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from: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

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to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

Subject: COMMISSION STAFF WORKING DOCUMENT 2013 actuarial
assessment of the Pension Scheme for European Officials (PSEO)

Delegations will find attached Commission document SWD(2014) 240 final.

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COMMISSION STAFF WORKING DOCUMENT

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Articles 83 and 83a and Annex XII of the Staff Regulations

**2013 actuarial assessment of the
Pension Scheme for European Officials (PSEO)**

Reference date: 31 December 2012

**Addendum to the 1st September 2013 Eurostat report
due to the salary adjustment in accordance with
Regulation (EU) N° 423/2014 of the European Parliament and
of the Council of 16 April 2014**

Luxembourg, 15 May 2014

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Introduction

In May 2014 the remuneration and pensions of officials and other servants of the European Union have been increased 0.8% effective from 1 July 2012 in accordance with Regulation (EU) N° 423/2014 of the European Parliament and of the Council of 16 April 2014.

As a consequence the 2012 global Specific Indicator (SI) value, passed from -2.7% to -1.9%, which made the General Salary Growth (GSG) rise from -0.2% to -0.1%.

Being the GSG a key parameter for the calculation of the pension contribution rate, this last one needs also to be updated.

Eurostat has drawn up the present Addendum to its 1st September 2013 report, to set out the impact of the modified GSG on the results of the 2013 assessment, based on the population of European officials as at 31 December 2012, salaries and pensions used in the 1st September 2013 report being increased conformably.

Furthermore, the present addendum provides the required information for the eventual propose of change to the staff contribution rate, in order to maintain the pension scheme in equilibrium.

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

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1. Contribution rate

As a result of the modified GSG parameter the calculated pension contribution rate for 2013 is **10.6%** instead of the 10.3% indicated in Eurostat's September 2013 report.

The modified 2013 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 **10.6%** of the basic salary (or invalidity or termination of service allowance). This actuarial assessment has been made in accordance with the agreed methodology.

The 10.6% calculated contribution rate is one third of the ratio between the total of the service cost (1 204.9 million Euros) and the total of annual basic salaries (3 785.4 million Euros). This rate is 0.7 % higher than the one calculated in 2012 (9.9%) but not implemented, and 0.3% higher than the one (10.3%) applied from 1st July 2012. The 0.7% change is analysed in point 3.

2. Analysis of the contribution rate change

Changes to the pension contribution rate result from the combined effect of changes in the population structure and in actuarial assumptions. 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 2, the official's pension contribution rate calculated this year (10.6%) is higher than the one calculated in 2012 (9.9%) but not implemented.

This 0.7% increase is mainly explained by the combined effect of the population evolution and actuarial assumptions update, the most important of which being the RDR increase (2.6% in 2012 to 2.7% in 2013), the GSG increase (-0.2% in 2012 to -0.1% in 2013), and the Life Table update.

Changes in actuarial assumptions and their impact on the contribution rate were presented in detail at the 28 June 2013 meeting of the Article 83 Working Group (see document 20120628 Art83_05).

APPENDIX I – COMPUTATION

Due to the new calculation, some tables from the 1st September Eurostat report have been updated as follows:

3. Relevant figures for calculating the contribution rate

Table I. Breakdown of the contribution rate

Service cost	Total contribution rate (3/3)	Staff contribution rate (1/3)
Service cost for retirement	29.5%	9.8%
Service cost for invalidity	1.3%	0.4%
Service cost for death	1.1%	0.4%
Total service cost	31.8%	10.6%

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

Service cost	Total (EUR million)	%
- Service cost for retirement	1 116.9	92.7%
- Service cost for invalidity	47.0	3.9%
- Service cost for death	41.0	3.4%
Total service cost	1 204.9	100.0%
Total annual basic salaries and invalidity and termination allowances	3 785.4	

4. Summary of main variables

Table IV. Actuarial assumptions

Item	Value
Economic assumptions	
Salary grid	In force from 01.07.2012
Real discount rate (RDR)	2.7%
General salary growth (GSG)	-0.1%
General pension revaluation (GPR) (equal to GSG)	-0.1%
Individual salary progression (ISP)	2013 ISP Table
Coefficient for orphan's and divorced spouse's pension	10%
Annex VIII coefficient (correction coefficient)	0.0%
Demographic assumptions	
Mortality table (healthy people)	2013 ICSLT
Mortality table (Invalids)	2013 ICSLT + 3 years old
Invalidity table	2013 EU Invalidity Table
Current marital status	Status at evaluation date
Probability of men being married at retirement age	81%
Probability of women being married at retirement age	49%
Average age difference between an official and his / her partner	2 years
Assumed retirement age	63 to 64
Turnover	2013 T1 and T2 tables

5. Economic parameters

5.1. General Salary Growth (GSG)

The GSG (-0.1%) presented in this addendum, is higher than the one used in the Eurostat report of the 1st September 2013, due to the 0.8% salary increase effective from 1 July 2012 provided for by Regulation (EU) N° 423/2014 of the European Parliament and of the Council of 16 April 2014.

The 2012 net SI used in the moving average to calculate the GSG as presented in the Eurostat report of the 1st September 2013, -2.7%, has been replaced by -1.9%.

As a consequence of the change above, the 16-year moving geometric average from 1997 to 2012 (GSG) became -0.1%, as shown in the Table XIII below replacing the corresponding Table of the Eurostat report at 1st September.

Table XIII. General Salary Growth

Year	SI
1997	0.7
1998	0.4
1999	1.6
2000	-0.2
2001	0.6
2002	1.7
2003	1.0
2004	-1.2
2005	0.0
2006	0.2
2007	0.0
2008	-1.3
2009	2.7
2010	-2.2
2011	-3.5
2012	-1.9
Average 16 years	-0.1

The effect on the contribution rate for pension is an increase of **0.3** percentage points.

6. Impact of changes in demographic and economic parameters in the calculation of the pension contribution rate

The yearly change in the calculated contribution rate is explained by the combined effect of changes in population, methodology, assumptions and other variables used. The calculated change +0.7% (10.6% obtained in the present assessment against 9.9% in the assessment at 31.12.2011) is mainly explained by the GSG increase, RDR increase, and Life Table update.

The following table summarises the impact of these changes.

Table XVIII. Explanation of the change in calculated pension contribution rates at 31.12.2012 and 31.12.2013

Items	Remark	Change breakdown	
Change in assumptions	Population at 31.12.2012 and assumptions 2012 instead of 2013		0.4
- RDR	- Assumptions 2013 but RDR 2012	-0.3	
- GSG	- Assumptions 2013 but GSG 2012	0.3	
- ISP	- Assumptions 2013 but ISP 2012	0.0	
- Mortality	- Assumptions 2013 but Mortality 2012	0.6	
- Invalidity	- Assumptions 2013 but Invalidity 2012	-0.1	
- Turnover	- Assumptions 2013 but Turnover 2012	-0.1	
- Difference age male/female	- Assumptions 2013 but DiffAge 2012	0.0	
- Prob Marriage	- Assumptions 2013 but Prob Marriage 2012	0.0	
Changes in population and other changes			0.3
Total change			0.7