and certain as the pension liability is calculated each year. Consequently, the asset definition is met and thus a receivable can be recognised.

6. Draft Agreement on the withdrawal of the United Kingdom
Article 135 - Union liabilities at the end of 2020:

"the United Kingdom shall be liable for its share of the Union liability for the pension and other employee benefits rights accrued on or before 31 December 2020"

The negotiators for Brexit agreed on the debt of the UK for the future payment of pension rights. The debt of all the Member States must be recognized as a receivable in the balance sheet.

7. Last question: whether or not one should deviate from IPSAS?
An expert of the Commission's advisory group of experts on accounting standards gave the answer:
"only the recognition of a pension receivable and a receivable for all year-end accruals represents the reality" - "*une argumentation technique n'est même pas nécessaire, étant donné que la logique suffit, le «common sense», ce principe essentiel pour les anglo-saxons, si important pour comprendre la «true and fair view* »"

8. Conclusion
• The consolidated annual accounts of the EU were in accordance with IAS until 2004. As at 1 January 2005, the consolidated annual accounts of the EU are no more in line with IPSAS.
• The experts of the advisory group of experts on accounting standards agreed in 2004, that receivables from MS should be applied and in 2006 that both options (no receivable recognised versus receivables recognised) could be applied.
• The first version of the EU accounting rule on pensions retained the preaccrual accounting approach on the receivable towards Member States. That was a temporary solution in line with the IAS 19, in absence of an IPSAS at that time. In spite of the issuance of such a public sector standard (IPSAS 25 identical to IAS 19) and the preparatory paper of the IFAC ED 31, the EU accounting rule was amended and the accrual accounting approach was removed from the rule.
• The presentation of the "economic outturn" should be modified to answer the criticism of the European Court of Auditors.
• The text of the Brexit pre-agreement is clear: the Member States have a real liability for the pension rights accrued.
• The current accounting treatment of not recognising a receivable towards Member States concerning their liability for staff pensions should be modified so as to respect the Financial Regulation (Article 143, adoption of accounting rules based on internationally accepted accounting standards for the public sector).

MO June 2018

Annex II c : « Commentaires critiques – Generation 2004’s position on pensions » by Marc Oostens, 2019

Commentaires critiques

Generation 2004's position on pensions[1]

Generation 2004 souligne à juste titre les faiblesses de la réforme de 2004 des statuts des fonctionnaires de l'UE. Cette réforme a permis de garantir les droits acquis aux fonctionnaires en fonction (et pensionnés) et de faire porter les économies budgétaires voulues par les EM sur les fonctionnaires à recruter. Les négociateurs de l'époque ont travaillé dans un contexte budgétaire et politique difficiles à la veille de l'élargissement à 10 nouveaux EM, mais ils n'ont pas anticipé les conséquences à moyen terme des orientations retenues.

La situation des fonctionnaires recrutés après la réforme se révèle donc injuste. D'autre part, les conditions d'emploi des contractuels ne sont pas conformes aux engagements pris lors de la réforme : ils se voient confier des missions relevant des compétences de la fonction publique, ce qui met en évidence le déséquilibre avec les conditions d'emploi des fonctionnaires.

Que penser des propositions avancées par Generation 2004 » ?

Generation 2004 a choisi de privilégier la défense des «post 2004 » au détriment de la défense de la fonction publique européenne dans son ensemble. Cette division ne peut qu'affaiblir la défense des droits de tous les fonctionnaires vis-à-vis des velléités de certains EM.

Pour ce qui concerne les pensions, Generation 2004 ne fait pas la différence entre « le paiement » des pensions et « le financement » du régime.

Le régime de pensions est financé par les contributions (les fonctionnaires contribuent pour un tiers). Le taux de contribution est calculé annuellement pour assurer l'équilibre du régime : les droits acquis par les fonctionnaires pendant l'année sont financés par les contributions de l'année.

Par contre, le paiement des pensions est effectué par le budget annuel.

Les contributions annuelles pour le financement des pensions sont maintenues dans les fonds publics des EM, en contrepartie les EM garantissent le paiement des prestations.

Generation 2004 souligne la part importante (25%) du budget des dépenses administratives consacrée au paiement des pensions. Generation 2004 « oublie » d'indiquer que les droits acquis à pension ont déjà été financés à travers les contributions annuelles et le budget n'est que la modalité de paiement de la dette des EM. En cas d'insuffisance du budget, les EM doivent assurer le paiement des pensions.

Generation 2004 souligne que les dépenses de pension croissent plus rapidement que les autres dépenses administratives. Là encore il y a confusion entre le paiement et le financement des pensions. Le taux de contribution n'a pas varié significativement au cours des dernières années, le coût des pensions est donc resté stable. L'augmentation constante

[1] Newsletter #35 – May 2019 - https://generation2004.eu/generation-2004s-position-on-pensions-2/

des crédits budgétaires utilisés pour le paiement des pensions indique que les EM doivent puiser dans les contributions perçues pour assumer leur garantie.

Generation 2004 propose la création d'un fond de pension privé, en priorité pour les contractuels. Ainsi, en fin de contrat les droits acquis à pension seraient versés dans un « public capital-based pension fund » au lieu d'être versés dans un « private capital-based fund ». Cette proposition peut paraître attrayante mais doit faire l'objet d'une analyse.

Par contre, Generation 2004 propose de financer ce fond par la taxation des « hautes pensions ». C'est encore une fois oublier que les droits à pension sont déjà financés. Les contractuels ou les fonctionnaires qui cessent leur activité à la fin de leur contrat ou avant la mise à la retraite voient déjà actuellement transféré le capital acquis vers un compte - organisme de leur choix. Ces droits acquis sont déjà financés et sont payés en puisant dans les contributions encaissées par les EM.

En conclusion, le versement des droits acquis à pension aux contractuels en fin de contrat (6 year contract) ou aux fonctionnaires qui ne désirent pas prolonger leur carrière dans les Institutions, est déjà automatiquement transféré vers un fond de pension choisi par le bénéficiaire. Le paiement est effectué à travers les crédits de paiement du budget de l'UE mais est financé par le fond de pension notionnel détenu dans les fonds publics des EM.

Generation 2004 propose une solution à un problème qui n'existe pas !

Marc Oostens
Ancien Comptable de la Commission

Annex III a : « Le régime de pension des fonctionnaires et autres agents de l'UE – Origines, caractéristiques, et arguments en faveur de sa continuité », Ludwig Schubert, Vox n°86, Novembre 2010

Par Ludwig Schubert

Le régime de pension des fonctionnaires et autres agents de l'UE

- Origines, caractéristiques, et arguments en faveur de sa continuité -

Origines

Suite à la déclaration de Robert Schuman du 9 mai 1950, le **Traité concernant la Communauté européenne du charbon et de l'acier (CECA)** entre les six pays membres (D, F, I, NL, B, L) est entré en vigueur le 23 juillet 1952. Ce Traité avait été conclu pour 50 ans.

Afin d'attirer un personnel qualifié, un niveau de rémunération approprié a été fixé pour les agents de la Haute Autorité de la CECA. Les droits de pension de ce personnel étaient garantis par un **fonds de pension** pour lequel le personnel cotisait pour un tiers et le budget de la CECA pour deux tiers. Ce fonds a été placé sur les marchés des capitaux.

Après la mise en œuvre en 1958 des Traités de Rome (Communauté économique européenne – CEE – et Euratom), un « ***Statut des fonctionnaires et autres agents européens*** » a été élaboré qui est entré en vigueur le 1er janvier 1962. Ce Statut reprenait essentiellement le niveau des rémunérations et pensions du personnel de la CECA.

Mais comme les Traités de Rome étaient conclus à durée indéterminée, les experts budgétaires étaient d'avis que la cotisation patronale au fonds de pension pourrait être remplacée par une garantie budgétaire des pensions et que la cotisation du personnel pourrait être versée au budget. De cette manière les experts budgétaires faisaient – à court terme – une double économie budgétaire : pas de cotisation patronale versée à un fonds séparé du budget et la cotisation du personnel versée directement au budget.

Mais l'idée d'un fonds de pension n'a pas été abandonnée pour autant.
Le calcul actuariel de la cotisation a été défini comme s'il y avait un fonds de pensions. L'article 83§2 du Statut stipule que la cotisation des fonctionnaires doit couvrir 1/3 du coût actuariel du régime des pensions (à calculer selon les règles précisées plus tard à l'annexe XII du Statut) ; en outre, la garantie budgétaire qui remplace la cotisation patronale de 2/3 du régime des pensions, selon l'article 83§1 du Statut, est de manière inconditionnelle à charge du budget des Communautés et – de surcroît – elle est garantie – au-delà de l'existence des Communautés – collectivement par les Etat membres.

Au moment de la fusion des exécutifs (CECA, CEE et Euratom) en 1967, ce régime statutaire de pension a été repris aussi pour le personnel de la CECA. Leur fonds de pension a été utilisé pour la construction de logements pour des ouvriers du charbon et de l'acier (partie patronale) et pour des crédits à la construction pour le personnel des Communautés européennes (partie du personnel). Un décompte final – d'après ma connaissance – n'a jamais été présenté. (C'est pourquoi, l'alinéa 2 du §1 de l'article 83 du Statut qui règle la liquidation du fonds a survécu toutes les révisions du Statut depuis 1967 !).

Caractéristiques

Notre régime de pensions tel que défini par le Statut n'est pas un système de répartition où les contributions d'une année doivent couvrir les dépenses des pensions de la même année !

Avec les variations de recrutement et les élargissements successifs de l'UE, un tel système ne serait pas viable. Aussi au plan national, les systèmes de répartition très répandus dans les pays membres de l'UE, sont en difficulté en raison non seulement de l'évolution démographique, mais aussi du fait que ces régimes de pensions souffrent du sous-emploi (manque de contributions de salariés occupés) et du fait qu'ils ont été utilisés pour atténuer et dissimuler les effets du chômage via des « prépensions ».

Notre système statutaire de pensions est, par contre, un système de capitalisation sui generis. Il n'y a pas de fonds de pension placé sur les marchés des capitaux. De ce fait notre système échappe aux aléas importants et dangereux qui peuvent affecter les marchés des capitaux (cf. les années 1929 et suivantes ainsi que les années 2008 à 2010).

Mais le calcul actuariel qui détermine la contribution annuelle au fonds de pension virtuel **est effectué selon des règles identiques à celles d'un véritable fonds de pension**. Chaque année, la contribution des fonctionnaires, versée au budget, doit correspondre à 1/3 des droits à la pension acquis dans la même année ; la cotisation patronale des deux tiers restants n'est pas versée à un fonds séparé du budget, mais elle rentre dans le calcul actuariel et est couverte par la garantie budgétaire inconditionnelle de l'article 83§1 du Statut (cf. le chapitre 2 de l'annexe XII du Statut). Le fait que le taux d'intérêt utilisé pour le calcul actuariel de l'équilibre du régime est celui observé pour la dette publique à long terme des pays membres (article 10 de l'annexe XII du Statut) est logique : le taux d'intérêt de la dette publique est le « coût d'opportunité » du système.

De ce fait, le « fonds » de notre régime de pension est placé virtuellement dans les titres de la dette publique des États membres.
L'équilibre actuariel de ce régime est examiné chaque année et de manière approfondie tous les cinq ans (cf. article 1 de l'annexe XII du Statut). Les variables d'ajustement sont:

- le taux de la cotisation (pour les fonctionnaires, il est passé 6,75 % dans les années 1970 à 11,3 % du traitement de base des actifs depuis le 1.7.2009
- et – le cas échéant – l'âge de la retraite (une variable utilisée seulement exceptionnellement (en 2004), mais très puissante et peu populaire).

Le Statut ne prévoit pas d'autres variables d'ajustement – notamment aucune modification des prestations !

À présent, notre régime de pensions continue à être en équilibre actuariel et il paraît même possible de diminuer le taux de contribution des actifs de 11,3 % à 11,0 % en 2010.

À l'avenir, à nombre constant des effectifs actifs et à législation constante, l'évolution du nombre des pensionnés suit, avec un décalage de 35 à 38 ans, l'évolution des recrutements antérieurs. La promesse de pension faite au moment du recrutement conduit à une évolution analogue des dépenses budgétaires annuelles, mais le maintien de l'équilibre actuariel, année par année, implique aussi qu'à tout moment ces dépenses budgétaires sont déjà financées par la contrevaleur actuarielle des cotisations salariales et patronales antérieures.

La note de l'Office statistique de juin 2010 (« Eurostat study on the long-terme budgetary implications of pension costs ») s'efforce de mettre en évidence ces évolutions du nombre des pensionnés et des dépenses budgétaires annuelles; elle s'efforce d'expliciter, en outre, l'effet de la modification de la législation statutaire intervenue à partir du 1er mai 2004. Cette note a été transmise au Conseil sans concertation dans le dialogue social, ni avec les Organisations syndicales, ni avec l'AIACE (comme cela aurait été indiqué suite à l'accord du 29 février 2008 entre la Commission et l'AIACE). Cette note n'explicite pas le montant du capital actuariel très important accumulé au cours des dernières décennies et qui permet de faire face à l'évolution future des dépenses budgétaires annuelles. Pour permettre une appréciation sereine, il serait hautement souhaitable que ce chiffre soit également fourni ! Par ailleurs, la note de l'Office statistique contient une erreur matérielle en désignant notre régime de pension comme un « système de répartition » (« pay as you go »), ce qui ne correspond pas à la réalité (cf. ci-dessus) et ce qui risque de conduire à une mauvaise interprétation de la projection des chiffres de dépenses budgétaires annuelles.

Le niveau des pensions, compte tenu du nombre des années de service, est lié **explicitement au niveau des rémunérations** (Art. 77 du Statut) tel que repris dans la grille. Cette référence se trouve sur chaque fiche de pension. **Ainsi l'évolution des pensions suit automatiquement - et depuis toujours – celle des rémunérations**. Ceci a été confirmé, en outre, dans la Méthode d'adaptation des rémunérations et pensions (annexe XI du Statut, Art. 3.) et par l'Article 82 du Statut).

Ce parallélisme d'évolution entre rémunérations et pensions communautaires est complété par un parallélisme d'évolution entre rémunérations communautaires et nationales.
En effet, depuis 1972, cinq « Méthodes » (décidées en 1972, 1976, 1981 et comme annexe au Statut en 1991 et en 2004) assurent – en plus et en moins – une évolution du pouvoir d'achat des rémunérations communautaires parallèle à celle observée dans les fonctions publiques nationales. La légitimité de ce

principe du parallélisme n'est pas affectée par le décalage technique d'un an dont l'effet joue dans les deux sens et se compense dans le temps. De ce fait, le parallélisme avec les évolutions observées dans les fonctions publiques nationales n'est pas affecté à terme. Le calcul de l'équilibre actuariel du régime tient compte de manière explicite de ces évolutions.

Ce système est soutenable à long terme pour autant que ses règles d'équilibre soient respectées. **Il est d'une clarté exceptionnelle et séduisante ce qui pourrait en faire un modèle pour réformer d'autres régimes de pensions notamment dans les services publics.**

Arguments en faveur de la continuité du régime

1) Les pensions des retraités sont déjà payées par leurs contributions antérieures durant l'activité et par la part de contribution patronale virtuelle garantie par l'article 83§1 du Statut. Une modification des pensions existantes porterait gravement atteinte aux droits acquis.

2) Le parallélisme entre l'évolution des pensions et celle des rémunérations des actifs impliqué par la logique du système est un élément important de l'attractivité du service public européen et de sa continuité.

3) Invoquer « la crise » pour freiner à la fois l'évolution des rémunérations et des pensions au-delà de ce qui résulte automatiquement de l'application du principe du parallélisme de la Méthode d'adaptation des rémunérations et pensions - comme vient de le faire le Conseil de l'UE en décembre 2009 - signifierait que les actifs et les pensionnés payent deux fois pour une crise qui n'est pas due à une évolution salariale excessive. C'est, en outre, une violation de l'annexe XI du Statut. Cette annexe XI doit être, certes, renouvelée et donc renégociée en 2012, mais le maintien de ses principes (notamment de celui du parallélisme) est dans l'intérêt non seulement des fonctionnaires actifs et pensionnés, mais aussi dans celui des Institutions et des États membres qui doivent préserver un Service public européen qui ne soit pas périodiquement ébranlé par des conflits sociaux.

4) Invoquer l'accroissement des dépenses d'un régime de pensions qui est et reste en équilibre dans un contexte de restrictions budgétaires dues à d'autres causes revient à confondre le système actuariel de notre régime des pensions avec un système de répartition. Une telle démarche signifierait que le budget aurait encaissé les contributions pendant les longues années pendant lesquelles les contributions dépassaient les dépenses de pension et refuserait de payer la contrepartie actuarielle (pourtant garantie par l'article 83§1 du Statut) au moment où les dépenses de pension dépassent les contributions. Un tel changement de système ne serait juridiquement pas défendable. Il impliquerait, par ailleurs, le remboursement du capital actuariel très important accumulé au cours des dernières décennies.

> « …si les choses vont bien, c'est grâce aux gouvernements, autrement on accuse tout de suite Bruxelles »
>
> *Président J.M Barroso*
> *« Corriere della Sera » 08-2010*

Annex III b : « Notre régime de pension revisité », Ludwig Schubert,
Mars 2016

Ludwig Schubert
Président d'honneur de l'AIACE INT.

Notre régime de pension revisité

Contrairement à beaucoup de régimes nationaux de pension, le régime de pension des fonctionnaires et autres agents de l'Union européenne se trouve en permanence en équilibre actuariel!
Cependant, la soutenabilité de ce régime à plus long terme est mise en cause périodiquement. Ces attaques résultent essentiellement d'un manque de connaissance du fonctionnement de ce régime et également d'une appréciation contestable concernant le fonctionnement des marchés financiers et elles sont souvent accompagnées d'une hostilité manifeste vis-à-vis de la fonction publique européenne.

Afin de répondre à ces attaques, il est utile :

- ❑ *de rappeler l'origine de ce régime;*
- ❑ *d'expliquer de manière compréhensible son fonctionnement;*
- ❑ *de mettre en évidence que les droits à pension acquis, ainsi que la dette qui en résulte pour le budget de l'Union européenne et pour les États membres, ne constituent nullement un danger financier. Par ailleurs, la forte variation à court terme de cette dette, telle qu'elle apparaît dans le bilan de l'UE, résulte de l'application de conventions comptables qui sont sans importance pour la soutenabilité financière du régime à long terme.*

1. **Depuis la création des Institutions européennes**, il était évident que la sécurité sociale, au sens large, du personnel de ces institutions devrait être assurée au niveau de la Communauté et, plus tard, de l'Union européenne. Autrement, compte tenu de la diversité et des problèmes des régimes nationaux, un traitement *égal* des fonctionnaires et autres agents de l'Union en provenance des différents pays membres n'aurait pas pu *être réalisé*. Cette exigence se reflète dans les Traités dont le protocole « Privilèges et immunités » (art. 14) stipule que cette sécurité sociale doit être établie par règlement ou loi européenne de manière indépendante de la législation nationale.

Figure 1

Table XIII. General Salary Growth

Year	SI
1998	0.4
1999	1.6
2000	-0.2
2001	0.6
2002	1.7
2003	1.0
2004	-1.2
2005	0.0
2006	0.2
2007	0.0
2008	-1.3
2009	2.7
2010	-2.2
2011	-3.5
2012	-1.9
2013	-1.5
Average 16 years	-0.2

Le Traité concernant la Communauté européenne du charbon et de l'acier (CECA), entré en vigueur en juillet 1952, avait été conclu pour une durée déterminée de 50 ans. Afin d'attirer un personnel qualifié, un niveau de rémunération approprié avait été fixé pour les agents de la Haute Autorité de la CECA. Les droits de pension de ce personnel étaient garantis par un fonds de pension pour lequel le personnel cotisait pour un tiers et le budget de la CECA pour deux tiers. Ce fonds avait été placé sur les marchés financiers.

Après la mise en œuvre, en 1958, des Traités de Rome (Communauté économique européenne — CEE — et Euratom), un « Statut des fonctionnaires et autres agents européens » a été élaboré et est entré en vigueur *le* 1er janvier 1962. Ce Statut reprenait essentiellement le niveau des rémunérations et pensions du personnel de la CECA. Toutefois, étant donné que les Traités de Rome étaient conclus à durée indéterminée, à l'époque, les experts budgétaires étaient d'avis que la cotisation patronale au fonds de pension pourrait être maintenue dans le budget et que la cotisation du personnel pouvait y être retenue également. De cette manière, les experts budgétaires faisaient — à moyen terme — une double économie budgétaire. Ni les cotisations salariales ni les cotisations patronales ne devaient être versées à un fonds séparé du budget! Au moment de la fusion des exécutifs (CECA, CEE et Euratom) en 1967, ce régime statutaire de pension a été repris pour le personnel de la CECA. Leur fonds de pension a été utilisé pour la construction de logements pour des ouvriers du charbon et de l'acier (partie patronale) et pour des crédits à la construction pour le personnel des Communautés européennes (partie du personnel).

Mais l'idée d'un fonds de pension n'a pas été abandonnée pour autant. Le calcul actuariel du pourcentage de la cotisation a été défini comme s'il y avait un fonds de pension. L'article 83 para. 2 du Statut stipule que la cotisation du personnel doit couvrir 1/3 du coût actuariel du régime de pension et la cotisation patronale doit correspondre aux autres 2/3 du coût actuariel du régime (à calculer selon les règles de mathématique financière précisées plus tard dans l'annexe XII du Statut). En contrepartie du fait que ces cotisations restent dans le budget, le paiement des pensions, de manière inconditionnelle, est à charge du budget et — de surcroît — il est garanti, même au-delà de l'existence des Communautés, collectivement par les États membres. Le montant de ces pensions résulte clairement des dispositions du Statut.

2. **Ainsi, notre régime de pension tel que défini par le Statut n'est pas un système de répartition « pay as you go »** où les contributions d'une année doivent couvrir les dépenses de pension de la même année! Avec les variations de recrutement et les élargissements successifs de l'UE, un tel système n'aurait pas été approprié. Au plan national également, les systèmes de répartition, très répandus dans les pays membres

de l'UE, sont en difficulté en raison, non seulement, de l'évolution démographique, mais aussi du fait que ces régimes de pensions souffrent du sous-emploi (manque de contributions de salariés occupés) et du fait qu'ils ont été utilisés pour atténuer et dissimuler les effets du chômage via des « prépensions ».

Notre régime de pension est, par contre, un système de capitalisation *sui generis*. Il n'y a pas de fonds de pension placé sur les marchés des capitaux. De ce fait, notre régime échappe aux aléas importants et dangereux qui peuvent affecter les marchés des capitaux (cf. les années 1929 et suivantes, mais aussi la crise financière des années 2008 et suivantes ainsi que la période actuelle de taux d'intérêt extrêmement bas).
Toutefois, les contributions salariales et patronales sont déterminées annuellement par un calcul actuariel comme s'il y avait un fonds de pension placé sur les marchés financiers. Ainsi, elles correspondent, chaque année, aux droits de pension acquis dans la même année. Le fait que le taux d'intérêt utilisé pour ce calcul actuariel est celui observé pour la dette publique à long terme des pays membres est logique (article 10 de l'annexe XII du Statut) : le taux d'intérêt de la dette publique correspond au « coût d'opportunité du système ».

De ce fait, le « fonds » de notre régime de pension peut être considéré comme un fonds comptable placé dans la dette publique des États membres. Comme ce fonds représente les droits acquis en matière de pension, on peut considérer qu'il appartient à ceux qui ont acquis les droits à pension. La promesse du budget et des États membres qui garantissent collectivement de payer les pensions à leur échéance peut être considérée comme une promesse plus sûre que celle résultant d'un fonds placé sur les marchés financiers, même si ce dernier contenait des obligations d'État de pays individuels.

Figure 2

Table X. ICSLT2013

Age	Men		Women	
	Dying probability	Life expectancy	Dying probability	Life expectancy
x, y	qx	ex	qy	ey
40	0.00056570	44	0.00043015	46
45	0.00094720	39	0.00072316	41
50	0.00157579	34	0.00119636	36
55	0.00252333	30	0.00190203	32
60	0.00430052	25	0.00333004	27
65	0.00758094	21	0.00668436	22
70	0.01318251	17	0.01168035	18
75	0.02673679	13	0.02025390	14
80	0.04744705	10	0.03594424	11
85	0.08048723	7	0.06342273	8
90	0.13646467	5	0.11077097	6

L'équilibre actuariel de ce régime est examiné chaque année et, de manière approfondie, tous les cinq ans (cf. article 1 de l'annexe XII du Statut). Les variables d'ajustement sont :

- **Le taux de la cotisation** (pour le personnel, il est passé par exemple de 8,25 % en 1993 à 11,6 % en 2010 et à 10,1 % en 2015. La récente baisse du taux de cotisation reflète la détérioration des perspectives de carrière et de pension résultant de l'évolution économique, du quasi-blocage des rémunérations et pensions entre 2010 et 2014 et des révisions du Statut de 2004 et notamment de celle de 2014).
- **L'âge de la retraite** (augmenté en 2004 et notamment en 2014).

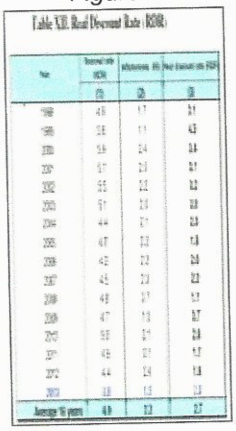
Le Statut, en régime de croisière, ne prévoit pas d'autres variables d'ajustement et notamment aucune modification des prestations.

Toutefois, il y a lieu de noter que pour faire des économies budgétaires à long terme, le taux d'accroissement annuel des droits à pension (art.77, alinéa 2 du Statut) a été diminué par les révisions du Statut de 2 % par an de service à 1,9 % pour le personnel recruté après le 1.5.2004 et à 1,8 % pour le personnel recruté après le 1.1.2004. Ceci signifie que les nouveaux fonctionnaires et autres agents ont besoin d'une durée de service de 38,9 ans pour réaliser la pension complète de 70 % du traitement de base de la dernière année de service ! Il s'agit là d'un traitement défavorable du personnel nouvellement recruté et d'une détérioration considérable des conditions de travail de la fonction publique européenne pour l'avenir. Une telle mesure ne devrait plus être répétée !
Depuis la révision du Statut de 2014, l'actualisation, annuelle si nécessaire, du taux de cotisation se fait sur la base d'un rapport annuel de l'Office Statistique sans devoir recourir à la procédure lourde de codécision du Parlement et du Conseil sur proposition de la Commission. Il s'agit de la même procédure que celle utilisée, depuis l'entrée en vigueur du Statut de 2014, pour l'actualisation des rémunérations et pensions.

3. Lors du calcul annuel de la contribution nécessaire au maintien de l'équilibre actuariel de notre régime de pension, le montant du fonds comptable sous-jacent au régime n'est pas explicité. Toutefois, **lors de la présentation du bilan annuel de l'Union européenne, la dette du budget (et des États membres) correspondant aux droits acquis du personnel apparaît au passif du bilan sous l'intitulé « Retraites et autres avantage du personnel ».** Le dernier montant publié avec référence au 32.12.2014 s'élève à 58,6 Mrd € (cf. le Journal officiel de l'UE 2015/C377/01 page 24). Il est évident que les commentaires effrayés de certains quant à ce chiffre important ne tiennent pas compte du fait qu'il s'agit de la valeur actualisée au 31.12.2014 des cotisations salariales et patronales retenues dans le budget pendant des décennies et qui ont augmenté la liquidité du budget.

Ils ne tiennent pas compte non plus que cette dette ne doit pas être remboursée à courte échéance, mais que son remboursement s'étalera, suivant l'échéance des droits individuels, sur une période d'un demi-siècle ou plus. Ce n'est que dans le cas irréaliste d'un passage immédiat à un fonds placé sur les marchés financiers que cette dette devrait être remboursée à brève échéance (très probablement en émettant sur les marchés financiers d'autres obligations publiques). Par ailleurs, à l'actif du budget de l'UE, à cette dette devrait correspondre la garantie des États membres fondée sur l'article 83 du Statut. Une telle pratique comptable a existé effectivement il y a plusieurs années. Par une modification des règles comptables, elle a été abandonnée (peut-être pour ne pas trop mettre en évidence l'ampleur de l'obligation des États membres). Toutefois, ce changement des règles comptables n'affecte en rien la garantie fondée sur l'article 83 du Statut!

Figure 3



Par ailleurs, la forte variabilité de cette dette dans le bilan de l'UE provoque également des commentaires alarmants (ou peut être hypocrites). Par exemple, entre le 31.12.2013 (46,8 Mrd €) et le 31.12.2014 (58,6 Mrd €), cette position a augmenté de 11,8 *M*rd €. Cette forte variation est essentiellement due à la règle comptable qui utilise le taux d'intérêt du dernier jour de l'année (1,8 % en 2013 et 0,7 % en 2014) lors de l'actualisation de cette dette. Le commentaire du bilan de l'UE explique clairement *:* « En cas de hausse des taux d'intérêt l'effet serait inversé ». Dans ce contexte, il y a lieu de souligner que le calcul actuariel pour déterminer le taux de contribution à notre régime de pension n'utilise nullement le taux d'intérêt d'un jour de référence. L'annexe XII du Statut stipule que pour les taux d'intérêt (comme pour l'évolution salariale) une moyenne mobile sur une longue période (allant jusqu'à 30 ans en 2021) doit être utilisée. Ceci correspond clairement mieux à la perspective de très long terme du régime pension!

En conclusion, il paraît utile de résumer que :

- ❑ Nos pensions doivent être considérées comme un salaire différé dont le niveau et l'évolution (art.82 du Statut) sont déterminés par le niveau et l'évolution des rémunérations compte tenu du nombre d'années de service. Ceci est un élément important pour la qualité et l'attractivité du Service public européen.
- ❑ Les droits à pension acquis sont pleinement financés par les contributions salariales et patronales effectuées durant les années de service.
- ❑ Notre régime de pension, fondé sur un calcul actuariel et une actualisation, annuelle si nécessaire, des cotisations, se trouve en permanence en équilibre financier.
- ❑ Le fait que notre régime est construit sur un fonds comptable et non pas sur un fonds placé sur les marchés financiers ne doit pas être considéré comme un désavantage. Au contraire, cette construction a apporté au budget une liquidité considérable au cours des dernières décennies. Pour les ayants droit également, les promesses de l'article 83 du Statut peuvent être considérées comme plus sûres que la fiabilité d'un fonds affecté par les aléas des marchés financiers.
- ❑ Dans le bilan annuel de l'UE, le montant et surtout la variabilité de la dette du budget en fonction du taux d'intérêt du dernier jour de l'année est le résultat d'une convention comptable. Ces chiffres ne permettent pas d'évaluer correctement la soutenabilité à long terme du régime. Peut-être serait-il utile de mettre en évidence également le montant implicite du fonds comptable résultant du calcul actuariel sur la base de moyennes mobiles à long terme des taux d'intérêt et de l'évolution salariale?
- ❑ L'évolution à long terme des dépenses annuelles destinées au paiement des pensions ne dépend pas seulement des évolutions du nombre des effectifs, des perspectives de rémunération et carrière et de l'évolution à long terme des taux d'intérêt. Il faut aussi tenir compte de l'effet des révisions du Statut de 2004 et de 2014. En matière de pensions, elles ont diminué sensiblement l'attractivité du Service public européen pour les nouveaux recrutés, à cela s'ajoute l'effet de la détérioration des perspectives de carrière par la révision du Statut de 2014 !

Ces révisions du Statut ont comme résultat de ralentir, à terme, l'évolution des dépenses annuelles de notre régime de pension. Après la révision du Statut de 2014, le Conseil a demandé à la Commission de faire une nouvelle évaluation de l'évolution des dépenses de notre régime sur les prochaines 50 années. Nous espérons que dans cette étude dont l'élaboration est en cours, l'Office statistique et la Commission ne mettent pas seulement en évidence l'ampleur des économies résultantes de ces révisions du Statut en matière de pensions, mais qu'ils mettent également en lumière, de manière explicite, les vertus incontestables de notre régime de pension. Ceci paraît opportun pour décourager de nouvelles demandes d'économies qui affecteraient davantage l'attractivité du Service public européen. Nous attendons que la Commission informe en détail les représentants du personnel actif et des pensionnés de ces travaux et des orientations qui en résulteront. Suivant l'évolution du dossier à l'avenir, une concertation formelle pourrait devenir nécessaire!

Fig. 1 à 3: exemples de données prises en considération par Eurostat pour le calcul actuariel.

Fig. 1 : taux d'évolution des salaires réels tels qu'utilisés dans le calcul actuariel.

Fig. 2 : espérance de vie

Fig. 3 : taux d'intérêt réels

<u>Annex IV a</u> : Le régime de pension du personnel statutaire de l'UE

Le Régime de pension du personnel statutaire de l'UE

Résumé des modalités du régime

1. Il s'agit d'un régime de capitalisation et non pas d'un régime de répartition comme dans la plupart des pays membres. Les contributions salariales (1/3) et patronales (2/3) alimentent un fonds notionnel (comptable) qui correspond aux droits de pension acquis. Le régime a été dérivé du fonds de pension actuariel de la CECA (Communauté européenne du charbon et de l'acier).Ce fonds avait été placé hors Budget et hors finances publiques sur les marchés financiers. En maintenant, dans le régime actuel, les contributions salariales et patronales dans le Budget, les contributions augmentent sensiblement, à long terme et en régime de croisière, la liquidité du Budget et réduisent les contributions des pays membres au Budget et ainsi leur dette publique.

2. Le régime est en permanence en équilibre financier du fait que le pourcentage des contributions est calculé de manière telle que celles-ci couvrent chaque année la valeur actuelle des droits de pension acquis dans cette même année. Une analyse actuarielle approfondie a lieu tous les cinq ans. Elle est mise à jour tous les ans. Les deux sont effectuées par l'Office statistique et contrôlées par des experts extérieurs ! (Annexe XII du Statut).

3. Les États membres, en compensation du gain de liquidité considérable ainsi accumulé (comparé à un régime où les cotisations sont accumulées dans un fonds placé sur les marchés financiers en dehors du Budget), s'engagent solidairement à garantir en permanence — à charge du Budget de l'UE en régime de croisière — le paiement des pensions arrivant à échéance. Ce paiement n'est pas lié à la nationalité des bénéficiaires et cette garantie vaut au-delà de l'existence du Budget et de l'Union Européenne (Art. 83 du Statut).

4. En 2016, la contribution des personnels statutaires actifs est fixée à 9,8 % des traitements de base. La contribution patronale s'élève 19,6% des traitements de base.

5. Les variables statutaires d'ajustement pour assurer l'équilibre financier permanent du régime sont :
   - le taux de contribution, ajusté, si nécessaire, annuellement;
   - l'âge de la retraite, ajusté exceptionnellement en tenant compte notamment de la variation de l'espérance de vie.

6. Les prestations du régime sont définies dans le Statut et son annexe VIII. Une modification des prestations comme variables pour assurer l'équilibre financier du régime n'est pas prévue par le Statut et nécessiterait une modification du Statut à l'aide de la lourde procédure de la codécision Parlement/Conseil sur proposition de la Commission. Une telle opération devrait respecter les droits acquis du personnel.

7. Une évaluation de la dette actualisée du « fond comptable (notionnel) » est inscrite dans le Bilan annuel de l'UE. Selon des règles comptables, elle est faite sur la base du taux d'intérêt réel du dernier jour de l'année (0,3% en 2016). Ce mode de calcul a un aspect discutable et aléatoire. Il ne reflète point la soutenabilité à terme du régime dont « l'horizon temporel » s'étend plutôt sur environ six décennies.

Adresse administrative : Commission européenne, N105 00/036, B-1049 Bruxelles, Belgique
Téléphone : ligne directe (+32-2)295.29.60 standard (+32-2) 299.11.11
Adresse électronique : aiace-int@ec.europa.eu Site Web: www.aiace-europa.eu

8. Un taux d'intérêt réel couvrant une très longue période en moyenne mobile est utilisé, conformément au Statut, pour déterminer les taux de contribution. Actuellement, il pourrait plutôt se situer aux environs de 3% . Calculé sur la base d'un taux d'intérêt réel de 0,3% du dernier jour de l'année 2016, la dette du « fonds comptable » (notionnel) pourrait se situer fin 2016 aux environs de 60,5 Mrd Euro (sans Assurance maladie). Calculé sur la base d'un taux d'intérêt réel moyen d'environ 3%, plus réaliste sur très longue période, cette dette serait probablement inférieure de quelques dizaines de Mrd Euro.

9. De l'autre côté, cette dette correspond conceptuellement également au gain de liquidité considérable et permanent du Budget et à une réduction de la dette publique des pays membres. Même de manière réduite par l'utilisation d'un taux d'intérêt plus réaliste, ce gain de liquidité reste hautement intéressant du point de vue du Budget de l'UE et de la dette publique des pays membres. Ce gain était probablement un motif important pour l'introduction de notre régime de pension dans le Statut entré en vigueur le 1er janvier 1962. De l'autre côté, ce régime met le personnel de l'UE à l'abri des aléas des marchés financiers.

10. Pour mémoire : en 2016, le total des effectifs s'élève à : -fonctionnaires et agents en service : 61 048 ; -pensionnés et ayants droit : 23 488.

