

EN

Pensions: what you need to know to defend them

In view of the expiry of « the Method » and of the special levy at the end of 2012, the Council seized the opportunity formally to request the Commission "to make an objective and realistic assessment of all the elements which have a significant impact on **pension costs**."

In particular, it has requested the Commission to examine the **10 elements** set out below.

It is worth recalling the parameters currently in force, which will be put in question, so that we know what we have to defend.

i. pensionable age

The rules as they stand at present:

- Minimum:
 - between 60 and 63 for those recruited under the old Staff Regs;
 - **63** for those recruited under the new Staff Regs*.

* The 'new Staff Regulations' took effect on 1 May 2004

- Maximum: **65** (67 on an exceptional basis).
- Early retirement, possible from :
 - between 50 and 55 for those recruited under the old Staff Regs;
 - **55** for those recruited under the new Staff Regs.

ii. annual accrual rate

- The rate which, applied to the final basic salary multiplied by the number of pensionable years, determines the amount of your pension. This rate is:
 - **2%** per year for staff recruited under the old Staff Regs (35 years);
 - **1.9%** per year for staff recruited under the new Staff Regs (36 years, 11 months).

iii. salary basis for calculating pension

- The **final basic salary** carried by the last grade held for at least one year.

Other schemes use as a basis the average of the last x years or of the best x years of the career.

iv. maximum pension rate

- **70%** of the final basic salary in a grade held for at least one year.

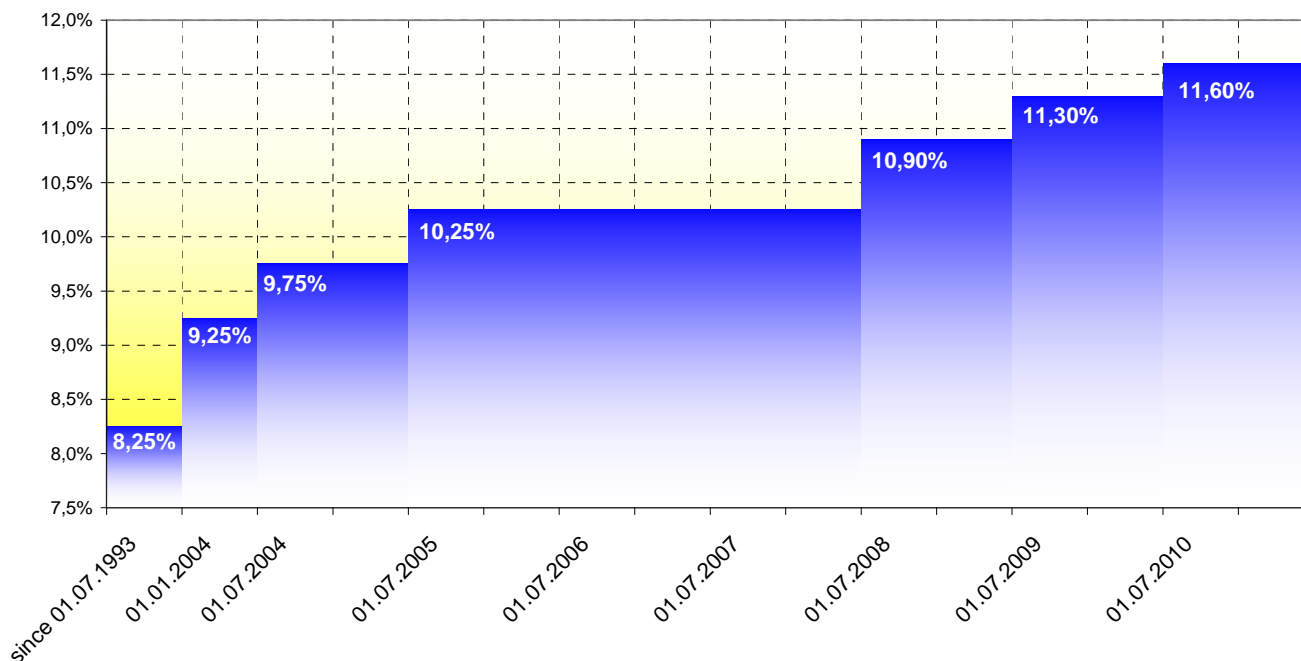
v. staff contribution rate

- Staff members contribute **1/3** of the cost of financing our pension scheme. No employer's contributions are actually paid.
- The rate of contribution as a proportion of the basic salary results from an **actuarial as-**

assessment which is updated every year by the Commission (Eurostat) in collaboration with the Member States.

