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Zentraler Personalausschuss
Central Staff Committee
Le Comité Central du Personnel

Munich, 16-10-2025
sc25062cp

Report on the GCC meeting of 6 October 2025

Dear Colleagues,

The General Consultative Committee (GCC) met by videoconference on 6 October 2025. The following items were on the agenda of the meeting and the CSC members of the GCC raised their concerns and tried to get further clarifications:

- AAG Joint Reports and Office Comments – for consultation GCC/DOC 13/2025
- Circular 417: Contribution rates to the New Pension Scheme (NPS) applicable as from 1 January 2026 – for consultation GCC/DOC 14/2025
- Circular 430: Contribution rates to the Salary Savings Plan (SSP) applicable as from 1 January 2026 – for consultation GCC/DOC 15/2025
- Circular 416: Total contribution rate to the healthcare insurance scheme applicable as from 1 January 2026 (Article 83a(1) Service Regulations) – for consultation GCC/DOC 16/2025

Before the meeting, on 3 October, the CSC had sent a letter to the President, the Chair (VP5) and the GCC members to request a postponement of the increase of contributions in order to avoid that EPO staff in Munich, Berlin and Vienna see a salary decrease on their payslips of January 2026.

In the meeting, the Chair gave the floor to PD4.3 who answered that the document containing the date of 1 January 2026 for applying the increase of contributions would not be changed.

The detailed opinion by the CSC members of the GCC are annexed to this paper.

The Central Staff Committee

Opinion on GCC/DOC 13/2025
Actuarial Advisory Group
Joint Report and Office comments

Introduction

1. The CSC members of the GCC give the following opinion on the "Actuarial Advisory Group – Joint Report and Office comments" proposed in GCC/DOC 13/2025.

2. The documents are the outcome of the work of the Actuarial Advisory Group (AAG) consisting of three external actuaries mandated by the Office to :

   - conduct a study in 2025 on the conditions for ensuring the equilibrium of the Office's pension and long-term care schemes[1],
   - make a recommendation on the contribution rates for the healthcare insurance scheme[2]
   - make an assessment on the funding levels[3] for the pension, healthcare and long-term care insurance schemes (with valuation as of 31 December 2024),

On the consultation

3. On 19 December 2024, the administration invited the staff representation to a meeting on the mandate given by Mr Campinos to the AAG for their 2025 study. The mandate was set to align with the overconservative layers of assumptions and targets resulting from the Financial Study 2023-2024 by Oliver Wyman & Mercer[4].

4. On 23 January 2025, the Central Staff Committee (CSC) published a paper reporting on the meeting and, among others, the expected increase of the pension contributions.

5. On 2 June 2025, the administration invited the staff representation to a first meeting with the AAG on the current status of their 2025 study. No document was provided to the staff representation in advance of the meeting. During the meeting, the AAG showed slides on the contribution requirements for the pension schemes (OPS and NPS), the long-term care insurance and the health insurance.

6. On 5 June 2025, the Local Staff Committees of Munich (LSCMN) and The Hague (LSCTH) held a general assembly addressing, among others, the topic of the Actuarial Study 2025. In the general assembly, the staff representation showed slides giving details on the initial findings from the AAG regarding the biennial changes to pension contributions.

7. On 26 June 2025, the administration sent to the staff representation a copy of the slides shown by the AAG in the meeting of 2 June (**ANNEX 1**). The staff representation was reminded that *"this*

[1] GCC/DOC 13/2025, CA/51/25, page 38, section 10.1, Annex 1
[2] GCC/DOC 13/2025, CA/51/25, page 39, section 10.2, Annex 2
[3] GCC/DOC 13/2025, CA/52/25, page 18, Annex 1
[4] CA/23/24

document is intended ***for internal use only*** *and should* ***not be distributed*** *beyond the recipient of this email prior to the publication of the AAG's full report"*.

8. On 4 July 2025, the CSC published the slides[5] made by the LSCMN and LSCTH in the general assembly.

9. On 4 September 2025, the administration sent to the staff representation three documents:

   - CA/51/25: Recommendation of the contribution requirements of the pension schemes and long-term care scheme,
   - CA/52/25: Assessment of the funded status of the pension, healthcare and long-term care schemes
   - CA/53/25: Office's opinion on the contribution recommendations and funded status assessment of the pension, healthcare and long-term care schemes

10. On 10 September 2025, the administration invited the staff representation to a second (and last) meeting with the AAG.

11. On 16 September 2025, the administration published an Intranet new items titled "Outlook for our pension and social security schemes".

12. On 17 September 2025, the administration sent to GCC members the agenda of the GCC meeting of 6 October.

13. The document GCC/DOC 13/2025 contains the three proposed documents CA/51/25, CA/52/25, CA/53/25.

14. On 2 October 2025 at 16.21h, the administration informed the staff representation that the supportive documents for the calculation of the salary adjustment for 2025 (as of 1 January 2026) were available on the shared drive.

15. On 3 October 2025, the CSC sent a letter **(ANNEX 2)** to the President requesting that the increase in contributions is postponed to avoid a decrease in the salary slips in the countries of three places of employment: Germany (Munich and Berlin) and Austria (Vienne).

16. On 6 October 2025, the CSC published a paper[6] on the impact of the increased pension contributions.

17. On 6 October 2025, the GCC meeting took place during which management rejected the requests of the staff representatives.

[5] "Actuarial Advisory Group Study 2025: What is the impact on our pensions?", slides of 5 June 2025 (sc25043cp)
[6] "Pension contributions increases: A shared effort?", CSC paper of 6 October 2025 (sc25059cp)

On the timeline

18. The staff representation met with the AAG only twice and the timeline was tighter than for Actuarial Study 2023[7].

19. Indeed, back in 2023, the AAG was mandated to provide its recommendations by the end of July 2023[8] and the staff representation was invited to the second meeting with the final results and documents on 20 June 2023[9].

