EUROPEAN COMMISSION

Brussels, 6.5.2010
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2010/0117 (NLE)

Proposal for a

COUNCIL REGULATION

adjusting the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

In accordance with Article 4 of Annex XI to the Staff Regulations, intermediate adjustments of remuneration and pensions under Article 65(2) of the Staff Regulations are to be made, on the basis of information provided by Eurostat, in the event of a substantial change in the cost of living between June and December, with due allowance being made for the forecast of the change in purchasing power during the current annual reference period.

Any Commission proposal needed is to be sent to the Council not later than the second half of April.

- **General background**

In accordance with Article 6 of Annex XI to the Staff Regulations, adjustments are to be made for all places (including Brussels) if the sensitivity threshold is reached in Brussels. If that sensitivity threshold is not reached, adjustments are only to be made for those places where the threshold is exceeded.

In accordance with Article 7 of Annex XI to the Staff Regulations, the amount of the adjustment is to be the Brussels International Index multiplied, where appropriate, by half of the specific indicator forecast if this is negative.

The specific indicator measures changes in the net remuneration, exclusive of inflation, of national civil servants in Member States' central governments. Eurostat has calculated this indicator on the basis of the information supplied by the eight Member States referred to in Article 1(4) of Annex XI to the Staff Regulations.

The Brussels International Index measures changes in the cost of living in Brussels for European Union officials. Eurostat has drawn up this index on the basis of the information provided by the Belgian authorities.

The correction coefficients are the ratio between the relevant economic parity and the exchange rate provided for in Article 63 of the Staff Regulations multiplied, if the adjustment threshold is not reached for Brussels, by the amount of the adjustment.

The economic parities for remuneration establish the purchasing power equivalence of the remuneration paid in Brussels, as the reference city, with that paid in the other places of employment. Eurostat has calculated those parities in agreement with the national statistical bodies.

The economic parities for pensions establish the purchasing power equivalence of the pension paid in Belgium, as the reference country, with that paid in the other countries of residence. Eurostat has calculated those parities in agreement with the national statistical bodies.

- **Existing provisions in the area of the proposal**

This proposal is in addition to the proposal presented each year for adjusting remuneration and pensions.

- **Consistency with other policies and objectives of the Union**

Not applicable.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

- **Consultation of interested parties**

Methods of consultation used, main sectors covered and general profile of respondents

The elements of the proposal have been discussed with the staff representatives in accordance with the appropriate procedures.

Summary of replies received and the way in which they have been taken into account

The proposal takes account of the opinions of the parties consulted.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

– The purpose of the proposal is to adjust remuneration and pensions in accordance with the legislation in force.

– The legislation in force permits no alternative.

3. LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

In accordance with Article 4 of Annex XI to the Staff Regulations, the purpose of the proposed action is to adjust remuneration in those places in which there has been a substantial change in the cost of living.

The change in the cost of living for Brussels, measured by the Brussels International Index, over the period June to December of the previous year, is **0.6%.**

Changes in the cost of living outside Belgium and Luxembourg during the reference period are measured by the implicit indices calculated by Eurostat. These indices are calculated by multiplying the Brussels International Index by the change in the economic parity.

The sensitivity threshold is the percentage corresponding to 7% for a twelve-month period (3.5% for a six-month period).

The implicit index applicable to remuneration exceeds the threshold in the following countries or places:

– Latvia **-5.8**%,

– Lithuania **-4.0**%.

The implicit index applicable to pensions exceeds the threshold in the following countries or places:

– Latvia **-4.8**%.

The intermediate adjustment is the Brussels International Index multiplied, where appropriate, by half of the specific indicator forecast if this is negative.

The specific indicator forecast is **-0.2%**, and thus the amount of the intermediate adjustment is **0.5%.**

The correction coefficients are the ratio between the relevant economic parity and the exchange rate multiplied, if the adjustment threshold is not reached for Brussels, by the amount of the intermediate adjustment.

These correction coefficients take effect on 1 January. However, for those countries or places whose implicit index is greater than 6.3%, they take effect on 16 November. For those countries or places whose implicit index is greater than 12.6%, they take effect on 1 November.

As a result, with effect from 1 January 2010, the correction coefficients applicable to remuneration for those countries or places exceeding the threshold are:

– **Latvia 79.6,**

– **Lithuania 73.4.**

As a result, the correction coefficients applicable to transfers by officials and other servants to those countries or places exceeding the threshold are:

– **Latvia 73.3.**

According to the second subparagraph of Article 20(1) of Annex XIII to the Staff Regulations the minimum applicable correction coefficient for pensions is 100. Therefore, the correction coefficients applicable to pensions remain unchanged.

- **Legal basis**

The Staff Regulations, and in particular Annex XI thereto, constitute the legal basis.

- **Subsidiarity principle**

The proposal concerns an area that falls within the exclusive competence of the Union. The principle of subsidiarity does not therefore apply.

- **Proportionality principle**

The proposal is consistent with the principle of proportionality for the following reasons:

– Annex XI to the Staff Regulations provides for a Council Regulation.

– The financial burden results directly from application of the method of adjustment provided for in the Staff Regulations.

- **Choice of instruments**

Proposed instrument(s): Regulation.

Other instruments would have been inappropriate for the following reasons:

– Annex XI to the Staff Regulations provides for a Council Regulation.

