

New Pension Scheme (NPS) and Salary Savings Plan (SSP)

Information session and legal status

24th June 2024

Our Pension Schemes – The Basics

Defined Benefit Scheme (DB)

- **Benefit is defined:** monthly pension payments are **fixed**
- **Contributions** during employment **may change** depending on investment returns
- Risk is with **Employer**

Old Pension Scheme: DB

- **(DB)** Monthly pension = 2% per year of service of final salary, up to a maximum of 70%

Example:

G13.5; 25 years' service ≈ 7750 € per month

(Plus 50% tax compensation from the Office)

Defined Contribution Scheme (DC)

- **Contributions are defined:** monthly contributions from employer and employee during employment are **fixed**
- **Benefit** of a final lump sum depends on investment returns and is therefore **not fixed**
- Risk is with **Employee**

New pension scheme: Mixed DB/DC¹

- **(DB)** Monthly pension = 2% per year of service of final salary capped at twice G1.4, up to a maximum of 70%

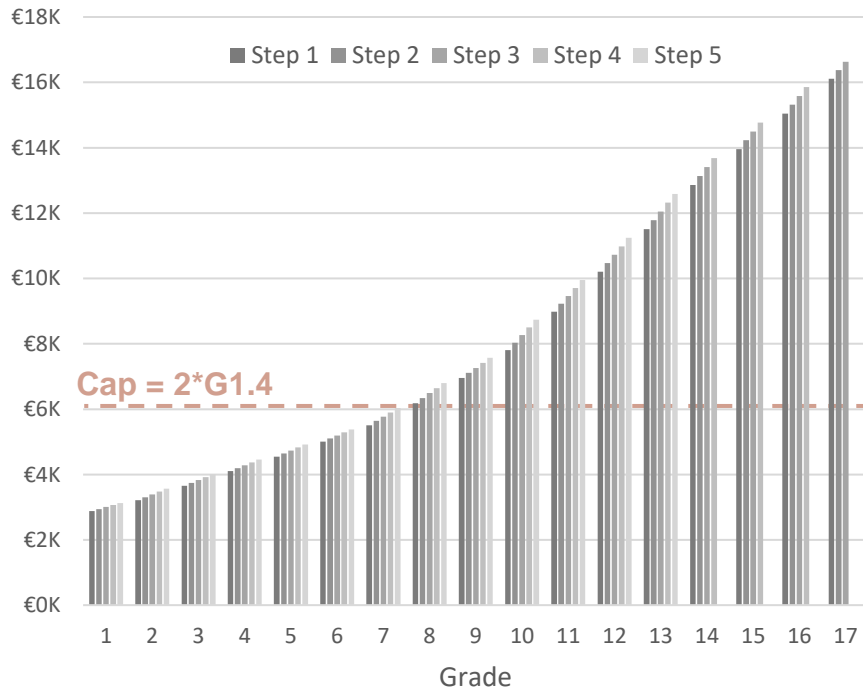
Example:

G8 and above; 25 years' service ≈ 3770 € per month

- **(DC)** Salary savings plan... not so easy to estimate amount

Calculating the NPS and SSP Contributions

Basic Salaries July 2017 - June 2018



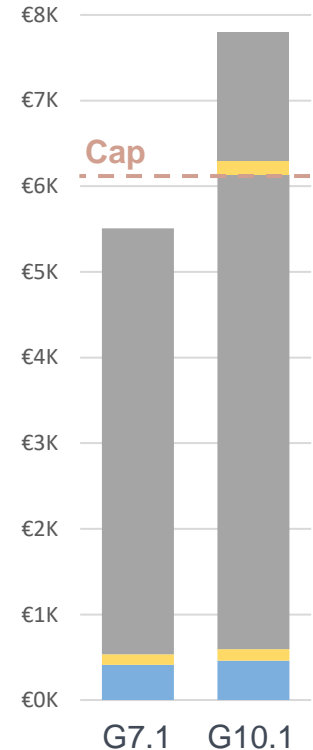
Salary **below** the cap;

NPS contribution =
Basic salary * NPS rate

SSP contribution =
Basic salary * (OPS-NPS rate)

Salary **in excess** of the cap;

SSP contribution =
Basic salary * OPS rate



How are the Contribution Rates Calculated?