20. This time, in 2025, with the same deadline of July[10], the staff representation was provided only with intermediate findings on 2 June and the supportive slides on 26 June 2025 (**ANNEX 1**).

21. The final results and documents were provided only later on 4 September and the second and final meeting took place on 10 September almost two months later than for the 2023 study.

On the merits

EPO pensions schemes

22. At the EPO, there are two pension systems, on one side the Old Pension Scheme (OPS) and on the other side the New Pension Scheme (NPS) complemented with a Salary Savings Plan (SSP).

23. While the OPS and the NPS are **Defined Benefit** (DB) schemes, the Salary Savings Plan (SSP) is a Defined Contribution (DC) plan.

24. A **Defined Benefit (DB)** scheme is a type of pension plan where the retirement benefits are predetermined and typically based on a formula that considers factors such as the employee's salary history (career + salary adjustment), years of service, and retirement age. The key feature of a DB scheme is that the employer guarantees the benefit amount, regardless of how well the investments in the pension fund perform.

25. A Defined Contribution (DC) plan is a type of retirement plan where the amount of money contributed to the plan is defined, but the eventual retirement benefit depends on how well the investments perform. Unlike a Defined Benefit (DB) plan, which guarantees a specific benefit at retirement, a DC plan's payout is based on the accumulated contributions and the investment returns over time.

26. At the EPO, the OPS and the NPS create for the EPO a **Defined Benefit Obligation (DBO)** or *defined benefit liability*.

27. A **Defined Benefit Obligation (DBO)** refers to the present value of the future pension benefits that an employer is obligated to pay to its employees under a Defined Benefit pension plan. In simpler terms, it is the amount of money that an employer expects to pay out to employees during their

[7] CA/52/23
[8] CA/52/23, page 43/64, Annex 1
[9] CA/52/23, par. 30
[10] GCC/DOC 13/2025, CA/51/25, p. 38, section 10.1, Annex 1

retirement, based on a set formula that considers factors like years of service, salary progression, and age at retirement.

28. At the EPO, the Reserve Fund for Pensions and Social Security (RFPSS) was set up to build reserves that help to "match" the Defined Benefit Obligation (DBO). Unlike the European Union (EU) or any of the national patent offices, the EPO and its staff have such reserves. To determine whether such reserves are sufficient and whether pension contributions are sufficient, the EPO refers to the Actuarial Advisory Group (AAG).

29. The AAG was established in 1992 and consists of three external actuaries mandated to advise the Office on the conditions to be met in order to ensure the equilibrium of its pension scheme, namely the OPS and the NPS (created in 2008). Since 1993, the Actuarial Advisory Group has reported every 2-3 years, for the last time in 2023.

Role of the discount rate

30. Ideally, the money in RFPSS should help to "match" the Defined Benefit Obligations (DBOs). But „matching" does not mean that each Euro due in the future must already be put aside today. If the EPO needs to have e.g. 1 million Euros in 35 years to finance a DBO in that year, it can put aside considerably less than 1 million because during those 35 years the invested money will earn a handsome return. The amount that needs to be put aside today depends on the interest rate we can earn for that amount: it can be lower if the interest rate is higher and vice versa.

31. Indeed, money today is worth more than the same amount of money in the future due to factors like **inflation**, **investment opportunities**, and **risk**. A parameter called **discount rate** is therefore used to adjust the value of future payments so that they are expressed in terms of today's money, i.e., the **present value**.

32. If the discount rate is lowered, the present value of future DBOs is increased and this contribute to increasing contribution rate. Conversely, if discount rate is increased, the present value of future DBOs is decreased and this contributes to decreasing the contribution rate.

33. The discount rate is a very sensitive parameter. A small change up or down and hundreds of millions of Euros of Defined Benefit Obligations (i.e. liabilities) appear or disappear. Back in 2014, the Office was already acknowledging this sensitivity: *"any change in the discount rate could lead to large variations upwards or downwards."*[11]

[11] GCC/DOC 13/2025, CA/86/14, par. 35

Actuarial Advisory Group: Purpose of their funding valuation

34. As the AAG explain in each of their reports, their mandate is to perform a funding valuation which has two parts[12]:

    - *To provide advice about the **future level of contributions to fund future service accruals**.*

    - *To assess (explicitly or implicitly) the **past service funding position**: a **comparison of the value of the assets with the present value of the rights** that have already been earned (i.e. based on pensionable service completed as the valuation date)*

35. In other words, the AAG makes the distinction between future service liabilities (used for the *contribution rate*) vs past service liabilities (used for the *funded status*):

    - **Future service liabilities** – the cost of benefits that staff will earn for work they do after the valuation date (this drives the *contribution rate*).

      Future service liability = **"what will be owed later" (based on service yet to be done)**

    - **Past service liabilities** – the value of benefits already accrued for work done up to the valuation date (this is compared against assets of the RFPSS to measure the *funded status* of the scheme).

      Past service liability = **"what's already owed" (based on past service)**

On the contribution rate

36. The contribution rate is based on **future service liabilities** and the **salaries of current and future staff** ("Attained Age Method on an open group").[13]

37. This methodology is meant to ensure the contributions being paid by staff and the Office are "fair" for service earned going forward.

38. The **future service liabilities** (or *Defined Benefit Obligations for future service*) is defined as the **present value of future benefits**, namely **expected to be earned**, after the valuation date by current and future staff.

39. The calculations take into account contingencies in the long-term such as salary adjustments, career advancement, future service length, recruitment, retirement patterns, mortality).