Références : Statut : Articles 77 à 84, ainsi que les annexes VIII et XII ; Revue Vox No 102, pages : 11 à 13.

Annex IV b : Short explanation of how our pension scheme is funded", AIACE, 4.9.2017.

4/09/2017

Short explanation of how the EU pension scheme is funded

The EU's pension scheme for its employees is, as is the case for most public sector organisations, a final salary scheme. Contributions are based on regular actuarial evaluation. The scheme is legally fully funded.

Over the length of their careers, officials pay one third of the cost with each monthly salary slip; the EU institutions contribute their two thirds share. Each year the adequacy of the contributions is recalculated and every five years is subject to a more detailed examination. The two examinations are submitted to an outside professional actuarial examination. Pension contributions are adjusted up or down accordingly to make sure that the scheme is always in balance.

When the European Coal and Steel Community was set up in 1951, officials' and institutions' contributions were paid into a separately managed pension fund. However, when the European Economic Community was created six years later, it was clear that in a small, young and expanding organisation pension contributions for many years would far exceed their cost. Therefore, the Member States decided that rather than create a separately managed fund, the contributions should be managed collectively by them, by being held in their reserves against their future payments into the EU budget (which includes the cost of pensions).

To achieve this, it was arranged that all the pension contributions would be maintained into the EU's annual budget; as counterpart, the funding of the pension payments by the annual budgets would be collectively guaranteed by the Member States. In financial terms this means that over the years the capital of the notional pension funds would be held by Member States and the cash which each Member State has needed to pay towards the overall financing of the EU has been significantly less than it would have been, had the Member States actually paid their contribution to the pensions into a separate fund.

Office address : European Commission, N105 00/036, B-1049 Brussels, Belgium -
Telephone : direct line (+32-2)295.29.60 exchange (+32-2) 299.11.11
E-mail address : aiace-int@ec.europa.eu Website : www.aiace-europa.eu

Annex V a : Letter of 24.7.2018 from AIACE to Mrs Souka, Director General of DG HR.

AIACE
Association Internationale des Anciens de l'Union européenne
Plus de 12.000 adhérents – ouverte aux anciens de toutes les institutions et tous les organes

Le Président international
45 /18

Bruxelles, le 24 juillet 2018

À l'attention de Madame I. Souka,
Directeur général DG HR

Madame le Directeur Général,

Lors de notre rencontre du mois d'avril dernier chez-vous – où Heinz Zourek et moi-même avons eu l'occasion de vous rendre une visite de présentation - pour laquelle je vous remercie à nouveau - j'avais signalé l'importance du dialogue dans le cadre de notre Accord.

L'Accord entre la Commission Européenne et l'AIACE du 29 février 2008 a confirmé et précisé la participation de l'AIACE au dialogue social à la Commission pour les sujets susceptibles d'affecter les intérêts des pensionnés (art. 3); il a en outre assuré la participation de l'AIACE, sans droit de vote, aux Comités paritaires existants et futurs ou groupes de travail ad hoc de la représentation statutaire du personnel (art. 4). Cette activité de l'AIACE de représentation et de défense des intérêts des anciens est au service de l'intérêt commun (art. 6).

Dans ce contexte, le « Groupe technique rémunérations » (GTR : art.3, §4), existant dans le cadre du dialogue social, joue un rôle particulier. Il sert à un échange technique approfondi sur les dossiers rémunérations, coefficients correcteurs, pensions, etc. entre la DG HR, l'Office Statistique et les représentants du personnel (y compris l'AIACE). Cette formule s'est avérée très utile depuis de longues années et a contribué significativement à la compréhension mutuelle concernant ces dossiers. Ce Groupe technique n'est pas une instance de négociation, mais d'information et d'explication mutuelle. Au cas où des problèmes ne peuvent pas être éclaircis au niveau du GTR, il y a lieu de les soulever au niveau approprié du dialogue social «normal ».

Comme vous le savez, dans le cadre et dans l'esprit du partenariat Commission et AIACE, et notamment de ce dialogue, la coopération est dans l'intérêt réciproque des parties permettant ainsi de transmettre à l'Administration l'expertise de l'AIACE, s'agissant en particulier des questions où une expérience accumulée s'avérerait utile.

Lors de la réunion du 5 juillet 2018 quelques problèmes ont été mis en évidence qui ne peuvent pas être « négociés » dans le cadre du GTR et que, suite à notre discussion au sein du Bureau de l'AIACE, je me permets vous soumettre dans la note en annexe préparée par notre président d'honneur et chef de file du dossier pension, Ludwig Schubert.

Dans l'assurance que notre souhait de continuer d'être associés au dialogue mentionné et que les considérations de cette note auront l'attention qu'ils méritent, je vous prie de bien vouloir agréer, Madame le Directeur général, mes sincères et respectueuses salutations.

Joaquín Díaz Pardo
Président

Annexe : 1

Adresse administrative : Commission européenne, N105 00/036, B-1049 Bruxelles, Belgique
Téléphone : ligne directe (+32-2)295.29.60 standard (+32-2) 299.11.11
Adresse électronique : aiace-int@ec.europa.eu Site Web: www.aiace-europa.eu

NOTE CONCERNANT TROIS PROBLEMES MIS EN EVIDENCE LORS DU GTR DU 5 JUILLET 2018

Dans le contexte du Dialogue social, le « Groupe technique rémunérations » (GTR : art.3, §4 de l'Accord entre la Commission et l'AIACE) joue un rôle particulier. Il sert à un échange technique approfondi sur les dossiers rémunérations, coefficients correcteurs, pensions, etc. entre la DG HR, l'Office Statistique et les représentants du personnel (y compris l'AIACE). Cette formule s'est avérée très utile depuis de longues années et a contribué significativement à la compréhension mutuelle concernant ces dossiers. Ce Groupe technique n'est pas une instance de négociation, mais d'information et d'explication mutuelle. Au cas où des problèmes ne peuvent pas être éclaircis au niveau du GTR, il y a lieu de les soulever au niveau approprié du « Dialogue social normal ». Ceci était le cas pour les trois points suivants :

1) Dans le bilan de l'UE la valeur actuelle de la « dette pension » du budget est évaluée au 31 décembre de chaque année. Il s'agit de la valeur actualisée de tous les droits à pension accumulés et dont les échéances s'étalent environ sur les prochaines 60 années. Le chiffre indiqué pour le 31/12/2017 de 73,122 milliards (dont 7,455 Mrd pour le RCAM) a plus que doublé depuis quelques années (2011). Cet accroissement est essentiellement dû à la pratique comptable d'utiliser le taux d'intérêt réel extrêmement bas du dernier jour de l'année (0,4% en 2017). Ce calcul n'a aucune signification pour la viabilité de notre régime de pension qui se trouve en équilibre actuariel permanent, mais ce chiffre provoque des commentaires erronés et malveillants sur notre régime de pension.

C'est pourquoi il nous paraît utile d'indiquer dans le bilan de l'UE, en note en bas de page, un exemple de chiffre de dette calculé sur base d'un taux d'intérêt en moyenne mobile pluriannuelle de longue période, comme c'est d'ailleurs prévu par le Statut pour le calcul du pourcentage de contribution à notre régime de pension (2,9% en 2017). Un tel calcul serait beaucoup plus réaliste et aboutirait à un chiffre de dette nettement inférieur !

2) Jusqu'en 2005 à l'actif du bilan de l'UE figurait la « dette pension » des pays membres qui résulte de leur garantie pour le paiement des pensions de l'article 83 du Statut. Il s'agissait de la valeur actualisée des cotisations patronales et salariales maintenues dans le budget et en fin de compte dans les trésoreries nationales (c'est pour ainsi dire le fonds de pension placé dans la dette publique des pays membres au lieu d'être placé sur les marchés financiers). Conceptuellement, ce chiffre correspond également à la valeur actuelle des droits à pensions acquis et il correspond au gain de liquidité considérable à long terme que les trésoreries des pays membres ont réalisé grâce à notre régime de pension. Cette « dette pension » des pays membres demeure au-delà de leur adhésion à l'UE et au-delà de l'existence de l'UE

À l'initiative d'un comptable de la Commission, ce poste a disparu du bilan de l'UE qui de ce fait se trouve en déséquilibre. Le Parlement a plusieurs fois demandé le rétablissement de ce poste à l'actif du bilan de l'UE. Cette « dette pension » des pays membres, résultant du Statut, n'est pas contestée ; elle a été reconnue par le RU et les 27 autres pays membres dans le projet d'accord concernant le Brexit. N'est-ce pas le moment opportun de confirmer cette position à l'actif du bilan de l'UE ? Ainsi beaucoup de malentendus au sujet de notre régime de pension pourraient être évités.
D'ailleurs le taux d'intérêt à retenir pour le calcul de la valeur actuelle de cette dette dans le bilan se pose de la même manière que pour le calcul des droits acquis.

3) L'évaluation actuarielle du taux de cotisation salariale pour notre régime de pension aboutit cette année à un taux de 10% au lieu de 9,8% en vigueur jusqu'à présent. La différence est donc de 0,2 points. Or le § 4 de l'article 83 bis dit : « *La Commission présente* ***chaque année*** *une version actualisée de l'évaluation actuarielle visée au § 3, conformément à l'article 1er§2, de l'annexe XII. Lorsqu'il est démontré un écart d'au moins 0,25 points entre le taux de contribution en vigueur et le taux nécessaire au maintien de l'équilibre actuariel, le taux est actualisé conformément aux modalités fixées à l'annexe XII.* » Ce seuil semble s'appliquer en plus et en moins et n'affecterait ainsi pas, à terme, l'équilibre actuariel. On nous a expliqué, néanmoins, que cette clause ne s'appliquerait pas lors d'une évaluation actuarielle quinquennale. Le texte du § 4 ne semble pas confirmer cette thèse.
Afin d'éviter des discussions à ce sujet, il pourrait être utile de consulter le service juridique sur cette question.

Ludwig SCHUBERT
Président d'honneur

Adresse administrative : Commission européenne, N105 00/036, B-1049 Bruxelles, Belgique
Téléphone : ligne directe (+32-2)295.29.60 standard (+32-2) 299.11.11
Adresse électronique : aiace-int@ec.europa.eu Site Web: www.aiace-europa.eu

Annex V b : Letter of 24.9.208 from DG HR (Mr Roques) in reply to the AIACE letter of 24.7.208

Ref. Ares(2018)4889984 - 24/09/2018

COMMISSION EUROPÉENNE
DIRECTION GÉNÉRALE
RESSOURCES HUMAINES ET SÉCURITÉ
Direction HR. E - Affaires juridiques et partenariats
Droit de la fonction publique et dialogue social

Bruxelles, le 24 SEP. 2018

Cher Monsieur Diaz Pardo,

Madame Souka m'a demandé de répondre à votre courrier du 24 juillet 2018 ainsi qu'à la note qui était annexée audit courrier portant sur différents points évoqués lors de la réunion du Groupe Technique Rémunération (GTR) du 5 Juillet 2018.

S'agissant premièrement de l'utilisation du taux d'intérêt réel du dernier jour de l'année aux fins de la détermination de la valeur actualisée de la "dette pension", d'une part, et de l'inscription de la "dette pension" des pays membres dans le bilan de l'UE, d'autre part, il convient de relever que ces questions concernent principalement la DG BUDG qui est en charge des questions comptables.

A ce titre, nous comprenons que l'AIACE est en contact avec Mme Aldea Busquet sur ces points. Dès lors, ces questions ne relevant pas de la compétence de la DG HR, nous avons transmis votre note aux services compétents de la DG BUDG. S'agissant plus particulièrement de l'inscription de la "dette pension" des pays membres dans le bilan de l'UE, nous comprenons que la DG BUDG ainsi que la Cour des Comptes considèrent qu'une telle inscription ne serait pas conforme aux règles comptables applicables en raison notamment du fait que cette créance des Etats Membres ne remplit pas les critères comptables pour être inscrite au bilan de l'UE en tant que créance puisqu'il s'agit d'une garantie. De plus, une telle inscription dans le contexte des négociations actuelles du Brexit serait de nature à compromettre le bon déroulement desdites négociations.

S'agissant enfin de la consultation du Service Juridique de la Commission sur la question de l'interprétation du paragraphe 4 de l'article 83 du statut, le Service Juridique a confirmé la lecture de la DG HR telle qu'exposée lors de la réunion du GTR du 5 juillet 2018, et ainsi confirmé la non-applicabilité du seuil minimal de 0,25% lors de l'actualisation quinquennale du taux de contribution pension.

Nous restons bien entendu à votre disposition pour toute précision que vous jugeriez utile.

Bien cordialement,

Christian ROQUES

Copies: Mme Souka (HR), M. Moricca (HR), Mme Aldea Busquet (BUDG),
M. Schubert, M. Hespel (AIACE)

Annex VI: Eurostat study on the long-term budgetary implications of pension costs (SECD(2016)268 final of 28.7.2016.

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Eurostat study on the long-term budgetary implications of pension costs

Contents

1. Introduction

Following the reform of the *Staff Regulations of Officials and Conditions of Employment of other Servants of the European Union* (SR reform),[1] which entered into force on 1 January 2014, the Council asked[2] the Commission to update the 2010 Eurostat study on the long-term budgetary implications of

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[1] The SR Working Party's request focused on the impact of amendments to the SR introduced by Regulation (EU, Euratom) No 1023/2013, the temporary non-application of the salary adjustment 'method' and the 5 % reduction of staff in all institutions, bodies and agencies to be effected between 2013 and 2017 under the Inter Institutional Agreement of 2 December 2013 (between the European Parliament, the Council and the Commission) on budgetary discipline, cooperation in budgetary matters and sound financial management.

[2] Council SR Working Party meeting of 4 December 2014.

the pension costs of staff in all EU institutions and agencies.[3] The Commission agreed to do so in due course.

This study addresses the major trends in staff pension expenditure over the 50-year period 2015-2064. A projection of such length is normal actuarial practice and many Member States have conducted studies covering similar periods.[4] Taking such a long-term view enables us to assess the full impact of current circumstances, which will continue to unfold over that time.

The parameters and actuarial assumptions underlying this study cover the whole period of the projection. However, their interlinkages and certain short-term implications are not entirely captured, so that the study cannot be used as a basis for forecasting exact pension expenditure in the short or medium term.

Due to the 50-year projection period, the calculations are highly sensitive to the assumptions used in the model.

Eurostat has analysed the impact of the 2013 SR reform on future Pension Scheme of European Officials (PSEO hereinafter) expenditure by isolating the main parameters affected by it that have material effects on pension expenditure. In a second stage, it has compared the evolution of the PSEO expenditure developments on the basis of parameters applying:

- before the 2013 SR reform ('test version' or hypothetical scenario without the 2013 SR reform); and
- after the 2013 SR reform ('current version' or real scenario).

The difference between the two sets of results ('test version' minus 'current version') represents the estimated pension expenditure savings attributable to the 2013 SR reform parameters in question.

2. Main concepts

2.1. The *PSEO* has a sound legal basis in the Staff Regulations

Under Article 83 SR:

- the benefits paid under the pension scheme are to be charged to the Union budget;
- Member States are to jointly guarantee the payment of the benefits; and
- officials are to contribute one third of the cost of financing the scheme.

Article 83a and Annex XII SR set out the actuarial rules for computing the contribution rate in order to ensure that the scheme is in balance. The benefits to be paid under the scheme are laid down in Chapter 3 of Title V and Annex VIII SR.

2.2. The *PSEO* is a notional (virtual) fund with defined benefits, in which staff's contributions serve to finance their future pensions

The PSEO functions as a notional fund with defined benefits.[5] Although there is no actual investment fund,[6] the amount that would have been collected by such a fund is considered to have been invested in

[3] SEC(2010) 989 final.

[4] *The 2015 Ageing Report: Economic and budgetary projections for the EU-28 Member States (2013-2060)*, DG ECFIN European Economy series 3/2015.

[5] A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and remuneration.

the Member States' long-term bonds[7] and is reflected in the pension liability (see section 2.4). Member States jointly guarantee the payment of the benefits pursuant to Article 83 SR and Article 4(3) of the Treaty on European Union.

As the PSEO is designed as a notional fund, staff contributions serve to finance the future pensions of those contributing. The contributions actually cover the cost of the pension rights acquired in a given year and are in no way linked to that year's pension expenditure. EU case-law[8] has confirmed that the PSEO is a notional fund, despite finding that it also displays some features of a solidarity scheme.[9]

The PSEO is different from most Member State pension schemes for public officials, in which the contribution rate or benefits are adjusted so as to ensure a balance each year between contributions collected and pension expenditure. In this type of scheme, if it is not possible to achieve a balance, the difference is covered from the budget (taxes).

The notional PSEO fund is assessed annually and every five years as if a real fund existed; this represents a further guarantee of its long-term sustainability.

2.3. The *PSEO* is designed to be in actuarial balance by default through the rate of contribution to the scheme and pensionable age

The balance of the PSEO is ensured regularly through adjustments to contribution rates and, where relevant, pensionable age.

The PSEO follows an actuarial balance principle whereby annual staff contributions have to cover a third of the rights acquired in the year in question,[10] which correspond to the future pensions that the same staff will receive after retirement, plus (under certain conditions) invalidity allowances and survivor's and orphans' pensions. In order to make this computation[11] possible, the contributions are evaluated at present value using an interest (discount) rate. The computation is thus an actuarial valuation.

The pension contribution rate is the mechanism that keeps the scheme in balance from year to year. It is automatically updated if the actuarial assessment of the parameters laid down in the SR shows that this is necessary in order fully to cover the pension rights acquired in a given year. Consequently, when staff members pay the updated contribution rate, they acquire pension rights for a given year protected by the principle of acquired rights.

The 2013 SR reform established pensionable age as the second variable for balancing the system. In particular, the Commission was mandated to carry out a five-yearly assessment of pensionable age, taking into account developments affecting Member States' civil servants and EU staff's life

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[6] The European Coal and Steel Community (ECSC) had a pension fund, but it was dismantled and replaced by the notional fund upon the merger of the institutions of the Communities. The notional fund for the European Economic Community was put in place with the adoption of the Staff Regulations in 1962.

[7] On the basis of the observed average annual interest rates on the long-term public debt of the Member States, as provided for in Article 10 of Annex XII SR.

[8] See, for example, Case F-105/05 *Wils* v *Parliament*, point 85 and Case T-439/09 *Purvis* v *Parliament*, point 45.

[9] See Case T-135/05 *Campoli* v *Commission*, point 134.

[10] Article 83(2) SR.

[11] The pension contribution rate is computed according to the 'projected unit credit' method, as prescribed by international accounting standard IPSAS 25. The sum of the actuarial values of rights acquired by active members of staff (referred to in actuarial practice as 'service cost') is compared with the annual total of their basic salaries in order to calculate the contribution rate.

expectancy.[12] The Commission is due to deliver its first report to the European Parliament and the Council in 2019.

2.4. *The PSEO l*iability is guaranteed jointly by the Member States

2.4.1. PSEO's liability is not funded

Although staff contribute, from their salaries, a third of the expected cost[13] of the pension benefits that they will receive on retirement, the PSEO as such is not funded. Pursuant to Article 83 SR, PSEO benefits are charged to the Union budget and the Member States guarantee their payment jointly in line with the scale laid down for financing such expenditure.

2.4.2. Calculation of liability

Every year, Eurostat calculates the liability recognised in the Union budget (the 'defined benefit obligation' – DBO), using the 'projected unit credit' method.[14] The liability recognised in the balance sheet is the present value of the DBO at the balance sheet date. This is determined by discounting estimated future cash outflows using interest rates applying to government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.[15]

2.4.3. The historical accumulation of the PSEO liability

Under the notional fund approach, staff contributions have not been set aside in an actual pension fund, but have been credited to the EU budget at the time when they were collected and spent in accordance with the decisions of the budgetary authority, i.e. not assigned to any particular policy field. Under the new PSEO, it was decided that the employer's share of the contribution would not be collected; instead, the EU institutions undertook to pay future pension benefits (to be charged to the Union budget) when staff retire.

In budgetary terms, the PSEO has produced net revenue in the past, as it is not yet mature, i.e. the contributions from active staff acquiring pension rights have outweighed the benefits drawn by a limited number of retirees or invalids. PSEO revenue has consisted of staff and employer contributions; the latter were not paid into a fund, but only reflected in the pension liability. In this way, the EU budget was actually borrowing money from scheme members in return for a guarantee to pay future benefits.

The balance of amounts borrowed and amounts repaid is reflected in the pension liability.

[12] Article 77(6) and 77(7) of the SR.

[13] The expected cost is determined according to a set of specific rules and assumptions defined in the SR.

[14] The valuation is carried out in accordance with IPSAS 25, under which the employer determines its actuarial commitment on an ongoing basis, taking into account promised benefits during employees' active lifetime and foreseeable salary increases.

[15] The DBO of the PSEO at 31 December 2014 was valued at around EUR 57 billion. It is calculated according to international accounting standards (IPSAS 25) and is strongly influenced by the inherent volatility of the real discount/interest rate, which corresponds to a market value at 31 December of each year. For instance, most of the increase of the liability between 2013 and 2014 (from EUR 45 billion to EUR 57 billion) is due to the decrease of the real discount rate from 1.8 % on 31 December 2013 to 0.7 % on 31 December 2014. All other parameters being equal, if the interest rate was to rise to 1.8 % on 31 December 2015, the liability would go down to its 31 December 2013 value. The interest rate used for calculating the DBO (market value on the last day of the year) is different from the one computed annually for calculating the rate of contribution to the pension scheme. In the latter the interest rate is foreseen by in Article 10 of Annex XII to the SR; it is based on a long-term moving average which decreases the volatility of the calculations.

2.4.4. The two recent reforms aimed to keep PSEO in line with the key requirements of an adequate and sustainable pension scheme

The EU pension scheme has been through two substantial reforms in less than 10 years, in 2004 and 2013, both of which have had an impact on various parameters of the scheme, e.g. by reducing pension entitlements and raising the age of retirement.

The main elements of the 2013 reform that are designed to reduce pension expenditure are:

- a higher pensionable age;
- a lower yearly pension rights accrual rate;
- a new category of staff with lower starting salaries; and
- slower career paths.

The financial impact of the 2013 reform, in terms of expenditure savings, is the subject of this study.

3. Key parameters affected by the 2013 SR reform

The Eurostat study assesses the effect of the four parameters affected by the 2013 SR reform that have the biggest impact on pension expenditure. It estimates the extra pension costs that would have been incurred by 2064 without those changes. The parameters are as follows:

- **pensionable age**: the normal pensionable age is 66 years for staff recruited after 1 January 2014, with transition measures for staff recruited before that date (Article 52 SR and Article 22 of Annex XIII SR);
- **annual accrual rate** of 1.8 % for staff recruited after 1 January 2014, 1.9 % for staff recruited between 1 May 2004 and 31 December 2013, and 2.0 % for staff recruited before 1 May 2004 (Article 77(2) SR and Article 21 of Annex XIII SR);
- **temporary non-application of the salary 'method'** and the creation of a **new AST/SC** (clerical and secretarial) **function group** (Articles 5, 65(4) and 66 SR); and
- **new AST and AD career structure** – access to grades AD13 and AD14 is possible only via a selection procedure for officials not assigned to 'head of unit or equivalent' or 'adviser or equivalent' posts; similarly, access to grades AST10 and AST11 (senior assistant) is available for the best-performing assistants who pass a selection procedure and bear a high degree of responsibility (Article 45(1) and Annex I SR).

The interdependence of these parameters means that analysing their impact *ceteris paribus* may lead to biased results. Nevertheless, despite the potential statistical uncertainty, section 7 (synthesis of the simulations) estimates specific impacts on the basis of:

- a 'test' scenario (fictional situation without the 2013 SR reform); and
- a 'current' scenario based on population and expenditure forecasts following the 2013 reform.

4. Actuarial assumptions

Actuarial assumptions have a fundamental influence on the long-term projections. Those made in this study were developed in conjunction with DG HR, are consistent with accepted actuarial practice and were validated by independent experts.

4.1. Literature

Actuarial literature[16] is unanimous in asserting that projections are highly unlikely to prove totally accurate; the reality will be different. The actual values of the parameters may differ from those assumed and there will be stochastic variations around the parameters.

Long-term projections require long-term assumptions. Unfortunately, long-term average rates are unpredictable, so this is not a prediction but an assumption; we must emphasise the **hypothetical nature of a long-term pension cost analysis**.

> 'The purpose of a pension forecast is to test the future cost impact of some expected or proposed changes. The emphasis is on the future trend of the cost. Forecast results should be shown as estimates. Each individual item (e.g. liabilities, benefit payments, assets, etc.) may differ greatly from that produced by a subsequent valuation. It is not necessary, and it is often misleading, to provide detailed results for each forecast year.'[17]

The suitability of 'actuarial methods' for producing projections in relation to social security pension schemes has been outlined by Crescentini and Spandonaro (1992),[18] among others. In particular, the 'component method' involves breaking the population down into components and simulating the evolution of each component over time. The extent of the breakdown depends on the availability of data and computing capacity; the minimum required is by:

- category (active staff, retirees, invalids, widows and orphans);
- gender; and
- age.

Further detail is justified only if it is expected to lead to a commensurate increase in the precision of the projections.

The methodology has to be tailored to the complexity of the assumptions. It can be simplified depending on the assumptions, which should be kept as simple as possible unless there are valid grounds to do otherwise.

4.2. Demographic assumptions

4.2.1. Population

The population at the beginning of the projection exercise is made up of individuals in the PSEO database[19] at 31 December 2014. Active staff include officials, temporary agents, contract agents and parliamentary assistants. Pensioners include retirees, deferred pensioners, recipients of an invalidity pension, recipients of an invalidity allowance, widows and orphans.

The total PSEO population was split into 3 022 homogeneous classes ('population aggregates for projection purposes' – PaPs) on the basis of:

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[16] See, for instance, Subramaniam Iyer, *Actuarial mathematics of social security pensions,* Quantitative Methods in Social Protection Series, International Labour Office (ILO) and International Social Security Association (ISSA), 1999.

[17] Sze M, 'The process of pension forecasting', *Journal of Actuarial Practice* vol. 1, No. 1, 1993.

[18] Crescentini Laura, Spandonaro Federico, *Methodological developments in forecasting techniques*, 1992.

[19] The PSEO database is maintained, updated annually and managed by the pension team in Eurostat (Unit C.3).

- administrative status;
- applicable SR depending on the date of recruitment;
- contract type;
- contract length;
- function group; and
- age.

We used the 'open group' approach, whereby new entrants are allowed to enter the PSEO population throughout the projection exercise.

It is widely accepted actuarial practice when carrying out such exercises to put in place some simplifications. This study (like that in 2010) disregards future EU enlargements, mainly due to their very low predictability in terms of occurrence and extent. Also, there has been only one enlargement since 2010 (when the previous study was released). Such a stable framework is realistic and allows us to isolate and gauge the impact of the current population structure on future pension expenditure.

In addition, the staff reductions provided for in the Interinstitutional Agreement for the remainder of the 2013-2017 period were factored into the calculation.

The 2013 SR reform introduced the new 'secretaries and clerks' (AST/SC) function group.

In the light of these factors, the growth rate of the active population has been set at -3 % for the whole projection period. The population at the beginning of the period incorporates the staff reductions already implemented under the Interinstitutional Agreement.

4.2.2. Population transitions

The first step in the projection is to estimate the number of individuals in each population sub-group at discrete time points (year 0 to 50), starting from given initial values as at 31 December 2014.

Death, invalidity, retirement and staff turnover are events that have a negative demographic impact and determine a 'population transition' from one population class to another. For each of the 50 years under analysis, new entrants are introduced to keep the active population stable; this is done on the basis of the following formula:

number of newcomers at T_n *= number of active members leaving between* T_{n-1} *and* T_n

4.2.3. Active staff

This study assumes that the active population will remain constant over the 2014-2064 periods, except in 2015, 2016 and 2017, when staff reductions are implemented.

4.2.4. Life tables

We used the 'life table' that was used in 2014 for calculating the pension liability and contribution rate: the International Civil Servant Life Table 2013 (ICSLT 2013).[20] This is a prospective (dynamic) mortality

[20] This is the outcome of a joint project between Eurostat and the OECD's International Service for Remunerations and Pensions (ISRP). Eurostat's Article 83 SR Working Group adopted it at its June 2014 meeting.

table applied to the whole population; in particular, separate life tables are used for the male and female populations.

The 2013 ICSLT is brought forward three years for disabled staff, in line with common actuarial practice, which assumes that such persons die at a slightly younger age than healthy persons.

The life table has to be updated only on the occasion of the five-yearly actuarial assessment in 2018.[21]

No specific rules relating to life tables were directly affected by the 2013 SR reform, so no direct savings are expected from this item.

4.2.5. Invalidity tables

We used the EU 2013 invalidity table, which takes account of age-related probabilities of becoming disabled.

The calculations differentiate between recipients of an invalidity pension under the SR before 1 May 2004 and recipients of an invalidity allowance as created by the 2004 SR reform (with less favourable conditions, especially with respect to the calculation of financial entitlements).

No specific rules relating to the invalidity tables were directly affected by the 2013 SR reform, so no savings are expected to stem directly from this item.

4.2.6. Deferral tables

Staffs who have contributed to the PSEO for at least 10 years are entitled to a pension deferred to the point at which they reach pensionable age. Deferral tables set out the probabilities of an active member becoming entitled to a deferred pension (deferral rates).

4.2.7. Retirement tables

Retirement tables set out the probabilities of an individual retiring before a certain age. These depend on individual circumstances, in particular, the date of recruitment. Also, different applicable accrual rates affect the period of service needed to reach the 70 % ceiling for computing the retirement pension (35, 36.8 or 38.9 years).

Obviously, apart from legal provisions, individual choices will determine the actual behaviour of staff once they have reached their minimum retirement age.

The additional expenditure without the 2013 SR reform is estimated on the basis of changes as regards pensionable age.

4.2.8. Widow rates

The surviving spouse of an active staff member, retiree, deferred pensioner or invalid is entitled to a survivor's pension under certain conditions laid down in Annex VIII SR. Widow rates are the probabilities of widows entering the scheme when the member is a given age.

No specific rules relating to widow rates were directly affected by the 2013 SR reform, so no savings are expected to stem directly from this item.

[21] See Article 9(2) of Annex XII SR.

4.2.9. Orphan rates

The death of a PSEO member may mean that an orphan's pension has to be paid to his/her surviving children. Orphan rates are the probabilities of a member dying and an orphan entering the scheme.

No specific rules relating to orphan rates were directly affected by the 2013 SR reform, so no savings are expected to stem directly from this item.

4.2.10. Recruitment policy

The active population is basically kept stable throughout the projection period, except that:

- due to the staff reductions, the population of active members falls by 1 % a year between 2015 and 2017; and
- with the introduction of the new AST/SC function group, secretaries and clerks will gradually replace assistants over the first 20 years of the exercise.

The additional expenditure without the 2013 SR reform is estimated by excluding these two factors.

4.2.11. Turnover rate

Staff turnover can be involuntary (e.g. due to expiry of a contract) or voluntary (e.g. resignation). Voluntary turnover is generally expected to be higher among younger staff. In the case of the PSEO, turnover also varies according to function group (the rate will clearly be higher among contract agents than among administrators).

No specific rules relating to turnover rates were directly affected by the 2013 SR reform, so no savings are expected to stem directly from this item.

4.2.12. Age of new entrants

No specific rules relating to age at recruitment were directly affected by the 2013 SR reform, so no savings are expected from this item.

4.3. Economic assumptions

4.3.1. General salary growth (GSG)

Salaries are updated annually in line with Article 65 SR and according to the calculation method in Annex XI SR, using a 30-year moving average of annual general salary growth (GSG).

In 2011-2014, there was a salary freeze and the updates applied differed from those calculated under the salary method.

The additional expenditure without the 2013 SR reform is estimated on the basis of the difference between:

- the 30-year moving average of <u>calculated</u> GSG (applying the results of the salary method or in other terms without salary freeze); and
- the 30-year moving average of <u>applied</u> GSG (applying the actual adjustments for the years 2011 to 2014 or in other terms with salary freeze).

4.3.2. Salary progression

Salary progression depends on step advancements and promotions. While the former generally come after a fixed period of two years (Article 44(1) SR), the latter come after a variable number of years in the same grade and are based on comparative merit (Article 45 and Annex I SR).

We used average salary progression rates by function group.

The additional expenditure without the 2013 SR reform is estimated on the basis of:

- amendments to average career rates under Table B.1 in Annex I SR (for administrators and assistants);
- specific slower average career rates under Table 2 in Annex I SR (for secretaries and clerks)**;**
- slower average career rates proposed by DG HR to reflect actual career prospects; and
- new career limitations for AD12, AD13 and AST9 staff.[22]

4.3.3. Basic salaries at recruitment

For the purposes of the projection, we used basic salaries at recruitment, as set by the legislator.[23]

The additional expenditure without the 2013 SR reform is estimated by:

- incorporating the hypothetical salary adjustments described in section 4.3.1; and
- applying the basic salaries of AST members to the members of the AST/SC function group (assuming that the AST/SC group had not been introduced with the 2013 SR reform and that ASTs are recruited to perform clerical and secretarial duties).

4.3.4. Pension accrual rate

The yearly pension accrual rates are linked to the date of entry into service.

The additional expenditure without the 2013 SR reform is estimated on the basis of the impact of the fictitious application of a 1.9 % yearly rate to staff recruited after 2014.

4.3.5. Inflation rate

The forecast is made at constant prices (to improve comparability over the years) by isolating the variables that have a real influence on pension expenditure, i.e. population structure and the long-term impact of the 2013 SR reform.

5. Results

5.1. Key findings

The two recent (2004 and 2013) SR reforms amended a number of legal provisions relating to pension expenditure. Some amendments (e.g. the further reduction of the yearly pension accrual rate, from 1.9 % to 1.8 %, and the further rise in pensionable age, from 63 to 66) are specifically designed to reduce the cost of pensions.

[22] Articles 30 and 31 of Annex XIII SR.

[23] See Article 66 SR.

Other changes, while not directly related to pension cost, have an impact on the overall cost of pensions by limiting the final salaries on which pension benefits are calculated. These include the creation of the AST/SC function group, lower entry-level salaries, slower or capped career paths, the suspension of the application of the salary 'method' and staff reductions under the Interinstitutional Agreement.

On the assumption that the active population will remain constant once the staff reductions have been fully implemented, the number of PSEO beneficiaries (old-age pensioners, invalids and survivors) will pass from around 21 400 in 2014[24] to about 49 100 in 2064 (see Table 2), an overall increase of 129 %.

The annual pension expenditure (at constant prices) will peak in 2046, when it is expected to reach EUR 2 284 million, before falling to EUR 1 873 million in 2064 (see Table 8).

The simulation also shows that, without the 2013 reform, expected additional pension expenditure would have been markedly (34.3 %) higher (see Table 9).

As mentioned above, the new measures introduced by the 2013 reform are expected to lead to increasing annual cost savings between 2015 and 2064, when they will reach EUR 642 million. Total savings over the 50 years are projected at EUR 19 230 million.

These expected savings are in addition to those from the 2004 reform, as this study has focused only on the impact of changes to the four key parameters under the 2013 reform (see section 3).

5.2. Evolution of the population

5.2.1. Projection of the active population

The active population is assumed to remain constant throughout the period, except for the 1 % staff reductions between 2015 and 2017. Active staff numbers will pass from 58 565 in 2014 to 56 808 in 2064 (end of the projection timeframe).

[24] In this study, population data always refer to 31 December of a given year; expenditure is for the whole year.

Table 1: Active population

Active Population		
Category	**Number in 2014**	**Number in 2064**
Officials	36 057	34 975
Temporary staff	9 460	9 176
Contract staff	11 361	11 020
Parliamentary Assistants	1 687	1 636
Total	**58 565**	**56 808**

5.2.2. Projection of non-active population

The number of non-active members (retirees, disabled staff, survivors) is expected to increase by 129 % over the 50-year period, which is equivalent to a 2.6 % linear annual increase. The highest yearly increase occurs at year 11th of the projection, while the total of retirees remains practically stable in the last decade.

Table 2: Non-active population (retirees + invalids + survivors)

Year of projection	Retirees+Invalids+Survivors	Yearly Change	Year of projection	Retirees+Invalids+Survivors	Yearly Change	Year of projection	Retirees+Invalids+Survivors	Yearly Change
2014	21 385	0.0 %	2031	33 599	2.8 %	2048	46 329	0.8 %
2015	21 599	1.0 %	2032	34 460	2.6 %	2049	46 701	0.8 %
2016	21 872	1.3 %	2033	35 377	2.7 %	2050	47 011	0.7 %
2017	22 201	1.5 %	2034	36 156	2.2 %	2051	47 315	0.6 %
2018	22 631	1.9 %	2035	36 868	2.0 %	2052	47 555	0.5 %
2019	23 229	2.6 %	2036	37 519	1.8 %	2053	47 773	0.5 %
2020	23 888	2.8 %	2037	38 181	1.8 %	2054	47 987	0.4 %
2021	24 675	3.3 %	2038	38 849	1.7 %	2055	48 193	0.4 %
2022	25 508	3.4 %	2039	39 536	1.8 %	2056	48 383	0.4 %
2023	26 303	3.1 %	2040	40 315	2.0 %	2057	48 551	0.3 %
2024	27 148	3.2 %	2041	41 202	2.2 %	2058	48 711	0.3 %
2025	28 089	3.5 %	2042	42 100	2.2 %	2059	48 837	0.3 %
2026	29 019	3.3 %	2043	42 998	2.1 %	2060	48 920	0.2 %
2027	29 941	3.2 %	2044	43 895	2.1 %	2061	48 990	0.1 %
2028	30 889	3.2 %	2045	44 800	2.1 %	2062	49 035	0.1 %
2029	31 822	3.0 %	2046	45 440	1.4 %	2063	49 065	0.1 %
2030	32 672	2.7 %	2047	45 944	1.1 %	2064	49 067	0.0 %

5.3. Pension expenditure

The estimate of pension expenditure over 50 years covers pension-related expenditure under Chapters 2, 3 and 4 of Annex VIII SR (Retirement Pension, Transfers Out and Severance Grant, Invalidity Pension/Allowance, Survivor's Pensions).