Biennial Actuarial Study by the Independent Actuarial Advisory Group

- Calculation OPS contribution rate
 - Assume everyone is an OPS member (regulated¹), avoids contribution increases
- Calculation of NPS contribution rate
 - Assume everyone is in the NPS (not regulated), gives higher contributions
- SSP contribution rate not calculated directly, but a consequence
 - SSP contribution rate under cap = OPS rate minus NPS rate
 - SSP contribution rate above cap = OPS rate
 - Nothing to stop SSP rate under cap falling towards zero

Isn't the SSP supposed to be a "Defined Contribution" Scheme?

Contributions are re-defined every 2 years, in no way "remain known and sure"²

Contribution level is not based on desired final returns, but unrelated factors (OPS and NPS rates)

No guarantee for anything, neither contributions nor investment returns, no way to estimate final sum

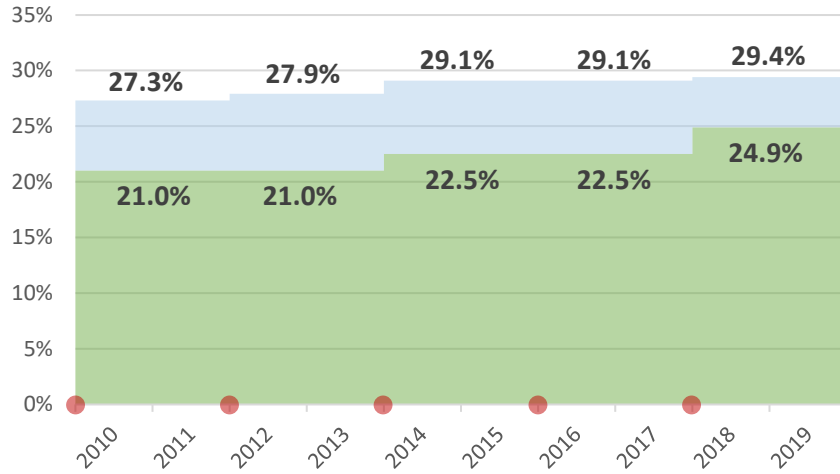
¹[CA/D 17/08, Article 18](#), cap = 2 x grade 1 step 4 basic salary, ²[CA/80/08/ Rev 1](#)

Which Factors may Impact the Calculation?

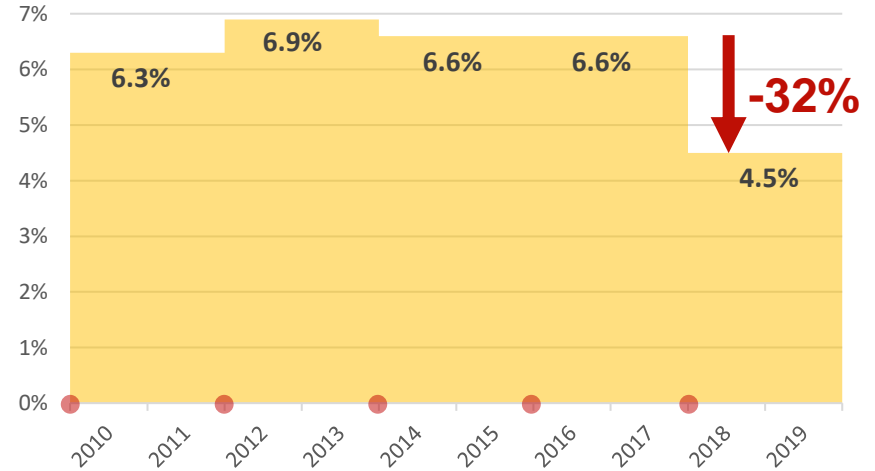
- Discount rate – expected return on investment, RFPSS
- Career – salary progression expectations
- Mortality – life expectancy
- Retirement – expected age to begin drawing pension
- Turn-over – probability of staff to leave the Office prior to retirement
- Real increase in salary scales – salary adjustment method
- Choice of actuarial method
- Average age of active staff
- ...