[12] GCC/DOC 13/2025, CA/51/25, par. 25
[13] GCC/DOC 13/2025, CA/51/25, page 9, par. 36

40. The formula is essentially[14]:

$$contribution\ rate \cong \frac{present\ value\ of\ future\ pension\ benefits}{sum\ of\ present\ value\ of\ salaries\ of\ current\ and\ future\ staff}$$

41. Both the numerator and the denominator are affected by the discount rate for the purpose of discounting to the present value.

42. However, because **future benefits** extend further into the future than the salary base, the numerator typically rises **more** than the denominator when the discount rate falls - so **the contribution rate tends to increase when the discount rate drops**.

On the funded status

43. The **funded status** is based on the calculated value of the **past service liabilities** compared to the **value of the assets at the valuation date**.[15]

44. The **past service liabilities** (or *Defined Benefit Obligations for past service*) is defined as the **present value of past benefits**, namely **already earned by members** up to the valuation date based on their past service.

45. This reflects promises already made by the scheme, regardless of whether the members are still active, deferred (left but entitled to future pensions), or already retired.

46. The calculations take into account contingencies in the long-term such as salary adjustments, career advancement, future service length, recruitment, retirement patterns, mortality).

47. A **funding ratio** is calculated as assets divided by past service liabilities. A ratio > 100% indicates a surplus; < 100% indicates a deficit.

48. The formula is[16]:

$$funding\ ratio \cong \frac{assets\ allocated\ to\ the\ scheme\ (market\ value\ at\ valuation\ date)}{present\ value\ of\ past\ service\ benefits}$$

49. The denominator is affected by the discount rate for the purpose of discounting to the present value and therefore increases when the discount rate falls - so **the funding ratio tends to decrease when the discount rate drops**.

[14] GCC/DOC 13/2025, CA/51/25, page 9, par. 41
[15] GCC/DOC 13/2025, CA/52/25, page 4, par. 22
[16] GCC/DOC 13/2025, CA/51/25, page 9, par. 41

50. **Note that if there is a deficit, this does not change the contribution rate** as the latter concerns only the accrual of future benefits. Instead, it is a question of funding policy:

    1. Should the Office inject extra funds (proceed to cash injections)?
    2. Should the RFPSS investment strategy be adjusted?
    3. Or should additional mechanisms be put in place to cover the shortfall?

Actuarial Study 2023

51. Back in 2023, the AGG calculated a funding ratio of 96.5% based on the current assumptions, including a discount rate of 3.25%[17].

$$funding\ ratio = \frac{assets\ allocated\ to\ pension\ scheme\ (31\ December\ 2022) + insurance\ policies}{present\ value\ of\ past\ service\ benefits, \boldsymbol{using\ the\ 3.25\%\ discount\ rate}}$$

$$funding\ ratio = \frac{9\ 307.3 + 0.3}{9\ 646.7} = 96.5\%$$

52. The AAG considered that from a funding perspective, the Office's past service liabilities are in effect mostly covered by the assets of the RFPSS and did not recommend any action to be taken in this respect.

53. The AAG stressed[18] that the main purpose of their actuarial report is to determine a "best estimate" contribution rate for future service. The underlying calculation does not include a margin for prudence. As a consequence, the contribution rate does not include any allowance for a "solvency margin". This implies that there will be an equal probability of a surplus or a deficit emerging in the future, and any sustained surplus or deficit may need to be dealt with in order to ensure the long-term equilibrium of the scheme.

54. **The discount rate of 3.25% was therefore chosen with a 50% probability** of reaching the expected returns in the RFPSS.

55. At the time, the AAG increased the discount rate from 3.00% to 3.25% due to rising interest rates. However, the AAG limited the increase to +0.25 pp according to a "holistic approach with a smoothing" [19].

56. Consequently, the AAG recommended to lower the contribution rates for the OPS and the NPS:

Contribution rate for	Change from 2021 to 2023 valuation
OPS	33.6% → 32.1% (–1.5 pp).
NPS	30.3% → 28.5% (–1.8 pp).

[17] CA/52/23, par. 131 to 133
[18] CA/52/23, page 58/64
[19] CA/52/23, par. 92

SSP (up to 2 x G1(4))	3.3% → 3.6% (+0.3 pp)

The SSP contribution rate below the ceiling of 2 x G1(4) is computed as the difference between to the global contribution rate for the OPS and the NPS contribution rate.

57. In the 2023 meetings, the AAG even expressed they were concerned about a risk of overfunding of our pension scheme. In their view, such a situation shall trigger measures[20] such as decreasing the contribution rate to reduce the asset (i.e. RFPSS) to a suitable funding target and/or reduce the contributions.

58. At the time, the Principal Directorate 4.3 showed their embarrassment that the recommended decrease in pension contributions would not fit the narrative that EPO is in a dire financial situation and EPO staff should work more for less.

Financial Study 2023-2024 by Oliver Wyman and Mercer

59. In 2023, the Office launched a Financial Study 2023-2024 with Oliver Wyman & Mercer who had already produced the Financial Study 2019 used to justify the 2020 reform of the salary adjustment procedure capping the overall growth of salary mass at Eurozone inflation + 0.2.

60. In a letter to the Budget and Finance Committee of 16 May 2024[21], the Central Staff Committee (CSC) noted that the Study[22] was based on overconservative layers of assumptions and targets.

- A new target **funding ratio was set at 105%** for all funded staff benefits (pensions, long-term care, healthcare insurance), namely **overfunding**

- The **discount rate** shall be chosen with

  - **a probability of reaching the expected returns in the RFPSS increased from 50% to 66%** i.e. to move from equilibrium to overfunding.