4. BUDGETARY IMPLICATION

The impact of the adjustment of remuneration and pensions on administrative expenditure and revenue is detailed in the financial statement annexed hereto.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Protocol on the Privileges and Immunities of the European Union, and in particular Article 12 thereof,

Having regard to the Staff Regulations of Officials of the European Union and to the Conditions of Employment of other servants of the Union, as laid down by the Council Regulation 31 (EEC), 11 (EAEC)[1], and in particular Articles 64, 65(2) of the Staff Regulations and Annexes VII, XI and XIII thereto, and the first paragraph of Article 20, Articles 64 and 92 of the Conditions of Employment of Other Servants,

Having regard to the proposal from the European Commission,

Whereas

(1) There was a substantial decrease in the cost of living in Latvia and Lithuania in the period from June to December 2009, the correction coefficients applied to the remuneration of officials and other servants should therefore be adjusted.

HAS ADOPTED THIS REGULATION:

Article 1

With effect from 1 January 2010, the correction coefficients applicable, under Article 64 of the Staff Regulations, to the remuneration of officials and other servants employed in the countries and places listed below shall be as follows:

– Latvia 79,6,

– Lithuania 73,4.

[1] OJ P 45, 14.6.1962, p. 1385

Article 2

With effect from the first day of the month following that of the publication of this Regulation in the *Official Journal of the European Union*, the correction coefficients applicable under Article 17(3) of Annex VII to the Staff Regulations to transfers by officials and other servants shall be as follows:

– Latvia 73,3.

Article 3

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL:

Council Regulation adjusting the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union.

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

All areas and activities are potentially concerned.

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B..A lines)) including headings:

Expenditure: XX.01.01.01 Commission and Chapter 11 Other institutions.

Revenue: 400 - Proceeds of the tax on the salaries, wages and allowances of officials, other servants and persons in receipt of a pension, 404 - Proceeds from the special levy on the salaries of members of the institutions, officials and other servants in active employment, 410 - Staff contributions to the pension scheme.

3.2. Duration of the action and of the financial impact:

Indefinite.

3.3. Budgetary characteristics:

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
XX.01.01.01 and Chapter 11	Non-compulsory expenditure	Non-diff[2]	NO	NO	NO	**No** [5]

[2] Non-differentiated appropriations hereafter referred to as NDA

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		Year 2010	2011	2012	2013	2014	2015 and later	Total
Operational expenditure[3]									
Commitment Appropriations (CA)	8.1.	a							
Payment Appropriations (PA)		b							
Administrative expenditure within reference amount[4]									
Technical & administrative assistance (NDA)	8.2.4.	c							
TOTAL REFERENCE AMOUNT									
Commitment Appropriations		a+c							
Payment Appropriations		b+c							
Administrative expenditure not included in reference amount[5]									
Human resources and associated expenditure (NDA)	8.2.5.	d	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**Not available**
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6.	e							
Total indicative financial cost of intervention									
TOTAL CA including cost of Human Resources		a+c +d +e	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**Not available**
TOTAL PA including cost of Human Resources		b+c +d +e	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**-0,100**	**Not available**

[3] Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.

[4] Expenditure within article xx 01 04 of Title xx.

[5] Expenditure within chapter xx 01 other than articles xx 01 04 or xx 01 05.

Co-financing details

Not applicable

4.1.2. Compatibility with Financial Programming

X Proposal is compatible with existing financial programming.

☐ Proposal will entail reprogramming of the relevant heading in the financial perspective.

☐ Proposal may require application of the provisions of the Interinstitutional Agreement[6] (i.e. flexibility instrument or revision of the financial perspective).

4.1.3. Financial impact on Revenue

☐ Proposal has no financial implications on revenue,

X Proposal has financial impact – the effect on revenue is as follows:

EUR million (to one decimal place)

		Prior to action	Situation following action					
Budget line	Revenue	2009	2010	2011	2012	2013	2014	2015
410 Pension contribution	*a) Revenue in absolute terms*	**0,217**	**0,206**	**0,206**	**0,206**	**0,206**	**0,206**	**0,206**
	b) Change in revenue	*Δ*	**-0,011**	**-0,011**	**-0,011**	**-0,011**	**-0,011**	**-0,011**
400 Tax	*a) Revenue in absolute terms*	**0,095**	**0,090**	**0,090**	**0,090**	**0,090**	**0,090**	**0,090**
	b) Change in revenue	*Δ*	**-0,005**	**-0,005**	**-0,005**	**-0,005**	**-0,005**	**-0,005**
404 Special levy	*a) Revenue in absolute terms*	**0,018**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**
	b) Change in revenue	*Δ*	**-0,001**	**-0,001**	**-0,001**	**-0,001**	**-0,001**	**-0,001**

4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.

Not applicable

[6] See points 19 and 24 of the Interinstitutional agreement.

5. CHARACTERISTICS AND OBJECTIVES

5.1. Need to be met in the short or long term

The obligation under the Staff Regulations.

5.2. Value-added of Union involvement and coherence of the proposal with other financial instruments and possible synergy

Not applicable.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

Not applicable.

5.4. Method of Implementation (indicative)

X ***Centralised Management***

X directly by the Commission: PMO.

6. MONITORING AND EVALUATION

6.1. Monitoring system

Not applicable.

6.2. Evaluation

6.2.1. Ex-ante evaluation

Not applicable.

6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

Not applicable.

6.2.3. Terms and frequency of future evaluation

Evaluation took place in 2008.

7. ANTI-FRAUD MEASURES

Not applicable.

8. DETAILS OF RESOURCES

Not applicable.