Work more for less as of January

-1%

Why will our salary decrease?

Social security contributions increase (as of 1 January 2026)

- **Shared between the Office and staff**
  - 1/3 paid by staff from basic salary i.e. **+2.2 pp**
  - Global increase: +6.6 pp.
- **Healthcare insurance**
  - Healthcare insurance rate 9.6% → 10.5% (+0.9 pp.)

- **Long-term care insurance**
  - LTC rate 1.8% → 1.8% (0.0 pp.)

- **Pensions**
  - Old Pension Scheme rate 32.1% → 37.8% (+5.7 pp.)
  - New Pension Scheme rate 28.5% → 33.9% (+5.4 pp.)
  - Salary Savings Plan rate 3.6% → 3.9% (+0.3 pp.)

Salary adjustment for 2025 (as of 1 January 2026)

- **Last year's adjustment**
  - Underlying methodology for Germany **+5.0%**
  - "sustainability" clause (overall growth of salary mass capped at July value over 12 months of Eurozone inflation +0.2%) cut down to **+2.9%**
  - Reserve pool **+2.1%**

  - Appeals Committee considers "sustainability" clause to be legally flawed but Office continues

- **This year's adjustment**
  - For Germany **+1.2%**
  - Reserve pool **not exhausted**

- **National inflation**
  - For Germany **+2.0%** (July value over 12 months)

Loss of purchasing power for staff in Germany

Impact of combined application (as of 1 January 2026)

- **Increase in social security contributions**

  +2.2 pp from basic salary

- **Salary adjustment**

  For Germany +1.2%

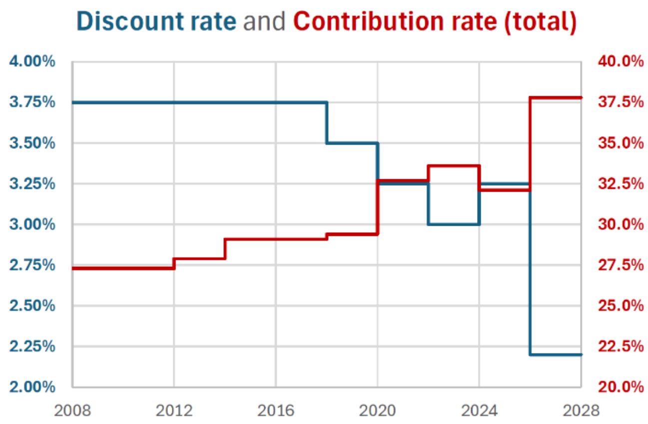
- **Combined effect**

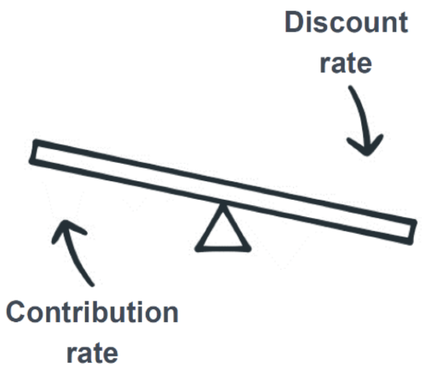
  -1.0% pay cut on salary slip (national inflation at +2.0%)

Unique situation in the EPO history

Is the increase in contributions justified? (1/3)

- **Discount rate: Main driver of contributions**
  - Money today is worth more than the same amount of money in the future **(inflation, investment opportunities, and risk)**
  - **Discount rate** is used to adjust the value of future payments to express in terms of today's money, i.e. the **present value.**
  - **Lower discount rate** assumes lower expected investment returns from Reserve Fund for Pensions and Social Security (RFPSS) and drives an **increase in contribution rate**





Is the increase in contributions justified? (2/3)

- **Actuarial Study 2023: Equilibrium mandate**
  - "Best estimate" practice: 50% probability of reaching expected returns in RFPSS
    - equal probability of a surplus or a deficit emerging in the future
    - intergenerational fairness: current generation and future generation contribute equally
  - Strategic Asset Allocation of RFPSS for high returns
    - 60% equities / 40% fixed income

- **Actuarial Study 2023: Results**
  - Discount rate: 3.00% → 3.25% (justified by rising interest rates) with +/- 0.25 pp "smoothing approach"
  - Pension contributions (OPS/NPS+SSP): 33.6% → 32.1% (–1.5 pp.)