  - a shift in the strategic asset allocation of the RFPSS from 60% equities / 40% fixed income for de-risking to 40% equities / 60% fixed income **but only after full funding has been reached[23].**

[20] CA/52/23, page 63/64
[21] "Comments from the staff representation on Financial Study Phase II", CSC letter to the BFC of 16 May 2024 (sc24027cl)
[22] CA/23/24
[23] CA/23/24, page 13

Actuarial Study 2025

Overconservative mandate - From "best estimate" to overfunding

61. Beginning of 2025, the President issued its mandate[24] to the AAG so that they conduct a further study in 2025.

62. This time, the mandate of the AAG was set to align with the Financial Study 2023-2024 of Oliver Wyman & Mercer. This was imposed on the AAG to avoid the embarrassing situation of 2019 when Oliver Wyman & Mercer found a funding gap while the AAG considered our pensions to be fully funded.

63. In their report, the AAG acknowledge the differences of the new mandate:

    - The **funded status** is calculated with the new target **funding ratio was at 105%** for all funded staff benefits (pensions, long-term care, healthcare insurance), namely **overfunding**

    - The **discount rate**[25] shall be chosen with

        - **a move from "best estimate" basis**, (i.e. 50% probability of the contributions paid and investment returns being sufficient to meet the cost of the accruing benefits and a 50% probability of being insufficient to meet those costs) **to 66% probability of reaching the expected returns in the RFPSS**

        - a shift in the strategic asset allocation of the RFPSS from 60% equities / 40% fixed income for de-risking to 40% equities / 60% fixed income

64. The various other assumptions continue to be set using a "best estimate" basis.

65. The mandate is self-contradicting. A mandate cannot pretend in the introduction that the aim is to ensure **equilibrium** while at the same time imposing conditions aiming at **overfunding**. The latter conditions severely impact the choice of discount rate.

66. First, the "risk tolerance" of 66% probability departs from the standard "best estimate" practice of 50% probability. Even the consultants of PPC Metrics explained in the RFPSS[26] that long-term oriented pension funds look at median (or average) equilibrium, and equilibrium means a probability of approximately 50% of reaching investment returns. **It is also a matter of intergenerational fairness.** The current generation staff should not be contributing more than the future generation of staff.

67. Second, the shift in the strategic asset allocation of the RFPSS from 60% equities / 40% fixed income to the more conservative 40% equities / 60% fixed income is **already part of the assumptions although it is not applied and it is not even known when or whether it will be applied**.

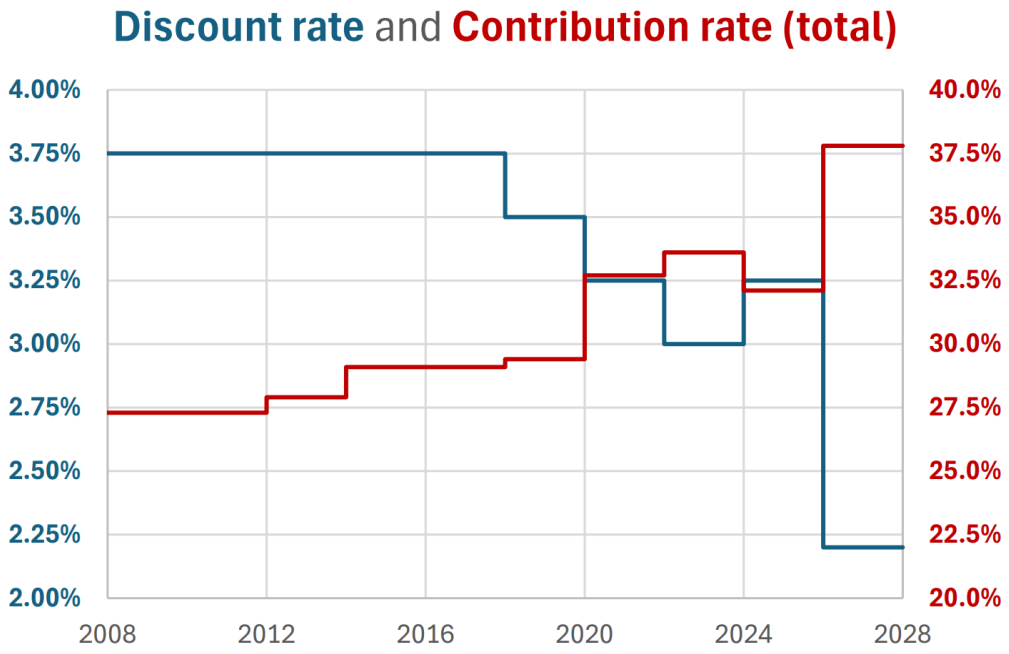
[24] GCC/DOC 13/2025, CA/51/25, page 38, section 10.1, Annex 1
[25] GCC/DOC 13/2025, CA/51/25, page 8, par. 28 to 30
[26] RFPSS/SB 55/18, page 20

Lowest discount rate in the history of the AAG causing historically high contributions rates

68. The two layers of conservatism, de-risked strategic asset allocation of the RFPSS (hence lowered expected returns) and the 66% probability of achieving the expected returns contribute to **lowering the discount rate from 3.25% to 2.2% (+1.05 pp.)** – the lowest discount rate in the history of the AAG.

69. Back in 2023, the AAG considered that a change of discount rate should limited to +/- 0.25 pp according to a "holistic approach with a smoothing of the discount rate" [27]. This year, the change of mandate was such that the holistic approach was abandoned and the smoothing gave way to a severe fall.