Changes to Pension Contribution Rates

OPS and NPS contribution rates



SSP contribution rate = OPS - NPS



Biennial Actuarial Study Application Dates

What Factors made the Changes so Significant in 2018?

- Discount rate change

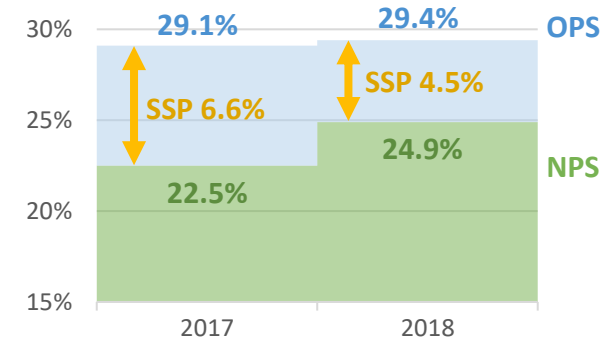
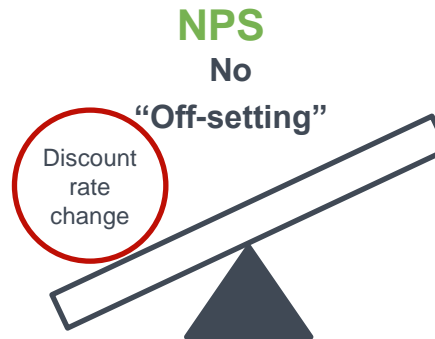
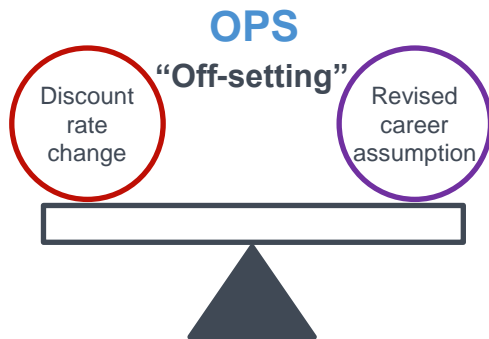
Year of study	2006	2009	2011	2013	2015	2017
Discount rate	3.75%	3.75%	3.75%	3.75%	3.75%	3.50%

- Revised career assumption

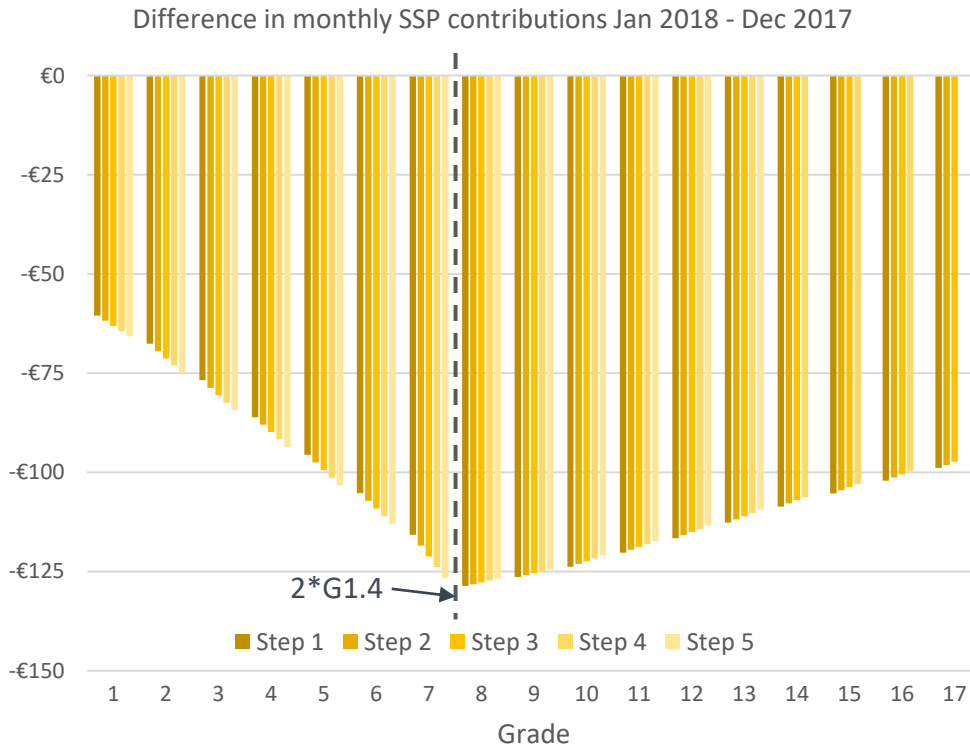
- First introduction of 2015 New Career System (50/50 new/old)
- Slower salary progression → lower final salary

