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**Addendum to the 1st September 2010 Eurostat report on the pension contribution rate
of the Pension Scheme for European Officials (PSEO)**

**concerning
implementation of the judgement of the Court of Justice of the European Union of the
24 November – Case C-40/10**

Reference date: 31 December 2009

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1. INTRODUCTION

In order to comply with the judgement of the Court of Justice of the European Union of the 24 November 2010 (Case C-40/10), the Council adopted the Commission Proposal on the 2009 salary and pension adjustment (COM (2009) 629). This Regulation adjusts, with the retroactive effect from 1 July 2009, the remuneration and pensions of EU officials and other servants by 3.7% and replaces the Council Regulation (EU, Euratom) No 1296/2009 of 23 December 2009 adjusting them by 1.85%. Therefore, the 2009 global Specific Indicator (SI) value has increased. Since this indicator is a component of the General Salary Growth (GSG), a parameter used in the calculation of the 2010 pension contribution rate, this parameter also needs to be updated.

Eurostat has drawn up the present Addendum to the 1st September 2010 Eurostat report to set out the impact of the modified GSG on the results of the 2010 update of the 2008 actuarial assessment, based on the population of European officials as at 31 December 2009.

This addendum to the Eurostat report provides the information needed by the Commission to propose, if necessary, changes to the staff contribution rate in order to ensure the balance of the scheme.

For any further information concerning this report, please contact Eurostat in Luxembourg:

Eurostat, Unit C-6 Secretariat
BECH – A2/018
L-2920 Luxembourg
Tel.: (352) 4301-34191

2. CONTRIBUTION RATE

As a result of the modified GSG parameter the calculated pension contribution rate for 2010 is **11.6%** instead of the 11.0% indicated in Eurostat's September 2010 report.

The change is exclusively the consequence of implementation of the judgement of the Court of Justice of the European Union of the 24 November – Case C-40/10.

The modified 2010 actuarial assessment of the Pension Scheme for European Officials (PSEO) indicates that, in order to guarantee the equilibrium of the scheme, the contribution rate necessary to finance one third of the benefits payable would be **11.6%** of the basic salary (or invalidity or termination of service allowance). This actuarial assessment has been made in accordance with the agreed methodology.

The calculated contribution rate indicated above (11.6%) is one third of the ratio between the total of the service cost (1 246 million Euros) and the total of annual basic salaries (3 574 million Euros). This rate is *higher* (+0.3%) than the one calculated in 2009 (11.3%). This change is analysed in point 3.

Tables I and II from the 1st September Eurostat report have been updated as follows:

Table I. Breakdown of the contribution rate

Service cost	Total contribution rate (3/3)	Staff contribution rate (1/3)
Service cost for retirement	31.9%	10.6%
Service cost for invalidity	1.9%	0.6%
Service cost for death	1.1%	0.4%
Total service cost	34.9%	11.6%

Table II. Service cost and total amount of annual basic salaries

Service cost	Total (EUR million)	%
- Service cost for retirement	1 141	91.6%
- Service cost for invalidity	66	5.3%
- Service cost for death	39	3.1%
Total service cost	1 246	100.0%
Total annual basic salaries and invalidity and termination allowances	3 574	100.0%

3. ANALYSIS OF THE CONTRIBUTION RATE CHANGE

Changes to the pension contribution rate result from the combined effect of changes in the population structure, in actuarial assumptions and in the methodology. The separate impact of these changes in the officials' contribution rate change is not easy to determine due to their interdependency, although analysis of the actuarial assumptions allows a better understanding of the changes in contribution rate and its sensitivity to the various actuarial assumptions.

As indicated in point 1, the official's pension contribution rate calculated this year (11.6%) is *higher* than the one calculated in 2009 (11.3%). This increase (+0.3 percentage points) is mainly explained by

improvements in the methodology, notably in the incorporation of staff turnover (-0.2% percentage points),

the update of the invalidity table (-0.1 percentage points),

the increase of the General Salary Growth (GSG) (+0.6 percentage points) and

the fact the Real Discount Rate (RDR) has, exceptionally this year, remained stable. It should be remembered that past increases of the contribution rate in the period 2004 – 2009, from 9.75% to 11.3% (current applied rate) are mainly due to the progressive yearly decrease of the RDR from 3.9% (rate used in the 2004 assessment) to 2.8% (rate used in the 2009 assessment).