70. The AAG report repeatedly explains that the reduction of the discount rate is the main driver of the increase in contribution rates:



71. The contribution rates for OPS and NPS are now the highest in the history of the AAG:

Contribution rate for	Change from 2023 to 2025 valuation
OPS	32.1% → 37.8% (+5.7 pp).
NPS	28.5% → 33.9% (+5.4 pp).
SSP (up to 2 x G1(4))	3.6% → 3.9% (+0.3 pp)

The SSP contribution rate below the ceiling of 2 x G1(4) is computed as the difference between to the global contribution rate for the OPS and the NPS contribution rate.

[27] GCC/DOC 13/2025, CA/52/23, page 17 par. 92

Funding ratio

72. Back in 2023, the AGG calculated a funding ratio of 96.5% based on the current assumptions, including a discount rate of 3.25%[28].

73. This year, the funding ratio raises to 100.3% despite a discount rate lowered to 2.2%.

$$funding\ ratio = \frac{assets\ allocated\ to\ pension\ scheme\ (31\ December\ 2024) + insurance\ policies}{present\ value\ of\ past\ service\ benefits, \boldsymbol{using\ the\ 2.20\%\ discount\ rate}}$$

$$funding\ ratio = \frac{11\,869.6 + 0.3}{11\,837.3} = 100.3\%$$

74. In the September meeting, the AAG confirmed that such a figure reflects that past service benefits are fully funded. However, the funding ratio could have been higher.

75. First, when the Appeals Committee (ApC) issued a unanimous opinion considering the Salary Adjustment Procedure to be legally flawed, the President decided, as a retaliation measure to stop cash injections into the operation surplus into the RFPSS[29] and to transfer instead the amounts into an SAP buffer of the EPOTIF. If the Office had continued to make the cash injections into the RFPSS, the assets allocated to the pension scheme would have been higher and hence the numerator higher.

76. Second, in the September meeting, the AAG acknowledged that if they had continued to use the former higher discount rate of 3.25%, the present value of past service benefits would have been lower, and hence the denominator lower.

77. With a combination of higher numerator and lower denominator, the funding ratio would have been higher. **The target of 105% might even have been by far exceeded.**

Long-term care insurance and healthcare insurance

78. Concerning the long-term care insurance and the healthcare insurance, the Office also imposed on the AAG a target funding ratio of 105%. Since the creation of the AAG, it is the first time that a funding ratio is calculated for these schemes.

79. In the September meeting, the AAG explained that these benefits were never intended to be fully funded. As a matter of example, pensioners also contribute to these schemes, so the latter cannot be treated in the same way as the pension schemes.

80. The AAG also explained that for reaching a global funding ratio of all benefits of 105%, the Office should refrain from using one scheme to cover the "underfunding" of another.

[28] GCC/DOC 13/2025, CA/52/23, page 25, par. 131 to 133
[29] "Salary adjustment method: Opinion of the Appeals Committee and reaction of the Office", Communiqué of 13 June 2024

Overall increase in contributions not covered by the adjustment in salary

81. Overall, the AAG recommends

- a significant increase of the total pension contribution rate of 5.7 percentage points (pp.), from 32.1% up to a total of 37.8% and

- an increase in the healthcare contribution of 0.9 pp. from of 9.6% to 10.5%.

82. A third of the increase shall be borne by staff, thereby representing a **total increase in contributions from staff of 2.2 pp**.

83. Since July, the Office is aware of the AAG results increasing staff contributions by 2.2 pp and that Eurozone inflation + 0.2% is at 2.2%. When applied, the sustainability clause caps the overall growth in salary mass at Eurozone inflation + 0.2% (with the value date of 1 July). Considering that the overall growth in salary mass is a weighted average of EPO sites, some places of employment are expected to have a salary adjustment above the cap and others below the cap.

84. Therefore, the Office knows since July that in some places of employment, the overall increase in contributions will not be covered by the salary adjustment and did nothing in the meantime to prevent this detrimental situation on staff.

85. On 2 October at 16.21h, the Office communicated the supporting documents about the salary adjustment for 2025 (as of 1 January 2026). In Germany and Austria, the adjustment is preliminarily insufficient to cover the increase in contributions:

	Salary Adjustment	Contributions	Salary slip
Germany	+1.2%	+2.2 pp.	**-1.0%**
Austria	+1.6%		**-0.6%**
Belgium	+3.3%		+1.1%
The Hague	+3.7%		+1.5%

86. Back in 2021, when the increase in contributions exceeded the salary adjustment, the Office considered it reasonable, as a social measure, to postpone that increase to the next year[30].

87. Therefore, in preparation of the General Consultative Committee (GCC) meeting of 6 October, the CSC sent a letter to the President (**ANNEX 2**) as the conditions are also met for postponing the increase in contributions. EPO staff once again worked well and should not be subject to a pay cut.

88. In the GCC meeting, the Chair (VP5) gave the floor to PD4.3 who announced that our request is rejected.

89. Management has decided to go ahead with pay cuts in three places of employment, Munich, Berlin and Vienna. This situation is unprecedented in the history of the EPO.

[30] GCC/DOC 11/2021, CA/42/21, page 3, par. 14

Conclusion

90. Due to cascading the new “risk appetite” from the Financial Study 2023-2024 of Oliver Wyman & Mercer, the AAG was forced to depart from the standard “best estimate” practice. The target is to aim at overfunding at the expense of intergenerational fairness between current and future staff.

91. As a result, the discount rate is historically low and the pension contributions are historically high and largely excessive.