The tables below show the major expected trends in 2015-2064. Tables 3 to 8 give projected expenditure broken down as follows:

- Table 3: retirement pensions;
- Table 4: invalidity pensions and allowances;

- Table 5: survivor’s pensions;
- Table 6: retirement, invalidity and survivor’s pensions;
- Table 7: transfers out and severance grants; and
- Table 8: total pensions.

5.3.1. Retirement pension expenditure

Table 3: Projection of retirement pension expenditure (EUR million)

Year of projection	Retirement Pension Expenditure	Yearly Change	Year of projection	Retirement Pension Expenditure	Yearly Change	Year of projection	Retirement Pension Expenditure	Yearly Change
2014	994	0.0 %	2031	1 532	2.9 %	2048	1 787	-1.0 %
2015	993	0.0 %	2032	1 570	2.5 %	2049	1 766	-1.2 %
2016	996	0.3 %	2033	1 606	2.3 %	2050	1 742	-1.4 %
2017	1 005	0.9 %	2034	1 631	1.5 %	2051	1 715	-1.5 %
2018	1 019	1.5 %	2035	1 651	1.2 %	2052	1 688	-1.6 %
2019	1 042	2.2 %	2036	1 667	1.0 %	2053	1 660	-1.7 %
2020	1 071	2.7 %	2037	1 681	0.8 %	2054	1 632	-1.7 %
2021	1 106	3.3 %	2038	1 693	0.7 %	2055	1 604	-1.7 %
2022	1 145	3.5 %	2039	1 703	0.6 %	2056	1 576	-1.7 %
2023	1 184	3.4 %	2040	1 718	0.9 %	2057	1 549	-1.7 %
2024	1 224	3.4 %	2041	1 738	1.2 %	2058	1 522	-1.7 %
2025	1 271	3.8 %	2042	1 758	1.1 %	2059	1 496	-1.7 %
2026	1 315	3.5 %	2043	1 777	1.1 %	2060	1 470	-1.7 %
2027	1 357	3.2 %	2044	1 796	1.0 %	2061	1 445	-1.7 %
2028	1 401	3.2 %	2045	1 813	1.0 %	2062	1 420	-1.7 %
2029	1 450	3.5 %	2046	1 815	0.1 %	2063	1 396	-1.7 %
2030	1 489	2.7 %	2047	1 806	-0.5 %	2064	1 373	-1.7 %

5.3.2. *Invalidity pension/allowance expenditure*

Table 4: Projection of invalidity pension and allowance expenditure (EUR million)

Year of projection	Invalidity Pension / Allowance Expenditure	Yearly Change	Year of projection	Invalidity Pension /Allowance Expenditure	Yearly Change	Year of projection	Invalidity Pension/ Allowance Expenditure	Yearly Change
2014	189	0.0 %	2031	149	-3.8 %	2048	63	-2.7 %
2015	190	0.6 %	2032	142	-4.3 %	2049	61	-2.3 %
2016	190	0.3 %	2033	137	-4.0 %	2050	60	-1.9 %
2017	191	0.2 %	2034	131	-4.3 %	2051	59	-1.4 %
2018	191	0.2 %	2035	125	-4.6 %	2052	59	-1.1 %
2019	192	0.2 %	2036	119	-4.8 %	2053	58	-0.9 %
2020	192	-0.1 %	2037	112	-5.3 %	2054	58	-0.9 %
2021	191	-0.5 %	2038	106	-5.4 %	2055	57	-0.6 %
2022	190	-0.6 %	2039	101	-5.1 %	2056	57	-0.5 %
2023	188	-1.1 %	2040	95	-5.6 %	2057	57	-0.5 %
2024	185	-1.4 %	2041	90	-5.8 %	2058	57	-0.4 %
2025	180	-2.4 %	2042	84	-6.0 %	2059	56	-0.4 %
2026	176	-2.6 %	2043	80	-5.7 %	2060	56	-0.3 %
2027	170	-3.2 %	2044	75	-6.1 %	2061	56	-0.2 %
2028	166	-2.7 %	2045	70	-5.9 %	2062	56	-0.2 %
2029	160	-3.3 %	2046	67	-4.6 %	2063	56	-0.2 %
2030	154	-3.5 %	2047	65	-3.8 %	2064	56	0.0 %

5.3.3. *Survivor's pension expenditure*

Table 5: Projection of survivor's pension expenditure (widows + orphans) (EUR million)

Year of projection	Survivor's Pension Expenditure	Yearly Change	Year of projection	Survivor's Pension Expenditure	Yearly Change	Year of projection	Survivor's Pension Expenditure	Yearly Change
2014	141	0.0 %	2031	244	2.6 %	2048	339	1.2 %
2015	148	4.6 %	2032	251	2.6 %	2049	343	1.1 %
2016	154	4.2 %	2033	257	2.6 %	2050	347	1.1 %
2017	160	3.8 %	2034	264	2.5 %	2051	350	1.0 %
2018	166	3.7 %	2035	270	2.4 %	2052	353	0.9 %
2019	172	3.7 %	2036	276	2.3 %	2053	356	0.8 %
2020	178	3.5 %	2037	282	2.2 %	2054	359	0.7 %
2021	184	3.3 %	2038	289	2.2 %	2055	361	0.7 %
2022	190	3.3 %	2039	295	2.1 %	2056	363	0.6 %
2023	195	3.0 %	2040	301	2.0 %	2057	365	0.5 %
2024	201	3.0 %	2041	306	1.9 %	2058	367	0.4 %
2025	207	3.0 %	2042	312	1.8 %	2059	368	0.4 %
2026	213	2.9 %	2043	317	1.7 %	2060	369	0.3 %
2027	219	2.9 %	2044	322	1.6 %	2061	371	0.3 %
2028	226	2.8 %	2045	327	1.4 %	2062	371	0.2 %
2029	232	2.7 %	2046	331	1.4 %	2063	372	0.2 %
2030	238	2.7 %	2047	335	1.3 %	2064	372	0.1 %

5.3.4. Retirement, invalidity and survivor's pension expenditure

Table 6: Projection of retirement, invalidity and survivor's pension expenditure (EUR million)

Year of projection	Ret_Inv_Surv Pension Expenditure	Yearly Change	Year of projection	Ret_Inv_Surv Pension Expenditure	Yearly Change	Year of projection	Ret_Inv_Surv Pension Expenditure	Yearly Change
2014	1324	0.0 %	2031	1 925	2.3 %	2048	2 189	-0.7 %
2015	1331	0.6 %	2032	1 963	2.0 %	2049	2 171	-0.8 %
2016	1341	0.7 %	2033	1 999	1.9 %	2050	2 149	-1.0 %
2017	1355	1.1 %	2034	2 025	1.3 %	2051	2 125	-1.1 %
2018	1377	1.6 %	2035	2 045	1.0 %	2052	2 100	-1.2 %
2019	1406	2.1 %	2036	2 062	0.8 %	2053	2 074	-1.2 %
2020	1440	2.4 %	2037	2 076	0.7 %	2054	2 049	-1.2 %
2021	1480	2.8 %	2038	2 088	0.5 %	2055	2 023	-1.3 %
2022	1524	2.9 %	2039	2 099	0.5 %	2056	1 997	-1.3 %
2023	1567	2.8 %	2040	2 114	0.7 %	2057	1 971	-1.3 %
2024	1610	2.8 %	2041	2 134	1.0 %	2058	1 946	-1.3 %
2025	1659	3.0 %	2042	2 154	0.9 %	2059	1 920	-1.3 %
2026	1704	2.8 %	2043	2 174	0.9 %	2060	1 896	-1.3 %
2027	1747	2.5 %	2044	2 192	0.9 %	2061	1 871	-1.3 %
2028	1792	2.6 %	2045	2 210	0.8 %	2062	1 848	-1.3 %
2029	1842	2.7 %	2046	2 213	0.1 %	2063	1 824	-1.3 %
2030	1882	2.2 %	2047	2 205	-0.3 %	2064	1 801	-1.2 %

5.3.5. Transfers out and severance grant expenditure[25]

Table 7: Projection of transfers out and severance grants (EUR million)

Year of projection	TrOut+SevGr Expenditure	Yearly Change	Year of projection	TrOut+SevGr Expenditure	Yearly Change	Year of projection	TrOut+SevGr Expenditure	Yearly Change
2014	113	0.0 %	2031	82	-1.5 %	2048	71	-0.1 %
2015	108	-4.0 %	2032	81	-1.3 %	2049	71	-0.1 %
2016	104	-3.5 %	2033	80	-1.6 %	2050	71	0.2 %
2017	102	-2.4 %	2034	79	-1.7 %	2051	72	0.1 %
2018	101	-1.0 %	2035	78	-0.8 %	2052	71	0.0 %
2019	100	-1.0 %	2036	77	-1.1 %	2053	72	0.2 %
2020	99	-0.8 %	2037	77	-0.5 %	2054	72	0.0 %
2021	98	-1.3 %	2038	76	-0.7 %	2055	72	0.3 %
2022	95	-3.4 %	2039	76	-0.7 %	2056	72	-0.2 %
2023	93	-1.1 %	2040	75	-0.9 %	2057	72	0.3 %
2024	92	-1.3 %	2041	74	-1.3 %	2058	72	-0.2 %
2025	91	-1.4 %	2042	74	-0.6 %	2059	72	0.2 %
2026	90	-1.5 %	2043	73	-0.8 %	2060	72	-0.2 %
2027	88	-1.6 %	2044	72	-1.0 %	2061	72	0.2 %
2028	86	-2.7 %	2045	72	-0.3 %	2062	72	-0.2 %
2029	85	-1.5 %	2046	71	-0.7 %	2063	72	0.2 %
2030	84	-1.3 %	2047	71	-0.1 %	2064	72	-0.4 %

[25] As regards transfers-out, the present study relies on recent past observations.
Therefore it does not aim at predicting the future behaviour of staff leaving the institutions

5.3.6. *Total pension expenditure*

Table 8: Projection of total pension expenditure (retirement, invalidity, survivors, transfers out) (EUR million)

Year of projection	Ret_Inv_Surv Pension Expenditure & Tr Out	Yearly Change	Year of projection	Ret_Inv_Surv Pension Expenditure & Tr Out	Yearly Change	Year of projection	Ret_Inv_Surv Pension Expenditure & Tr Out	Yearly Change
2014	1 436	0.0 %	2031	2 007	2.1 %	2048	2 261	-0.7 %
2015	1 439	0.2 %	2032	2 044	1.8 %	2049	2 242	-0.8 %
2016	1 445	0.4 %	2033	2 079	1.7 %	2050	2 220	-1.0 %
2017	1 457	0.8 %	2034	2 104	1.2 %	2051	2 196	-1.1 %
2018	1 478	1.4 %	2035	2 123	0.9 %	2052	2 172	-1.1 %
2019	1 506	1.9 %	2036	2 139	0.8 %	2053	2 146	-1.2 %
2020	1 539	2.2 %	2037	2 153	0.6 %	2054	2 120	-1.2 %
2021	1 578	2.5 %	2038	2 164	0.5 %	2055	2 095	-1.2 %
2022	1 618	2.6 %	2039	2 175	0.5 %	2056	2 069	-1.3 %
2023	1 660	2.6 %	2040	2 189	0.7 %	2057	2 043	-1.2 %
2024	1 703	2.6 %	2041	2 208	0.9 %	2058	2 017	-1.3 %
2025	1 750	2.8 %	2042	2 228	0.9 %	2059	1 992	-1.2 %
2026	1 794	2.5 %	2043	2 247	0.8 %	2060	1 967	-1.2 %
2027	1 835	2.3 %	2044	2 265	0.8 %	2061	1 943	-1.2 %
2028	1 878	2.3 %	2045	2 282	0.8 %	2062	1 919	-1.2 %
2029	1 926	2.6 %	2046	2 284	0.1 %	2063	1 896	-1.2 %
2030	1 965	2.0 %	2047	2 277	-0.3 %	2064	1 873	-1.2 %

5.4. Impact of the 2013 reform – synthesis of the simulations

Sensitivity analysis is highly recommended[26] to assess the impact of each parameter intervening in the related calculations.

Table 9 shows the extra pension costs that would be incurred by 2064 in the hypothetical scenario without the 2013 SR reform. The model estimates that the total pension expenditure in 2064 without the 2013 reform, would have been 642 million Euros higher (34.3%). This amount is split into several components each linked to a particular parameter.

Table 9: Impact analysis of the 2013 SR reform

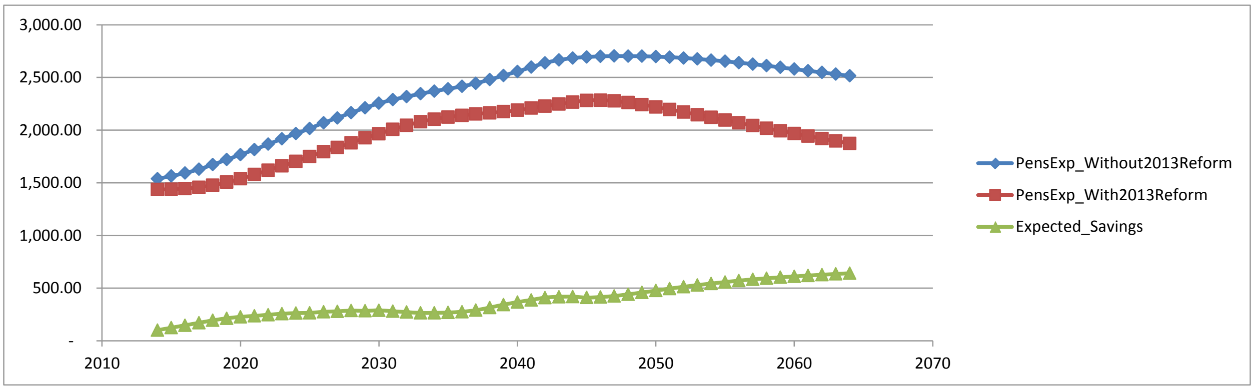
Sensitivity Analysis		
Parameter	**Impact (€ m)**	**Impact (%)**
Entry Salary	157	8.4 %
Recruitment Policy	111	5.9 %
General Salary Growth	107	5.7 %
Retirement Rates	105	5.6 %
Salary Progression	96	5.1 %
Accrual Rate	34	1.8 %
Staff cut (2013&2014)	33	1.8 %
Total Impact	**642**	**34.3 %**

5.5. Impact of the 2013 SR reform: yearly savings

Graph 1 shows anticipated savings from the 2013 SR reform, which are expected to grow over time and reach their maximum of EUR 642 million in 2064 (the last year of the projection exercise). It shows that pension expenditure should decrease in the second half of the period. This is due to the generational effect of replacing members benefiting from old SR provisions with members covered by the less favourable arrangements introduced with the reform.

Overall, the hypothetical additional costs over 50 years, without the 2013 SR reform, are estimated in the order of EUR 19 billion (EUR 19 230 million).

Graph 1: Projected pension expenditure with and without the 2013 SR reform and annual cost savings at 2014 prices (EUR million)



26 McGillivray (1996) and Picard (1996)

6. Comparative analysis of the 2010 and 2016 studies

The studies carried out after the 2004 and 2013 SR reforms have sought to analyse the effects of key provisions on long-term pension expenditure.

While these studies display clear similarities, the following elements should be emphasised:

- In 2010, the elapsed time between the entry into force of the amended Staff Regulations in 2004 and the completion of the 2010 study itself enabled Eurostat to benefit from substantial insights on the practical impact of the new legal provisions. Besides, as the 2004 reform coincided with the 'big bang' EU enlargement and its catalysing impact on recruitment, a substantial part of the reference population was already subject to the amended rules by the time of the 2010 study;
- Conversely, the present study relies on more limited experience of the actual impact of the 2013 SR reform. This is due on the one hand to the shorter time lag between the reform itself and the reference date of the study, and on the other hand to the more restrictive recruitment policy under the 2013 Inter Institutional Agreement.

The above contextual differences are reflected in the assumptions made in the two studies, which makes it difficult to compare them objectively. However, due account should be taken of the combined findings of the studies as regards projected pension expenditure in the long term. Indeed it should be pointed out that in in the recent years the PSEO was joined by the assistants in the European Parliament and a number of agencies. The effect of applying the SR as amended in 2004 to this additional population was not fully reflected in the 2010 study as the active population was assumed to be kept constant. Therefore the present study reveals additional savings resulting from the 2004 reform that could not be assessed under the assumptions of the 2010 Eurostat study.

7. Review of Eurostat calculations

As was the case with the 2010 study on pension expenditure savings from the 2004 SR reform, the methodology, assumptions and computations in this study have been reviewed and validated by external actuarial experts.

Annex VII: Conclusions of the Council of 19.12.2016 on the Eurostat study on the long-term implications of pension costs (Doc. 14834/16).

Council of the European Union

Brussels, 25 November 2016
(OR. en)

14834/16

STAT 15
FIN 823

'I/A' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 1)/Council
Subject:	Draft Council conclusions on the Eurostat study on the long-term budgetary implications of EU pension costs

On 28 July 2016, the Commission adopted a Staff Working Document - a Eurostat study on the long-term budgetary implications of pension costs[1]. The study sought to update the findings of the previous 2010 Eurostat study[2] by addressing the major trends in EU staff pension expenditure over a 50-year projection period (2015-2064) while taking account of the impact of the 2013 reform of the EU Staff Regulations.

Following the presentation and the first exchange of views at the meeting of the Working Party on Staff Regulations (WPSR) on 14 October 2016, the Presidency presented its proposal for draft Council conclusions. Delegations were given the possibility to put forward amendments, which were consolidated in a revised text; this text was examined and agreed in principle at the last WPSR on 18 November 2016.

The only remaining reservation (UK) on the text was lifted on 22 November 2016.

Against this background, COREPER is invited to confirm its agreement on the text in the Annex with a view to its adoption by the Council, as an 'A' item, at one of its forthcoming meetings.

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[1] ST 11715/16.
[2] ST 12921/10.

ANNEX

DRAFT COUNCIL CONCLUSIONS

on the Eurostat study on the long-term budgetary implications of EU pension costs

THE COUNCIL OF THE EUROPEAN UNION

1. TAKES NOTE of the Eurostat study on the long-term budgetary implications of pension costs (ST 11715/16), which addresses the major trends in EU staff pension expenditure over a 50-year period and provides an objective and realistic assessment of the elements which have a significant impact on that expenditure.

2. ACKNOWLEDGES that the two recent reforms of the Staff Regulations have brought changes to a number of legal provisions relating to pensions and will lead to lower expenditure, even though the changes remain insufficient compared to what the Council deems necessary and appropriate .

3. UNDERLINES the importance of maintaining the long-term sustainability of the EU pension system.

4. EXPRESSES its concern at the development of pension costs as more EU staff members are reaching pensionable age and, as a result, pension expenditure is expected to continue to grow until the 2040s.

5. STRESSES the need to reduce the overall impact of pension costs in the context of the Multiannual Financial Framework in the medium and long term.

6. REQUIRES greater efforts by all EU institutions to achieve the 5 % staff reduction target as per the Interinstitutional Agreement of 2 December 2013 on budgetary discipline, taking into account the Joint Statement of the EP, the Council and the Commission of 17 November 2016.

7. INVITES the Commission to present an appropriate follow-up proposal based on the conclusions of an independent evaluation of the results of the targeted progressive reduction of staff by 5% between 2013 and 2017, and expresses its dissatisfaction with the worrying increase in the overall number of staff, which, *inter alia,* adds to the increase in pension costs.

8. REQUESTS the Commission to continuously monitor and report on the development of pension costs and the long-term sustainability of the EU pension scheme, taking into consideration in particular:

   - the assessment of the pensionable age;
   - the general outlook in the EU;
   - an evaluation of the pension accumulation rate, the staff contribution rate of one-third to the pension system, including for existing staff, respecting general principles of law,

   and to propose appropriate policy measures, including transitional provisions where necessary, to ensure the sustainability of the scheme.

Annex VIII a: Letter of 29.1.2018 from AIACE to Commissioner Oettinger.

AIACE
Association Internationale des Anciens de l'Union européer
12.000 adhérents – ouverte aux anciens de toutes les institutions et tous les org

Le Président
9/18

Bruxelles, le 29 janvier 2018

Monsieur Günther OETTINGER
Membre de la Commission
BERL – 1049 Bruxelles
(*Par courriel*)

Monsieur le Commissaire,

L'Association Internationale des Anciens de l'Union européenne (AIACE) regroupe dans 15 sections nationales 12.000 membres parmi les 23.000 anciens de l'Union européenne. En tant qu'organisation représentative, elle a conclu un accord avec la Commission. La dernière version de cet accord, signée le 29 février 2008, stipule dans son article 3 que la Commission prend en considération les avis de l'AIACE dans les domaines qui affectent les intérêts des pensionnés et que l'AIACE est invitée aux réunions du dialogue social à cet égard.

Lors de la réunion que vous avez tenue le 19 décembre 2017 avec l'ensemble des organisations syndicales et professionnelles (OSP) représentatives, vous avez invité ces organisations à faire part à l'Administration de leurs suggestions concernant le prochain Cadre financier pluriannuel de l'U.E. et notamment concernant la rubrique 5 (Administration). Ces suggestions seraient destinées à vous être présentées en vue d'une prochaine réunion du dialogue social que vous avez l'intention de convoquer à une date ultérieure. Cette affaire a été rappelée aux OSP par la Directrice générale des ressources humaines et sécurité, Madame Irène SOUKA, dans une note adressée aux OSP en date du 19 janvier 2018.

L'AIACE considère qu'elle est directement concernée par les discussions au sujet du cadre financier pluriannuel et notamment de la rubrique 5 (Administration). Elle regrette de ne pas avoir été invitée à la réunion du 19 décembre 2017 et espère qu'elle sera invitée à l'avenir aux réunions futures conformément à notre accord de 2008 avec la Commission. Dans votre discours du 8 janvier 2018, vous avez mis en évidence les difficiles problèmes budgétaires à résoudre dans les prochains mois et années. A juste titre, vous avez souligné que vos réflexions restent encore provisoires. En effet, les conséquences du Brexit et de la réforme de l'U.E. et de la zone Euro, suite aux suggestions de la Commission et du Président français, E. Macron, ne sont pas encore clairement prévisibles.

Toutefois, il est probable que le Conseil risque de s'attaquer, une fois de plus, à notre régime de pension dans le cadre de ces discussions budgétaires. En effet, le 19 décembre 2016, le Conseil, en point A, a adopté une conclusion (*Doc 14834/16*) qui « charge la Commission » d'assurer un suivi de l'évolution du coût des pensions...et de proposer des mesures politiques appropriées...afin d'assurer « la viabilité du régime ».

15 Sections : Belgique/België – Danmark - Deutschland – Éire/Ireland - España - France – Ελλας/Grèce - Italia – Luxembourg - Nederland – Österreich – Portugal – Suomi/Finland – Sverige - United Kingdom

Adresse administrative : Commission européenne, N 105 00/036, B-1049 Bruxelles, Belgique
Téléphone : ligne directe (+32-2)295.29.60 standard (+32-2) 299.11.11
Adresse électronique : aiace-int@ec.europa.eu Site Web: www.aiace-europa.eu

Parmi les mesures à envisager, le Conseil mentionne notamment l'augmentation de l'âge du départ à la retraite, le taux d'accumulation des pensions et la contribution des fonctionnaires actifs qui couvre actuellement 1/3 du coût du régime de pension.

Cette demande du Conseil a été faite suite à un rapport de l'Office Statistique que le Conseil avait demandé après la dernière révision du Statut et que la Commission lui avait transmis en août 2016 (*doc SWD (2016) 268 final*). Ce rapport confirme que notre régime de pension actuariel se trouve en permanence en équilibre financier du fait que les contributions salariales et patronales sont actualisées, si nécessaire annuellement, afin de couvrir la valeur actuelle des droits de pension acquis dans la même année.

Il y a lieu de souligner que ceci signifie qu'à tout moment les dépenses de pension sont couvertes par les contributions retenues auparavant dans le budget. Notre régime de pension est donc viable tel qu'il a été conçu. En effet, contrairement à la situation où les contributions salariales et patronales auraient été placées en dehors du budget, dans un fonds sur les marchés financiers (tel que c'était le cas en ce qui concerne le fonds de pension de la Communauté Européenne du Charbon et de l'Acier « CECA »), le Statut de 1962 maintient ces contributions dans le budget. Ceci met le régime en dehors des aléas des marchés financiers et conduit à des économies budgétaires importantes qui diminuent les contributions nationales au budget et réduisent, en fin de compte, les dettes publiques des pays membres. Ce mécanisme n'est souvent pas bien pris en compte par les experts budgétaires nationaux qui voient surtout les dépenses courantes annuelles de pension. Le maintien des contributions au budget au lieu de les placer dans un fonds sur les marchés financiers constitue en quelque sorte un prêt aux pays membres dont la valeur actuelle accumulée correspond à la valeur actuelle totale des droits de pension acquis au cours des années. Suivant un taux d'intérêt réaliste retenu pour calculer cette valeur actuelle, le gain des pays membres peut être évalué à plusieurs dizaines de milliards d'euro. La contrepartie de cet avantage des pays membres est la garantie inconditionnelle du paiement des pensions à leur échéance tel que prévu par l'article 83 du Statut.

Du fait des révisions du Statut en 2004 et 2014 (concernant l'augmentation de l'âge de la retraite, la diminution du taux d'accumulation des pensions, la politique de recrutement – y compris le recrutement des agents contractuels – etc.), d'importantes économies budgétaires supplémentaires sont réalisées chaque année. Eurostat estime que suite aux mesures de 2014, elles atteignent 642 millions d'euro en 2064 et sur la période de 2014 à 2064 elles s'accumuleraient à 19,23 milliards d'euro. Avec le murissement de notre régime de pension, l'étude d'Eurostat aboutit à un accroissement annuel moyen de la dépense budgétaire totale de pensions de seulement 0,5% p.a. de 2014 à 2064 (+1,46% p.a. de 2014 à 2046 et de -1,1% p.a. de 2046 à 2064).

En termes de dépenses de pension totales par tête de pensionné, l'étude met en évidence une diminution de 43,15% de 2014 à 2064 (ou -1,12% p.a. en moyenne). La détérioration des perspectives de carrière et de pension se reflète déjà dans la baisse du taux des contributions salariales et patronales totales, nécessaire pour assurer l'équilibre actuariel du régime, de 34,8% en 2010 à 29,4% des traitements de base depuis 2016. **En fait, ces économies décidées déjà maintenant sur les cotisations à la pension représentent, avec 5,4% des traitements de base, plus que la cotisation totale à notre assurance maladie de 5,1% des traitements de base, qui est restée inchangée depuis les années 1990.**

Il y a lieu de souligner que compte tenu de la contrainte des droits acquis, ces économies dans le régime des pensions ont été obtenues dans une large mesure aux dépens des nouveaux recrutés (et notamment aussi des agents contractuels).

Ceci implique un traitement inégal du personnel et une perte d'attractivité considérable du service public européen pour l'avenir ! Cette évolution devrait plutôt être inversée qu'aggravée encore plus !

Ces quelques considérations mettent clairement en évidence que la mise en œuvre de la demande du Conseil du 19 décembre 2016, dans le cadre des perspectives budgétaires pluriannuelles 2021 à 2027, n'est pas justifiée et implique un potentiel de conflit considérable.

Si jamais la Commission voulait accepter cette demande du Conseil, elle se trouverait devant un choix difficile : soit de détériorer encore l'attractivité du service public européen pour l'avenir (et de gérer son personnel soumis à plusieurs statuts différents), soit de ne plus respecter les droits acquis du personnel en place.

Ces considérations mettent également en évidence l'intérêt des anciens et ainsi de l'AIACE de suivre de très près ces discussions dans le cadre du dialogue social. L'AIACE aimerait bien connaître votre appréciation de ces observations. Pour la suite des réflexions, elle est disposée à fournir des analyses utiles et des avis plus détaillés dans ces domaines.

Nous vous prions d'agréer, Monsieur le Commissaire, l'expression de notre haute considération.

Ludwig Schubert

Francis Wattiau
Président ff

Ludwig Schubert
Président d'honneur

Copies : Mme Irène SOUKA, Directrice Générale des Ressources humaines et de la Sécurité de la Commission européenne

Les OSP

Annex VIII b: Letter of 10.4.2018 from Commissioner Oettinger, in reply to the AIACE letter of 29.1.2018.

GÜNTHER H. OETTINGER
MEMBRE DE LA COMMISSION EUROPÉENNE

Bruxelles, le 10. 04 2018
MHo/cw Ares(2018)s_1232843

MM. F. Wattiau et L. Schubert
Association Internationale des Anciens de l'Union Européenne
105, Avenue des Nerviens
1049 Bruxelles

Messieurs, Herren Präsidenten!

Par votre courrier du 29 janvier 2018, vous avez souhaité attirer mon attention sur la prochaine négociation du Cadre Financier Pluriannuel (CFP) et les enjeux qui y sont attachés.

Tout d'abord, permettez-moi de préciser que la rencontre du 19 décembre 2017, que vous évoquez dans votre courrier précité, s'inscrivait dans le cadre des réunions structurées qui se tiennent périodiquement avec l'ensemble des Organisations Syndicales et Professionnelles (OSP) en vue de permettre un échange de vues régulier avec ces dernières.

Par ailleurs, je vous remercie de votre contribution et de vos commentaires faisant suite au rapport d'Eurostat de 2016 sur les incidences budgétaires de long terme du coût des pensions de l'UE. Comme vous le soulignez justement, il s'agit d'une étude *ad hoc* réalisée à la demande du Conseil qui conclut notamment au caractère pérenne et équilibré du régime de pensions de l'UE fondé sur l'équilibre actuariel. Le Conseil a d'ailleurs relevé que cette étude fournit une évaluation objective et réaliste des éléments ayant un impact significatif sur les dépenses.

S'il est vrai que le Conseil invite, dans ses conclusions, la Commission à assurer le suivi et à rendre compte de l'évolution du régime de pensions de l'UE, il est à noter que cette demande s'inscrit dans le cadre statutaire institué par le co-législateur à l'occasion de la réforme de 2013, qui prévoit certaines obligations de suivi et des rapports au Conseil et au Parlement européen[1]. A ce titre, la Commission présentera dès cette année un rapport intermédiaire avant de rendre en 2022 un rapport d'évaluation relatif à l'équilibre actuariel du régime des pensions.

En tout état de cause, les discussions actuelles concernant le CFP n'ont pas vocation, en l'état, à conduire à une révision des règles en matière de pension. Dans ce cadre, je tiens à souligner l'importance que j'accorde au maintien de l'attractivité de la fonction publique européenne, un régime de pensions pérennisé ne peut qu'y contribuer.

Enfin, je voudrais rappeler le rôle important de partenaire que détient l'AIACE vis-à-vis de la Commission en ce qui concerne les questions et problématiques intéressant le personnel pensionné et souhaite, dans ce cadre, vous remercier à nouveau pour votre contribution.

Je vous prie d'agréer, Messieurs, l'assurance de ma haute considération.

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[1] Voir notamment l'article 14 de l'annexe XII ainsi que l'article 77 du statut.

ADRESSE: COMMISSION EUROPÉENNE · BERL 9/24 - B-1049 BRUXELLES - TÉL. 0032-2-298.20.25 - FAX 0032-2-299.18.27 · E-MAIL: guenther.oettinger@ec.europa.eu

Annex IX : Report from the Commission (Com(2012)37 final of 7.2.2012

EUROPEAN COMMISSION

Brussels, 7.2.2012
COM(2012) 37 final

REPORT FROM THE COMMISSION TO THE COUNCIL

on the Pension Scheme of European Officials and Other Servants of the European Union

EXECUTIVE SUMMARY

The Pension Scheme of Officials and Other Servants of the European Union (hereinafter 'the PSEO') functions as a notional fund with defined benefits. Although there is no actual investment fund, it is considered that the amount which would have been collected by such a fund is reflected in the pension liability guaranteed by Article 83 of the Staff Regulations and Article 4(3) TEU.

The PSEO follows an actuarial balance principle and the pension contribution rate is the mechanism that maintains the scheme in balance. If the actuarial assessment, based on various parameters defined by the Staff Regulations, shows that a pension contribution rate different from the rate in force should be applied in order to fully cover the pension rights acquired during a given year, that rate is adjusted by the Council on the basis of a Commission proposal and a Eurostat report. When staff members pay the pension contribution adjusted by this rate, they acquire pension rights for a given year, which are protected by the principle of acquired rights.

The PSEO is a mandatory occupational pension scheme for EU civil servants and as such shall be compared to pension schemes for civil servants in Member States and other international organisations, rather than to general national pension schemes for the private sector.

1. The main parameters to be assessed

All aspects of the pension scheme have to be considered as a whole, while also taking into account the specific aspects of the EU civil service, to ensure adequate, sustainable and safe pensions for the staff of EU Institutions.

As regards the pension age (normal, mandatory and minimum retirement age), the EU Institutions appear within the range of the schemes of Member States for national civil servants. If the Commission Proposal of 2011 on the review of the Staff Regulations (hereinafter 'the Commission Proposal') is adopted by the Council and the Parliament, the EU Institutions will be in line with those Member States that are the most advanced in reforming their pension systems and fully in line with the orientations of the Green Paper towards adequate, sustainable and safe European pension systems (hereinafter 'the Green Paper').Many of the Member States still need to carry out structural reforms to this end.

The PSEO is either in line or even compares less favourably (by granting lower entitlements) with the schemes of the Member States as regards the accrual rate, the basis for pension, the maximum possible pension rate and the staff contribution rate. The pensions in the PSEO are adjusted at the same level as the remuneration in the EU Institutions. As a result, the pensions paid from the PSEO have lost 5.4%[1] of the purchasing power since 2004.

As regards the individual progression in the salary scheme, even though it has an impact on pension costs, the career system should not be changed if its only aim is to

[1] The figure takes into account the Council Decision (2011/866/EU) of 19 December 2011 not to adopt the Commission proposal to adjust the remuneration and pensions.

achieve savings on pensions. The first consideration should be the need to attract, retain and motivate the active staff of the EU Institutions. These were the considerations behind the complete overhaul of the career structure in 2004, which established a merit based career structure providing performance incentives throughout the entire career.

The Commission has also considered a number of other policy aspects related to pensions listed in the Council request, notably the role of pensions in the overall reward package for EU staff and ensuring fair future pension provision across the EU workforce. The Commission reached the conclusion that the PSEO provisions are up to date and comply with the policy goals of the EU Institutions, as well as the orientations of the Green Paper.

2. A reflection on possible changes to the PSEO

The possible creation of a pension fund may entail additional costs, as the value of the notional fund would have to be transferred to an investment fund. In the long run, however, annual budgetary pension expenditure would decrease, as pensions would be paid from the fund. Incentives for private pension provision could be considered, although certain issues such as additional costs for management and security of investment should be addressed.

The creation of the category of contract staff in 2004 has brought and will continue to bring considerable savings. However, it is also important to keep the same pension scheme for officials and contract agents in order to maintain contract agents' positions attractive for qualified staff.

Therefore, the Commission concludes that all parameters of the PSEO are in line with the pension schemes for national civil servants of the Member States. However, in order to comply with the orientations of the Green Paper, the early retirement scheme should be restricted, and both the normal retirement age and the mandatory retirement age should be postponed until 65 and 67 respectively, as provided for in the Commission Proposal.

Lastly, the Commission has assessed the additional savings that would result from the Commission Proposal based on three approaches: annual pension expenditure, the service cost which reflects the annual cost of pension rights and corresponds to the amount to be invested in the pension fund if it existed, and pension liability.

The measures set out in the Commission Proposal, if adopted, would have a considerable impact in terms of reducing the long-term pension costs. As a result of those measures, the annual pension expenditure would decrease by around 500 million Euros in the long run, and the service cost, which corresponds to the annual cost of acquired pension rights, would be reduced by 9.5%. This would have an immediate impact on the pension liability for active staff, which would fall by 14.5%.

1. INTRODUCTION

1.1. Request for the report

As part of the discussion in the Council concerning the Commission report on Annex XI (mid-term review)[2], the Council invited the Commission to undertake a study on the long-term budgetary implications of the pension costs of staff of all EU Institutions and agencies. On 18 August 2010 the Commission presented a Eurostat study on the long-term budgetary implications of pension costs[3].