Increases contributions

Decreases contributions



How did this Impact my SSP?

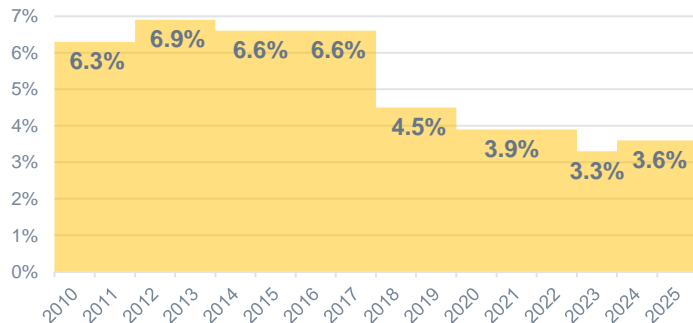


Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	-32%	-32%	-32%	-32%	-32%
2	-32%	-32%	-32%	-32%	-32%
3	-32%	-32%	-32%	-32%	-32%
4	-32%	-32%	-32%	-32%	-32%
5	-32%	-32%	-32%	-32%	-32%
6	-32%	-32%	-32%	-32%	-32%
7	-32%	-32%	-32%	-32%	-32%
8	-31%	-28%	-25%	-23%	-21%
9	-20%	-18%	-17%	-16%	-15%
10	-14%	-13%	-12%	-11%	-10%
11	-10%	-9%	-9%	-8%	-8%
12	-7%	-7%	-7%	-6%	-6%
13	-6%	-5%	-5%	-5%	-5%
14	-5%	-4%	-4%	-4%	-4%
15	-4%	-4%	-4%	-4%	-4%
16	-3%	-3%	-3%	-3%	-3%
17	-3%	-3%	-3%	-3%	-3%

Not forgetting higher NPS contributions for same monthly pension!

Summary of Issues

- SSP is an **un**-defined contribution scheme
- SSP rate is not calculated, but a consequence of OPS and NPS rate calculations
- Impact of the 2015 New Career System (NCS) is creating an imbalance
 - 50/50 influence in 2018, 75/25 in 2020 and 2022, 80/20 in 2024
 - yet to experience full effect
- Should have been a review of the scheme when the NCS impact became known
- Nothing prevents the SSP rate under the cap falling further towards zero



What can we do?