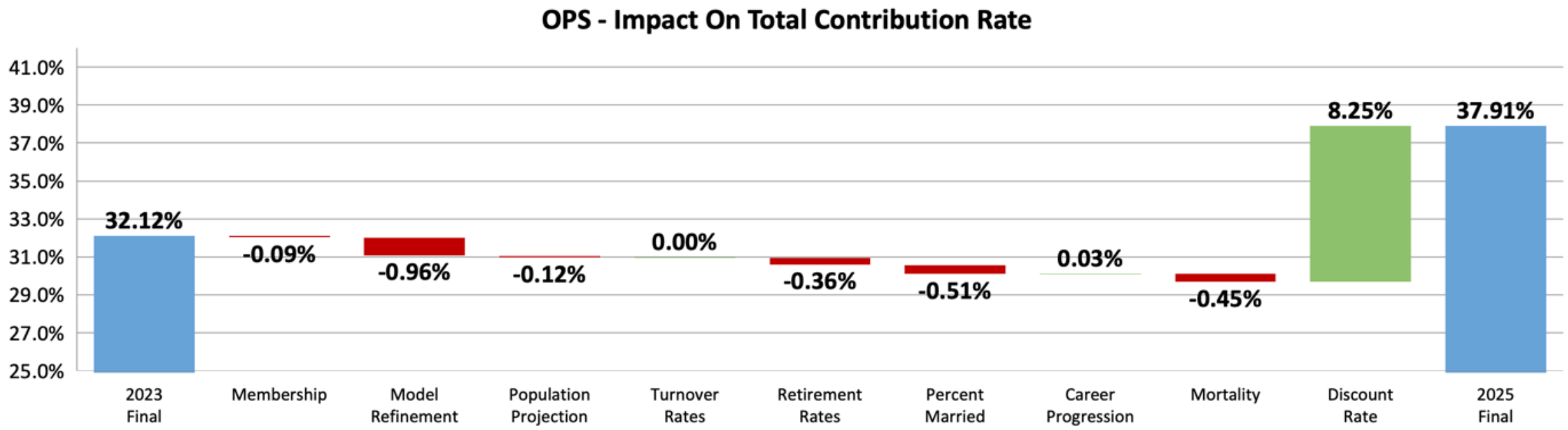
92. When combined with an insufficient adjustment in salary, EPO staff will have a pay cut which is completely unjustified in view of their excellent work.

The CSC members in the GCC

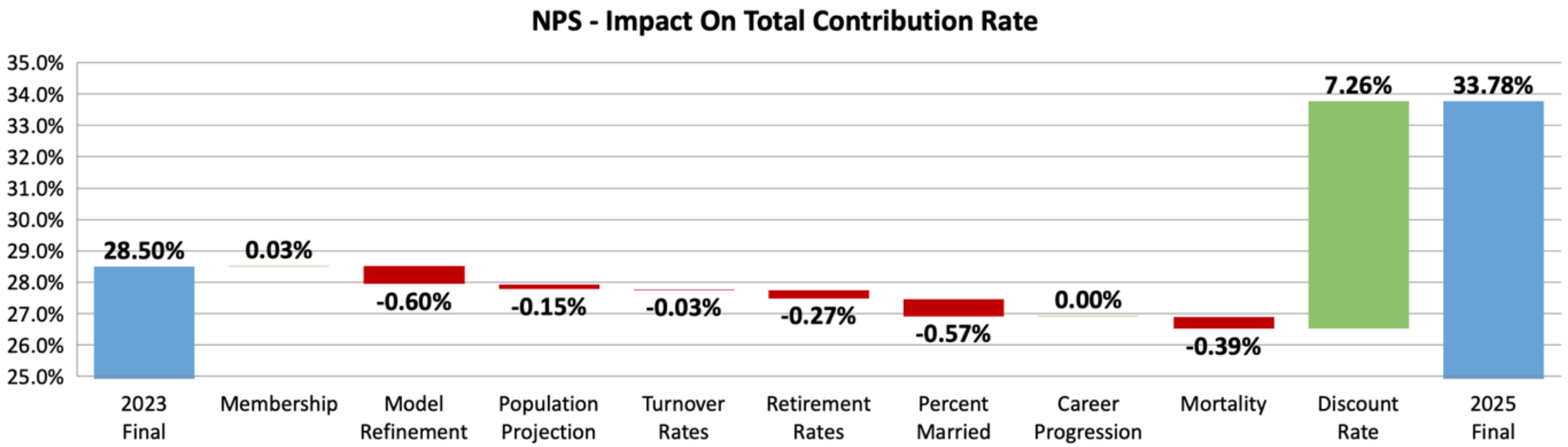
2025 ACTUARIAL STUDY – CURRENT STATUS

ACTUARIAL ADVISORY GROUP – 2 JUNE 2025

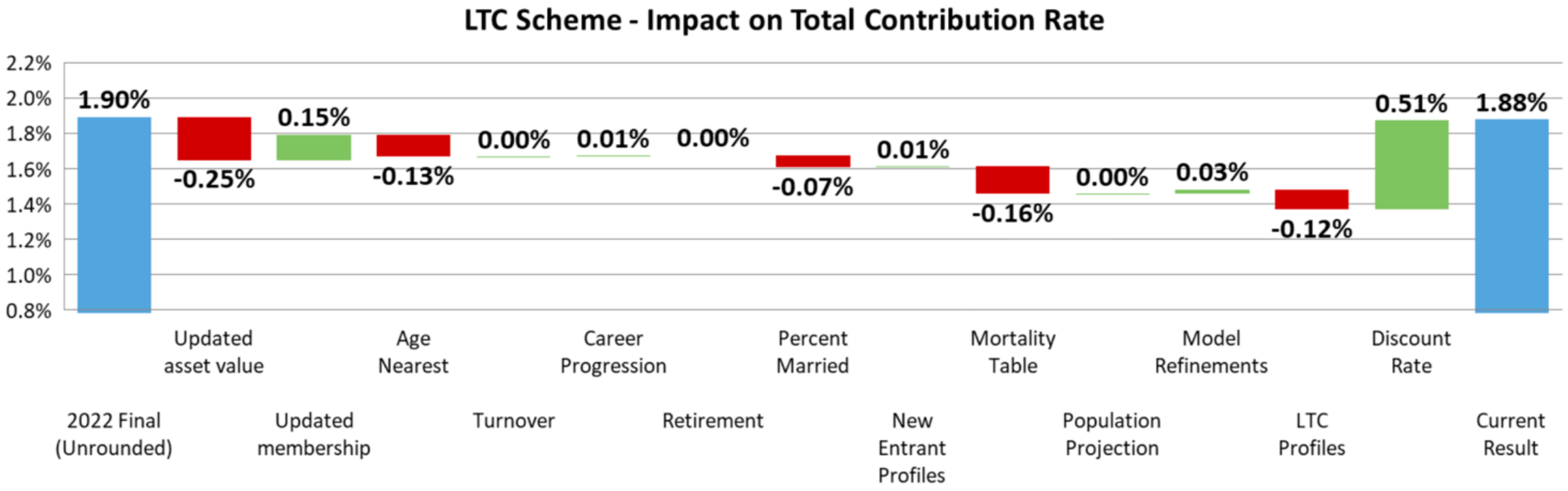
CONTRIBUTION REQUIREMENT – WATERFALL OPS