Eurostat recalled the main principles of the PSEO and emphasised that "it is important to appreciate that the new pension expenditure due to a staff member retiring today has already been paid for, in the form of the pension contributions paid during that staff member's period of service."[4] When staff members pay the pension contribution adjusted by this rate, they acquire pension rights for a given year, that a protected by the principle of acquired rights.

That abovementioned study addressed the major trends in pension expenditure of the PSEO over a period of 50 years (2010-2059) and showed that the PSEO is not yet mature. This is because, even though the scheme has been in existence since 1962, the number of staff has grown over time as a result of successive EU enlargements, new tasks for the EU institutions and the steady trend in establishing new EU bodies. Consequently, between 2010 and 2059, the number of beneficiaries will increase by 109%.

Another consequence of the fact that the scheme is not yet mature is that annual pension expenditure will grow during the projection period. Total pension expenditure (at constant prices) will rise from 1 235 million Euros in 2010 to peak at 2 490 million Euros in 2045, before falling to 2 259 million Euros in 2059. Pension expenditure is therefore projected to grow more slowly than the number of pensioners and will then start to decrease, largely due to the effects of the 2004 reform of the Staff Regulations[5].

Eurostat calculated that the annual savings for EU budget between 2010 and 2059 resulting from the 2004 reform will increase over time to reach 1 047 million Euros in 2059. This means that the total pension expenditure in 2059, which is now projected to increase by 83% as compared to 2010, would otherwise have increased by 168% without the 2004 reform. The total cost savings over 50 years are projected to be 24 785 million Euros. This may even be an underestimate of the total savings from the 2004 reform, as it does not take into account savings from the changes to invalidity and survivors' pensions.

The Council took note of the study and asked the Commission to make an assessment of all elements that have a significant impact on pension costs, and it called upon the Commission to have regard in its assessment to a number of policy aspects. In addition, the Council requested the Commission to present, by the end of

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2 COM (2008/443).
3 SEC (2010) 989.
4 SEC (2010) 989, p.3.
5 Hereinafter '2004 reform'.

2011, appropriate proposals for amending the Staff Regulations based on this assessment.

The structure of the present report is in line with that of the abovementioned request of the Council.

1.2. Green Paper towards adequate, sustainable and safe European pension systems

In parallel with the abovementioned process initiated by the Council, the Green Paper towards adequate, sustainable and safe European pension systems[6] launched a European debate on the key challenges facing pension systems i.e. demographic ageing and the financial and economic crisis. It defined the priorities for modernising pension policies in the EU in order to achieve two overarching objectives i.e. addressing pension adequacy and securing sustainability. These objectives can be achieved, inter alia, by:

– achieving a sustainable balance between time spent in work and in retirement;

– removing obstacles to mobility in the EU by strengthening the internal market for pensions and enhancing the mobility of pensions;

– promoting safer, more transparent pensions with better awareness and information.

2. METHODOLOGY

2.1. Comparative approach

In order to assess whether the PSEO is in line with national pension schemes, the Commission used a comparative approach. This approach meant defining the methodology, i.e. defining the comparable sample, time frame and comparable elements of different pension schemes for civil servants. It goes without saying that, while assessing separate elements across pension schemes, we should remember that they are interrelated and interdependent. Therefore, only by combining all of these elements we can provide the full picture of a given pension scheme for civil servants. At the same time we need to be mindful of the complexity and particular features of the pension schemes that are being compared.

When defining the time frame we need to bear in mind the dynamism and diversity of pension schemes for civil servants. Often different conditions apply to civil servants depending on their age, the department in which they work or the day on which they started their service (or the date of their entry into the employment market). This diversity is inherent in the way the reforms in pension schemes are introduced, sometimes, as a result of the need to preserve certain acquired rights. In order to have comparable results, this report takes into account the present situation for civil servants that enter into service in 2011 and transitory measures that are put in place.

[6] SEC (2010/830).

2.2. *Making proper comparisons*

The PSEO is a mandatory occupational pension scheme for EU civil servants and as such should be compared with pension schemes for civil servants in Member States and other international organisations rather than with general national pension schemes for the private sector. General pension schemes are defined by the State and normally do not apply to civil servants.

Although the Commission did not compare the PSEO with the pension schemes of other international organisations in this report, it considers such a comparison fully appropriate due to the similar staff features and the comparable nature of the work. The Commission does not rule out the possibility of conducting such an analysis in the future.

In order to assess whether the PSEO is in line with the pension schemes for national civil servants, the Commission asked the Member States to reply to a questionnaire on their pension schemes for national civil servants in central government. Twenty-six Member States sent the replies, while France failed to do so despite several reminders. This report is based on the replies sent in by the Member States.

When assessing the PSEO, the specific situation of EU staff should be borne in mind: the EU Institutions recruit mainly expatriate staff coming from 27 Member States which have significantly different national pension systems. This is not the case for the civil services of the Member States. In terms of other international organisations, only the United Nations is of a comparable size and this makes it difficult to compare like with like. Although the Commission considers that the pension schemes of other international organisations and national pension schemes are the most appropriate for purposes of comparison, such comparisons have inherent limitations, which are underlined in the report. For example, many schemes in the Member States are pay-as-you go schemes, whereas the PSEO operates as a notional fund.

All components of the pension scheme have to be considered altogether, while taking into account the specific aspects of the EU civil service, in order to ensure adequate, sustainable and safe pensions for the staff of EU Institutions.

EU Institutions recruit mainly expatriate staff from all 27 Member States, and compete in the international labour market with other international organisations, diplomatic services, central government services, multinational companies, law firms, financial consultancies, etc. They need to continue to be an attractive employer so as to maintain the geographical balance among staff and be able to deliver on policies in order to meet the expectations of EU citizens and the Member States.

2.3. *Separate pension schemes for civil servants*

There are separate occupational pension schemes for civil servants in all international organisations, in about half of the countries of the world and in the majority of EU Member States. Integrated schemes are universal in the new Member States, albeit often with different rules for different groups of workers. In Ireland and Spain, civil servants are covered by the national pension scheme, but have their own top-up retirement income arrangements (additional defined-benefit pensions for civil servants). In the United Kingdom, civil servants are covered by part of the mandatory pension arrangements that apply to private-sector workers.

The rationale for providing pensions for civil servants is somewhat different from that behind the creation of general national pension schemes, the purpose of which is to ensure an adequate retirement income. The objectives are the following: securing the independence of public servants, making a career in public service attractive, postponing the cost of remunerating public servants into the future and ensuring that retirement provision for older civil servants is politically and socially acceptable.

While civil service pension schemes share some of the social-policy goals of national pension programmes, they must also accommodate the human-resources policy of the employer. Therefore civil service pension policy also involves general issues of civil-service remuneration and compensation[7].

3. THE PENSION SCHEME OF EUROPEAN OFFICIALS (PSEO)

3.1. Main concepts

3.1.1. Legal references

Pursuant to Article 83 of the Staff Regulations:

– the benefits paid under this pension scheme are to be charged to the budget of the Union,

– Member States are to jointly guarantee the payment of such benefits,

– officials are to contribute one third of the cost of financing the pension scheme.

Article 83a and Annex XII of the Staff Regulations set out the *actuarial rules* for computing the contribution rate in order to guarantee the balance of the pension scheme.

The benefits paid under the scheme are laid down in Chapter 3 of Title V of the Staff Regulations, as well as in Annex VIII thereto.

3.1.2. Notional fund principle

The European Coal and Steel Community (ECSC) had a pension fund, but it was dismantled and replaced by the notional fund upon the merger of the institutions of the Communities in 1967. The notional fund has been put in place for the European Economic Community with the adoption of the Staff Regulations in 1962.

It must be borne in mind that the PSEO does not operate as a pay-as-you-go scheme. In a pay-as-you-go scheme, the pension contribution rate or pension benefits are adjusted in order to have yearly balance between the collected contribution and the

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[7] Robert Palacios, Edward Whitehouse. Civil-service Pension Schemes Around the World. May 2006. SP discussion paper NO. 0602. World Bank.

pension expenditure. In case the balance cannot be achieved, the budget finances the difference through taxes.

This is not the case in the PSEO, in which the pension contribution actually covers the cost of the pension rights acquired in a given year and is not in any way linked to the pension expenditure of that year. When the PSEO reaches the maturity, there will necessarily be a gap between pension contribution and the pension expenditure, which is due to the interest that is applied to the collected contribution until it has to be paid back in the form of pension benefits.

Although there is no actual investment fund, it is considered that the amount which would have been collected by such a fund, is invested in the Member States (on the basis of the observed average annual interest rates on the long-term public debt of Member States) and is reflected in the pension liability, which is guaranteed by Article 83 of the Staff Regulations and Article 4(3) TEU.

As far as the budget is concerned, the pension scheme produced net revenue in the past, because active staff paid contributions for pension rights they acquired, whereas very few retired or invalided staff actually drew benefits. This revenue consisted of the pension contribution paid by the staff plus the employer's contribution, which was however not paid into a fund, but was only reflected in the pension liability.

In the longer term, as active staff go into retirement, there will be an inevitable increase in the pension expenditure. The increase will continue until around the time when the pension scheme reaches maturity – that is, until the number of deceased retirees in a given year balances out the number of new beneficiaries. The amounts which would have been covered by the pension fund are now covered (and will continue to be covered) by the budget and have an impact on the pension liability.

Under the notional fund approach, staff contributions have not been set aside in an actual pension fund, but have been credited instead to the EU budget at the time when they were collected and spent in accordance with the decisions of the budgetary authority, i.e. they were not assigned to any particular policy field. As for the remainder, which would normally correspond to the employer's part of the contribution, it was decided that it would not be collected[8]; instead, the EU Institutions have undertaken to pay future pension benefits (to be charged to the Union budget) when staff retire. Pursuant to Article 83 of the Staff Regulations, Member States shall jointly guarantee payment of the benefits. As a result the budget was, in effect, borrowing this money from the members of the scheme, in return for a guarantee to pay future benefits. The balance of the amounts borrowed and the amounts repaid is reflected in the pension liability.

As members of the PSEO reach retirement age, the money has to be repaid to them in the form of retirement benefits. Therefore, pension expenditure has gradually increased in the past, and this trend will continue until around the time when the scheme matures.

[8] With the exception of self-financing agencies, which pay the employer's part of the contribution to the EU budget.

In relation to this growth in pension expenditure, it is important to understand that the new pension expenditure due to a staff member retiring today has already been paid for[9] in the form of the pension contributions paid during that staff member's period of service, and their pension entitlements that will have to be paid from the moment of retirement are covered by the pension liability.

3.1.3. Actuarial balance principle

The PSEO follows the actuarial balance principle. The annual contribution paid by the staff has to cover one third of the rights that the staff have acquired during a given year. The acquired rights of EU civil servants during that given year correspond to the future pensions that the staff will receive after retirement, as well as to the entitlement (under certain conditions) to an invalidity allowance, a survivor's pension, and an orphan's pension. In other words, the annual contribution is designed to finance one third of the service cost under the pension scheme, i.e. a series of payments that will arise in the future. In order to make this computation possible, the series of payments for European civil servants has to be evaluated at its present value (using an interest rate "discount rate"). The computation is thus an actuarial valuation.

In technical terms, the method used in the computation of the pension contribution rate is that prescribed by international accounting standard IPSAS25[10] and referred to as “projected unit credit”. The sum of the actuarial values of rights acquired by active members of staff, referred to in actuarial practice as “service cost”, is compared to the annual total of their basic salaries in order to calculate the contribution rate.

The pension contribution rate maintains the PSEO in balance. If the actuarial assessment, based on the various parameters defined by the Staff Regulations, shows that a pension contribution rate which is different from the rate in force should be applied in order to cover the pension rights acquired during that year, that rate is adjusted by the Council on the basis of a Commission proposal.

The contributions paid during the current year are not calculated so as to cover the pension payments for the current year: they might be higher or lower. The actuarial balance principle guarantees a balance in the long term, not a yearly balance: this is a different concept from a yearly cash-flow balance.

4. COMPARATIVE ANALYSIS OF THE MAIN FEATURES OF THE PENSION SCHEMES OF NATIONAL CIVIL SERVANTS AND EUROPEAN CIVIL SERVANTS

4.1. Pensionable age

The Green Paper defines the "normal pension age" as the "age at which a member of the pension scheme is eligible to receive full pension benefits". The "mandatory retirement age" is the age at which the employment contract automatically expires as an effect of chronological age. The "effective retirement age" is the age at which an

9 Active staff paid the pension contributions for the pension rights they acquired.

10 The International Public Sector Accounting Standard (IPSAS) 25 is the equivalent of the International Accounting Standard (IAS) 19 applied in the private sector.

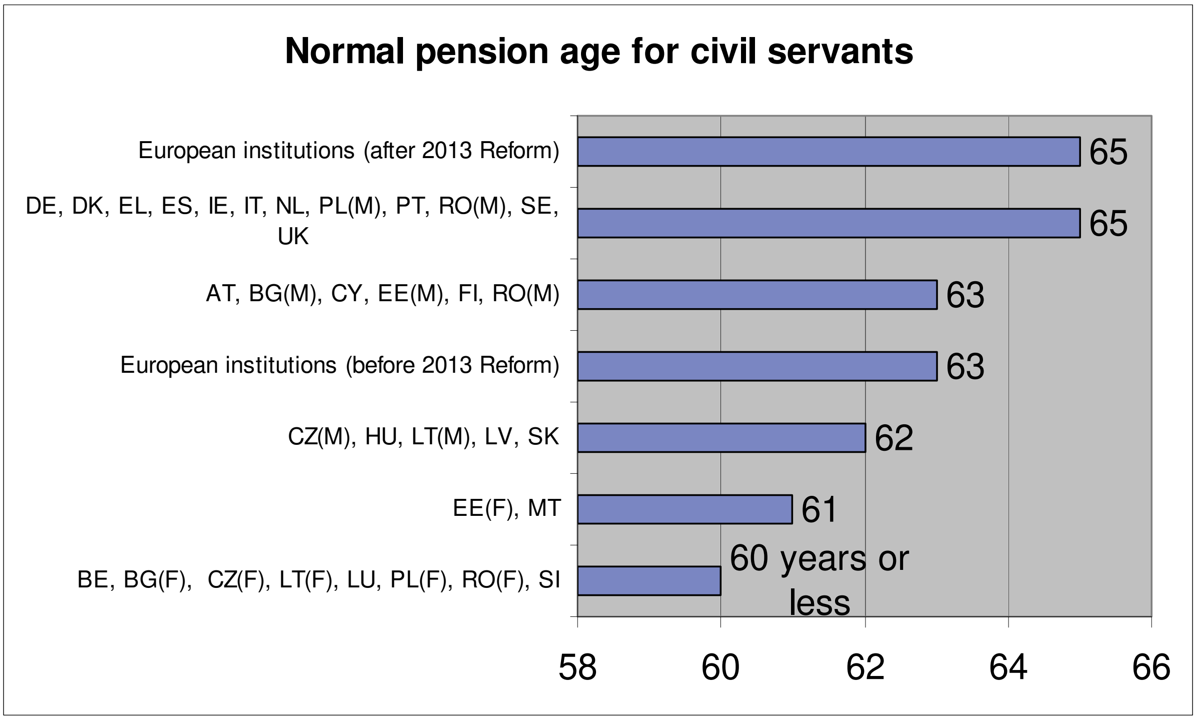
individual actually retires. As a general rule, the effective retirement age tends to be below the normal pension age. However, for reasons of data availability, the labour market exit age is often used as a proxy for the effective retirement age.

For example, in 2008 the average age of exit from the labour force in the Member States[11] ranged from 55.5 in Romania, 59.3 in France and Poland to 63.2 in the Netherlands and 63.8 in Sweden. The average exit age of all Member States was 61.4. The effective retirement age in the EU Institutions varies between 61 and 62.

4.1.1. Normal pension age

In a number of Member States the normal pension age for civil servants is lower than in general schemes.

The following chart shows the normal pension age for central civil services of the Member States: [12]



NB: France is not included in the chart as no reply was provided to the questionnaire.

If only the pension age for men is taken into account, it should be pointed out that the majority of the Member States have set the normal pension age between 61 and 63 years. In three Member States it is still 60 and in ten of them it is as high as 65. In six Member States the normal pension age is lower for women than for men and is set at the age of 61 or below.

The normal pension age for EU civil servants was raised from 60 to 63 (for both men and women) in 2004, with transitional provisions applying for staff already in place

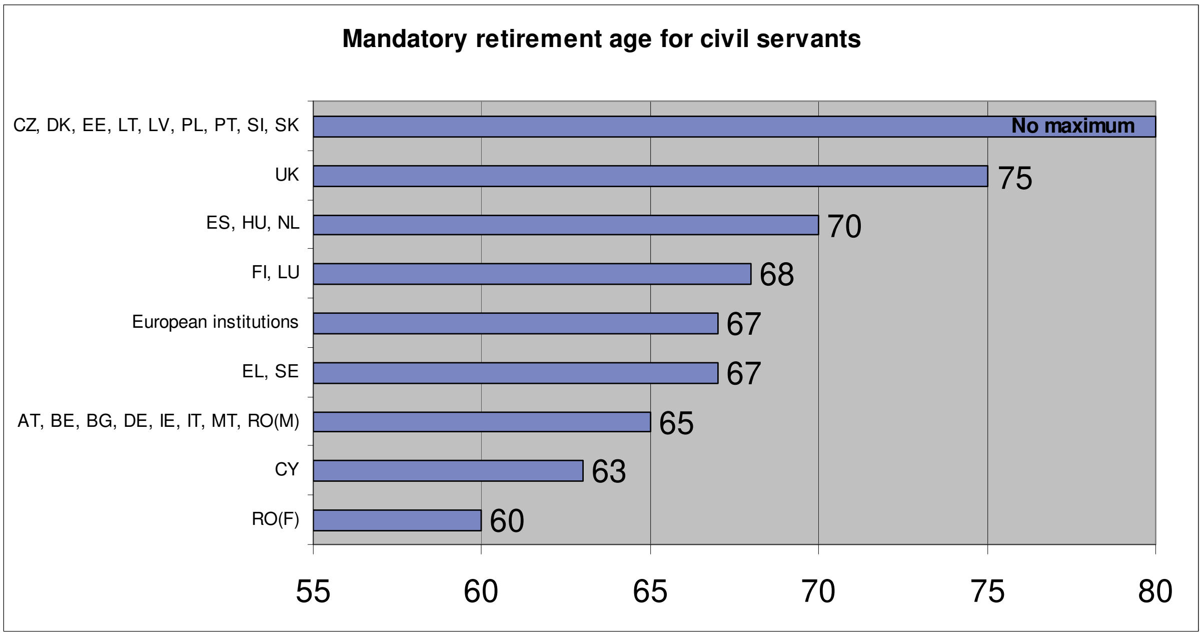
11 Source: Green Paper.

12 In the following tables, "F" stands for "Female" and "M" stands for "Male".

(ranging from 60 to 63 depending on the age of the civil servants on 1 May 2004). The current normal pension age of 63 is broadly in line with the standard pension eligibility ages for civil servants in the Member States. If the EU Institutions raise the normal pension age to 65, it will be higher than the normal pension age for civil servants in most Member States.

4.1.2. *Mandatory retirement age*

The mandatory retirement age is also a relevant indicator that should be observed when describing pension schemes. A third of the Member States have established 63 or 65 as the age at which the tenure or employment contract for a civil servant expires, and in nine Member States there is no upper age limit for staff in public employment. It should be pointed out that the suggestion in the Commission Proposal is that civil servants should be allowed to work until the maximum age of 67 if it is in the interests of the service, which previously was possible only in exceptional circumstances.

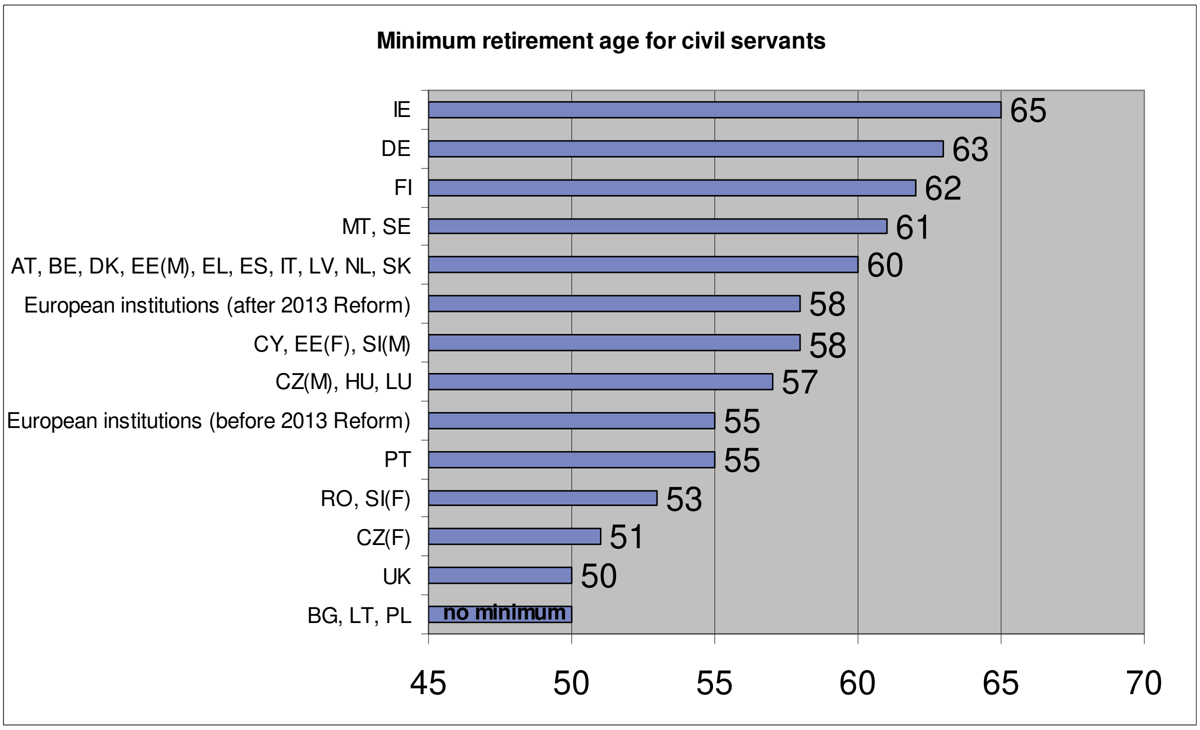


NB: France is not included in the chart as no reply was provided to the questionnaire.

This increase in the mandatory retirement age will put the EU Institutions in the category as those Member States in which civil servants have the possibility to work the longest, whereas most of the Member States need to implement structural reforms in order to encourage longer working lives.

4.1.3. *Minimum retirement age*

As far as early retirement is concerned, a majority of Member States maintain a minimum pensionable age close to 58 years. However, at least ten Member States still offer the possibility for civil servants who have a certain minimum number of years of service to leave the service before reaching the age of 58. This is the case in the United Kingdom, where civil servants can retire at the age of 50.



NB: France is not included in the chart as no reply was provided to the questionnaire.

In its Proposal, the Commission suggested measures restricting access to early retirement schemes and other early exit pathways in order to enable civil servants to stay longer in activity. In particular, the number of staff members that can take up early retirement without a reduction of pension rights would be diminished and the early retirement age increased to 58. Some Member States have started similar reforms, while the others have yet to implement such measures.

4.2. Accrual rate

The Green Paper defines the accrual rate as "the rate at which future pension benefits are built up. It is used in defined benefit schemes and based on the formula linked to the scheme".

When comparing the accrual rates existing in the Member States, it is relevant to consider at the same time the basis, which makes the exercise very complex.

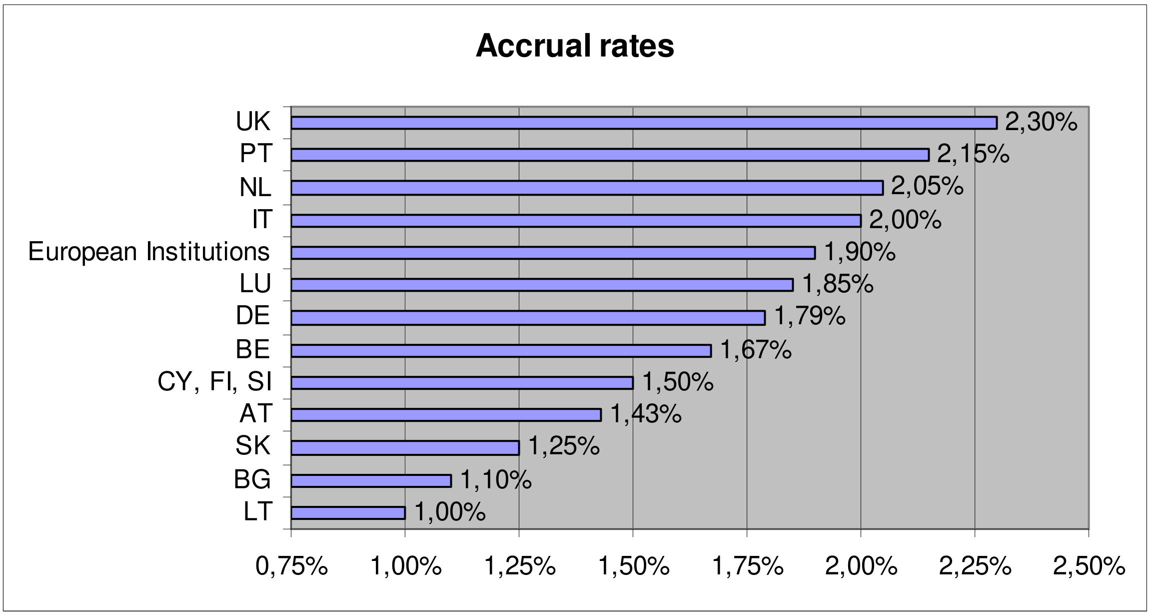
First of all, in nearly a dozen Member States, part of the pension could be paid under different rules than the accrual rate.

There is a wide range of situations in the various Member States that apply accrual rates. To give some examples, in the United Kingdom the accrual rate is up to 2.30 % of the last salary, in Portugal it is between 2.00% and 2.30% of each relevant calendar year, in the Netherlands it is 2.05 % of the pensionable income and in Germany, it accrues 1.80% of the final salary and family allowances for each year of service.

The current accrual rate for the officials and servants of the European Union is 1.90% of their final basic salary for each year of service; this rate was reduced from 2 % to 1.9 % in the 2004 reform[13]. This level is fully justified by the particular situation of EU staff. It has to be taken into consideration that the average age of entry into the European civil service is 35 years. Therefore, staff have a shorter period of time to acquire pension rights than do national civil servants. Moreover, when European civil servants transfer pension rights from Member States, it is not the number of years worked but the monetary value transferred that is taken into account.

There is another aspect that makes the situation even more complex when comparing Member States and EU Institutions: the accrual rate may also vary depending on the age. Finland offers a progressive accrual rate, which is 1.5 % of earnings between the ages of 18 to 52, 1.9 % of earnings between the ages of 53 to 62 and 4.5 % of earnings between the ages of 63 and 68. This provides a clear incentive for the civil servants to work longer. The EU Institutions adopted a similar approach by creating an incentive of additional pension rights for work after reaching the normal retirement age (known as the “Barcelona incentive”).

The chart below shows accrual rates in the Member States that use accrual rates to calculate pensions.



NB: France is not included in the chart as no reply was provided to the questionnaire.

4.3. Basis for pensions

Member States apply very different systems when it comes to the basis for calculating the pension once an official retires. Some Member States such as Cyprus, Ireland or the United Kingdom, base the pension on the last salary or on the last year's salaries. In other Member States (for example in Finland, Hungary and Slovakia) the average of pay over the whole career is taken into account for the

[13] For staff recruited before 1 May 2004 the accrual rate is 2 %.

pension calculation. This means that the career progression is very important for the definition of the basis for pension. For example, in the systems that take into account the last years of service as a basis and where the end of career progression is very slow, this has only a very limited impact on the pensions. The effect is similar in the systems using the average career salary, when the difference between starting salary and final salary is small.

In the EU Institutions the basis for the pension is the basic salary of the last grade that the official has held for at least one year. There are important reasons to maintain this system. In the 2004 reform of the Staff Regulations, the career structure in the EU Institutions was revamped and made longer by introducing additional grades, in order to create performance incentives throughout the entire career. The salaries at entry level were consequently lowered. In addition, given the high average age of recruited staff, it would be impossible for many of them to progress to the higher grades if they followed the average career pace. Therefore, changing the basis for the pension would much more affect the level of pensions in the EU Institutions than it would in national services with a lower number of grades, and would make the entry grades even less attractive for experienced staff. As a consequence, the EU Institutions would need to find alternative solutions, which might be more costly, in order to attract qualified staff from all Member States (for example, by organising competitions in higher grades for experienced staff, the result of which would be not only higher salaries, but also higher pensions).

4.4. Maximum possible pension rate

The maximum pension rate puts a cap on the pension rights that a person can accumulate during his working life. As this notion does not exist in some Member States, such as Czech Republic, Finland, Romania, Latvia, Estonia, the pension rights of civil servants in those Member States correspond to their years of service, while the EU Institutions and other Member States have established a cap. The effect of having such a cap is that a person may be obliged to work until he reaches the normal retirement age without acquiring any additional pension rights, but would still be under an obligation to contribute to the scheme, if he has reached the maximum pension rate.

The maximum pension rates can vary considerably from one Member State to another. For example, although in France[14] the maximum pension rate is 75%, it could be raised to 80% as a result of various premiums. Germany has a maximum pension rate of 71.75% of the final basic salary plus family allowances. Some Member States have set the rate on the basis of the highest salary throughout the career. This is the case in the United Kingdom, where employees could receive a maximum pension equivalent to 66 or 75% of the highest salaries depending on the pension scheme. In Slovenia and Austria, the maximum is 80% of the highest salary received during a number of years.

[14] As far as France is concerned, as data was not made available to Eurostat, the data included in this report rely on the following French public authority portal: http://www.info-retraite.fr/index.php?id=144

The maximum retirement pension for officials and other servants of the European Union is 70% of the final basic salary corresponding to the last grade which the official or servant occupied for at least one year. In order to achieve the maximum pension rate, EU civil servants have to work at least 37 years, and with the increase in the retirement age to 65 they have to start at the age of 28, in order to acquire maximum pension rights in the EU civil service. As the average recruitment age in the European Commission is 35, the majority of staff will be unable to achieve the maximum pension rate. This is already the case: the accumulated pension rights of the staff members who retired in 2010 are equivalent to 63% on average and will be around 57% for staff recruited after 1 May 2004.

The only possibility of receiving a pension exceeding 70 % of the pension rights is if the minimum subsistence figure is applied. An official or other servant becomes entitled to a pension equal to the basic salary of an official in grade 1 step 1 after 25 years of service. However, this applies only to the lowest categories of staff (for more details, see the chapter of this Report on use of contract agents and conditions of contract agents). In a few Member States the maximum pension rate is set below 70%, but it is applied to a different basis. In Denmark, for example, the maximum possible pension rate is fixed at 57%, but it applies only to the statutory pension and not to the state pension, which is dependent on the length of residence in Denmark. A person must have lived in Denmark for 40 years after their 15th birthday in order to be entitled to a full state pension from Denmark. The State pension consists of a basic amount and a pension supplement. The gross basic amount is 58 032 Danish krona (7 780 Euros[15]) annually. The pension supplement for single persons is 58 416 Danish krona (7 831 Euros) annually, whereas it is 27 276 Danish krona (3 657 Euros) for married and cohabitating persons[16].

For purposes of comparison, the theoretical replacement rates[17] in the Member States could be used as a comparator. These have been developed by the Indicators Subgroup of the Social Protection Committee. In the majority of Member States the replacement rates can be found in the range between 60% and 80% of last earnings. The median rate would be around 75%, i.e. the rate applied in the United Kingdom.

4.5. Staff contribution rate

The staff contribution rate is the part of the EU official's salary to be paid to finance one third of the actuarial cost of the pension scheme. The remaining two thirds are to be financed by the employer’s contribution. In practice, EU Institutions do not pay their corresponding part to finance the scheme, but – by way of compensation - pension payments are jointly guaranteed by the Member States (Article 83 of the SR) (see 5.8).

Here again, comparisons between Member States are complex because of the diverse nature of the bases on which the contribution relies (which includes the basic salary, gross earnings, real salary, gross wages, etc).

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15 Figures in Euros are calculated with exchange rate of 1 July 2011, 1€=7.4592 DKK.

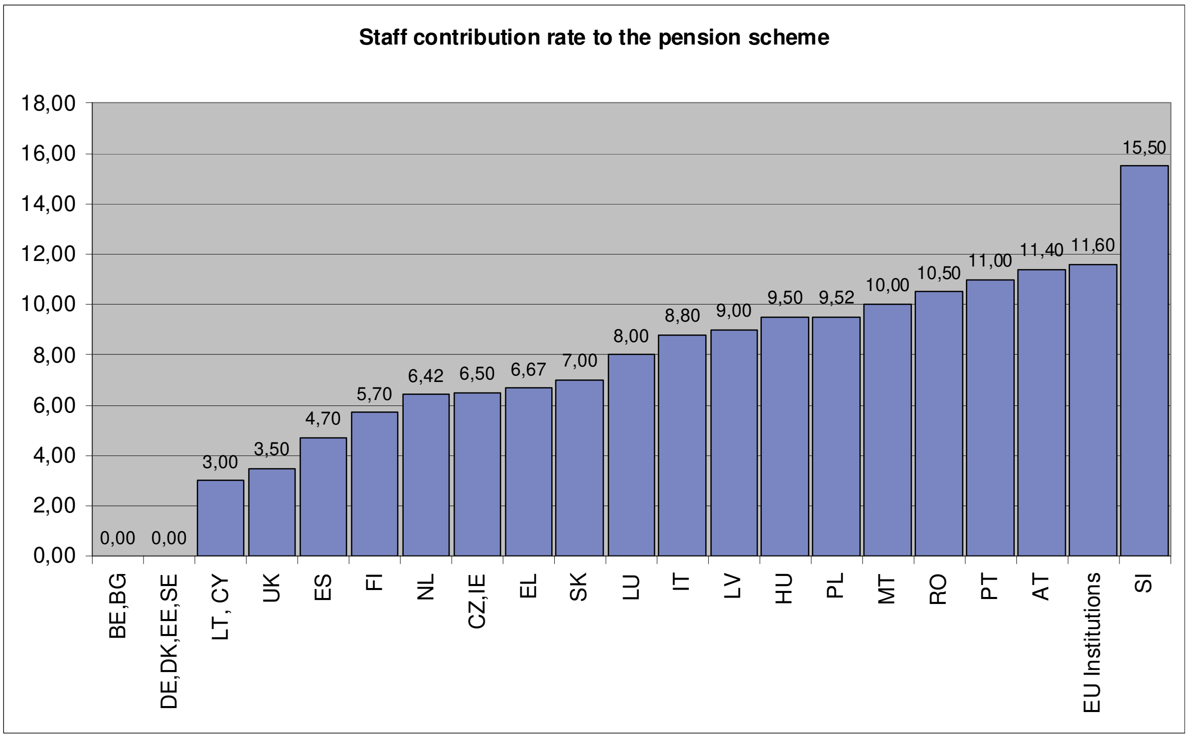
16 https://www.workindenmark.dk/Find%20information/Til%20arbejdstagere/Naar%20du%20arbejder%20i%20Danmark/Pension/Folkepension.aspx

17 Replacement rates show the level of pensions as a percentage of previous individual earnings at the moment of take-up of pensions.

It should be noted that, in some Member States, officials do not have to contribute to the pension scheme at all, as all contributions are covered by the State and their pensions are paid from the budget. This is the case in Bulgaria, Estonia, Germany, Sweden, as well as some pension schemes in Belgium and Denmark.

At the level of the European civil service, it should be remembered that the total pension contribution rate is needed in order to maintain the PSEO in balance and it is calculated every year. The share to be paid by EU officials (1/3 of this total contribution) is adjusted accordingly (according to Article 83 of the Staff Regulations). For example, for the year 2009, the pension contribution rate for EU officials was set at 10.9%, at 11.3% for 2010 and at 11.6% of the basic salary for 2011[18].

In by far the majority of Member States, the staff pension contribution rate is lower than the rate of the PSEO. The rate in some of the Member States is around 5% or below (the United Kingdom, Cyprus, Lithuania and Spain), while others have set the rate at between 5% and 10% (Finland, the Netherlands, the Czech Republic, Ireland, Greece, Slovakia, Luxembourg, Italy, Latvia, Hungary and Poland). The pension contribution rate is higher than that of the PSEO only in two Member States: in Austria, where it ranges from 10.25 % to 12.55 % and, in Slovenia, where its upper limit is 15.5 %.



BE:7% contribution paid by staf for survivor's pensions
DK: in the case of Labour Market PS, CR varies between 8% and 17%
PL: 7,3% for OPF part and 2,22% for PAYG part.
CY: in the case of CY Widows PS, CR is 2%
ES: 3,86% as regards Régimen de Clases Pasivas del Estado
FI: In 2010 contribution is 4,5% for persons aged under 53 and 5,7 % for persons having reached the age of 53.
UK: 1,5% for some categories

[18] The Commission has proposed an 11.0% pension contribution rate for 2012.

NB: France is not included in the chart as no reply was provided to the questionnaire.

