REPORT ON THE BALANCE OF OUR PENSION SYSTEM

Article paragraph1 of Annex XII to the EU Staff Regulations stipulates that in 2022 the Commission was to submit a report to the European Parliament and the Council on the actuarial balance of the EU staff pension scheme and its budgetary implications. The purpose of that report was to ensure that the parameters of the pension scheme ensured its balance.

For information, this report is in line with the approach taken by the Commission in the context of the 2018 interim evaluation (COM (2018) 829 of 14 December 2018).

First of all, the text recalls the principles of the scheme. It is a funded system based on an accounting notional fund. Only employees' contributions are collected and returned to the EU budget. The employer's contributions are not collected, in exchange for the commitment to pay the annual pensions from the Community budget and the collective guarantee of the Member States which, moreover, was implemented at the time of the departure of the United Kingdom with the annual payment of its share of the liabilities of the scheme (EUR 235 million in 2022). The entitlements acquired by staff are recorded in the annual balance sheet of the EU.

Article 83a of the Staff Regulations provides that the pension scheme is to be balanced by two parameters: the retirement age and the rate of contribution to the scheme. It also has procedures for annual and five-year updates of the rate of contribution to the pension scheme.

The Commission's report notes that the actuarial balance of the pension scheme was ensured between 2014 and 2021, by updating the contribution withheld from the remuneration of each EU staff member. The method laid down in Annex XII to the Staff Regulations ensures that the contribution paid by staff to the budget covers one third of the financing of that scheme, as set out in Article 1 paragraph 1[1] of Annex XII to the Staff Regulations.

The document recalls that the system of regular retirement age assessments put in place by the statutory co-legislator in 2014 ensures the sustainability of the EU staff regime. By establishing a clear link between life expectancy and the retirement age of EU staff, the Staff Regulations ensure that the scheme is adequate in a context of general population ageing. In its 2021 assessment of pensionable age[2], the Commission found that the life expectancy of the EU workforce population, as assessed by Eurostat's mortality tables, had not increased significantly. Consequently, that report endorses the Commission's assessment, in 2021, of the statutory pensionable age, set at 66 years by Article 77 of the Staff Regulations, in 2014. It concludes that the pension age of EU staff members is appropriate and equivalent to the highest standards applicable in the national civil service of the Member States.

[2] Report from the Commission to the European Parliament and the Council pursuant to Article 77 of the Staff Regulations – COM (2021) 94 final.

An interesting aspect of this report will also be noted. In 2012[3], the Commission examined four options for creating a genuine pension fund. However, in 2014, the statutory co-legislator decided to maintain the principle of a notional pension fund for the EU institutions. In order to create a genuine pension fund, the Union budget should transfer part of the liabilities under the EU pension scheme to a fund. Moreover, the creation of a genuine pension fund would necessarily result in an increase in annual expenditure on pensions and a decrease in the revenue of the EU budget. Therefore, given the current availability of the Multiannual Financial Framework, such an approach is not feasible. The paper confirms the approach taken to stick to the current system.

As regards the budgetary impact, the text notes that the two reforms of the Staff Regulations, in 2004 and 2014, introduced structural changes affecting pension rights, such as raising the retirement age, reducing the accrual rate, limiting pay levels by reducing career prospects and introducing new salary scales (for example for contract staff and secretaries and clerks), and abolishing pension coefficients. In addition to these changes, the 2014 reform of the Staff Regulations has already generated a saving of around EUR 1,5 billion in expenditure on pension payments, compared to previous budget forecasts.

As a result, the 2004 and 2014 reforms of the Staff Regulations have already resulted in significant savings in pension expenditure. Indicators such as the average level of acquired pension rights and average basic salaries confirm that the structural changes introduced by the two statutory reforms are gradually generating savings and thus reducing the impact of the EU budget.

One of the consequences of statutory reforms is the impact on the attractiveness of the European civil service. Candidates for posts in the institutions are, on average, over 35 years old. In most cases, they are experienced professionals, for whom the pension scheme is an important part of the overall attractiveness of the EU remuneration system; unlike public employees in the Member States who start their career in the national public administration after graduation. Thus, the structural changes described in *Supra* are a challenge for continuing to attract high-quality staff from the 27 Member States

Finally, the document concludes that the system set up by Annex XII to the Staff Regulations ensured the implementation of the Staff Regulations rules and made it possible to maintain the actuarial balance of the EU staff pension scheme. Compared to existing public schemes in the Member States, the statutory provisions set the strictest rules for most indicators: retirement age, the level of pension contributions and adjustment to changes in actuarial parameters.

In view of the assessment of the actuarial balance and the budgetary implications of the EU staff pension scheme, the Commission does not consider it appropriate at this stage to propose a revision of the parameters of the scheme set out in Annex XII to the Staff Regulations.

Union Syndicale Fédérale Luxembourg supports the Commission 's approach to the validity of the notional accounting fund and the need not to change the structure of the system. It notes with satisfaction that the Commission considers that the current rules have ensured the actuarial balance of the scheme since 2014 by adjusting the level of contributions. She welcomed the Commission’s intention not to change the pensionable age, which had already been amended twice from 60 to 66. Finally, it agrees with the Commission’s approach not to amend Annex XII.

We would add that our organisation is not in favour of revising the Staff Regulations in general and the pension scheme in particular.

[3] Report from the Commission to the European Parliament and the Council on the pension scheme for officials and other servants of the European Union, COM (2012) 37 final.

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