- This rate, set initially at 6%, has evolved as follows:

Rates of staff's contribution to the pension scheme Taux de contribution du personnel au régime de pension



vi. use of contract staff and conditions of contract staff

- Both Art. 3a and Art. 3b contract staff are covered by the same pension scheme as officials and temporary staff. The same rules apply to them.

The larger the number of officials replaced by contract staff, the greater the long-term reduction of the cost of pensions. Some staff representatives (!) support the idea of switching contract staff to local staff, which would mean that they would be transferred to the national pension scheme. In such a case, however, the Institutions should be obliged to pay actual employer's contributions to the national pension scheme.

vii. annual adjustment of pensions

- Where the Council decides to adapt remunerations, the same adaptation applies to pensions.
- Under the 2004 Reform, this long-standing practice was formally enshrined in the new Staff Regs (Art. 82(2)).

Mentioning the « annual adjustment of pensions » as an item for review implies that pensions might not be adjusted at the same rate as pay.

viii. possible creation of an actual pension fund



- Our pension scheme can be considered as a **notional fund**.
- The **staff's** contributions are not paid in to a dedicated fund, but to the EU budget itself. They form part of this budget's income.
- The 2/3 '**employer's** share' is notional. It is included in the assessment of the scheme's actuarial balance, but no real payments take place.
- **Pensions are paid out of the budget of the EU** and guaranteed jointly by the Member States (Article 83(1) of the Staff Regs).
- The total contributions – real for the staff and notional for the employer – are **virtually** invested

in the long-term public debt of Member States (in government bonds). Our contributions are adapted each year so as to keep covering 1/3 of the cost under the pension scheme (of the present staff's future pensions and *not* of the present pensioners' pensions).

A pension fund could take several forms :

- A defined contribution scheme: under such a scheme, the amount of benefits (pensions) depends on circumstances in the capital market.
- A defined benefit scheme: this could take the form of a reserve fund, which, without affecting the statutory parameters, would place the contributions on the capital market, hoping they would yield income, which would contribute to paying future pensions.

The creation of an 'actual' pension fund would mean that both the staff and the employer would have to pay their shares into a fund distinct from the EU budget.

In such a case, the employer would have to pay contributions too, while pensions currently due would still be paid out of the EU budget. A fund might be set up for future colleagues, in which case, without reducing the cost of current pensions, the employer would be obliged to pay 'actual' contributions to finance this fund.

ix. Individual salary progression pattern

- Individual Salary Progression (ISP) refers to salary increases due to the career advancement of EU staff, i.e. promotions and seniority steps.

The faster the progression, the higher will be the final basic salary (see point iii. above), on which pensions are calculated.

ISP Group	Weight	Average ISP rate
	31.12.2009	
Officials recruited before 01.05.2004	49%	1.5%
Officials recruited from 01.05.2004 onwards	17%	2.1%
Temporary Staff	15%	1.6%
Contract Staff	17%	1.0%
Parliamentary Assistants	3%	0.0%

By contrast, reducing this rate of progression would slow down careers and reduce pensions.

x. Incentives for private pension provision



- The 10th element, entirely alien to our pension scheme, stems from the neoliberal arsenal. Incentives could be in the form of tax reductions (of course for those who can afford a supplementary private pension).

The Member States' attack is not confined to the level of pensions; it threatens the very foundations of our pension scheme.

EPSU, the only trade union recognised as representative in the Court of Justice, will represent you in the negotiations with the Council. In this fight, please don't remain 'neutral'. Enhance the legitimacy of your representatives by joining EPSU!