4.6. Annual adjustment of pensions

A key determinant of the dynamics in pension expenditure is the indexation rule. As underlined in the Joint Report on pensions for 2010, many reform packages have featured changes in the indexation of pensions during retirement. The indexation issue can be seen as a choice between a lower initial pension plus earnings indexation and a higher starting benefit plus price indexation. [19]

By far the majority of Member States (all except Hungary, Lithuania and some of the Danish and Polish pension schemes)[20] are adjusting pensions in central governments in line with a number of relevant indicators, such as: the Consumer Price Index (CPI), pay increases, GDP growth, or the growth in social tax revenues. Some Member States use a single indicator (CPI or pay increases) to adjust pensions, whereas others use a weighted index based on two indicators. Some Member States (Slovenia, Denmark for the official pension scheme, Ireland and the Netherlands) are adjusting their pensions on the basis of changes in wages, whereas several others are adjusting their pensions in line with both prices in wages (Belgium, Cyprus, Czech Republic, Finland, Luxembourg, Slovakia and some pension schemes in Poland).

As far as the EU Institutions are concerned, pensions are adjusted according to the same method as the salaries of EU officials. These salaries are adjusted yearly to take account of changes in the purchasing power of officials in the central government of Member States and in the prices in Brussels (Brussels International Index).

This method is in line with the practice of all but a few Member States that are indexing the trend in pensions according to the trend in a number of relevant indicators, as explained above. A number of Member States are adjusting their pensions either based on the changes in wages or on the basis of a combined index which includes the changes in wages. However, most systems are indexed to inflation or on the basis of a combined index including inflation. At the same time the method used by the EU Institutions has led to adjustments of salaries and pensions that are below the rate of inflation. During the period 2004-2010, the pension adjustments have been below the rate of inflation (by 1.8%).

If the method for adjusting pensions were to be changed and linked to the adjustment of the pensions of officials in the Member States, it is likely that the result would have been more favourable to the pensioners of the EU Institutions than the current method, as most of the Member States index their pensions on inflation.

It is worth underlining that the annual adjustment of pensions has already been taken into account when the staff pay pension contributions. Therefore, failure to adjust current pensions paid may be open to legal challenge, since it is clearly a violation of acquired rights.

[19] Joint Report on Pensions 2010 by the Economic Policy Committee, the Social Protection Committee and the Commission services, p. 25 and 26.

[20] Denmark: Labour market pension scheme; Poland: New pension scheme: OPF.

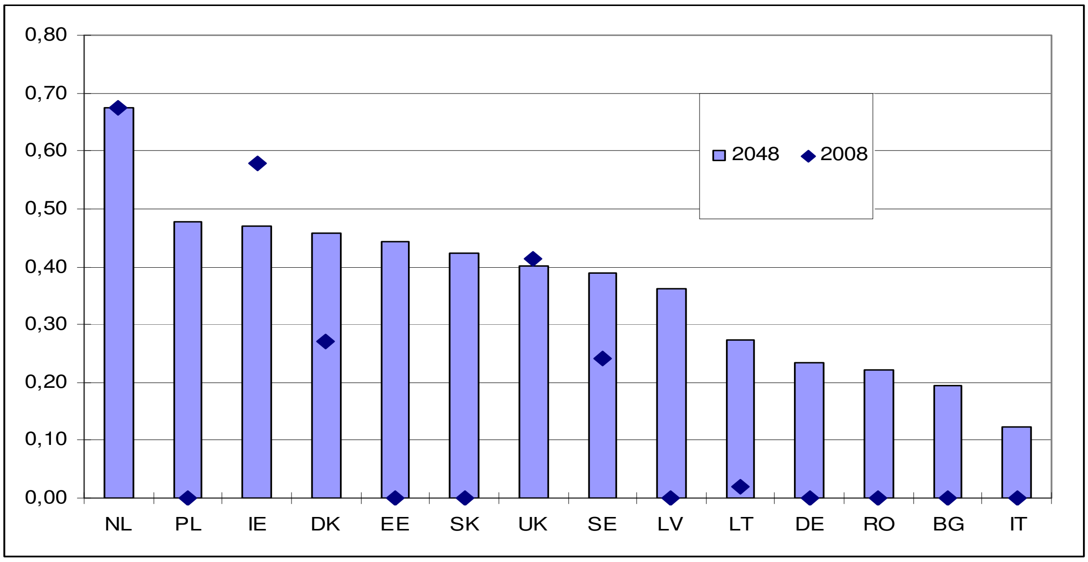
4.7. Possible creation of an actual pension fund

As already explained, the PSEO operates as a notional fund and this means that there is no investment fund as such. Greater pre-funding, in one form or another, has been a popular policy response on the part of Member States to the demographic challenge.[21] However, it is important to note that, for most European citizens, pay-as-you-go (PAYG) is and will always be the most important issue in overall pension provision.

Until recently, pre-funded pension schemes played a significant role in Denmark, Ireland, the Netherlands, Sweden and the United Kingdom, where the initial limitation on the pay-as-you-go public provision to basic, flat rate pensions for all has prompted the growth of private provision, whether in the form of collective occupational pensions or individual pension insurance contracts.

However, in the past decade of pension reforms, a number of countries have expanded the role of existing private schemes (e.g. Denmark, Germany) or introduced new elements of pre-funded, privately managed pensions into their statutory pension systems (Bulgaria, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, Sweden). Some of the reforms have been partially reversed (e.g. in Latvia, Poland) or reversed entirely (e.g. Hungary) in the wake of the crisis, but the contribution by pre-funded schemes to pensioners' incomes will grow as the schemes mature.

Proportion of pension income coming from prefunded pension schemes projected for a hypothetical pensioner retiring in 2008 and 2048[22]



[21] Funded schemes are pension schemes whose benefit promises are backed by a fund of assets set aside and invested for the purpose of meeting the scheme's liability for benefit payments as they arise.

[22] Source: Social Protection Committee's Indicator Sub-Group's calculations. Calculations are based on the theoretical replacement rates for individuals working in the private sector, having a 40-year careers without interruptions (from the age of 25 to 65), and average earnings in the economy. Proportion of income coming from mandatory funded pension schemes will be probably lower than presented in the Figure for a number of Member States, where the contribution rates to the funded schemes have been reduced (temporarily or permanently) in the wake of the recent economic crisis.

By far the majority of the pension schemes in the Member States are also unfunded, which means that pension contributions are not transferred to a fund. Some Member States (Austria, Latvia, Portugal, Slovakia, Netherlands, Sweden, Poland and Denmark) have partially funded schemes.

The situation is different in other international organisations, which either have a complete pension fund or are going through a period of transition after introducing a pension fund.

Four possibilities for creating an actual pension fund for the EU Institutions could be envisaged. Each of the tables below presents in column I the service cost (meaning the yearly employer's contribution to the newly created fund), in column II the yearly pension expenditure as regards the notional fund in the framework of the current pension scheme in force and in column III the yearly total of both costs ("total cost in Heading V"). An analysis of the total annual costs in long term, as well as of the different options for the period 2013-2020, is helpful in terms of assessing the pros and the cons of each scenario.

– **Scenario n°1: Transfer of the value of the notional fund to the actual fund**. This scenario is somewhat hypothetical, as the first year would involve enormous cost since the equivalent of the pension liability would need to be transferred to the actual fund. In the years that followed the employer's contribution would remain low and stable (at around 800 million Euros) and would have to be paid into the fund together with the staff contribution (about 400 million Euros). In the short term and during the period 2013-2020, this option is by far the most costly for the EU budget. However, it does have a considerable impact on pension liability, because the amount in the pension fund would cover the pension liability.

	Projected number of active staff covered by the new pension fund from 2013	I Service cost (employer's contribution)	II Pension expenditure under the current pension scheme	III Total cost in Heading V [1] (I + II)
2013	55 000	800	37 700	38 500
2014	55 000	800	0	800
2015	55 000	800	0	800
2016	55 000	800	0	800
2017	55 000	800	0	800
2018	55 000	800	0	800
2019	55 000	800	0	800
2020	55 000	800	0	800
Total cost 2013-2020		**6400**	**37 700**	**44 100**
2060	*55 000*	*800*	*0*	*800*
In the long term when the new pension scheme becomes mature	*55 000*	*800*	*0*	*800*

[1] With 2011 legal provisions and methodology

– **Scenario n°2: Newly recruited staff would be covered by the pension fund, while current staff would continue to be covered by the current pension scheme.** Under this hypothesis, the yearly pension expenditure as well as the pension expenditure in the period 2013-2020 related to the notional fund would remain the same as if no actual pension fund had been created. The current staff would indeed continue to be covered by the current pension scheme and it is assumed that almost no newcomers would retire before 2020. The employer's annual contribution to the fund would increase according to the number of new staff covered by the actual pension fund. This number appears high in the first years due to the large turnover of contract and temporary staff.

This scenario would therefore involve a higher cost than the current pension scheme in the short to medium term (13 520 million Euros over the 2013-2020 period instead of 12 600 million Euros). However, the cost would decrease significantly in the long run, when the pension fund reaches maturity.

	Projected number of active staff covered by the new pension fund from 2013	I Service cost (employer's contribution)	II Pension expenditure under the current pension scheme	III Total cost in Heading V [1] (I + II)
2013	4 200	40	1 400	1 440
2014	7 700	70	1 450	1 520
2015	10 700	90	1 500	1 590
2016	13 200	100	1 550	1 650
2017	15 500	130	1 600	1 730
2018	17 600	140	1 650	1 790
2019	20 000	160	1 700	1 860
2020	21 400	190	1 750	1 940
Total cost 2013-2020		**920**	**12 600**	**13 520**
2060	*55 000*	*800*	*1 100*	*1 900*
In the long term when the new pension scheme becomes mature	*55 000*	*800*	*0*	*800*

[1] With 2011 legal provisions and methodology

– **Scenario n°3: New pension rights would be covered by the real pension fund, while past pension rights would be covered by the notional fund**.

Under this assumption, the yearly pension expenditure of the current pension scheme would be lower than the forecast pension expenditure until 2020 if no actual fund is created. The employer's contribution to the actual fund would remain stable (at around 800 million Euros per year), but would be much greater during the period 2013-2020 than in Scenario n°2 (6.4 billion Euros compared to 920 million Euros).

Therefore, this scenario would entail an even higher cost in the medium term than scenario n°2 above, although the transition would be faster.

	Projected number of active staff covered by the new pension fund from 2013	I Service cost (employer's contribution)	II Pension expenditure under the current pension scheme	III Total cost in Heading V [1] (I + II)
2013	55 000	800	1 280	2 080
2014	55 000	800	1 320	2 120
2015	55 000	800	1 360	2 160
2016	55 000	800	1 400	2 200
2017	55 000	800	1 420	2 220
2018	55 000	800	1 450	2 250
2019	55 000	800	1 470	2 270
2020	55 000	800	1 490	2 290
Total cost 2013-2020		**6400**	**11 190**	**17 590**
2060	*55 000*	*800*	*300*	*1 100*
In the long term when the new pension scheme becomes mature	*55 000*	*800*	*0*	*800*

[1] With 2011 legal provisions and methodology

– **Scenario n°4: Actual fund covering one third of all newly acquired rights, covered by the pension contributions of the staff.** The remaining two thirds of pension rights, plus all pension rights acquired in the past, would continue to be covered by the notional fund. This scenario would entail transferring staff pension contributions to the investment fund and, given that one third of the pension costs would be partially covered by this fund in the future, pension expenditure would decrease by one third in the long run.

Under this assumption, until 2020 the pension expenditure under the notional pension scheme, covering two thirds of newly acquired pension rights, would be slightly less than the forecasted pension expenditure if no change is made (12 100 million Euros compared to 12 600 million Euros). There would be no employer's contribution to the actual fund, as one third of the newly acquired rights would be fully covered by the pension contributions of the staff.

Therefore, in the short and medium term, Scenario n°4 would be the least costly of all the scenarios for the EU budget. However, in the long term, the total cost in heading V would be twice that of the other scenarios (1650 million Euros as compared to 800 million Euros).

	Projected number of active staff covered by the new pension fund from 2013	I Service cost (employer's contribution)	II Pension expenditure under the current pension scheme	III Total cost in Heading V [1] (I + II)
2013	55 000	0	1 350	1 350
2014	55 000	0	1 400	1 400
2015	55 000	0	1 450	1 450
2016	55 000	0	1 500	1 500
2017	55 000	0	1 540	1 540
2018	55 000	0	1 580	1 580
2019	55 000	0	1 620	1 620
2020	55 000	0	1 660	1 660
Total cost 2013-2020		**0**	**12 100**	**12 100**
2060	*55 000*	*0*	*1 750*	*1 750*
In the long term when the new pension scheme becomes mature	*55 000*	*0*	*1 650*	*1 650*

[1] With 2011 legal provisions and methodology

4.8. Incentives for private pension provision

Nowadays, private pension schemes are being used increasingly in a number of Member States to achieve the objectives of adequacy and sustainability. In its Green Paper, the Commission pointed out the importance of providing sufficient opportunities for complementary entitlements: such as making it possible for people to have longer working lives and increasing access to supplementary pension schemes. In addition, the Commission underlined the need to put in place a proper framework for complementary retirement savings, the success of which depends above all on measures that increase the cost-effectiveness and safety of supplementary pension schemes.

Some Member States have introduced measures to complement their public pay-as-you-go pension schemes with private pre-funded schemes. However, the crisis has highlighted how vulnerable pre-funded pension schemes are to the financial crisis and economic downturns, and the need to review the regulatory framework so as to guarantee the safety of private pensions. It is also worth noting that the NATO pension scheme is entirely managed through private funds. Staff can choose to invest their holdings in private equity, bond and cash funds and may elect to make additional voluntary contributions to the scheme of up to 2% of basic salary.

As regards the EU Institutions, if the path of introducing mandatory or voluntary private supplementary pension schemes were to be followed, it would be essential to ensure that there was an appropriate framework for such a scheme. According to constant case-law, the EU Institutions, which act not only as an employer but also as a public authority, have a duty of care towards their staff. Therefore, it is important to make a careful assessment of the potential impact on the EU budget of the inadequacy or even bankruptcy of the private pension scheme.

If a decision was taken to introduce such incentives, the authorisation of tax deduction for those investing in private pension schemes could be considered a possibility, because it would involve a fairly low burden on the EU budget compared to other options, such as subsidising investment by staff in private pension schemes. The EU Institutions could propose opt-out or opt-in private pension schemes, in conjunction with private actors.

If the private pension schemes were to invest partly in equities, as is the case for example in the United Nations Joint Staff Pension Fund[23] or NATO, where staff can choose to invest their holdings in equity, bonds and cash funds, the eventual return rate on investment could be expected to be higher than the rate of return in the PSEO, but it would also be associated with higher risk.

Such a scheme has a number drawbacks which would need to be considered, principally the additional cost for managing the investment and the safety of investments and, therefore, future pensions.

5. OTHER ASPECTS THAT HAVE AN IMPORTANT IMPACT ON THE PENSION SCHEMES OF CIVIL SERVANTS

5.1. Use of contract agents and conditions of contract agents

By far the majority of Member States differentiate between civil servants and other public employees. In most Member States there are different rules for civil servants with regard to their legal status, recruitment procedures, job security, career and salary systems. However, in most Member States, civil servants and other public employees have the same or similar rules when it comes to social dialogue, ethical rules, disciplinary rules and in particular pension systems. According to the publication *Civil Services in the EU of 27, Reform Outcomes and the Future of the Civil Service*, Member States that have a separate pension scheme for civil servants and other public employees are Germany, Lithuania, Estonia, Cyprus, Belgium, France, Greece, Luxembourg, Spain, Austria, the Netherlands and Denmark. The

[23] http://www.unjspf.org/UNJSPF_Web/page.jsp?role=info&page=Invest&lang=eng

remaining 15 have the same pension scheme for both civil servants and other public employees.[24]

The 2004 reform of the Staff Regulations established the category of contract agents in the EU Institutions. Since then, contract agents have contributed to the work of the institutions by performing administrative support tasks and by providing additional skills. At the end of 2009, there were around 9000 contract agents in total for all institutions and agencies, and around two thirds of the total were employed by the Commission. Under the Staff Regulations, the same pension scheme applies to officials and contract agents. This is in line with the situation in the majority of the Member States that have the same scheme for officials and for other public service employees.

As regards the provisions on the minimum subsistence figure[25], these refer to the basic salary of an official in grade 1 step 1. An official or other servant acquires 4% of the minimum subsistence figure per year of service, i.e. after 25 years of service the retirement pension of an official or other servant cannot be lower than the minimum subsistence figure. Although the same provisions apply to officials and temporary staff, contract agents in particularly in the lower grades benefit more from this provision, as their entitlements are generally lower. For example, a contract agent in function group I may be entitled to a pension equal to the minimum subsistence figure, which would exceed 70% of their final salary. However, this is the only exception to the rule that the maximum pension entitlement is set at 70% of the final salary in any event.

The replacement of officials by contract agents, although not directly related to pension cost, has a major impact on the overall cost of pensions as it limits the final salaries on which pension benefits are calculated. This is due to contract agents having a lower salary grid and a shorter average duration of contracts by comparison with officials.

The 2010 Eurostat study shows that the introduction of the category of contract staff in 2004 will generate considerable annual savings (300 million Euros in 2059).

Keeping the same pension scheme for officials and contract agents is important in order to preserve the attractiveness of contract agents' positions, so as to attract qualified staff. It is already difficult to achieve geographical balance among different nationalities, and proposing a less attractive pension scheme for contract agents would further reduce the ability of the institutions to achieve geographical balance for this category of staff.

5.2. Individual progression in the salary scheme

The 2004 reform of the Staff Regulations introduced changes in the career structure. Although it is not related directly to pension cost, it does have an impact on the overall cost of pensions because it limits the final salaries on which pension benefits

[24] See *Civil Services in the EU of 27, Reform Outcomes and the Future of the Civil Service*, by C. Demmke, and T. Moilanen, Edition Peter Lang, 2010, p.98. See also Table 13 p. 99.

[25] Article 77, alinea 4 of the Staff Regulations states that the amount of the retirement pension must not be less than 4% of the minimum subsistence figure per year of service.

are calculated. These include lower entry level salaries combined with a longer career path involving more grades, but faster promotions. According to the 2010 Eurostat study, this aspect of the 2004 reform will generate annual savings of 94 million Euros in 2059.

The restructuring of the career stream in the AST function group provided for in the Commission Proposal will generate additional savings in the long term. In future, AST officials in charge of administrative, technical or training activities requiring a certain degree of autonomy (this excludes secretarial tasks), who wish to progress to the two highest grades (Senior Assistants), will have to demonstrate, in a selection procedure, that they possess an appropriate level of expertise and qualifications in terms of staff management, budget implementation and/or coordination. There is likely to be a new career structure for newly recruited secretarial staff with a linear career, as well as lower promotion rates than in the AST career and only six grades.

However, even though the progression of an individual in the salary scheme has an impact on pension costs, this aspect is only secondary when it comes to thinking about how to revamp the career system within the EU Institutions. It would be conceptually wrong to change the career system if its only aim were to achieve savings on pensions, while ignoring the fact that it has a major impact on active staff of the EU Institutions.

5.3. Gap between the benefits to employees of public service and private sector pensions

In almost all Member States, civil servants are subjected to separate regimes, and a separate pension scheme is often part thereof. There might be a number of reasons for having such special schemes, as well as pension benefits that are possibly higher than the general pension schemes. Firstly, pension benefits should be seen as a deferred portion of the civil servant’s salary that would be paid when they retire, and as an important component of a comprehensive package offered to civil service employees. Secondly, higher pension benefits in the civil service make it possible to attract highly qualified staff, even in cases where they are being paid a higher salary in the private sector for a comparable job with a similar level of responsibilities.

By offering higher pension benefits, the Member States can take into account the fact that, for certain job profiles, the level of salaries is lower than in the private sector and therefore has to be compensated by a higher level of social security. However, as the Green Paper points out, Member States are generally responsible for the design and organisation of their pension system and for pension provision. The gap between the benefits to public service employees and the level of private sector pensions is the overriding issue to be considered by the Member States. They are in charge of restructuring pension schemes in a manner which ensures that these pension schemes are adequate, sustainable and safe.

As regards the issue of whether there is a gap between the pension benefits of EU staff and those paid on the private market, it is important to realise that, as explained above, the main comparators for the pension benefits of EU civil servants, who are mainly expatriates, are the ones who recruit comparable staff and have a similar career and salary structure, i.e. other international organisations, national diplomatic services, and central government services in the Member States. As regards the private sector, the comparison should be based not only on pensions, but should be much wider and include other aspects, such as general salary levels and career progression, because of the huge gap between the private and the public sector in this respect.

Lastly, it should not be forgotten that many private multinational companies have supplementary pension funds and offer additional pension benefits as a way to attract and keep qualified employees.

5.4. Costs for the EU Institutions to provide pensions

The 2010 Eurostat study showed that the PSEO is not yet mature, and that the number of pensioners and pension expenditure are bound to increase until such time as the pension scheme reaches maturity. Given that the PSEO operates as a notional fund, the staff pay for the pension rights that they acquire in a given year from their pension contribution, which covers one third of the actuarial cost of those pension rights. This contribution, together with the employer's contribution which is not paid, is considered to be invested in long term bonds issued by the Member States. For the purposes of comparison, this would be the most conservative approach to adopt for a private pension fund, which gives low returns compared to a mixed fund.

In the assessment of the actuarial balance of the PSEO carried out in 2010, Eurostat calculated that the total service cost, which should be paid to the fund in order to cover the pension rights acquired in 2011 should be 1 206 million Euros. EU civil servants will pay one third of this amount, i.e. 402 million Euros, corresponding to 11% of their basic salaries. Therefore, the portion to be covered by the employer in 2011 is 804 million Euros. Absent any significant change in the other parameters, the total cost of pension rights, and therefore the employer's contribution, is likely to remain of the same order.

5.5. Role of pensions in the overall reward package for EU staff

When being offered a job, older people seeking employment are likely to give more consideration to the role of pensions in the reward package than are younger candidates. Also, candidates who have previously worked in the private or public sector have acquired some experience and sensitivity in dealing with retirement issues. Candidates who leave the system with which they are familiar to enter a new, unfamiliar system are likely to pay particular attention to this new system. Lastly, candidates who put a premium on (job) security and a predictable career over top salaries in less stable employment will pay greater attention to the pension scheme. The typical official newly recruited by the EU Institutions is likely to fall into one of these categories.

As the institutions typically employ persons who started their career elsewhere and who are therefore 35 years old on average, the importance of the pension system in the overall reward package is believed to be higher than, for example, for public employees in Member States who start their careers in public administration immediately after they graduate. The fact that almost all new recruits have previously worked elsewhere is also attested to by the number of transfers to the PSEO of pension rights acquired outside the institutions. On average, the officials who were in active employment on 31 December 2009 have transferred 1.6 years of acquired rights in the PSEO, which resulted from a much longer period of work in the Member States.

Another feature of new recruits to the institutions, which is also linked to the fact that they are relatively older, is that many of them have started a family or were about to do so around the time when they were recruited. Their individual situation is likely to prompt applicants to give careful consideration to the social benefits, including pensions, and to compare them with their other options.

Although the Commission has not carried out any specific research on this topic, which also appears difficult to assess methodologically, it is reasonable to conclude that pensions play a significant role in the decision by would-be employees to choose the EU Institutions as a career.

5.6. Future recruitment and retention needs of the EU Institutions

Although recruitment needs for officials for 2011-2013 at the Commission are estimated at 1,393 AD officials and 1,251 AST officials[26], as part of the envisaged Financial Framework 2014 - 2020 the Commission is proposing to cut staff in each EU Institution by 5 % during the period 2013 – 2017; this will be done in part by not replacing staff who retire or those whose contracts expire.

It should be mentioned that there is a growing geographical imbalance between nationals of different Member States and this is particularly visible in the case of certain nationalities. This is mainly due to the fact that the EU Institutions are confronting the challenge of offering sufficiently attractive working conditions to potential employees from those Member States.

Pension benefits should definitely be considered as part of the package that enables the most qualified candidates from all Member States to be recruiting and retained, including those countries with the highest salaries and the most competitive labour market.

5.7. Ensuring that future pension provision is fair across the EU workforce

Ensuring that future pension provision is fair across the workforce is a conceptual issue faced by Member States when reforming their own pension scheme. They need to protect acquired rights and, at the same time, ensure that the pension benefits and the burden of providing these benefits is distributed fairly across the different generations.

To a certain extent, the EU Institutions are confronted by the same issues. Following the reform of the Staff Regulations in 2004, there is now a slightly different set of rules that apply to the staff recruited before the effective date of the 2004 reform and after that date, because the staff members that were already in place are covered by transitional provisions. This was in line with the principle of acquired rights and non-discrimination.

[26] Human Resources Report 2011, p. 43.

Under the terms of the Commission proposal, the staff recruited before the entry into force of this proposal would be covered by a similar transition as in 2004 as regards the increase in the normal pension age. This transition will result in greater consistency between the situation of colleagues recruited before 2004 and those recruited after 2004.

5.8. Sharing risk between the EU Institutions (the employer) and employees

The PSEO is not directly exposed to investment risks because contributions are not paid to a real fund; thus the capital is not invested. Article 10 of Annex XII to the Staff Regulations indicates *"interest rates to be taken into consideration for the actuarial calculations shall be based on the observed average annual interest rates on the long term public debt of Member States…"*. Thus it is as if contributions were paid to a notional fund and the corresponding capital is invested in the bonds of Member States. This is probably the most conservative investment available, which means that the rate of return is rather low.

If the pension system were to be restructured in such a way that an element of risk is indeed included, it should be borne in mind that the staff of the EU Institutions might be ready to accept higher risk in return for a higher rate of return that would result in a lower contribution rate being necessary to maintain the pension scheme in balance. Nevertheless, since the institutions have the duty of care towards their staff, the issue of providing additional resources in case of the fund's failure to pay pensions remains.

The financial burden of the contribution to the pension system is not a risk in this sense. One third of this burden is borne by the staff of the institutions; the remaining two thirds are covered by the EU budget to which EU taxpayers contribute in their turn.

Member States operate different systems in this respect. It is not uncommon for public officials not to contribute to their pensions at all. The Member States submitted the following information on how the burden is shared between employer and employees:

Proportion of pension contribution paid by the employee and by the employer in the pension schemes applicable to civil servants in central government of Member States

Member State	Contribution paid by the employee (%)	Contribution paid by the employer (%)
AT	33,3%	66,7%
BE	0%[27]	100%
BG	Not specified	Not specified
CY	Not specified	Not specified

27 Please note that in Belgium a 7.5% contribution rate is paid by the employee to finance survivor's pensions only.

CZ	23.2%	76.8%
DE	0%	100%
DK	0%	100%
EE	0%	100%
EL	33,3%	66,7%
ES	16,6%	83,4%
FI	18,2% to 22% depending on the age	81,8% to 78%
HU	28.4%	71.6%
IE	Not specified	Not specified
IT	26,7%	73,3%
LT	11,4%	88,6%
LU	50%	50%
LV	27,2%	72.8%
MT	33,3%	66,7%
NL	30%	70%
PL	50% or 20% or 100%, depending on the scheme	50% or 80% or 0%, depending on the scheme
PT	40% or 33,3%, depending on the scheme	60% or 66,7%, depending on the scheme
RO	25.4% to 33.5%	74.6% to 66.5%
SE	0%	100%
SI	63,6%	36,4%
SK	29,2%	70,8%
UK	7.4% or 15.6%,	92.6% or 84.4%,

NB: France is not included in the table as no reply was provided to the questionnaire.

5.9. Wider EU staffing and HR policy to encourage longer working lives and adequate saving for retirement

In its proposal the Commission suggested increasing the normal pension age and enhancing the possibility of working beyond the pension age. The Commission will consider the human resources measures that would help elderly people to work, in addition to those measures that are already laid down in the Staff Regulations, for example the possibility of working part-time to prepare for retirement, subject to payment of a small supplement. Some of these measures do not require any change to the Staff Regulations and they would be implemented by the EU Institutions.

6. SAVINGS RESULTING FROM THE COMMISSION PROPOSAL

While savings in the pension cost from the 2004 reform of the Staff Regulations will continue to grow over time, the Commission proposal, if adopted, would yield further savings. A number of the changes to the Staff Regulations suggested by the Commission would directly limit the cost of pensions. These include: raising the normal pension age from 63 to 65, the effective postponement of the mandatory retirement age until 67, and limiting access to early retirement by raising the minimum age of retirement from 55 to 58.

Changes have also been suggested to the Staff Regulations which, while not directly related to pension cost, do have an impact on the overall cost of pensions by limiting the final salaries on which pension benefits are calculated. Careers of AST officials carrying out secretarial tasks would be reviewed and capped with the creation of a new function group (AST/SC). For other AST officials, access to the top AST grades (AST 10 and 11) would be limited by linking them to a higher level of responsibilities. The suggested 5% staff cut would result in a lower number of future beneficiaries and will also reduce future pension costs.

An analysis of the impact of these changes shows that the Commission proposal will significantly reduce pension costs in the long run. The Commission presents the pension related savings from three angles: the impact on pension expenditure in the long term, the impact on the service cost to be financed each year and the impact on pension liability.

The three approaches are complementary. The assessment of pension savings in the long term focuses on the time at which pensions are paid (Cash Flow Approach). Service cost focuses on the time when the pension rights are acquired and financed (Projected Unit Credit Method). Lastly, pension liability focuses on pension rights cumulated at a reference date (normally 31 December of each year).

6.1. Long-term Impact of the Commission Proposal on pension expenditure

If the methodology and the assumptions of the 2010 Eurostat study were used to measure the effect of the Commission proposal (including the 5% staff cut), the annual pension expenditure would grow more slowly over the projection period (2013 - 2059)[28]. This simulation shows that, if the Commission proposal entered into force on 1 January 2013, the annual pension expenditure after 2060 would decrease by an additional 500 million Euros. This would add to savings of 1 047 million Euros yielded by the 2004 reform of the Staff Regulations, giving total annual pension savings in 2059 of 1 550 million Euros. This means that the Commission proposal, if it were in force from 2013, would result in further savings of around 50% in annual pension expenditure.

[28] It must be noted that the 2010 Eurostat study on the long-term budgetary implications of pension costs has not been updated. Pension savings presented in this part were calculated with a simplified methodology.

The table below shows the total estimated savings in annual pension expenditure in 2059 (in constant prices) generated by the 2004 reform and the Commission proposal, if it entered into force on 1 January 2013.

Table: Impact analysis of the Commission proposal and the 2004 reform (million EUR) on annual pension expenditure in the long term (2059)

Item	2008 prices
Total impact of the 2004 reform:	**1047**
- Correction coefficients	120
- Establishment in 2004 of the contract agents' statute	300
- Salary progression due to seniority and promotions	-227
- Entry salary level	321
- Pension accrual rate	106
- Retirement table	426
Total impact of the Commission proposal	**500**
Total impact of the Commission proposal and the 2004 reform	**1547**

6.2. *Impact of the Commission proposal on the service cost*

The pension contribution rate is calculated annually in order to finance the pension rights that will be acquired in the coming year (service cost), regardless of the date from which the corresponding pension will be paid. The service cost represents the amount which would be paid into the pension fund, if it existed.

However, the service cost can only measure those aspects of the Commission proposal that directly reduce the cost of pensions, i.e. raising the normal pension age from 63 to 65, postponing the mandatory retirement age until 67 and limiting access to early retirement by raising the minimum retirement age from 55 to 58[29]. Other factors that indirectly limit the overall cost of pensions (see above) are left aside.

If the Commission proposal were in force[30], the service cost would be 9.5% lower than the cost currently calculated at 31 December 2010[31], i.e. it would be 1 092 million Euros instead of 1 206 million Euros. However, this saving would be seen only in the long term, once the new parameters are applied to all active members.

29 Their impact on the yearly service cost, expressed in percentages, is representative of the whole career service cost (i.e. total pensions to be paid till the person dies), if other assumptions remain unchanged (ceteris paribus).

30 Simulation based on active population at 31.12.2010, which exclude any impact due to change on the structure of the population.

31 Pension assessment at 31.12.2010 based on parameters and assumptions of the Staff Regulations in force from 2004.

The saving is likely to be negligible in the very short term and will increase gradually each year to reach about 9.5% as a result of the implementation of transitional measures.

The calculation of the current service cost is based on the assumption that the staff recruited prior to the 2004 reform of the Staff Regulations and after that reform will retire at the ages of 63 and 64 respectively. This has been compared with the service cost calculated on the assumptions deriving from the Commission proposal (assumed minimum retirement age of 65 and assumed maximum retirement age of 67). Changes to the minimum retirement age, a penalty for early retirement and incentives for late retirement have also been considered.

6.3. Impact of the Commission proposal on the PSEO liability

The Commission proposal would have an impact on the PSEO liability because calculation parameters would have to be updated accordingly[32]. The gross PSEO liability at 31 December 2010 has been valued at 37 702 million Euros, including family allowances and the effect of correction coefficients.

The increase in the normal pension age from 63 to 65 provides a greater incentive for late retirement (work until age 67) and limited access to early retirement (by raising the minimum retirement age from 55 to 58) is bound to reduce the PSEO liability.

The above measures only have an impact on the liability of contributing members, which was evaluated at 21 246 million Euros at 31 December 2010 (56% of the total PSEO liability).

The savings of the pension cost generated by the Commission proposal at an individual level depends on the age of the person. Higher savings will be made for young staff aged under 30 years on 1 May 2013, whereas, the transitional measures mean that there will be no savings in relation to staff aged 59 and over.

The simulations show that the Commission proposal would reduce the liability of all contributing members by 14.5%; this means that the liability at 31 December 2010 would be 18 166 million Euros instead of the current figure of 21 246 million Euros.

7. CONCLUSIONS

After having considered the above, the Commission has reached the following conclusions:

– As regards the accrual rate, the basis for the pension, the maximum possible pension rate and the staff contribution rate, the PSEO is fully in line with the schemes of the Member States. As far as some aspects are concerned, such as the level of the employee's pension contribution, the PSEO is among the

[32] The PSEO liability also called "Defined Benefit Obligation" (DBO) is determined by discounting the estimated future cash outflows attributed to past services using a discount rate based on interest rates of government bonds denominated in the currency in which the benefits will be paid, and with maturity terms approximating those of the PSEO. This liability corresponds to pension rights acquired by active staff (pension contributions) and to transfers from other pension schemes.

schemes of the Member States where the rate is the highest. As far as the above issues are concerned, the PSEO is also in line with the Green Paper.

– The EU Institutions fall within the range of the schemes of Member States for national officials as regards normal pension age. However, in order to comply fully with the orientations of the Green Paper, the measures that are set out in the Commission proposal need to be implemented. In particular this involves restricting early retirement by raising the minimum retirement age to 58 and lowering the number of early retirements without reduction of pension rights to 5%, ensuring longer working lives by raising the normal pension age to 65 and postponing the mandatory retirement age to 67. These measures would bring the Commission into line with the most advanced Member States, whereas many of them still have to carry out similar reforms.

– If a decision were taken to consider establishing an actual pension fund, such a measure would result in a higher expenditure on the pension scheme in short and medium term. However, it would reduce the pension costs in long term, since pension expenditure would be partly or fully financed from the pension fund, depending on the solution adopted.

– The measures contained in the Commission proposal, if adopted, would have a considerable impact in terms of reducing long-term pension costs. In the long run, the annual pension expenditure would fall by around 500 million Euros, and the service cost – which reflects the amount to be invested in the real pension fund if it existed – would be reduced by 9.5%. They would have an immediate impact on the share of the pension liability for active staff, which would fall by 14.5%.

Annex X : Survey results on central government pension schemes in the EU, Eurostat, 2018

Eurostat
Unit C3 - Statistics for administrative purposes

Luxembourg, 26 June 2018
Doc. 20180626 Art83_09

Meeting of the Working Group
on Article 83 of the Staff Regulations

Luxembourg, 26 June 2018, 9:30 a.m., Bech building, room Ampere

Central government pension schemes in the EU
- Survey results –

Item 7 of the agenda

Contents

1 Introduction

According to the decision taken at Article 83 Working Group (Art83 WG) meeting held on 30 June 2010, a questionnaire on pension schemes in central governments of EU Member States (QPSCG) was launched in 2010 by Eurostat unit C6[1] (Verification of statistics for administrative purposes).

The target population of the survey were permanent statutory staff of the sub-sector "central governments" (S.1311 of ESA95) of Member States (MS), which included all the administrative departments but also those central agencies whose competence covers the whole economic territory, except for the administration of social security funds".

The aim of the QPSCG was to identify the main features of the pension schemes applicable to national civil servants working in the central governments of the MS.

That first survey permitted to draft a first report which was submitted at the Art83 WG 2011 meeting.

In the framework of the announced reform of Staff Regulations applicable to EU official, a slightly modified questionnaire with a different structure was addressed to the delegates in the course of 2011.

Further surveys were launched in 2012, 2014, 2016 and 2017.

The present report is the outcome of the survey launched in the first half of 2018 in compliance to the decision taken by the delegates in the course of the 2017 meeting of the WG.

Eurostat strongly believes that a comparative analysis of national pension schemes represents a tough exercise in consideration of the inherent complexity of the topic, of the existence in some countries of more than one pension scheme applicable to the target population of the survey and of the challenging methodological issues.