NPS SSP Contribution Rates 2018

Legal Challenges



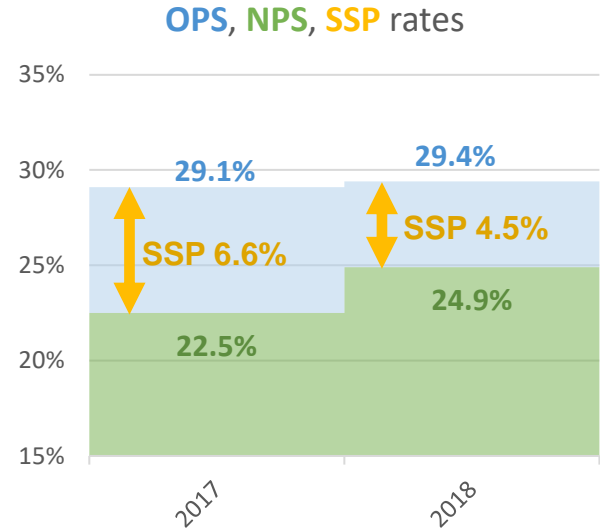
Legal Timeline

April 2018 – Request for Review filed (MR/2018-0056)

September 2018 – Appeal filed (RI/2018/058)

May 2023 – Appeals Committee opinion sent to the President

July 2023 – Decision notified to the Appellants



Opinion of the Appeals Committee

.....the Appeals Committee **unanimously** considered that the Office had **violated the principle of duty of care**.....

.....highlighted that both systems, the old and the new pension scheme architecture, should deliver **comparable** outcome.... This may **no longer** be the case.....

..... **a full comprehensive review** of its pension scheme architecture, including all of its inseparable elements (the **NPS** and the **SSP**) should be performed by the Office.....

.....awarded **moral damages** to the Appellants.....

Opinion Positive for staff

....BUT the OFFICE disregarded the ApC opinion - Case sent to the ILOAT



Legal Timeline

April 2018 – Request for Review filed (MR/2018-0056)

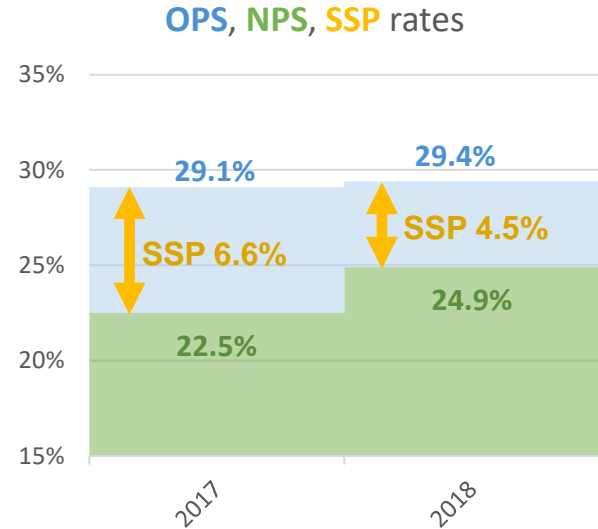
September 2018 – Appeal filed (RI/2018/058)

May 2023 – Appeals Committee opinion sent to the President

July 2023 – Decision notified to the Appellants

October 2023 – Complaint filed to the ILOAT

July 2024 – Request to Intervene to be filed by 26 July 2024



Application to Intervene – vade mecum

Who can intervene?

- Only the members of the New Pension Scheme (NPS) recruited **before** 1 Jan 2018.

What should I do to intervene?

- Send the necessary documentation to the Tribunal (i.e. intervention form, intervention brief and annexes); **Deadline:** 26 July 2024

How to get the required documentation?

- Be a SUEPO member! Or become one if you aren't already
- Send an email to interventionNPS2018@suepo.org, stating your interest, and providing your
 - date of recruitment
 - place of employment, and
 - confirming your SUEPO membership
- Await the receipt of the documentation drafted by our lawyer including detailed instructions on how to file (in the coming days). **Important:** Confidential data, documentation must **not** be shared!

Application to Intervene – vade mecum

How to file?

- Read carefully the filing Instructions by SUEPO
- Fill in the provided intervention form and intervention brief with your data
- Download your January 2018 salary slip and your employment certificate from myfips and label them as annexes
- Sent an electronic version of your complete submission to the Tribunal
- Print three copies of each submission, and hand sign them
- Send the three hard copies via registered post to the Tribunal

Where to get more Info?