Did not match managerial narrative that EPO is in dire financial situation and EPO staff should work more for less

Is the increase in contributions justified? (3/3)

- **Actuarial Study 2025: Overfunding mandate**
  - “Risk appetite” practice: 50% → **66% probability** of reaching expected returns in RFPSS
    - higher probability of a surplus in the future i.e. overfunding
    - intergenerational **un**fairness: current generation to contribute more than future generation
  - Strategic Asset Allocation of RFPSS **de-risking to lower returns**
    - 60% equities / 40% fixed income → **40% equities / 60% fixed income** although it is not yet applied and not even known when or whether it will be applied
    - Funding ratio target **105%** i.e. overfunding

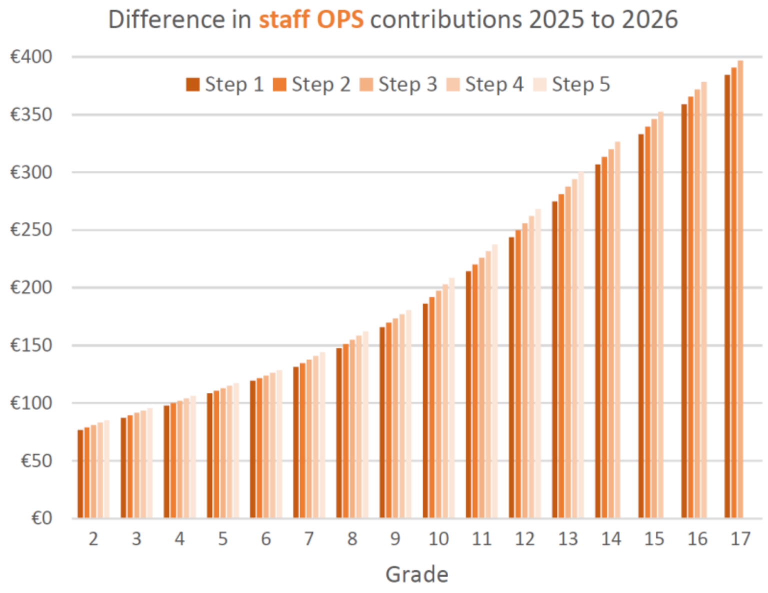
- **Actuarial Study 2025: Results**
  - Discount rate: 3.25% → **2.2% (-1.05 pp.)** **without +/- 0.25 pp. “smoothing approach” anymore** (suggests Office interference)
  - Funding ratio **100.3%** (pensions fully funded but funding gap because of 105% target)
  - Pension contributions (OPS/NPS+SSP): 32.1% → 37.8% (**+5.7 pp.**)

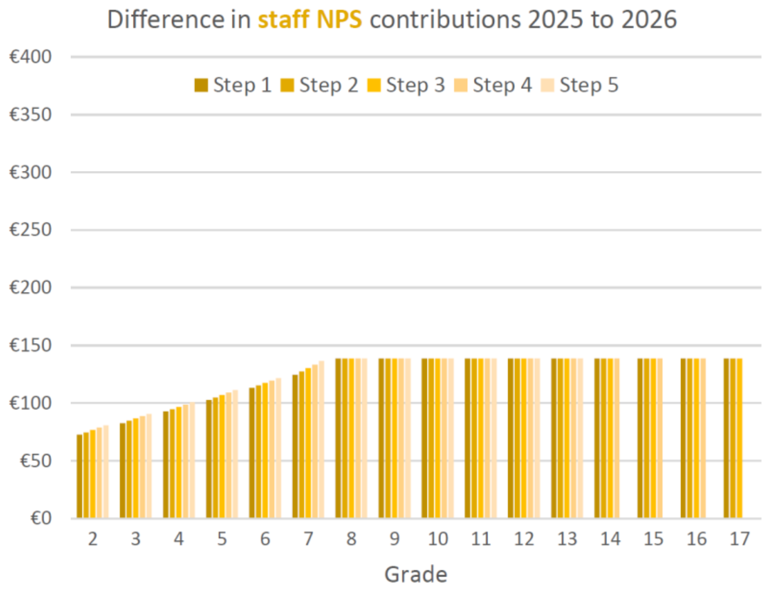
Highest level of contributions in the EPO history

Winners & Losers (1/2)

- **Impact of increase of OPS/NPS contributions (“deductions for same benefit”) vary among staff**

Old Pension Scheme rate: 32.1% → 37.8%   +5.7% **New Pension Scheme rate**: 28.5% → 33.9%   +5.4%





Winners & Losers (2/2)