For those MS where more than one pension schemes exists to the benefit of the target population of the present survey, only a single scheme has been retained in the analysis. Its selection has been made according to the following criteria:

- the scheme applicable to the population having closer characteristics to those of the target population has been taken,
- the scheme applicable to most of the population with characteristics similar to those of the target population has been taken,
- the most recent scheme has been taken.

While acknowledging that the choice to select only one pension scheme where several ones exist can be questionable from the statistical methodological perspective, this approach has been retained for the sake of simplification.

Finally, as relates to countries which didn't provide any reply to the present survey, the latest

[1] Now unit C3 "Statistics for administrative purposes"

available information (from previous surveys) has been retained when allowed by the new structure of the survey with respect to preceding ones.

2 Summary of replies

Out of the 28 MS, 22 have responded to the questionnaire.

In the case of two MS (MT and PT), multiple schemes all falling within the scope of the present survey have been presented.

As regards the MS which did not reply, Eurostat considers their previous replies as still actual.

3 Analysis of replies by item

The QPSCG consisted of 44 questions conceived to identify the main features of the pension schemes applicable to national civil servants working in the central governments of MS. A synthesis by **QPSCG** items is detailed next.

3.1 Entry into force of the pension scheme (Item 1.4)

The date of entry into force of the current pension schemes in the MS is quite variable.

In the vast majority of cases the current scheme entered into force in the second half of the past century or later.

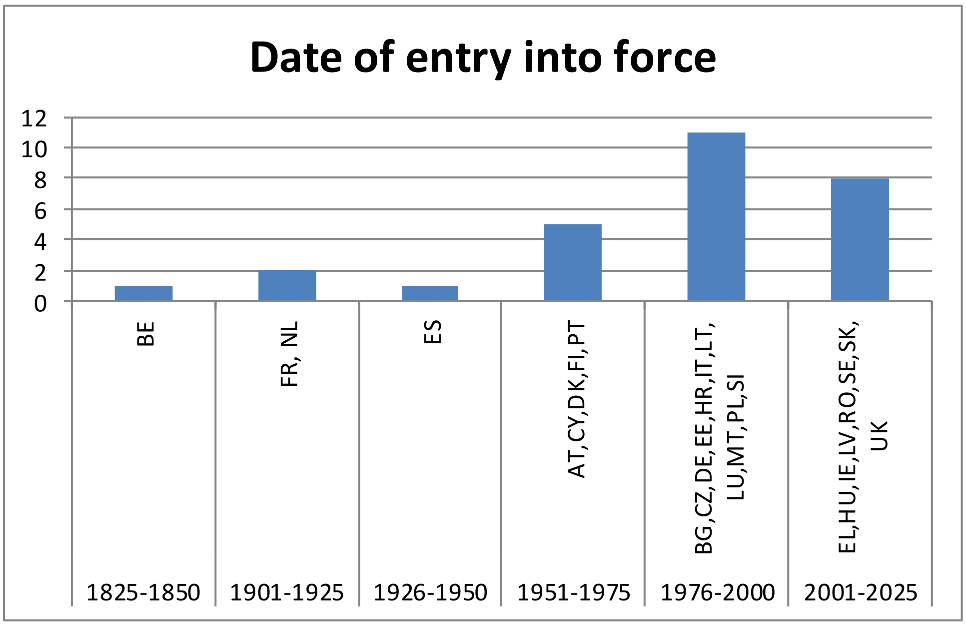


Chart 1

3.2 Date of last revision to provisions (Item 1.5)

The growing attention paid by MS to their pension provisions is proved by the fact that the majority of the countries have revised their pension schemes provisions in in the course of the last decade.

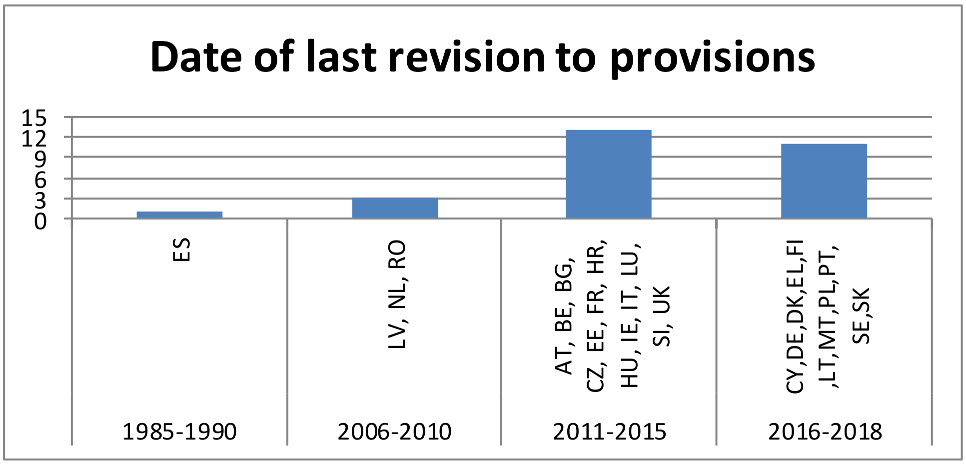


Chart 2

3.3 Population concerned (Item 2.1)

The target population of the survey are permanent statutory staff of the sub-sector “central governments” of MS. However the relevant pension schemes sometimes also cover a larger share of population as depicted in the chart below.

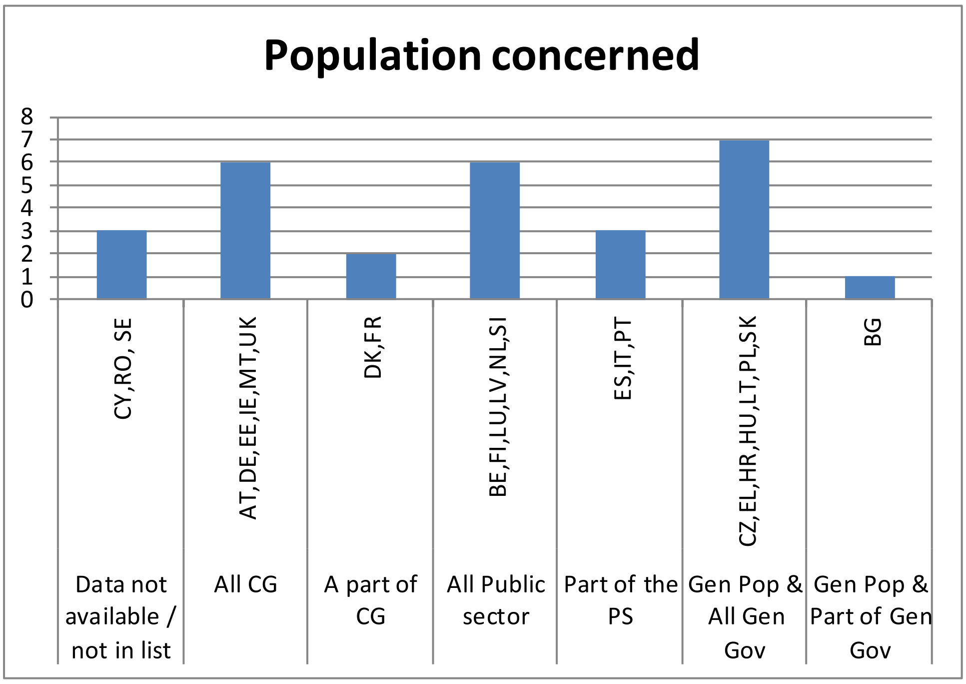


Chart 3

3.4 Exclusivity (Item 2.2)

The information above is complemented by the chart below which addresses the exclusivity issue of the relevant pension scheme. In most of the cases the concerned pension scheme applies mainly but not exclusively to the targeted population.

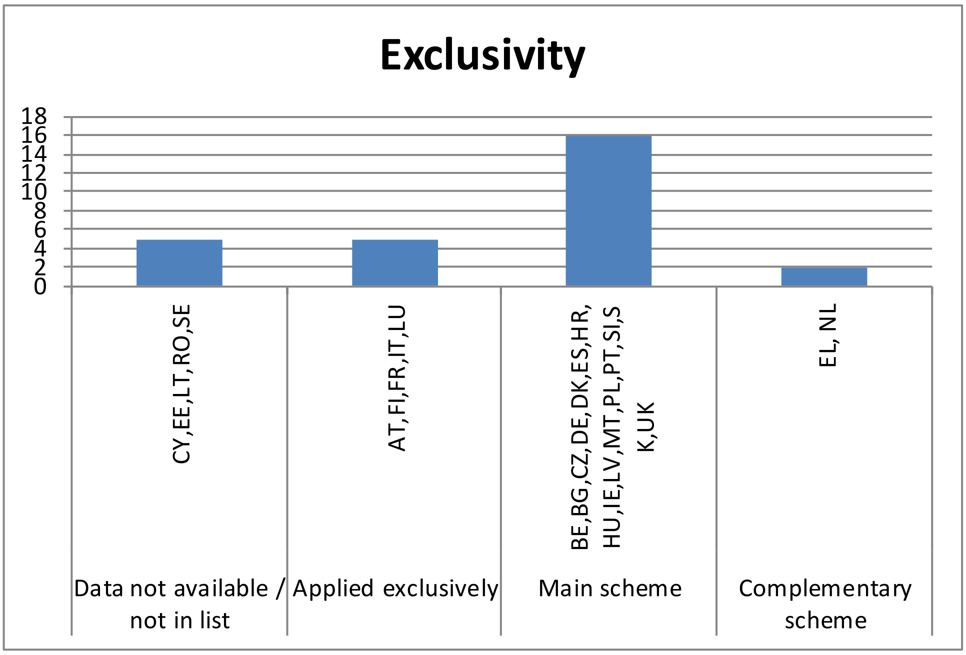


Chart 4

3.5 Compulsoriness (Item 2.3)

The indicated pension scheme is mandatory in almost all cases.

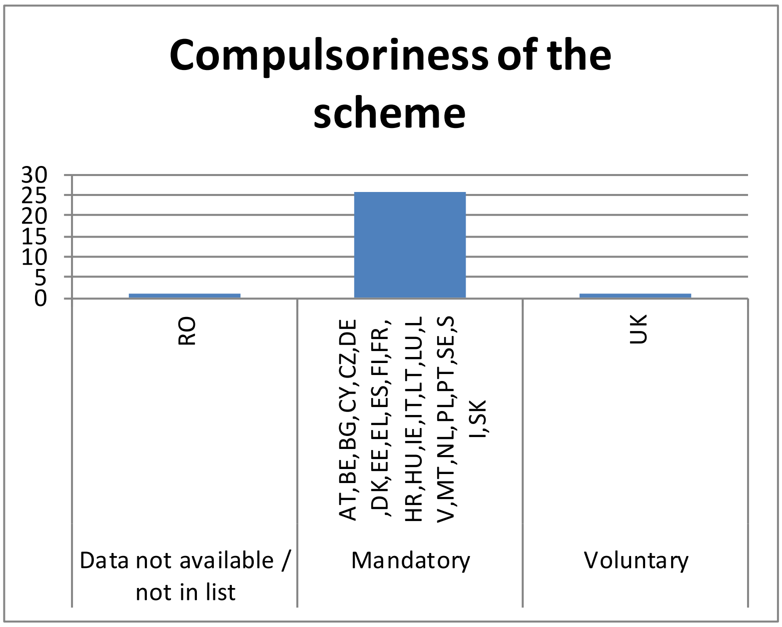


Chart 5

3.6 Quota (Item 2.4)

In most cases, the relevant pension scheme covers the totality of civil servants of Central Governments.

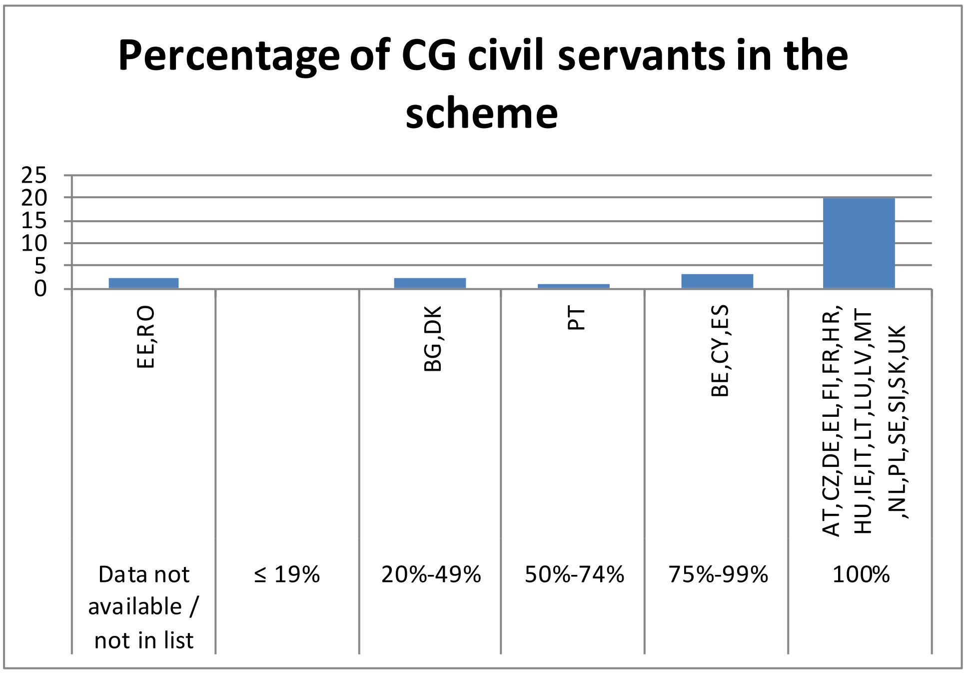


Chart 6

3.7 Type of scheme (Item 3.1)

Most of the pension schemes are "*defined benefit"* ones, which means that benefits on retirement are determined by a set formula and do not depend on investment returns: a certain pay-out is then guaranteed at retirement.

The remaining part is split between:

- "defined contribution" systems where pay-out at retirement will depend on contribution made and investments performance;
- hybrid pension schemes.

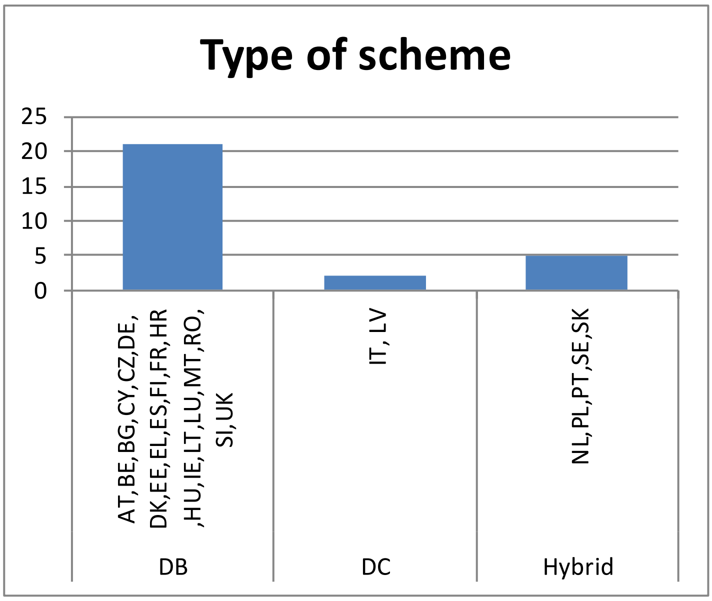


Chart 7

3.8 Funding system (Item 4.1)

The majority of the national pension schemes are "*unfunded*", in other terms pension contributions are not transferred to a fund.

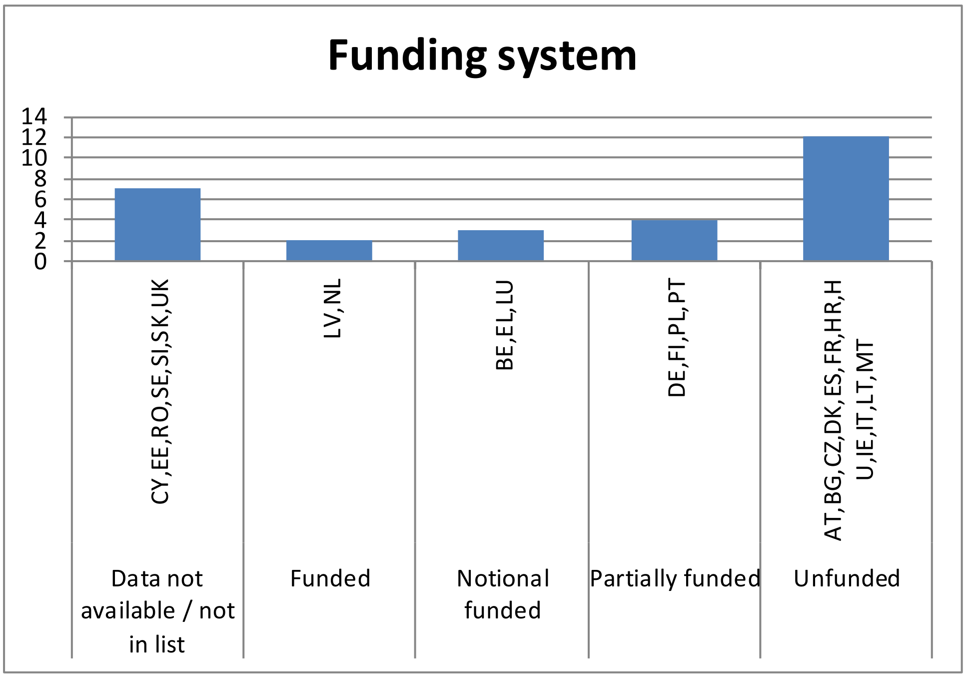


Chart 8

3.9 Contribution paid by officials as percentage of the total (Item 4.2)

The total contribution requested to finance the pension scheme is usually shared between the employer and the official. The sharing ratios are different in the various MS.

However, in some cases no pension contributions are paid by officials.

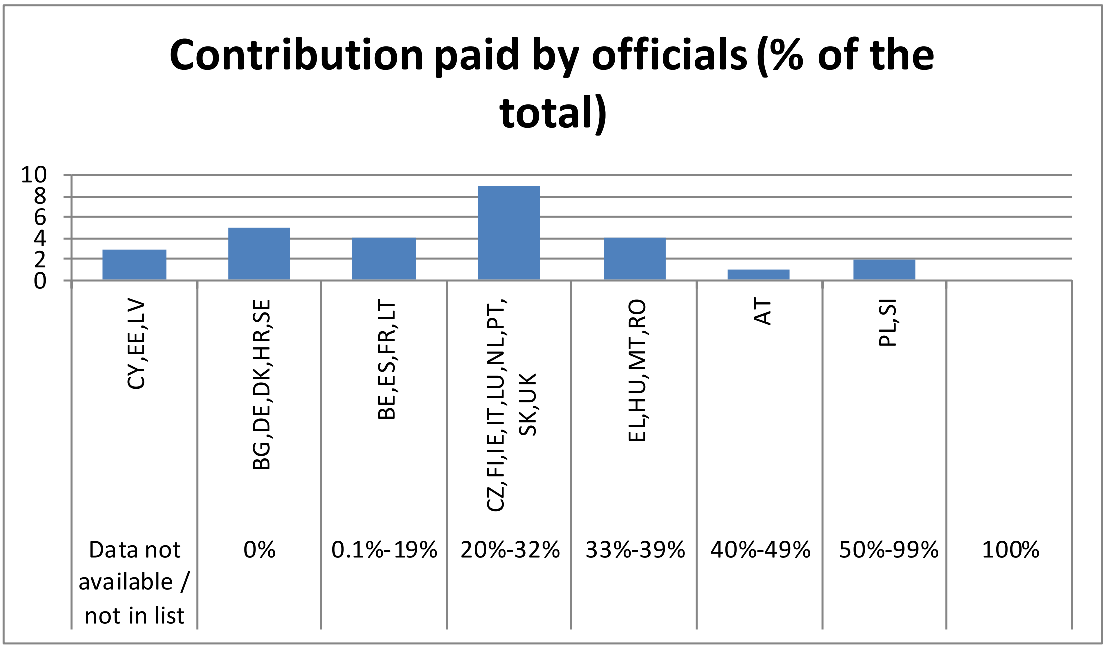


Chart 9

3.10 Coverage of the yearly pension expenditure (Item 4.3)

The yearly pension coverage is granted via a Pay-As-You-Go method in the majority of Member States.

In the rest of cases mostly the budgetary method is implemented.

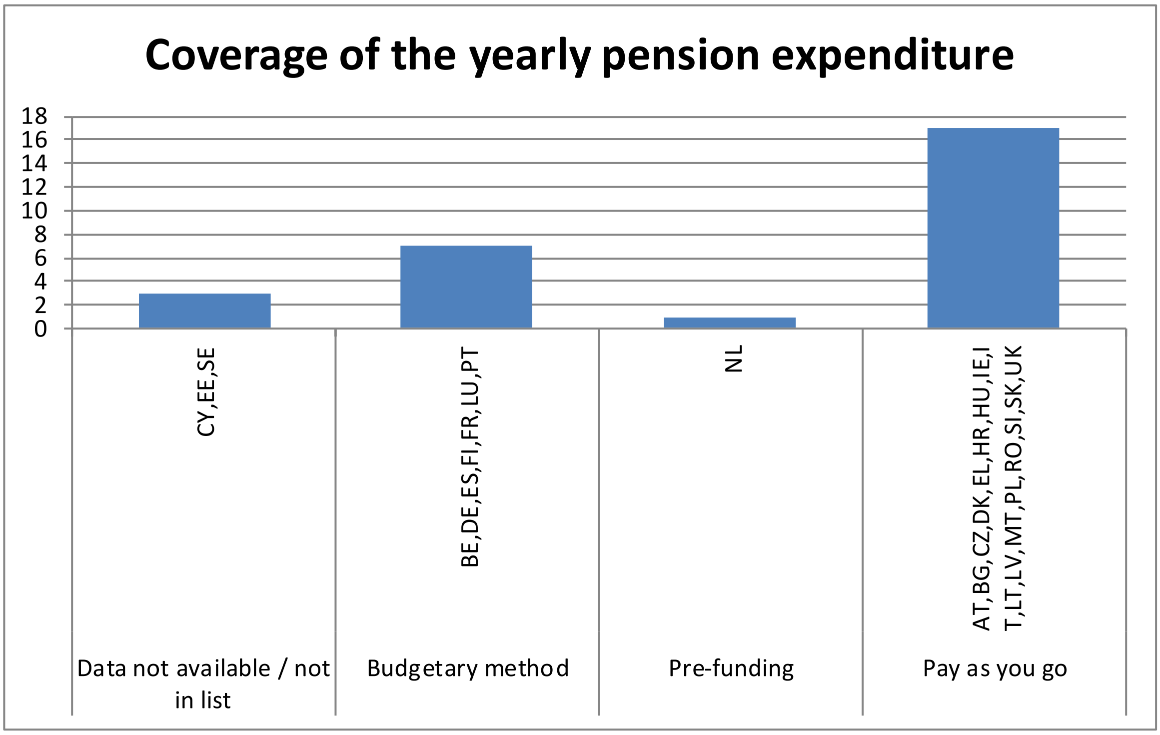


Chart 10

3.11 Current Pension Contribution Rate paid by Officials (Item 4.4)

Officials generally contribute to the financing of the pension scheme. In all known cases, this contribution is calculated as a percentage of their basic salary.

At one extreme, officials from some MS pay zero contributions.

On the other hand officials from some other MS are subject to pension contribution rates higher than 15%.

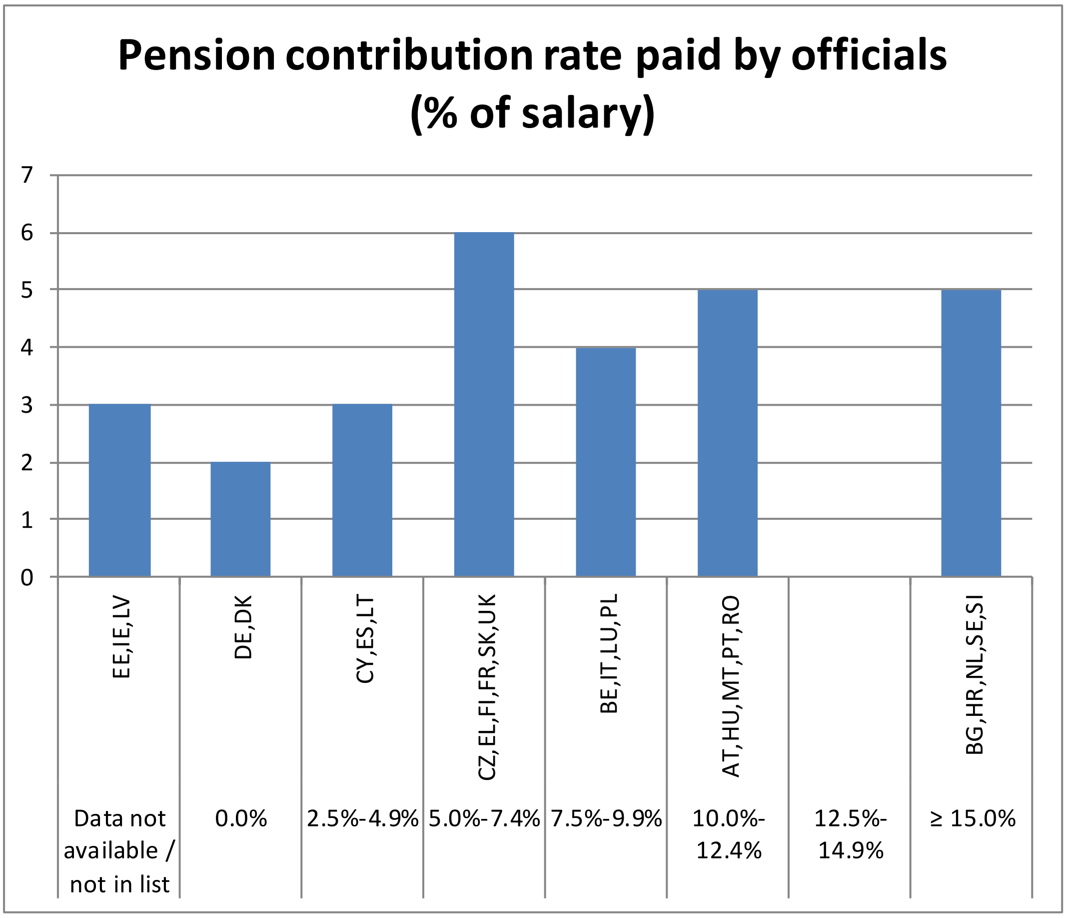


Chart 11

3.12 Pension Contribution Rate update (Item 4.5)

The contribution rate to be paid by officials is in the majority of the cases updated by ad-hoc political decisions which do not take place at regular intervals of time.

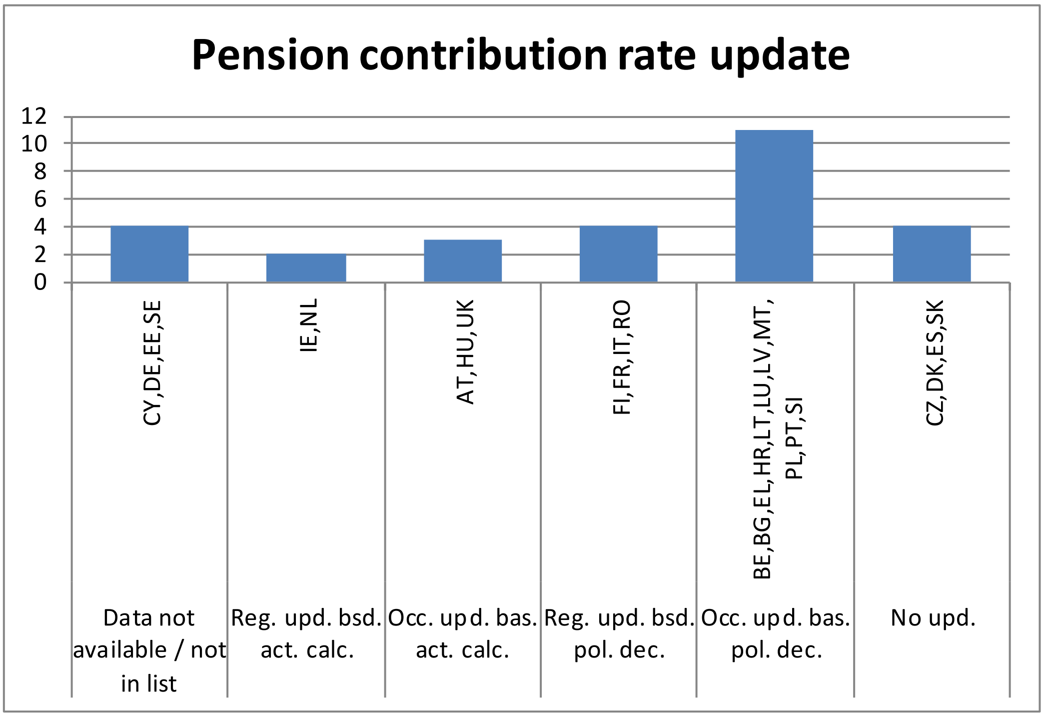


Chart 12

3.13 Sustainibility (Item 4.6)

An indicator of the sustainability of the pension scheme is represented by the ratio between contributors and beneficiaries.

The majority of schemes present a ratio over 80% witnessing either very good health of the system or simply the fact that the scheme is very young.

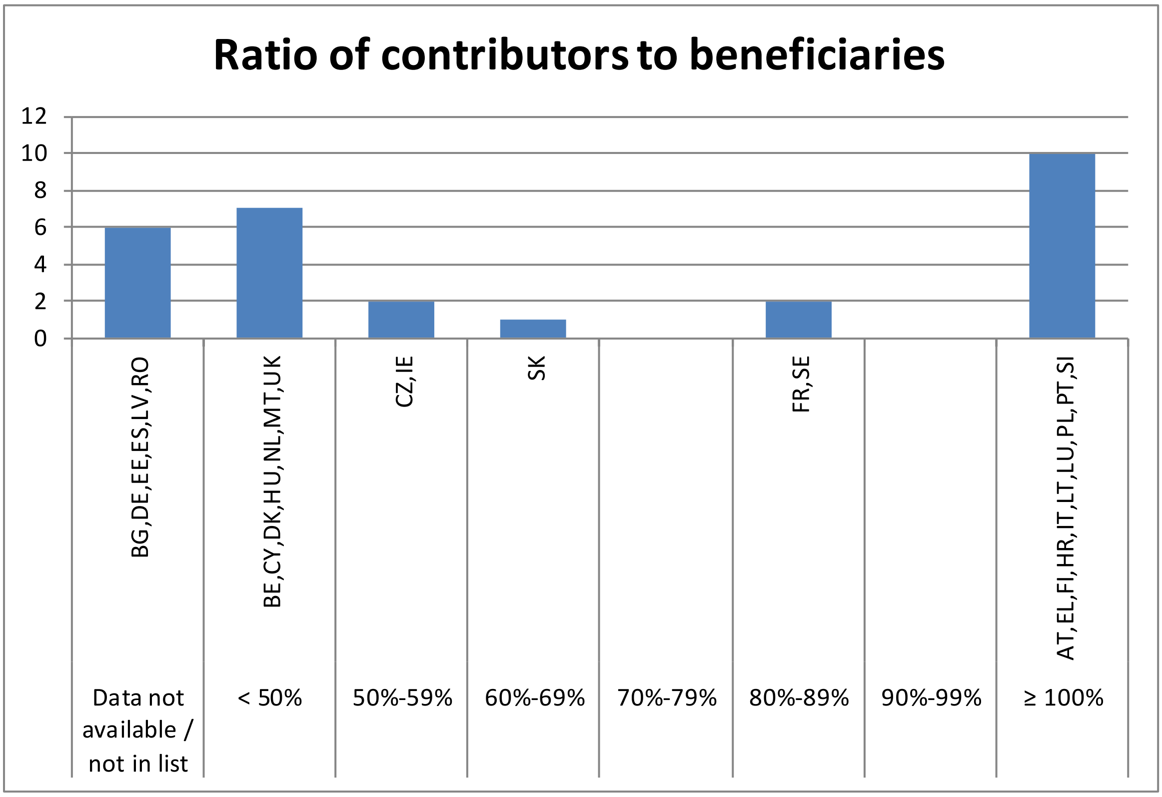


Chart 13

3.14 Maximum pensionable age (Item 5.1)

The lowest maximum pensionable age (age at which officials are obliged to retire) is 65.

At the other extreme, in the case of several MS, officials may stay at work over 70.

In some MS, a maximum pensionable age is not defined.

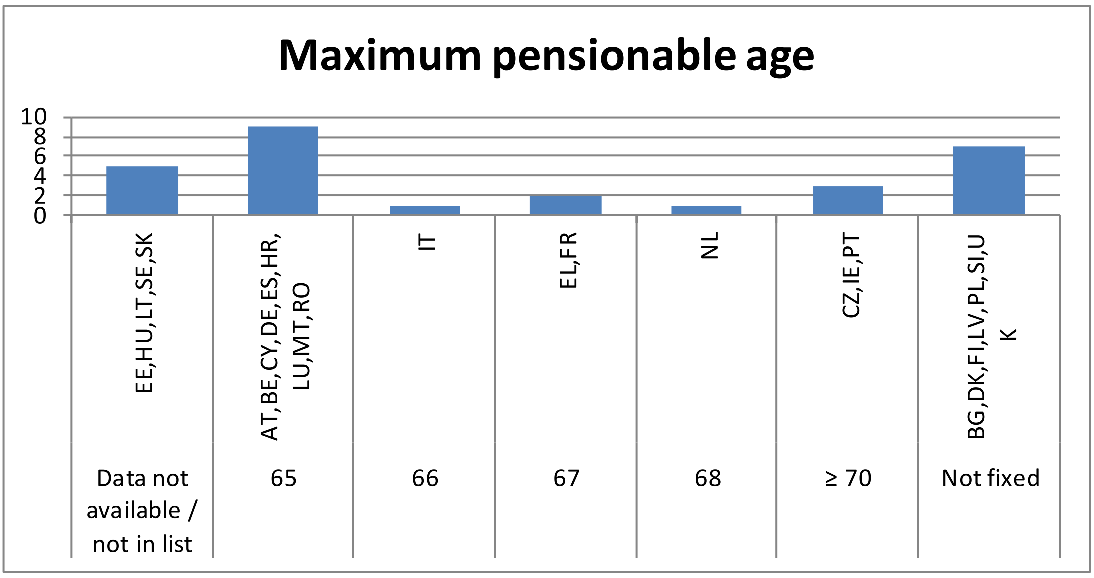


Chart 14

3.15 Bonus for extra-years (Item 5.2)

A bonus for extra years of service after the normal pensionable age is foreseen in the majority of cases.

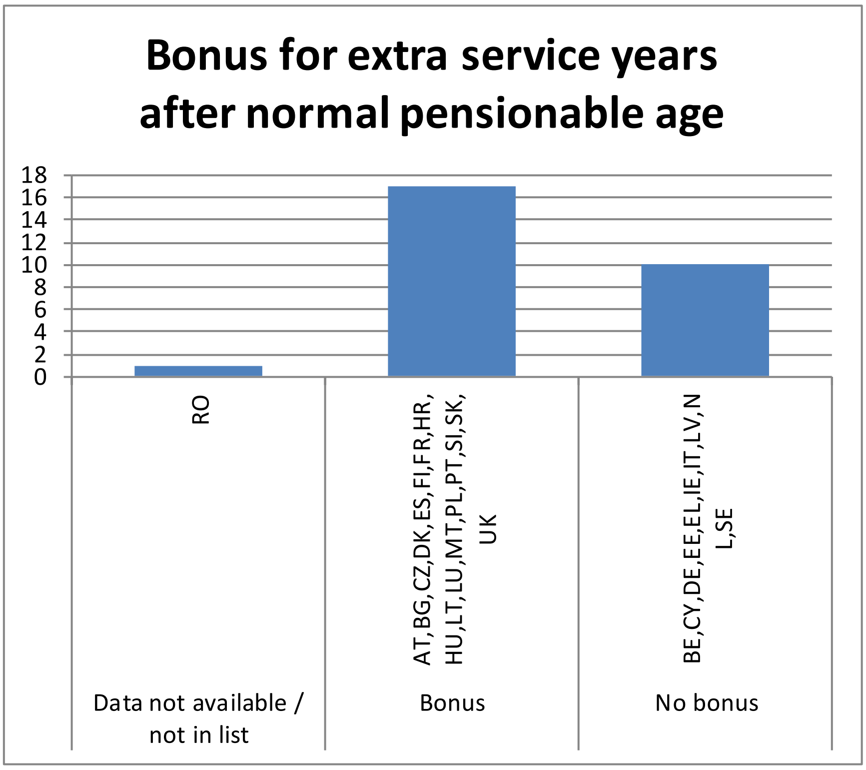


Chart 15

3.16 Normal pensonable years (Item 5.3)

The normal pensionable age is the one allowing the official to retire without penalties. The normal pension age varies considerably between MS.