- <https://www.ilo.org/ilo-administrative-tribunal/practical-guide-procedure-ilo-administrative-tribunal>
- <https://www.ilo.org/ilo-administrative-tribunal/application-intervene>

How to become a SUEPO member?

- https://hague.suepo.org/membership_application_form/c-142 (SUEPO The Hague)
- <https://munich.suepo.org/membership/c-65> (SUEPO Munich)

Thank you!

Q&A Session

ANNEX 1 - Notable quotes from CA/80/08 Rev 1

“The consultant has demonstrated the possibility (1) of reducing the Office's long-term liabilities and (2) of offering an **equivalent level of benefits for pensioners**, (3) while maintaining the current costs, (4) simply by means of a partial transfer of the financial risks.”

“This solution avoids any discrimination between current and future staff in terms of the costs, of which they have to bear one third, as well as **neutralising the effect of closed groups of employees**, which under other approaches **would have led to an increase in the contributions of current staff.**”

“The salary savings plan works towards the goal of reducing the risk associated with the Office's long-term liabilities. It offers end-of-career benefits closely and directly linked to the level of contributions, without creating any such liabilities. In this new situation, the Office's only obligation is the monthly payment of its contribution to the plan. **The amount of the contributions remains known and sure**, but the Office no longer guarantees the expected benefits.”

“The negative consequences of these actions for employees subject to the new law are twofold:

- new staff will from now on **bear the financial risk** of the savings plan;
- pension benefits will no longer be supplemented by a tax adjustment as partial compensation for national taxation. This constitutes a **loss of around 22%** in the net pension, for **employees doing the same work and bearing the same contributions.**”

ANNEX 2 – SSP Contribution Values DE

SSP employee contribution Dec 2017 (EUR)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	63.51	64.88	66.25	67.62	68.99
2	70.92	72.86	74.79	76.73	78.67
3	80.62	82.58	84.54	86.50	88.46
4	90.42	92.37	94.33	96.29	98.25
5	100.28	102.32	104.35	106.38	108.42
6	110.45	112.49	114.52	116.55	118.59
7	121.46	124.34	127.22	130.09	132.97
8	140.19	155.14	170.08	185.03	199.97
9	214.91	229.85	244.80	259.75	274.69
10	297.40	320.12	342.83	365.55	388.26
11	411.88	435.50	459.11	482.73	506.34
12	531.40	556.47	581.53	606.60	631.67
13	657.84	684.03	710.23	736.42	762.62
14	789.14	815.67	842.19	868.72	
15	895.23	921.76	948.29	974.82	
16	1001.18	1027.55	1053.92	1080.29	
17	1105.30	1130.32	1155.33		

SSP employee contribution Jan 2018 (EUR)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	43.30	44.24	45.17	46.10	47.04
2	48.36	49.68	51.00	52.32	53.64
3	54.97	56.31	57.64	58.98	60.31
4	61.65	62.98	64.32	65.65	66.99
5	68.38	69.76	71.15	72.54	73.92
6	75.31	76.70	78.08	79.47	80.86
7	82.82	84.78	86.74	88.70	90.66
8	97.21	112.31	127.41	142.51	157.61
9	172.70	187.80	202.90	218.00	233.10
10	256.05	279.00	301.94	324.89	347.84
11	371.71	395.56	419.42	443.28	467.14
12	492.46	517.78	543.11	568.43	593.76
13	620.20	646.66	673.12	699.59	726.05
14	752.85	779.65	806.45	833.25	
15	860.04	886.84	913.64	940.44	
16	967.08	993.72	1020.37	1047.01	
17	1072.27	1097.55	1122.82		