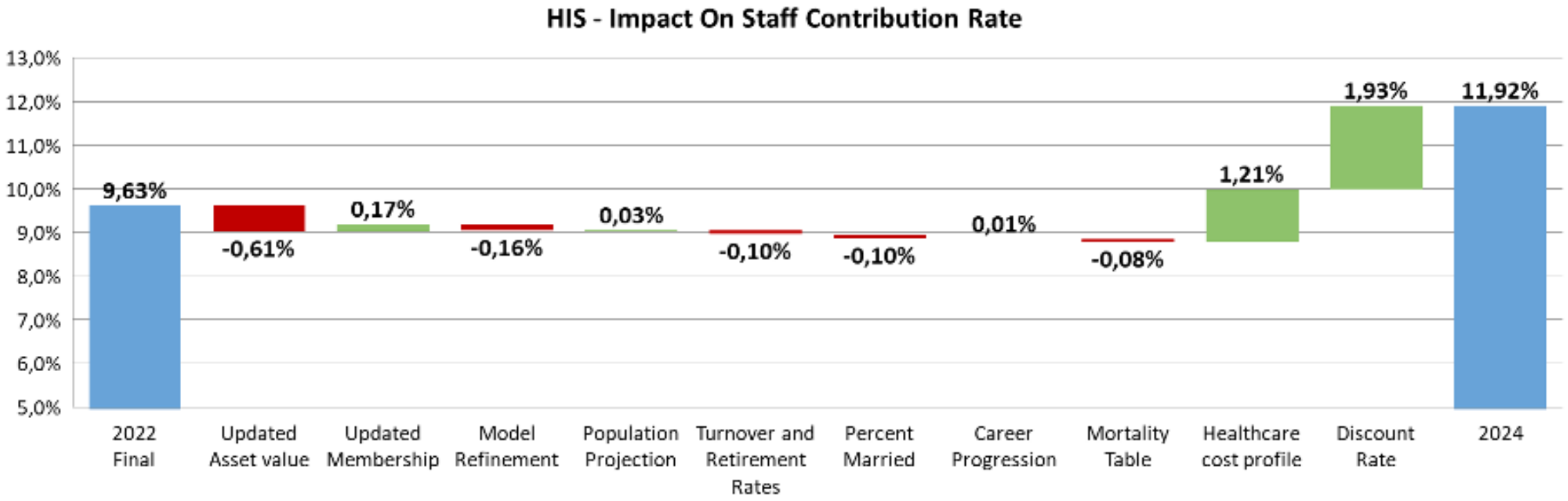
CONTRIBUTION REQUIREMENT – WATERFALL NPS



CONTRIBUTION REQUIREMENT – WATERFALL LTC



CONTRIBUTION REQUIREMENT – WATERFALL HEALTHCARE



CONTRIBUTION REQUIREMENT

	Current global contribution rate	Recommended global contribution rate	*delta*	Recommended Office contribution rate	Recommended Staff contribution rate
OPS	32.10%	37.80%	*5.70%*	25.20%	12.60%
NPS	28.50%	33.90%	*5.40%*	22.60%	11.30%
LTC	1.80%	1.80%	*0.00%*	1.20%	0.60%
Healthcare before restriction*	9.60%	12.00%	*2.40%*	8.00%	4.00%
Healthcare after restriction**	9.60%	10.50%	*0.90%*	7.00%	3.50%