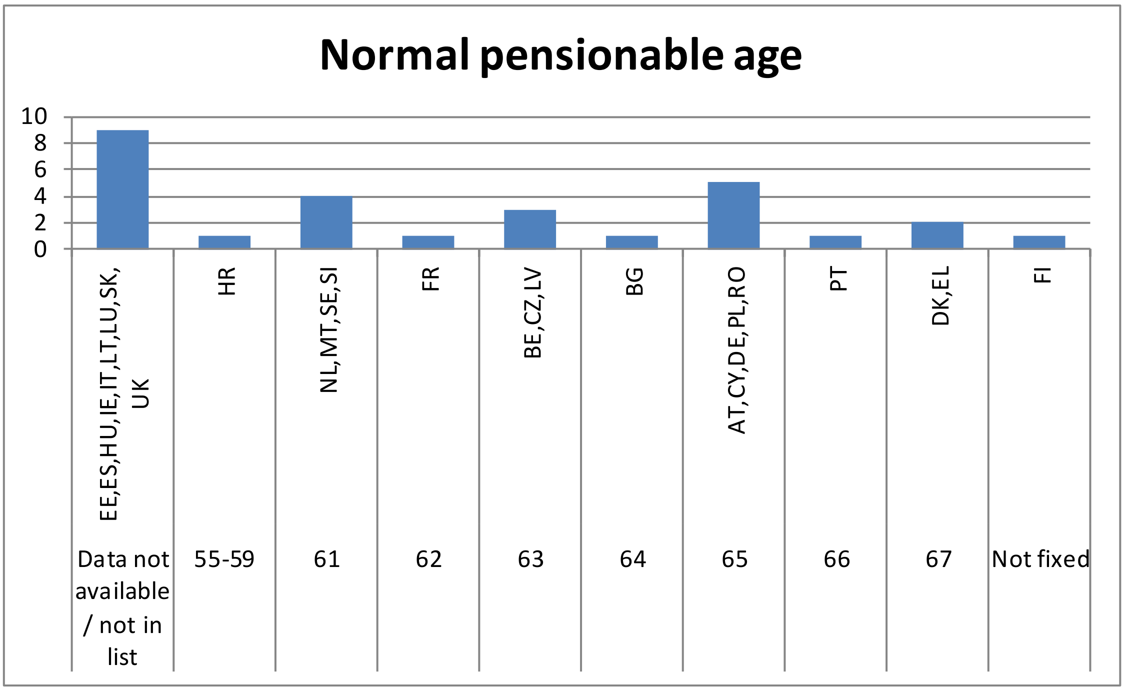


Chart 16

3.17 Pensionable age if full contribution (Item 5.4)

The age at which official can retire without penalties if the full contribution threshold has already been reached is different in the various countries.

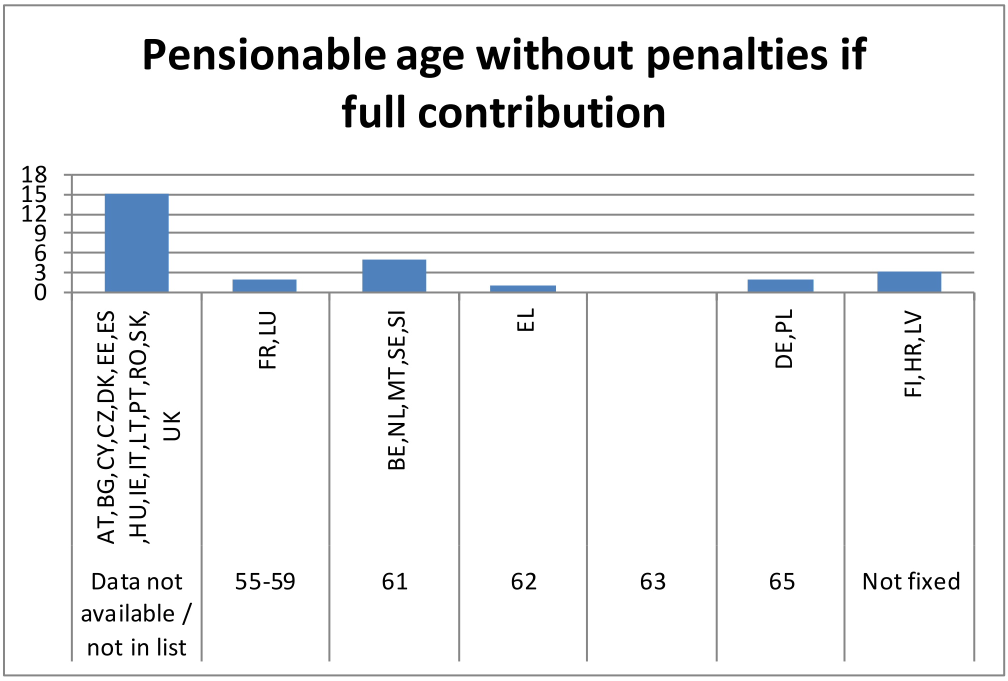


Chart 17

3.18 Pensionable age by gender (Item 5.5)

Usually the pensionable age is the same for men and women. However in some cases a difference of pensionable age was observed.

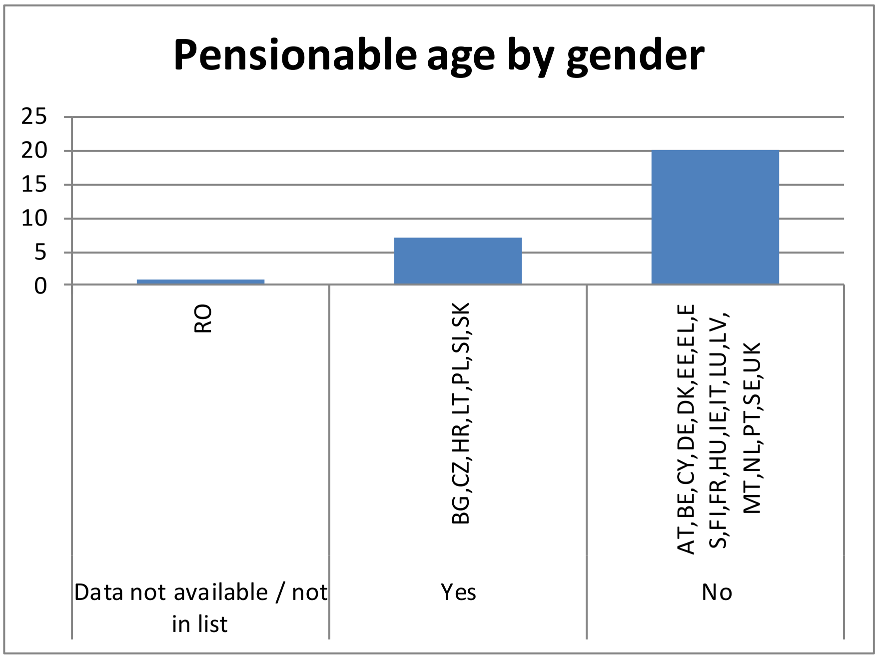


Chart 18

3.19 Pensionable age & Life Expectancy (Item 5.6)

In most of the MS the pensionable age is updated, either regularly or occasionally, to reflect the new life expectancy.

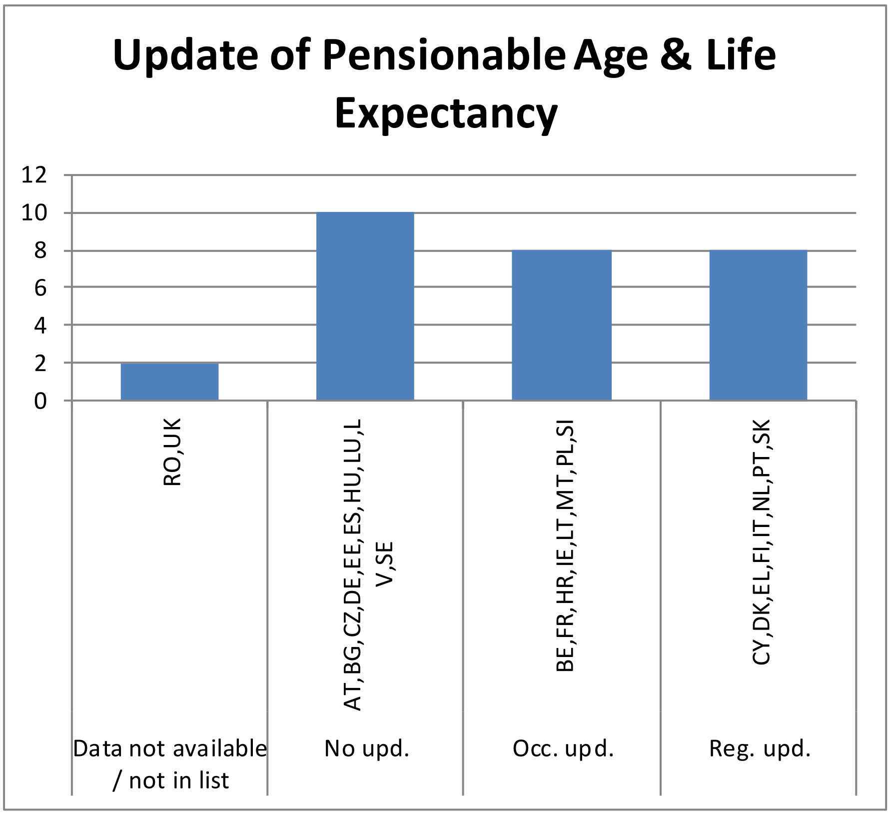


Chart 19

3.20 Early Retirement Age (Item 5.7)

In some MS officials are not required to wait until reaching the normal retirement age: they are allowed to retire earlier even if that usually involves penalties.

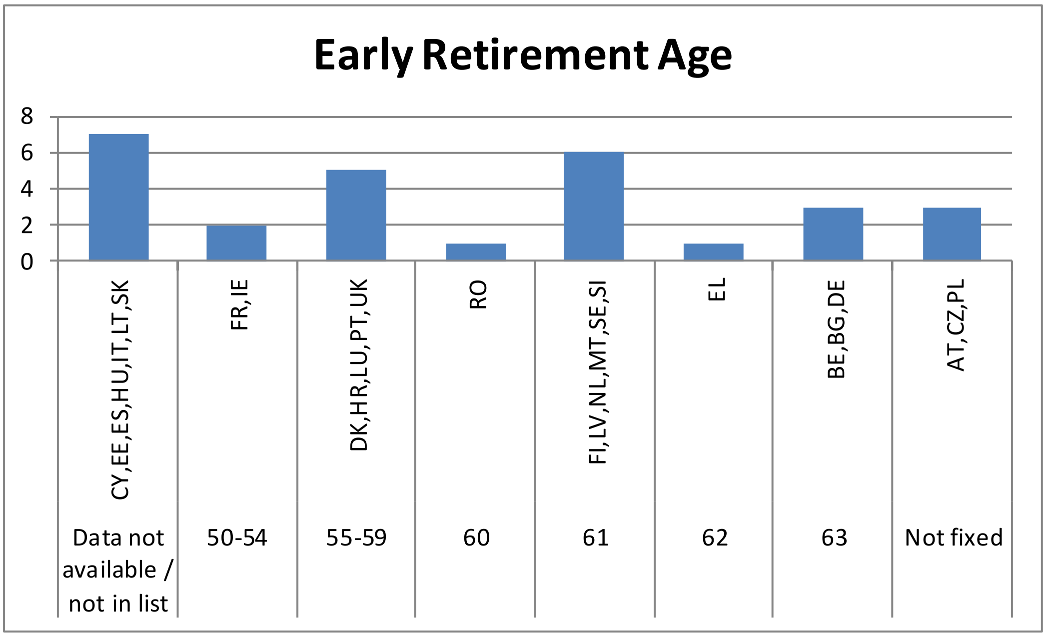


Chart 20

3.21 Early retirement: penalties (Item 5.8)

In the majority of cases, an official retiring earlier than the normal pensionable age has to bear consequences in terms of penalties to the pension amount.

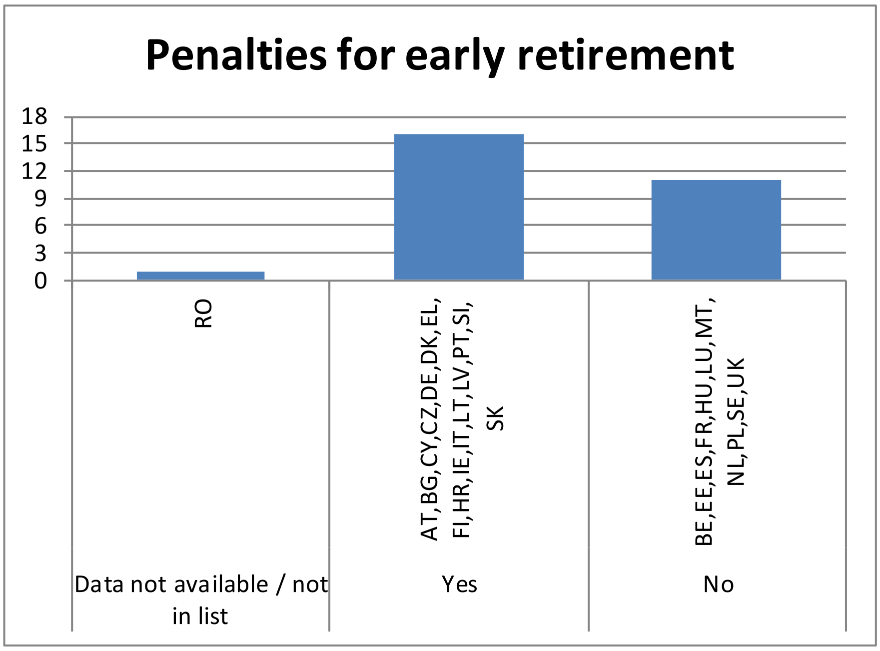


Chart 21

3.22 Accrual rate (Item 6.1)

The yearly accrual rate is an indicator of the speediness in cumulating pension rights by the official (in percentage points) in the course of the working life.

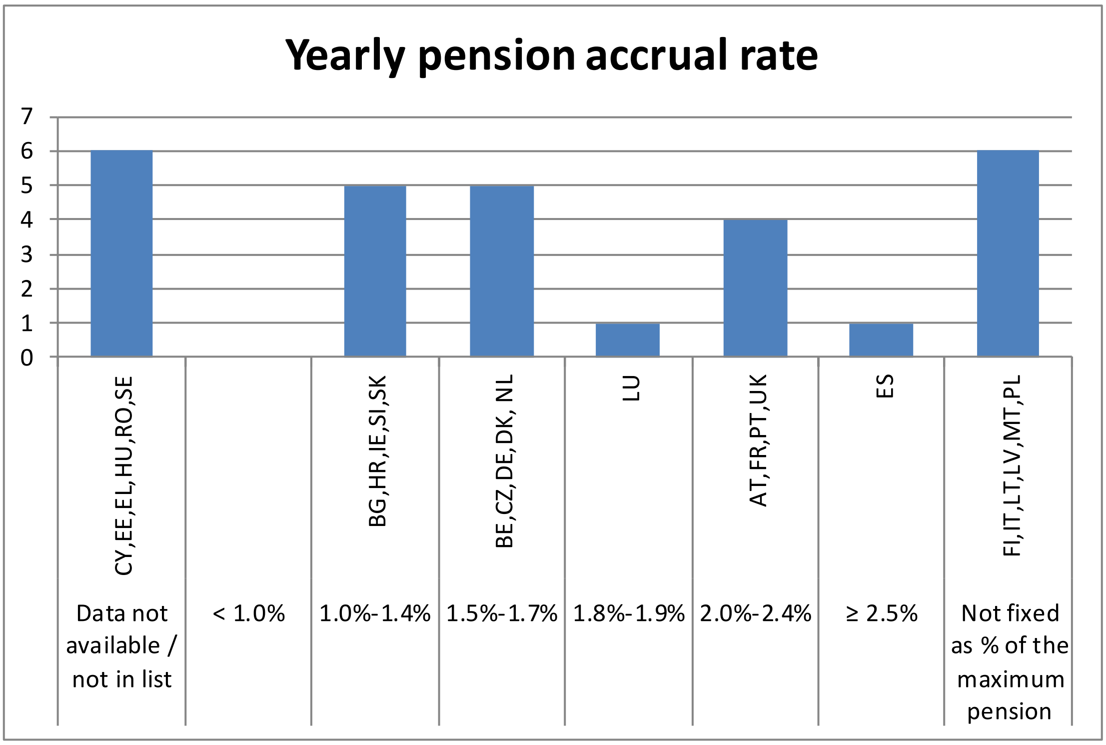


Chart 22

3.23 Computation period for the retirement pension calculation (Item 6.2)

The calculation of the retirement pensions is done differently in the various MS. One key element is represented by the number of wages which impact the computation of the retirement pension amount.

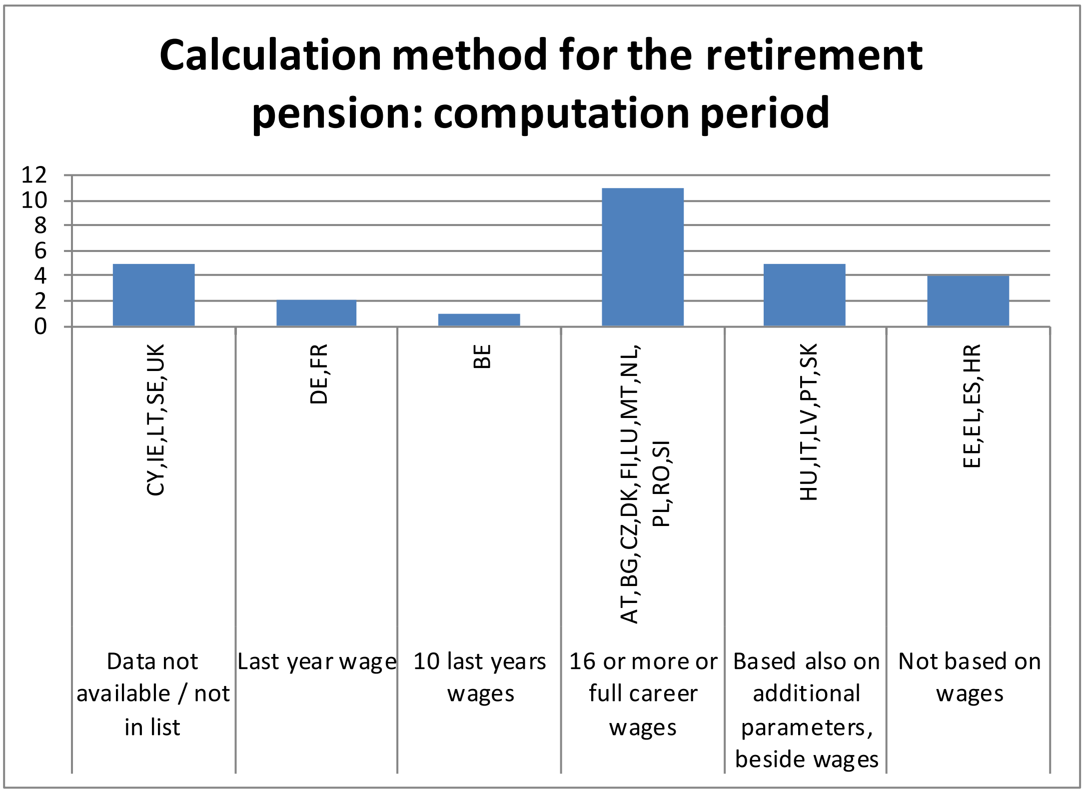


Chart 23

3.24 Retirement Pension computation: basic salaries indexation (Item 6.3)

Whenever the basic salary is used for the computation of the retirement pension, its amount is usually indexed.

Indexation is done via different methods:

- The last basic salary is used;
- There is a reference to the inflation rate;
- There is a reference to the inflation rate and to the General Salary Growth;
- There is a reference to the inflation rate, the General Salary Growth and the Individual Salary Progression;
- There is another way of indexation;
- otherwise in the rest of cases.

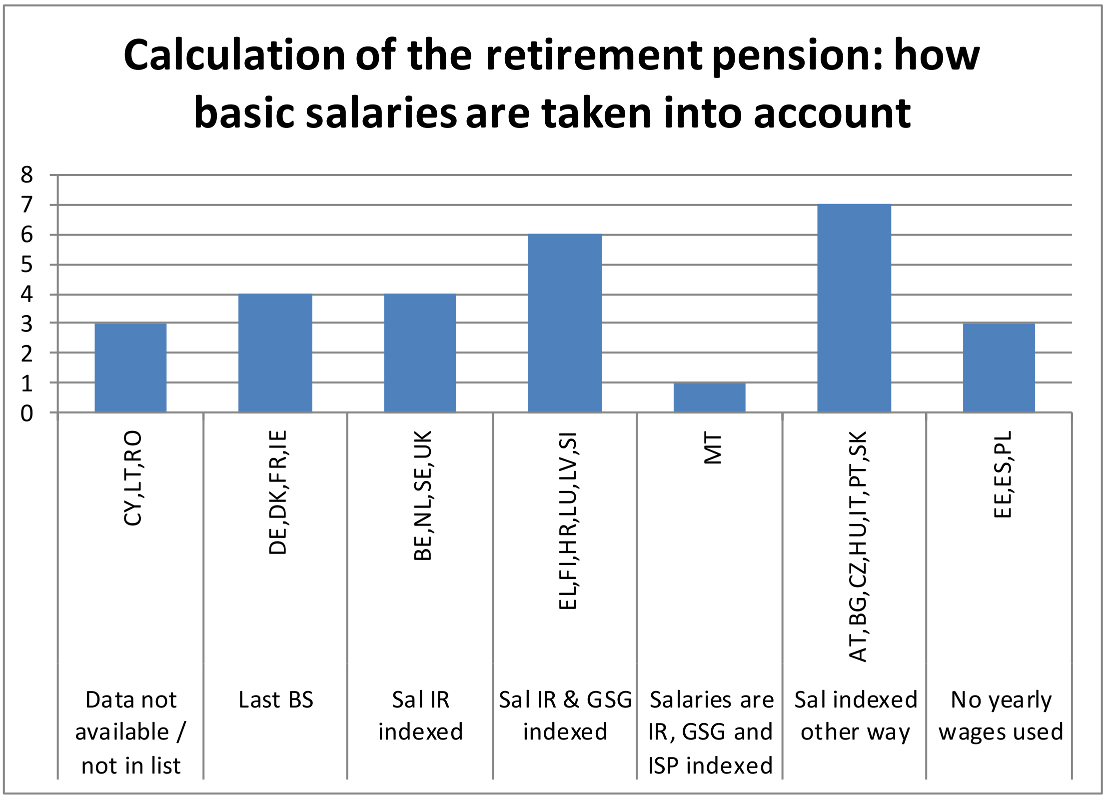


Chart 24

3.25 Possibility of lump sum payments (Item 6.4)

Some Member States foresee the possibility of a lump sum payment in the context of the retirement pension entitlements.

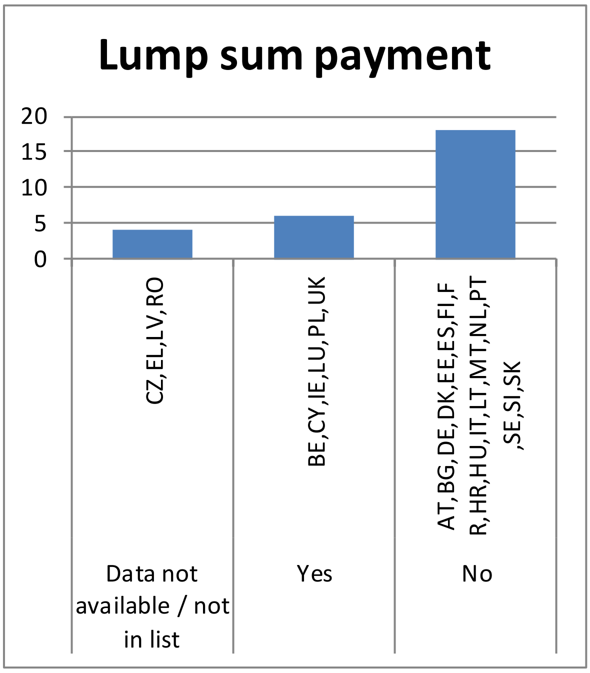


Chart 25

3.26 Retirement Pension rate (Item 6.5)

The percentage of basic salary being used for the computation of the retirement pension is quite variable and ranges between 60% and 80% or more.

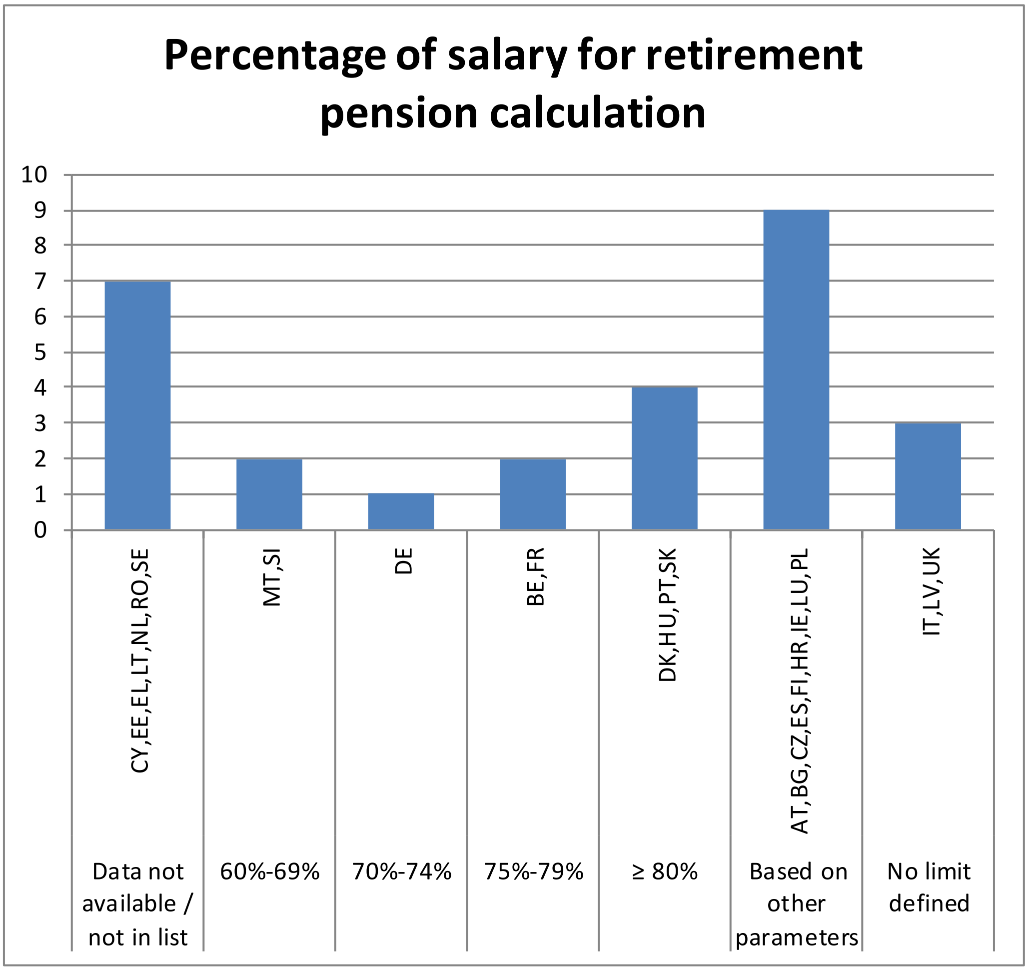


Chart 26

3.27 Replacement rate for the retirement pension (Item 6.6)

The replacement rate of the retirement pensions ranges from less than 40% to more than 70%.

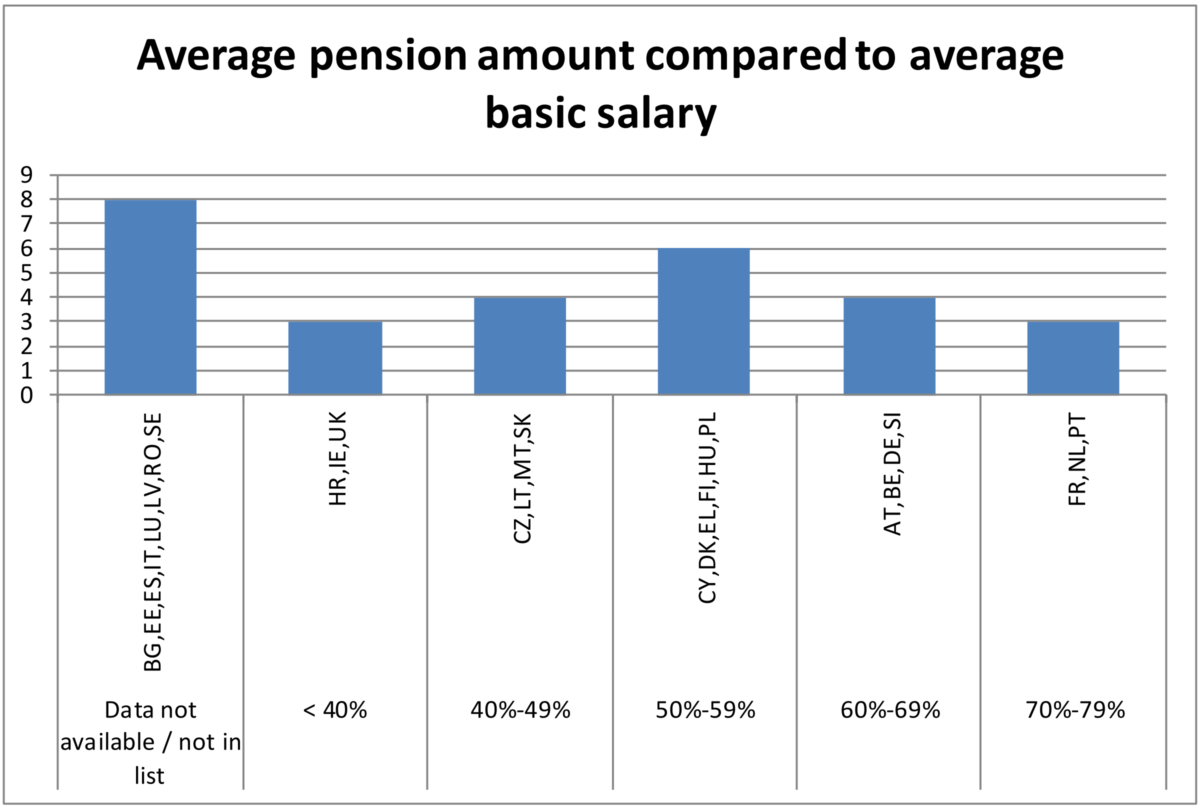


Chart 27

3.28 Indexation of benefits (Item 6.7)

The retirement pension benefits are updated with reference to salary and price (considered together) in the majority of MS.

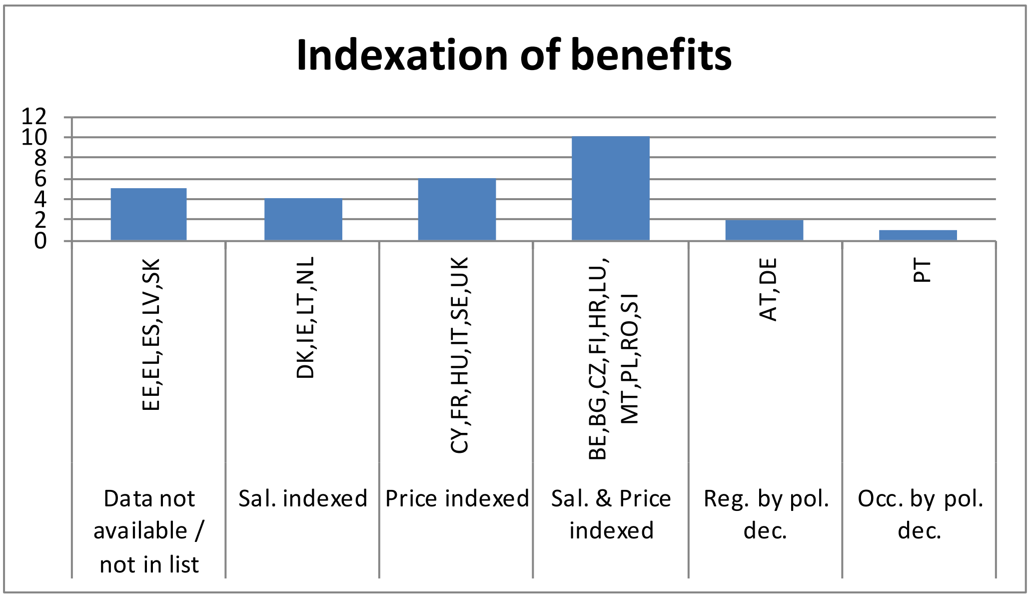


Chart 28

3.29 Minimum income guarantee (Item 6.8)

Apart from some cases where no minimum income guarantee is provided, the retirement pension amount foresees a minimum which depends on different parameters:

- Residency and age;
- Contributions;
- Age;
- Safety net.

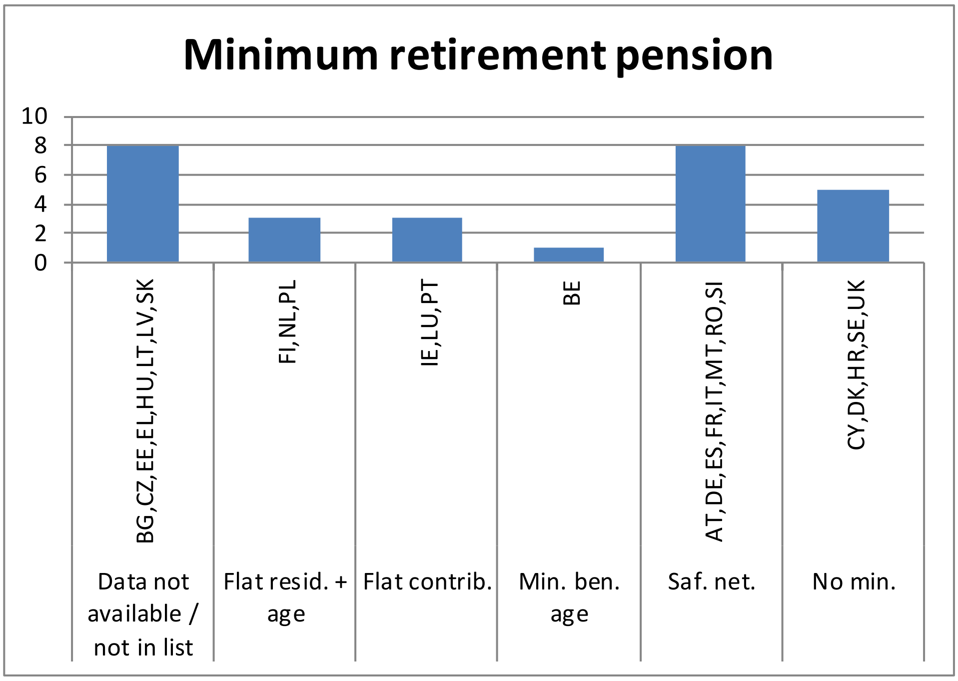


Chart 29

3.30 Invalidity pension: replacement rate (Item 7.1)

The average replacement rate for the invalidity pension is very different in the various Member States: it ranges from 20% to 70%.

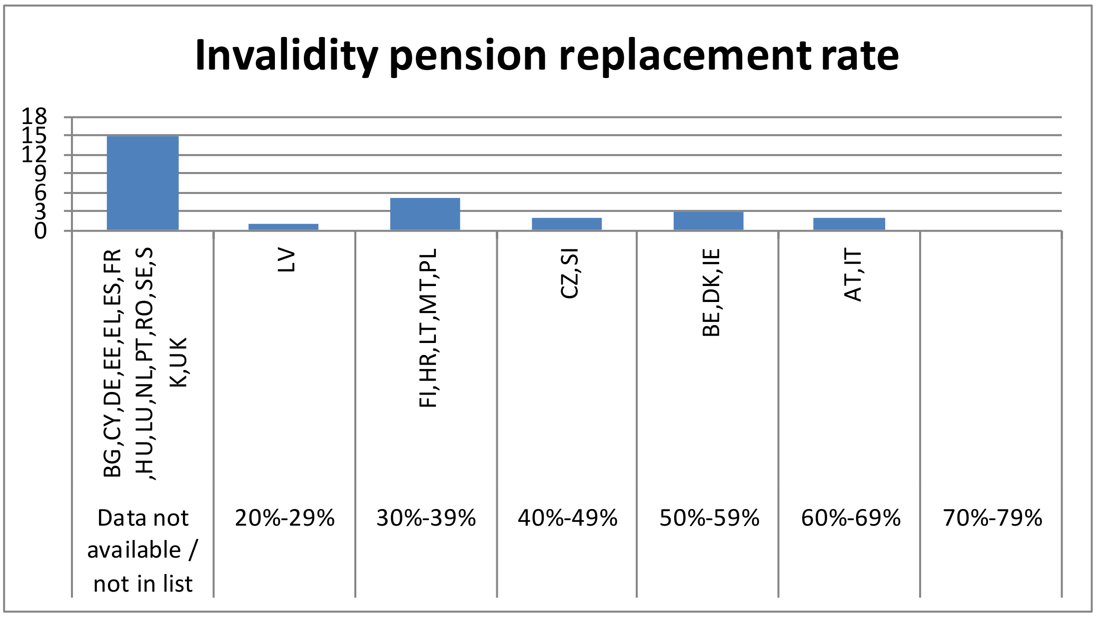


Chart 30

3.31 Reversion pension: eligibility criteria (Item 8.1)

The average replacement rate for the reversion pension is a figure extremely complex to determine as it is often dependent on the specific conditions and circumstances. The most important criterion is the number of children living with the surviving spouse.

