18 November 2016

Annual update of salaries and pensions: +3.3%

Following 2 years of blocking the application of the Method by the Council (0% for 2011, 0.8% for 2012), followed by a **freeze** formally introduced in the 2014 Reform of the Staff Regulations for 2013 and 2014 (Article 65(4)) (see Agora n° 75, p. 4), the new Method set out in the 2014 version of the Staff Regulations was first fully applied in 2015 (see Agora n° 75, p. 9-11), with a positive outcome of +2.4%.

The good news about **the new Method** is that it avoids the traps laid by the Council, with the consequences that we experienced in recent years (once again, find description in Agora n° 75, p. 9-11). An annual '**update**', based on statistical data elaborated by EUROSTAT, no longer takes the form of a Regulation, but is simply published by the Commission in the C series of the *Official Journal of the EU* for information purposes.

This year, the update –which will take effect from 1 July 2016 and will carry the payment of arrears before the end of the year– is +**3.3%**.

This figure is broken down as follows:

1. **global specific indicator** (*Changes in the purchasing power of salaries of national civil servants in central government*) calculated for a sample of 11 Member States, which represents at least 75% of the EU-GDP: +**1.9%**.

In fact, the present **sample** of 11 amounts to 84.3% of the EU-GDP. If the UK leaves the EU, the total GDP of the sample will drop to 81.7%, which will still be above 75%, as required by the Staff Regulations (Article 1(4), Annex XI).

2. **Joint Belgium-Luxembourg Index** (*Changes in the cost of living in Belgium and Luxembourg*): **+1.4%**

   Inflation in Belgium: +1.8%
   Inflation in Luxembourg: +0.0%

   These indices are weighted by using the staff ratio: 82.2% in Belgium, 17.8% in Luxembourg, which gives a weighted average of +1.4%.

So, while the real cost of living in Luxembourg is unaccounted for (see Agora N° 72, p. 12), the '**joint index'** indeed pulls the final figure downwards for both Brussels and Luxembourg.

A ‘correction coefficient for Luxembourg’ being the *leitmotiv* of another (parochial) trade union, a ‘joint index’ was devised in the 2014 Reform as a smokescreen to give to the poorly informed the superficial impression that 'Luxembourg was not forgotten’.

The **moderation clause** does not apply, given that the change in the specific indicator does not exceed 2%. The **exception clause** does not apply either, since the forecast real Union GDP is in growth. Under the new Method, once the conditions laid down in Articles 10 and 11 of Annex XI, Staff Regulations are fulfilled, these clauses are to be triggered by the Commission itself.

New pension contribution rate: 9.8%

The rate of contribution to the pension scheme will go down from **10.1%** to **9.8%** (i.e. an effective reduction of 0.3%). The new rate will also take effect from 1 July 2016.

This reduction was calculated as follows:

1. -0.1% due to a change in the population of contributing members;
2. -0.5% due to a change in the real average interest rates, for which the reference period keeps increasing (see transitional provision in Article 11a of Annex XII, Staff Regulations);
3. +0.2% was the change in the General Salary Growth (due to last year’s increase in salaries above inflation).

Indeed, these changes take as a starting point a base value of 10.2%, the pension contribution calculated (but not applied).

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Following years of stagnation, this year’s figures are favourable to staff and pensioners; they are likely however to feed unease in the ranks of Member States and trigger moves to review the Method in future. A USF trade-union family based on strong membership is the best defence for staff.