

2023: a +1.0% residual annual update

Pension contribution rate increasing by 1%

For a second year in a row, an [intermediate update](#) was triggered halfway through the July 2022 – July 2023 reference period.

It is now time to calculate the update for the whole year, then the residual amount after deducting the intermediate update.

A fair automatic Method for us to defend

The **2014 Reform** of the Staff Regulations brought significant improvements to [Annex XI](#), namely

(a) the update is no longer submitted for a decision to the Council; it is calculated by Eurostat and rubber-stamped by the Commission;

(b) the 2014 Method does not allow for subjective interpretations; the possibility of triggering [a moderation or an exception clause](#) (Articles 10 and 11) or an [intermediate update](#) (Articles 4 to 7) depends purely on fixed mathematical parameters applied by Eurostat.

GLOSSARY

Global [Specific Indicator](#) (GSI) – Changes in the purchasing power of salaries of civil servants in central government (calculated on a **sample of 10 Member States**), after deducting the respective country's inflation.

[Joint Index](#) (JBLI) – Represents a weighted average of changes in the cost of living in **Belgium** and **Luxembourg**, rate of inflation (or deflation).

PCR – Pension contribution rate

PSEO – Pension Scheme for European Officials

1. Every update of pay and pension necessarily involves a combination of two variables: The **GSI** and the **JBLI**.
2. For the six-month period 1 Jul 2022 – 1 Jan 2023, **JBLI** was 103.7% (+3.7%). By exceeding the ±3% threshold, it triggered an **intermediate update** by 1 Jan 2023. For the period 1 Jul 2022 – 1 Jul 2023 the **forecast GSI** was 96.2% (-3.8%). Half of it was taken into account for an intermediate update, i.e. 98.1 (-1.9%). The product of the two variables resulted in a +1.7% update, paid in June 2023.
3. **Annual update (total)** – The actual figures for the whole 1 Jul 2022 – 1 Jul 2023 period proved to be different to forecasts. In fact, **inflation** in most countries (esp. in DE, FR, IT, PL, SW) exceeded their nominal salary increase, ending up to a negative weighted average **in real terms**. As a result, the **GSI** was -1.8 %, which, however, was less than half of what was forecast and applied in the intermediate update.

4. **JBLI** – The cost of living of EU staff working in Brussels and Luxembourg –shared according to a ratio of 80.4 to 19.6– was also less than forecasted: **+4.6 %**.
5. This table summarises the movements of the intermediate, the annual (total) and the annual (residual) updates:

	[1] Intermediate		[2] Annual (total)		[3] = [2] / [1] Annual (residual)	
GSI 2023	98.1	-1.9 %	98.2	-1.8 %	100.1	+0.1 %
JBLI 2023	103.7	+3.7 %	104.6	+4.6 %	100.9	+0.9 %
→ nominal update 2023	101.7	+1.7 %	102.7	+2.7 %	101.0	+1.0 %

6. Therefore, the **residual annual update** which you are to receive with effect from July 2023 will be:

$$\frac{\text{GSI} \quad \text{JBLI}}{100.1 \times 100.9}{100} - 100 = +1.0 \%$$

7. A 1% increase of the PCR

In order to guarantee the equilibrium of the PSEO, the yearly PCR necessary to finance 1/3 of the benefits payable would be 11.7% of the basic salary.

HOWEVER, “Any update shall not lead to a contribution being more than one percentage point above or below the valid rate of the previous year” (Art. 2 (1) Annex XII Staff Regs).

The past calculated PCR was 10.3%. The past applied PCR was 10.1%.

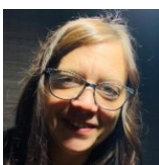
⇒ The **PCR** taking effect on 1 July 2023 shall be capped at **11.1%**.

8. Net salary

The 1% salary increase is applied to **all** the components of the remuneration (Article 65 (1) Staff Regs). So, its **impact** on your real salary will be **1%**. → see [the new pay scale](#).

By contrast, for contributing members of the PSEO, the 1% increase to the PCR **only** applies to the basic salary. Its real impact will be ca -0.7% of your net salary. Therefore, you should expect to receive a ca 0.3% increase of your take-home pay on average.

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