3.32 Reversion pension: replacement rate (Item 8.2)

The average replacement rate for the reversion pension is very different in the various Member States: it ranges from 30% to 80% or more.

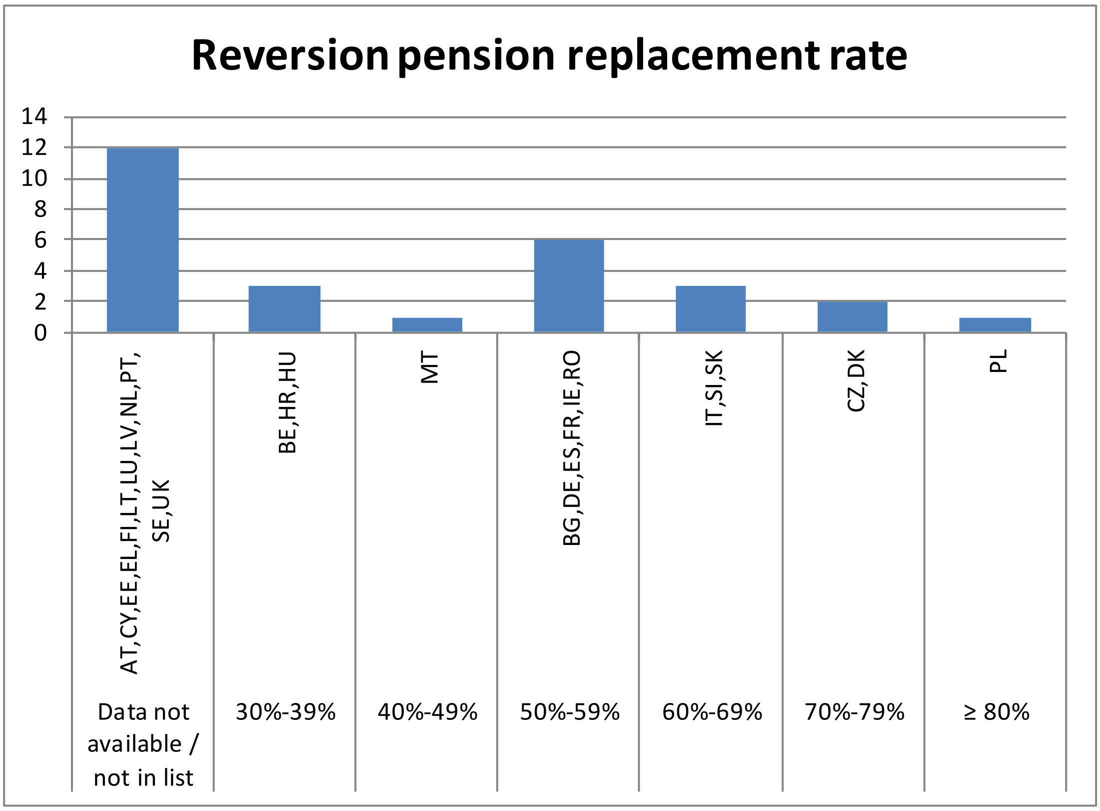


Chart 31

3.33 Orphan's pension: eligibility criteria (Item 9.1)

An orphan's pension usually depends on the number of orphans; in addition it usually increases in the case of full orphans. Conditions of entitlement differ across MS.

3.34 Orphan's pension: replacement rate (Item 9.2)

The average replacement rate for the orphans' pension is extremely variable in the various Member States: it ranges from less than 10% to more than 70%. The reference parameter is the retirement/invalidity pension of the dead parent.

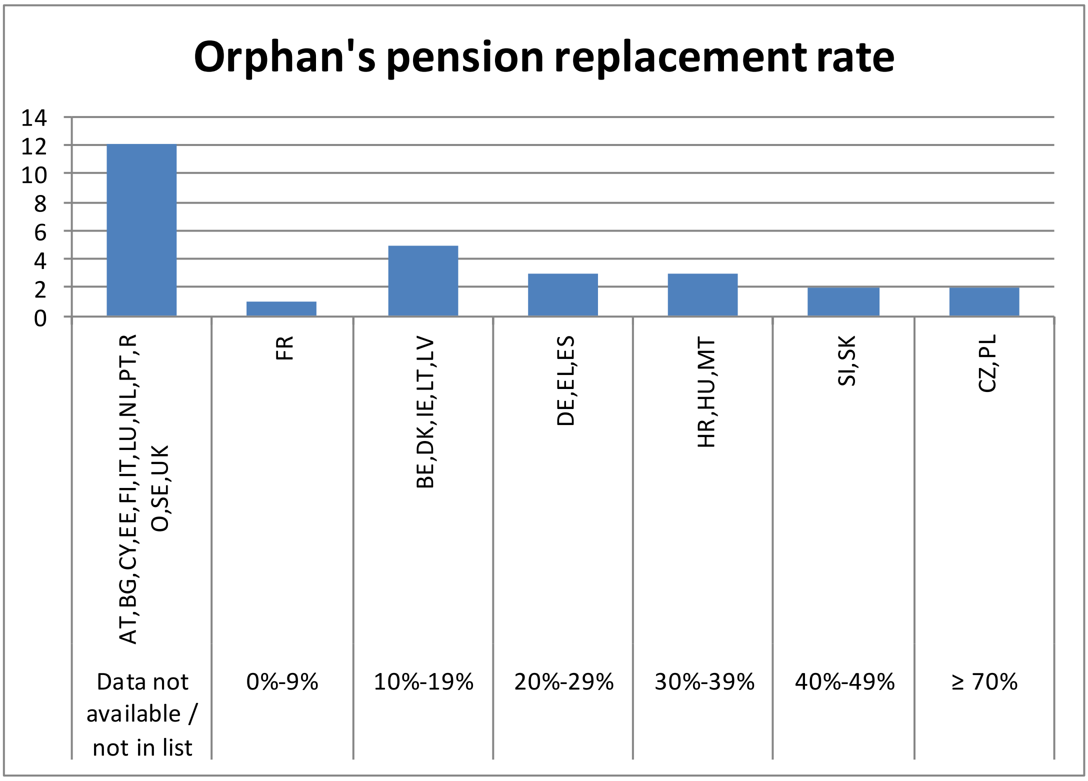


Chart 32

3.35 Orphan's pension: maximum age (Item 9.3)

The maximum age of entitlement to the orphans' pensions usually increases if the orphan is still studying. In the case of a disabled orphan, usually no age limit is set.

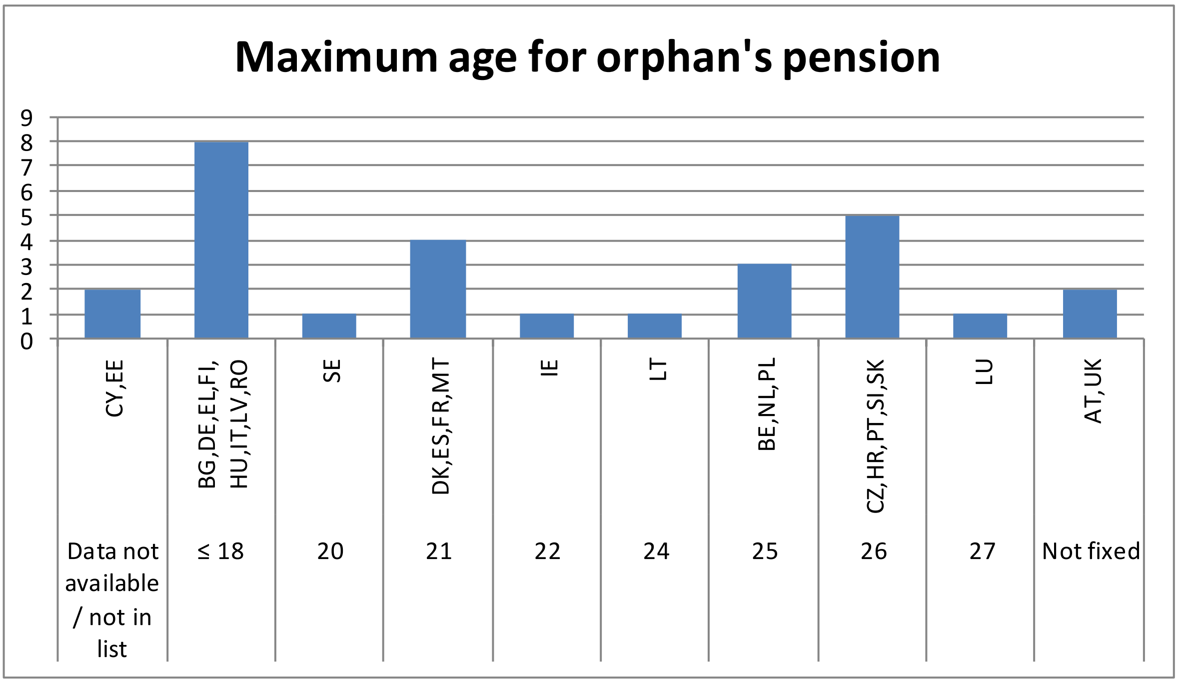


Chart 33

4 Conclusions

The present survey has permitted to reinforce the analysis and comparison of the existing Pension Schemes in the MS.

Eurostat will send the MS a yearly updated questionnaire to refine the comparative analyses of national pension schemes applicable to national civil servants working in the central governments of the MS: the intention is to improve the understanding, analysis and comparison of the heterogeneous national pension schemes

Thanks to the delegates' contributions and feedbacks on possible improvements to the structure of the form, it will be possible to render the exercise more effective.

Annex XI: Report from the Commission to the European Parliament and the Council on the application of Annex XII to the Staff Regulations

EUROPEAN
COMMISSION

Brussels, 14.12.2018
COM(2018) 829 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the application of Annex XII to the Staff Regulations

INTERIM REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the application of Annex XII to the Staff Regulations

1. LEGAL BASIS

Pursuant to Article 14(2) of Annex XII to the Staff Regulations (SR), in 2018 the Commission shall submit an interim report to the European Parliament and the Council on the application of Annex XII to the Staff Regulations.

The aim of this interim report is to present an overview of the implementation of the rules for keeping in balance the Pension Scheme for EU Officials (PSEO) in the period 2014-2018. Those rules are laid down in Article 83a of the SR and Annex XII thereto[1].

2. BASIC FEATURES OF PSEO

2.1. Legal basis of PSEO

Pursuant to Article 83 of the Staff Regulations:

- The benefits paid under the pension scheme[2] are to be charged to the Union budget;
- Member States are to jointly guarantee the payment of the benefits; and
- Officials are to contribute one third of the cost of financing the scheme.

Article 83a provides that the balance of the pension scheme shall be ensured by the pensionable age and the rate of contribution to the scheme. It also lays down procedures for annual and five-yearly updates of the rate of contribution to the pension scheme.

Annex XII to the SR sets out the actuarial rules for computing the contribution rate in order to ensure that the scheme is in balance.

2.2. Notional (virtual) fund principle

The PSEO is a notional (virtual) fund with defined benefits, in which staff's contributions serve to finance their future pensions. Although there is no actual investment fund, the amount that would have been collected by such a fund is considered to have been invested in the Member States' long-term bonds and is reflected in the pension liability that is registered in the annual accounts of the European Union. Member States jointly guarantee the payment of the benefits pursuant to Article 83 of the Staff Regulations and Article 4(3) of the Treaty on European Union.

As the PSEO is designed as a notional fund, staff contributions serve to finance the future pensions of those contributing. The contributions actually cover the cost of the pension rights acquired in a given year and are in no way linked to that year's pension expenditure. EU case-

[1] Pursuant to Article 83a of the SR, Annex XII thereto sets out detailed rules for keeping in balance the Pension Scheme of the European Officials (PSEO).

[2] The benefits to be paid under PSEO are laid down in Chapter 3 of Title V and Annex VIII SR. Benefits under the PSEO include retirement pensions, transfers of pension rights, severance grants, survivor's pensions and invalidity allowances.

law has confirmed that the PSEO is a notional fund, despite finding that it also displays some features of a solidarity scheme[3].

The PSEO is different from most Member State pension schemes for public officials, in which the contribution rate or benefits are adjusted so as to ensure a balance each year between contributions collected and pension expenditure. In this type of schemes, if it is not possible to achieve a balance, the difference is covered from the budget (taxes).

The notional PSEO fund is assessed both annually and every five years as if a real fund existed; thus further guaranteeing its long-term sustainability.

2.3. Actuarial balance principle

The balance of the PSEO is ensured regularly through updates of the contribution rates and, where relevant, pensionable age.

The PSEO follows an actuarial balance principle whereby annual staff contributions have to cover one third of the rights acquired in the year in question[4], which correspond to the future pensions that the same staff will receive after retirement, plus (under certain conditions) invalidity allowances and survivor's and orphans' pensions. In order to make this computation[5] possible, the contributions are evaluated at present value using an interest (discount) rate. The computation is thus an actuarial valuation.

The pension contribution rate is the mechanism that keeps the scheme in balance from year to year. It is automatically updated if the actuarial assessment foreseen by Article 83a of the Staff Regulations shows that this is necessary in order to fully cover the pension rights acquired in a given year. Consequently, when staff members pay the updated contribution rate, they acquire pension rights for a given year protected by the principle of acquired rights.

3. 2013 REFORM OF THE SR

In recent years, the European public administration has undergone two successive far-reaching reforms. The 2013 reform of the Staff Regulations included a number of measures which impacted the functioning of PSEO and resulted in significant savings:

- Increased retirement age (up to 66 years),
- Reduction of the pension accrual rate (from 1.9% to 1.8%),
- Two-year freeze of all salaries, pensions and allowances in 2013 and 2014 and retroactive decision to reduce salary adjustments to a minimum in 2011 and 2012[6]. As

3 See, for example, Case F-105/05 *Wils v Parliament*, point 85 and Case T-439/09 *Purvis v Parliament*, point 45.

4 Article 83(2) SR.

5 The pension contribution rate is computed according to the 'projected unit credit' method, as prescribed by international accounting standard IPSAS 25 (replaced by IPSAS 39 with effect on 1 Jan 2018). The sum of the actuarial values of rights acquired by active members of staff (referred to in actuarial practice as 'service cost') is compared with the annual total of their basic salaries in order to calculate the contribution rate.

6 Salary adjustments were reduced to respectively 0% and 0.8% in 2011 and 2012 pursuant to Regulations (EU) No 422/2014 and No 423/2014 of the European Parliament and of the Council of 16 April 2014.

a result of the non-application of the salary update method, the parallel evolution of purchasing power with national civil servants was not maintained during these years,

- Reduced career progression for AD and AST staff, with limited access to highest grades,

- Creation of a lower salary scale for secretarial and clerical jobs, effectively reducing their remuneration by 13 to 40%,

- Increase of working time for all staff by 2.5 hours a week to 40 hours, without any financial compensation.

In addition, the 2013 reform of the Staff Regulations introduced a number of measures designed to improve the functioning of the system:

- In line with the relevant accounting standards[7] and best actuarial practices which require a period of past observations in line with the estimated term of post-employment benefit obligations to be used for interest rates and salary growth with a view to ensuring the balance of pension schemes, the moving averages for observing PSEO interest rates and salary growth were extended to 30 years with a transitional period of seven years,

- In order to remedy the difficulties with the application of the adjustment method in the past, provisions were made for a method allowing for an automatic annual update of the pension contribution rate. To this end, the pension contribution rate is updated regularly without the intervention of a legal act. The Commission then publishes the updated rate within 2 weeks after the update in the C series of the Official Journal of the European Union for information purposes,

- The 2013 reform of the Staff Regulations established pensionable age as the second variable for balancing the system, in order to take due account of future demographic changes. In particular, the Commission was mandated to carry out a five-yearly assessment of pensionable age, taking into account developments affecting Member States' civil servants and EU staff's life expectancy[8]. The Commission is due to deliver its first report to the European Parliament and the Council in 2019.

4. TECHNICAL IMPLEMENTATION OF THE RULES FOR KEEPING PSEO IN BALANCE (2014-2018)

Eurostat is the authority responsible for the technical implementation of Annex XII to the Staff Regulations. It is assisted by one or more qualified independent experts in carrying out the actuarial assessments of PSEO. Methodology questions raised by the implementation of the Annex are dealt with by Eurostat in cooperation with national experts from the Member States, which convene in a group (the Article 83 Working Group) at least once each year.

7 IPSAS 25, Articles 91 and 96.
8 Article 77(6) and 77(7) of the Staff Regulations.

4.1. Activity of the Article 83 Working Group in the period 2014-18

In the 2014-2018 period, the Article 83 Working Group met each year as required by the Staff Regulations. The group discussed and validated the methodological documents drawn up by Eurostat.

Eurostat also exchanges relevant information on actuarial issues with international organisations such as the ISRP (International Service for Remunerations and Pensions of the Coordinated Organisations, including the OECD, NATO, ESA, the Council of Europe, and others), the European Central Bank, the European Investment Bank, the European Investment Fund, the European Patent Office and Eurocontrol.

4.2. Assessments by the qualified independent expert

In accordance with Article 13(2) of Annex XII to the Staff Regulations, Eurostat is assisted by a qualified independent expert with regard to the methodological implementation and to the definition and calculation of the corresponding actuarial assumptions.

Following the outcomes of open call for tenders, Eurostat was assisted by:

- EY Actuaires Conseils for the PSEO assessments 2014 to 2016;
- the Consortium of Agilis S.A. and Prudential Ltd. for the PSEO assessments 2017 and 2018.

Both actuaries reviewed and validated the methodology, calculations and reports related to the PSEO assessment. In particular, the input for calculations, such as the PSEO population and actuarial assumptions, were agreed with those external experts.

The final assessment reports delivered by Eurostat incorporate the recommendation of those actuaries.

The actuaries perform independent parallel calculations of the PSEO pension contribution rate and deliver an actuarial opinion, which can be either "unqualified" or "qualified" (the latter happens when the actuaries' results differ from Eurostat's results by more than the tolerated materiality threshold of 3%).

In the case of all the PSEO assessment reports issued between 2014 and 2018, the actuaries released an "unqualified" opinion.

5. PARAMETERS AND ACTUARIAL ASSUMPTIONS

5.1. Statutory parameters

These are values mainly linked to the application of the Staff Regulations, including the rules on calculating pension benefits.

Some of these parameters change according to certain conditions related to the individual situation of each official[9], e.g.:

– The annual accrual rate is 1.8% for staff recruited from 1 January 2014, 1.9% for staff recruited between 1 May 2004 and 31 December 2013 and 2% for those recruited till 30 April 2004,

– The "normal" pensionable age when staff may retire without reduction of pension benefits varies from 60 to 66,

9 See Annex XIII to the Staff Regulations.

– Compensations are foreseen for staff members who remain in service after reaching their pensionable age (Barcelona incentive), whereas penalties apply in the case of early retirement before reaching pensionable age.

Table 1 provides the list of the main statutory parameters used for the last pension assessment in 2018.

Table 1 - Main statutory parameters used in the actuarial assessment in 2018

Parameter	Value
Legal source	Staff Regulations in force from 01.01.2014
Reference date for the population (Annex XII Article 1)	31.12.2017
Maximum official retirement age (Staff Regulations Article 52)	65 (automatically - officials in service before 01.01.2014), 66 (automatically new officials) or 67 (at the staff' request) or until 70 (exceptionally)
Normal retirement age (Staff Regulations Article 52 and Annex XIII Article 22)	60 to 66 depending on years' service, age and entry date in service
Minimum retirement age (Staff Regulations Article 52(b), Annex VIII Article 9 and Annex XIII Article 23)	58
Category and grade for the minimum subsistence figure (Annex VIII Article 6)	first step of grade 1
Maximum retirement pension (Staff Regulations Article 77)	70% of the basic salary at the retirement date
Annual accrual rate (Article 77 of the Staff Regulations and Article 21 of Annex XIII)	1.8% (officials in service from 01.01.2014), 1.9% (officials in service from 1.05.2004), or 2% (officials in service before 01.05.2004), of BS
Bonus for officials in service after the normal retirement age (Annex VIII Article 5 and Annex XIII Article 22)	1.5% (new officials) or 2.5% of the BS, or 5% of the amount of the pension rights acquired at 60, depending on the entry date in service, the years of service at 01.05.2004 and the age on 01.05.2004 of the official
Minimum retirement pension (Staff Regulations Article 77)	4% of the minimum subsistence figure per year of service
Invalidity allowance (Staff	70% of the basic salary

Regulations Article 78)	
Minimum invalidity allowance (Staff Regulations Article 78)	100% of the minimum subsistence figure
Reversionary pension (Staff Regulations Article 79 and Annex VIII Article 18)	60% of the retirement pension
Minimum reversionary pension (Staff Regulations Article 79 and Annex VIII Article 18)	35% of the last basic salary
Survivor's pension (Staff Regulations Article 79 and Annex VIII Article 17)	60% of the retirement pension that would have been payable to the official
Minimum survivor's pension (Staff Regulations Article 79)	35% of the last basic salary or minimum subsistence figure

5.2. Actuarial assumptions

These are values that must be forecasted in accordance with the provisions of the Staff Regulations and the best commonly accepted actuarial practices.

The values of these actuarial assumptions were estimated according to general actuarial practices and were agreed with national experts from the relevant departments of the Member States at the meetings of the Article 83 Working Group.

In accordance with the provisions of Annex XII to the Staff Regulations and decisions taken by the Working Group, some of these assumptions (e.g. the mortality table) are only updated on the occasion of the five-yearly assessment of the scheme while others are updated every year. The latest five-yearly assessment took place in 2018.

5.3. Demographic assumptions

The main demographic actuarial assumptions are as follows:

– The mortality tables: The 2018 EU Life Table (EULT), developed by Eurostat, is a prospective table which incorporates a trend of life expectancies over a 20 years' time horizon (same time length as the PSEO duration) based on the evolution of mortality of the PSEO population. The 2018 EULT is thus a life table built on a population entirely relevant to PSEO.

Table 2 is an extract from the EULT.

Age	Men		Women	
	Probability to die at age x	Life expectancy	Probability to die at age x	Life expectancy
40	0.00052220	44	0.00040251	47
45	0.00089611	39	0.00069129	42
50	0.00151059	35	0.00118716	37
55	0.00254589	30	0.00203834	32
60	0.00428923	25	0.00349874	27
65	0.00691083	21	0.00600232	23
70	0.01268196	17	0.00923173	19
75	0.02321581	13	0.01561910	15
80	0.04230976	10	0.02977824	11
85	0.07648061	7	0.05640000	8
90	0.13322851	5	0.10771240	5

- The invalidity tables developed by Eurostat based on past observations,
- The assumed retirement age; in accordance with Article 4(3) of Annex XII to the Staff Regulations, it is assumed that retirements will occur at a fixed average rate that varies based on the date of entry into service of each staff member,
- The probability of being married at the retirement date,
- The coefficients for orphans and divorced spouses, etc.

Table 3 provides the list of demographic assumptions used for the last pension assessment in 2018.

Table 3 – Demographic assumptions used for the actuarial assessment in 2018

Demographic assumptions	31/12/2017
Life Table (healthy members)	2018 EULT
Life Table (disabled members)	2018 EULT+3y
Invalidity Table	2018 Invalidity Table
Current Marital Status	Current marital status
Probability of being married at retirement age, for men	82%
Probability of being married at retirement age, for women	52%
Average age difference between an official and his/her partner	1 year

Assumed Retirement Age	63 to 66
Turnover	2018 Turnover

5.4. Financial and economic assumptions

Pursuant to Articles 10 and 11 of Annex XII to the SR, the Real Discount Rate (RDR – interest rates of long term public debt of Member States) and the General Salary Growth (GSG – the rate of annual change in the salary scales) are calculated as the moving average of the corresponding rates for the 30 preceding years. However, until 2020, pursuant to Article 11a of Annex XII the moving average shall be calculated on the basis of a specific time scale.

In 2018, the RDR and the GSG were calculated as the average of the relevant rates for the 24 previous years from 1994 to 2017: as a result in the 2018 update the values of the RDR and GSG were respectively 2.9% and - 0.1%.

Another important economic assumption is the ISP (individual salary progression) table which refers to the salary increase reflecting the career advancement of EU officials (i.e. promotions and seniority steps). With the entry into force of the new Staff Regulations on 1 January 2014, the career progression of EU officials evolved and the link between grade and function was reinforced; access to the highest grades in function groups AD and AST is now limited under certain conditions. In addition, the AST/SC function group was introduced.

Table 4 provides the list of economic and financial assumptions used for the last pension assessment in 2018.

Table 4 – Economic and financial assumptions used for the actuarial assessment in 2018

Financial Assumptions	31/12/2017
Salary Grid	In force from 01.07.2017
Duration	20 years
Nominal Discount Rate (NDR)	4.8%
Inflation Rate (IR)	1.8%
Real Discount Rate (RDR)	2.9%
General Salary Growth (GSG)	-0.1%
General Pension Revaluation (GPR) (equal to GSG)	-0.1%
Individual Salary Progression (ISP)	2018 ISP Table
Coefficient for orphan's and divorced spouse's pension	13%
Correction coefficients (Art. 3(5) of Annex XI & art. 20 of Annex XIII)	0.0%

6. RESULTS: EVOLUTION OF THE PENSION CONTRIBUTION RATE

6.1. Pension assessments between 2014 and 2018

During the period 2014-2018, in order to guarantee balance of the scheme, the pension contribution rate was calculated as one third of the ratio between the total service cost and the total annual basic salaries, in accordance with Article 83(2) of the Staff Regulations.

Table 5 provides the results of every assessment since 2014.

Table 5 – Pension contribution by year between 2014 and 2018

Items	Pension assessments				
	2014	2015	2016	2017	2018
	Reference date				
	31-12-2013	31-12-2014	31-12-2015	31-12-2016	31-12-2017
Service cost for retirement	28,3%	28,2%	27,2%	27,1%	27,4%
Service cost for invalidity	1,3%	1,3%	1,3%	1,3%	1,7%
Service cost for death	0,9%	0,9%	1,0%	0,9%	0,9%
Ratio service cost / BS	**30,4%**	**30,5%**	**29,5%**	**29,3%**	**30,0%**
Officials' contribution rate (1/3 of total ratio)	**10,1%**	**10,2%**	**9,8%**	**9,8%**	**10,0%**
Applied officials' contribution rate	**10,1%**	**10,1%**	**9,80%**	**9,80%**	**10,0%**

6.2. Results of the last pension assessment

The 2018 actuarial assessment of the PSEO indicates that, in order to ensure the balance of this pension scheme, the contribution rate necessary to finance one third of the benefits payable is 10.0% of the basic salary (or of the invalidity allowance).

The calculated contribution rate indicated above (10%) is one third of the ratio between the total of the service cost (€ 1 424.8 million) and the total of annual basic salaries (€ 4 749.2 million). This rate is *higher* (+0.2%) than the one calculated in 2017 (9.8%).

In accordance with Article 83a(3) of the Staff Regulations, the reference figure set out in Article 83(2) shall be updated. The Commission shall publish the resulting updated rate of contribution (10.0%) within two weeks after the update in the C series of the *Official Journal of the European Union* for information purposes.

The update shall take effect at the same time as the annual update of remuneration under Article 65 of the Staff Regulations, i.e. it will take retroactive effect on 1 July 2018.

7. BALANCE OF THE PENSION SCHEME

As explained in part 2.3 of this report, the PSEO is in balance if the annual contributions paid by the staff cover one third of the rights acquired during the year, i.e., according to the Staff Regulations, as regards a retirement pension, 1.8%, 1.9% or 2% of the final basic salary before retirement. As the pension contribution rate is calculated to guarantee that the scheme is in balance, the scheme is in balance when the calculated rate is applied.

During the reference period of this report, based on the Eurostat's calculated rate of contribution, the pension contribution rate was updated after taking into account the specific provisions of the Staff Regulations:

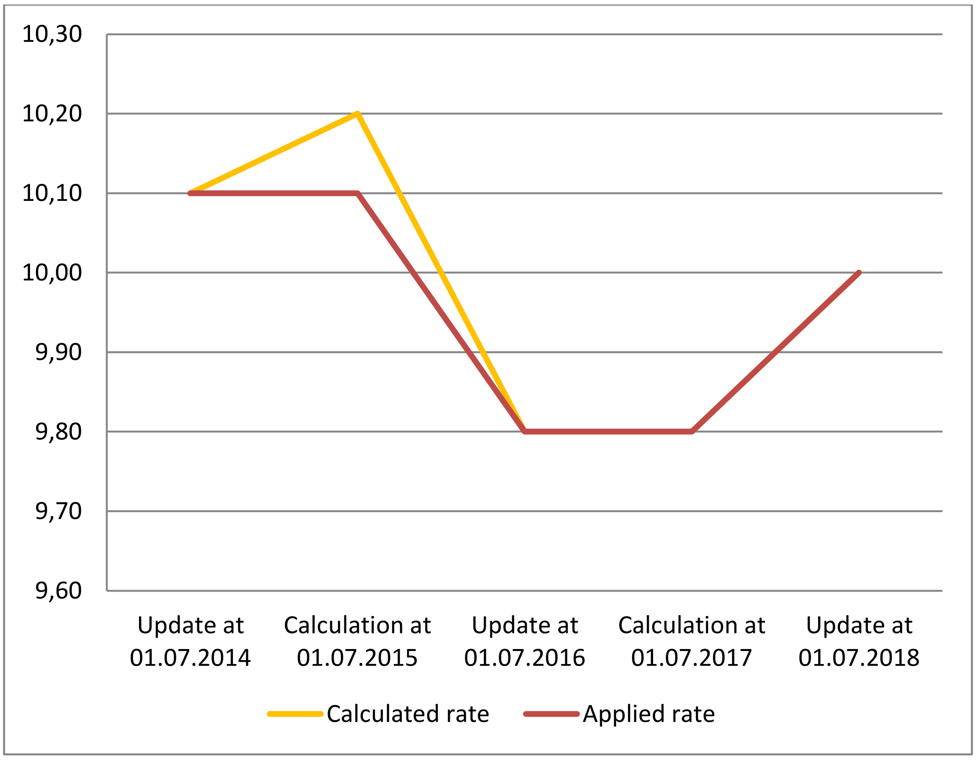
– Article 2(1) of Annex XII to the Staff Regulations (any update shall not lead to a contribution being more than one percentage point above or below the valid rate of the previous year);

– Article 2(2) of Annex XII to the Staff Regulations (the difference established between the update of the contribution rate which would have resulted from the actuarial calculation and the update resulting from the variation referred to in the last sentence of paragraph 1 shall not be recovered at any time, or, consequently, taken into account in subsequent actuarial calculations);

– Article 83a(4) of the Staff Regulations (on the occasion of the yearly updates of the five-yearly actuarial assessment, the rate of contribution shall only be updated if there is a gap of at least 0.25 points between the rate of contribution currently applied and the rate required to maintain actuarial balance. This limit does not apply on the occasion of a five-yearly assessment such as the 2018 assessment).

Graph 1 summarises the calculated and applied contribution rates.

Graph 1 – Summary of calculated and applied contribution rates for pension



The chart shows that the applied pension contribution rate was very close to the one calculated by Eurostat. It should be noted that small differences between the rates due to the application of the above mentioned provisions of the Staff Regulations can be positive or negative; these differences tend to cancel each other out in the long term.

Therefore, the method has fulfilled its specific aim to guarantee that the pension contribution paid by staff to the budget covers one third of the cost under the pension scheme, as specified in Article 1(1) of Annex XII to the Staff Regulations, and, hence, the PSEO scheme is in actuarial balance.

8. BUDGETARY IMPACT OF PSEO

In the 1960s the Council decided that staff contributions would not be set aside in an actual pension fund, but would instead be credited to the EU budget at the time when they are collected and spent in accordance with the decisions of the budgetary authority, i.e. not assigned to any particular policy field. At the same time, the Council decided that the employer's share of the contribution would not be collected. Instead, the EU institutions undertook to pay future pension benefits (to be charged to the Union budget) when staff retire.

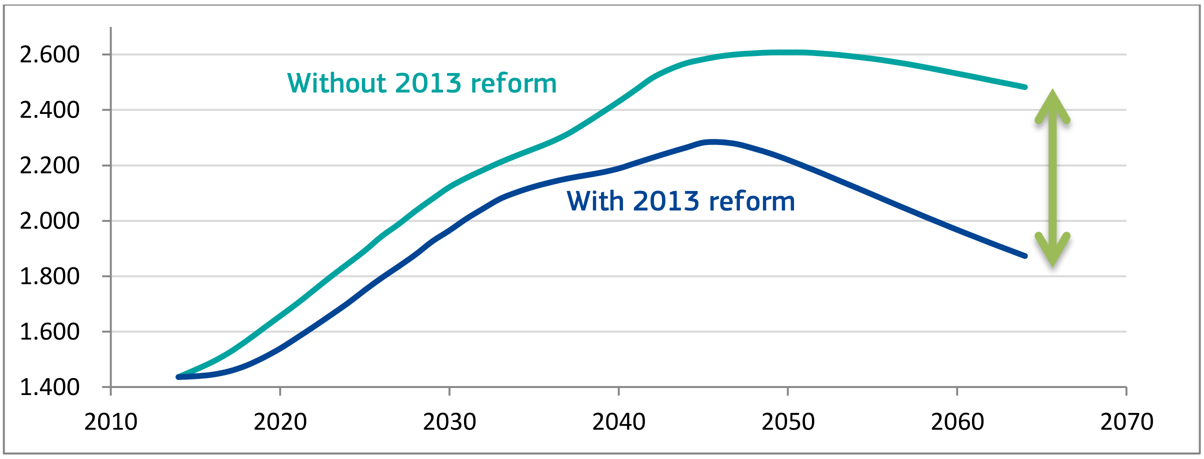
In budgetary terms the EU pension scheme has thus produced net revenue in the past, as it is not yet mature, i.e. the contributions from active staff acquiring pension rights have outweighed the benefits drawn by a limited number of retirees. Pension scheme revenue has consisted of staff and employer contributions; the latter were not paid into a fund, but only reflected in the pension liability. In this way, the **EU budget was actually borrowing money from scheme members in return for a guarantee to pay future benefits**.

Due to the growth of the EU and its workforce since the creation of the pension scheme in the 1960s, the net number of pensioners (difference between number of staff retiring and pensioners passing away) has increased and will keep increasing over the next Multiannual Financial Framework (MFF). Although in the long-term pension expenditure will be substantially reduced thanks to the successive reforms, these reforms were subject to transitional provisions given that pension rights are protected under the principle of acquired rights. Therefore, the **budgetary effects of the reform on pension expenditure only appear progressively over time**. As a consequence, due to the lack of maturity of the PSEO, the increasing trend of pension expenditure is due to continue until the 2040s.

The considerable pension savings that will be generated by the reform (see graph 2) was confirmed in 2016 by a Eurostat study of the long-term budgetary implications of pension costs[10]. This study was welcomed by the Member States as an objective and realistic assessment of the situation. Eurostat found that the 2013 reform would **reduce the long-term pension bill by approximately 30%,** on top of savings from the previous overhaul of the pension scheme in 2004. Following this Eurostat study, several Member States stressed the importance of pension provisions when ensuring that the EU remains an attractive institution for applicants from all Member States and especially those with relatively high per capita incomes.

Furthermore, the two successive far-reaching Staff Regulations reforms were put in place in a very short period (i.e. as of 2004 and 2014), which also imposed the legal necessity to introduce **transitional measures** in their implementation that concern large parts of the staff currently in service. In addition to these legal constraints, further changes to the existing rules at this point in time would additionally undermine the certainty and predictability concerning working conditions and pension benefits. This would likely further hinder the institutions' capacity to address the significant geographical imbalances observed.

Graph 2 – Evolution of long-term pension costs (figures in EUR million at constant prices) according to 2016 Eurostat study



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9. CONCLUSIONS

The implementation of Annex XII to the Staff Regulations by the Commission ensured stability of the PSEO and the balance of the notional fund while the 2004 and 2013 Staff Regulations reforms are successfully implemented, increasing progressively yearly savings.

In view of the above, the application of Annex XII to the Staff Regulations has fulfilled its specific aim to guarantee that the PSEO is in balance, as the pension contribution paid by the staff to the budget covers one third of the rights acquired every year due to the following reasons:

– the contribution rate calculated by Eurostat covered one third of the pension rights acquired that year;

– the calculated contribution rate was validated by national experts and qualified independent experts;

– the applied contribution rate was very close to the calculated one;

– small differences between the calculated and applied rates were due to the specific provisions of the Staff Regulations. As these differences can be positive or negative, they tend to cancel each other out in the long term.

The co-legislators decided that the present report should focus on the 2014-2018 actuarial balance of the pension scheme and not on the future evolution of pension expenditure. By contrast, it should be mentioned that in its proposal for a Council Regulation laying down the next MFF the Commission presented the expected expenditure for the period 2021 – 2027 based notably upon the yearly growth of pension expenditure as presented in part 8. On this occasion, the Commission also undertook to reflect on the feasibility of the creation of a capital-based pension fund for EU staff in the framework of the mid-term review of the MFF in 2023.