3.1. Change in actuarial assumptions

The General Salary Growth (GSG) is the only assumption that has been updated as a consequence of the implementation of the judgement of the Court of Justice of the European Union of the 24 November – Case C-40/10.

Tables IV and V from the 1st September Eurostat report have been updated as follows:

.Table IV. Actuarial assumptions

Actuarial assumption	Value
Average age difference between married men and women	3 years
Probability of being married for men	84%
Probability of being married for women	38%
Marital status	status at evaluation date
Coefficient for orphan's and divorced spouse's pension	10%
Annex VIII coefficient (correction coefficient)	0.0%
Assumed retirement age	63 to 64
Real discount rate (RDR)	2.8%
General salary growth (GSG)	0.5%
General pension revaluation (GPR)	0.5% (equal to the GSG)
Individual salary progression (ISP)	2009 ISP table
Mortality table (healthy people)	2008 ICSLT
Mortality table (Invalids)	Mortality rate corresponding to a person 3 years older than healthy person
Invalidity table	2009 EU Invalidity table

Table V. Changes in actuarial assumptions

Assumption	Assessment	
	2009	2010
Real Discount Rate (RDR) (1)	2.8%	2.8%
General Salary Growth (GSG) (1)	0.3%	0.5%
ISP-1. Individual Salary Progression of Officials, recruited before 01.05.2004 (2)	1.5%	1.5%
ISP-2. Individual Salary Progression of Officials, recruited from 01.05.2004 onwards (2)	1.9%	2.1%
ISP-3. Individual Salary Progression of Temporary Agents (3)	0.4%	1.6%
ISP-4. Individual Salary Progression of Contract Agents (3)	0.2%	1.0%
ISP-5. Individual Salary Progression of Parliamentary Assistants (4)	n/a	0.0%
Life	2008 ICSLT	2008 ICSLT
Invalidity	2008 EU Invalidity table	2009 EU Invalidity table

(1) Average of 12 years preceding the year of the assessment

(2) Average of individual rates weighted by population as at 31.12.2009

(3) 2009 estimated rate takes account of turnover. In 2010 assessment turnover is considered separately in calculation

(4) New category of personnel included in the 2010 assessment by the first time

3.2. General Salary Growth (GSG)

The GSG (0.5%) used in the updated 2010 calculation is higher than the one used in the 2009 assessment (0.3%). The effect on the contribution rate for pension is an increase of +0.6 percentage points.

The GSG (0.5%) presented in this addendum is higher than this used in the Eurostat report of the 1st September 2010, due exclusively to the implementation of provisions of the judgement of the Court of Justice of the European Communities of the 24 November – Case C-40/10.

As for the discount rate, Annex XII contains specific rules for calculating General Salary Growth. Article 11 stipulates on the one hand that the annual change in salary scales to be used for the actuarial calculations must be based on the specific indicator (SI) and on the other hand that the effective annual rate is the average of the net SIs for the 12 years preceding the current year.

The 2009 net SI used in the moving average to calculate the GSG as detailed in the Eurostat report of the 1st September 2010 (0.9%) has been replaced by 2.8%, which is the 2009 change in purchasing power of national officials as detailed in the 2009 proposal of the Commission for adjusting remunerations of officials.

As the net SI applied in 2009 is now 2.8%, the 12-year moving geometric average from 1998 to 2009 (GSG) becomes 0.5%.

Table XIV from the 1st September Eurostat report has been updated as follows:

Table XIV. General Salary Growth

Year	SI
1997	0.7
1998	0.5
1999	1.8
2000	-0.1
2001	0.6
2002	1.7
2003	1.1
2004	-1.2
2005	0.0
2006	0.2
2007	0.0
2008	-1.3
2009	2.8
GSG (Aver. 1997 - 2008)	0.3
GSG (Aver. 1998 - 2009)	0.5