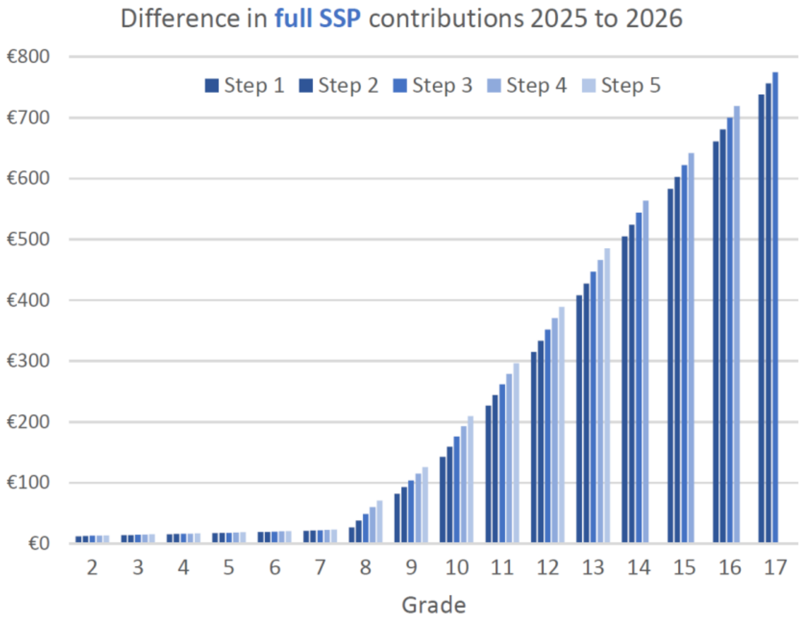
- **Impact of increase of contributions SSP (“deferred salary”) vary among staff**

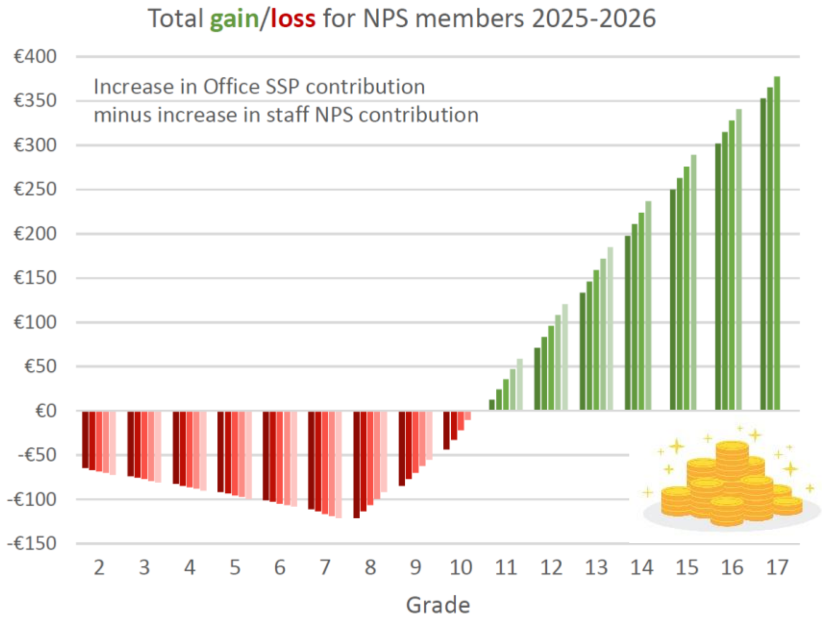
SSP rate (below cap) = OPS rate – NPS rate

SSP rate (below cap): 3.6% → 3.9%   +0.3%

SSP rate (above cap) = OPS rate

SSP rate (above cap): 32.1% → 37.8%   +5.7%





Why do we inform staff now?

- **2 October 2025 at 16.21h: Office informs staff representation**
  - Supportive documents about calculation of salary adjustment for 2025 (as of 1 January 2026) are available: **+1.2%** for Germany

- **3 October 2025: CSC sends a letter to the President & GCC members**
  - Should the Office apply the increase in staff contributions of **+2.2 pp.** as of 1 January 2026, EPO staff in Germany would see a salary decrease on their payslips (**-1.0%**)
  - Request for postponement as was done in 2021

    "As an exceptional social gesture, [the Office] suggests applying the new rates from 1 January 2023. This would avoid a net decrease in salary for some staff, that would result from simultaneously applying the exception clause for salaries (no salary increase is foreseen in the 2022 budget) and the global increase in social security contribution rates."

    (Management Advisory Committee (MAC) Report of September 2021)

- **6 October 2025: GCC meeting on Actuarial Study 2025**
  - Chair (VP5) gives floor to PD4.3. who answers: "**The document will not be changed**" (sic!)

Conclusion

- Our pensions are fully funded i.e. **100.3%**
- **Management moves ahead with +2.2 pp. increase in staff contributions not covered by +1.2% salary adjustment resulting in pay cut of -1.0%**
- **Personal interest in increasing contributions to their individual Salary Savings Plan (SSP)**
- **EPO staff worked well in 2025 and does not deserve a pay cut**

Thank you for your attention!