SSP total contribution loss between 2018 and 2017 (EUR)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	-60.62	-61.93	-63.24	-64.54	-65.85
2	-67.70	-69.55	-71.39	-73.24	-75.09
3	-76.96	-78.83	-80.70	-82.57	-84.44
4	-86.31	-88.18	-90.05	-91.91	-93.78
5	-95.73	-97.67	-99.61	-101.55	-103.49
6	-105.43	-107.37	-109.31	-111.26	-113.20
7	-115.94	-118.69	-121.43	-124.18	-126.92
8	-128.93	-128.47	-128.01	-127.55	-127.08
9	-126.62	-126.16	-125.70	-125.24	-124.77
10	-124.07	-123.37	-122.67	-121.96	-121.26
11	-120.53	-119.80	-119.07	-118.34	-117.61
12	-116.83	-116.06	-115.28	-114.51	-113.73
13	-112.92	-112.11	-111.30	-110.49	-109.68
14	-108.86	-108.04	-107.22	-106.40	
15	-105.58	-104.76	-103.94	-103.12	
16	-102.30	-101.49	-100.67	-99.86	
17	-99.08	-98.31	-97.54		

ANNEX 3 – SSP Contribution Values NL

SSP employee contribution Dec 2017 (EUR)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	63.38	64.74	66.11	67.48	68.84
2	70.77	72.71	74.64	76.57	78.50
3	80.46	82.41	84.37	86.32	88.28
4	90.23	92.18	94.14	96.09	98.05
5	100.08	102.11	104.14	106.17	108.20
6	110.23	112.25	114.28	116.31	118.34
7	121.21	124.08	126.95	129.82	132.69
8	139.90	154.81	169.73	184.64	199.56
9	214.46	229.38	244.29	259.21	274.12
10	296.79	319.46	342.13	364.79	387.46
11	411.03	434.59	458.16	481.73	505.29
12	530.30	555.32	580.33	605.35	630.36
13	656.47	682.61	708.75	734.90	761.04
14	787.51	813.98	840.45	866.92	
15	893.38	919.86	946.33	972.80	
16	999.11	1025.42	1051.74	1078.05	
17	1103.01	1127.97	1152.93		

SSP employee contribution Jan 2018 (EUR)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	43.21	44.14	45.07	46.01	46.94
2	48.26	49.57	50.89	52.21	53.53
3	54.86	56.19	57.52	58.86	60.19
4	61.52	62.85	64.18	65.52	66.85
5	68.23	69.62	71.00	72.39	73.77
6	75.15	76.54	77.92	79.31	80.69
7	82.64	84.60	86.56	88.51	90.47
8	97.01	112.08	127.15	142.22	157.28
9	172.34	187.41	202.48	217.55	232.62
10	255.52	278.42	301.32	324.22	347.13
11	370.93	394.74	418.55	442.36	466.17
12	491.44	516.71	541.98	567.26	592.53
13	618.91	645.32	671.73	698.14	724.55
14	751.29	778.04	804.78	831.52	
15	858.26	885.01	911.75	938.50	
16	965.08	991.66	1018.25	1044.84	
17	1070.05	1095.27	1120.49		

SSP total contribution loss between 2018 and 2017 (EUR)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5
1	-60.50	-61.80	-63.10	-64.41	-65.71
2	-67.56	-69.40	-71.25	-73.09	-74.94
3	-76.80	-78.67	-80.53	-82.40	-84.26
4	-86.13	-87.99	-89.86	-91.72	-93.59
5	-95.53	-97.46	-99.40	-101.34	-103.28
6	-105.21	-107.15	-109.09	-111.03	-112.96
7	-115.70	-118.44	-121.18	-123.92	-126.66
8	-128.67	-128.20	-127.74	-127.28	-126.82
9	-126.36	-125.90	-125.44	-124.98	-124.51
10	-123.81	-123.11	-122.41	-121.71	-121.01
11	-120.28	-119.55	-118.82	-118.09	-117.36
12	-116.59	-115.82	-115.04	-114.27	-113.50
13	-112.69	-111.88	-111.07	-110.26	-109.45
14	-108.64	-107.82	-107.00	-106.18	
15	-105.36	-104.54	-103.72	-102.91	
16	-102.09	-101.28	-100.46	-99.65	
17	-98.88	-98.11	-97.33		