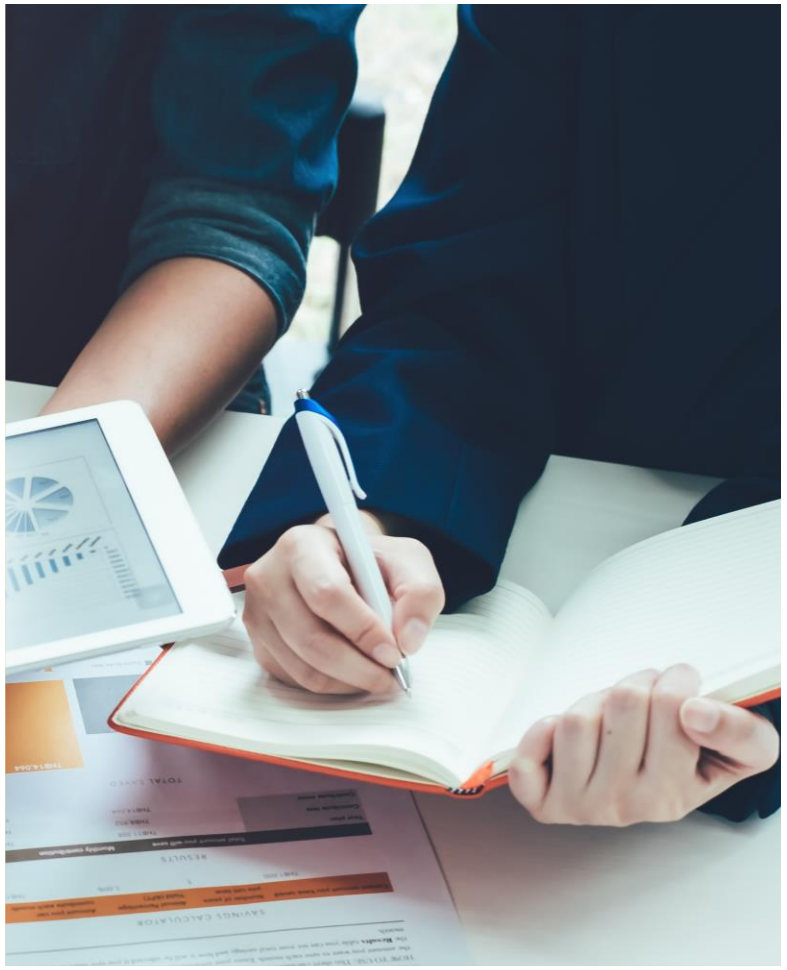
* The rates above are before deduction of the contributions for working spouses which, in 2024, amounted to 0.10% for the Office and 0.05% for staff.

** According to Article 83a §1f of the regulations of the Healthcare scheme, the increase of the global contribution rate is limited to 10% per year. The recommended global contribution rate for the Healthcare scheme as of 1 January 2027 will, therefore, be equal to 11.40%.

THANK YOU

Actuarial Advisory Group

- Friedemann Lucius
- Bart Breemans
- Tim Reay



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To: Mr António Campinos (President of the Office)
Cc: Social Dialogue, Mr Christoph Ernst (Vice-President DG5), Members of the GCC

By email:
To: president@epo.org
Cc: socialdialogue@epo.org, vp5@epo.org

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Central Staff Committee
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Reference: sc25056cl

Date: 03/10/2025

LETTER

Request for postponement of the increased contributions recommended by the Actuarial Study 2025 (GCC/DOC 10/2025)

Dear Mr President,

The Actuarial Study 2025 results have been tabled in the General Consultation Committee (GCC) meeting of 6 October 2025 in document (GCC/DOC 13/2025). As of 1 January 2026, the Office intends to increase the global contribution rate for pensions by +5.7%[1] and the healthcare contribution rate by +0.9%[2]. A third of the increase shall be borne by staff, thereby representing a **total increase in contributions from staff of +2.2%**.

At the same time, the Office will proceed to the sixth application of the salary adjustment procedure put in place since 2020. The sustainability clause caps the overall growth in salary mass at Eurozone inflation + 0.2% with the value date of 1 July. For 2025, **the cap is set at 2.2%**. The overall growth in salary mass being a weighted average of EPO sites, some places of employment are expected to have a salary adjustment above the cap and others below the cap.

Indeed, the supporting documents about the salary adjustment for 2025 preliminarily show for Belgium +3.28%, **Austria +1.63%, Germany +1.21%** and The Netherlands +3.70%. Therefore, should the Office apply the increase in contributions of +2.2% on 1 January 2026, EPO staff in Munich, Berlin and Vienna would see a salary decrease on their payslips.

Back in 2021, when the increase in contributions exceeded the salary adjustment, the Office considered it reasonable, as a social measure, to postpone that increase to the next year.[3]

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[1] CA/53/25, par. 19
[2] CA/53/25, par. 32
[3] GCC/DOC 11/2021, CA/42/21, par. 14

We believe that, this year, the conditions are also met for postponing the increase in contributions. EPO staff once again worked well and should not be subject to a pay cut.

We are looking forward to receiving a positive answer to our request in the GCC meeting.

Sincerely yours,

Derek Kelly
Chairman of the Central Staff Committee

GCC opinion on NPS and SSP contribution rates
GCC/DOC 14/2025 - Circular 417: Contribution rates to the New Pension Scheme
GCC/DOC 15/2025 - Circular 430: Contribution rates to the Salary Savings Plan

The Office proposes to raise the NPS contribution rate by 5.4%, almost one fifth of its current value, the SSP rate under the cap by 0.3%, and the SSP rate above the cap by 5.7%. We are told this reinforces the principle of *"shared effort"*, which is based on the idea that the Office pays two-thirds of the increase, and the staff one-third. But when we look closely at how that one third is spread, the impact on staff is far from equally shared.

For colleagues in the Old Pension Scheme, the situation is relatively simple: an extra 1.9% of basic salary secures the same defined benefit. They will only bear the burden until they reach retirement, which for many is not so long. For New Pension Scheme members, however, the impact of the contribution rate changes is deeply uneven.

Those in the lower grades, who joined the office recently and those who are yet to join, have pensions that are largely defined benefit. If we look at the total pension contributions, approximately 90% of those contributions are for the NPS and 10% for the SSP. These staff, whose earnings are the lowest, will pay the higher NPS contributions for decades. So their effort to provide security for the RFPSS is very high.

Meanwhile, for colleagues in higher grades, the situation is the opposite. Here, pension contributions are distributed around 40% to the NPS and 60% to the SSP. For these colleagues, the increase in rates is highly beneficial, because the majority of the Office contributions flows directly into their individual Salary Savings Plan accounts. To say it clearly, the NPS members in higher grades — including some in this meeting — benefit financially from the very measures that increase costs for the rest.

So, who really shares the effort? There is no doubt: lower-graded and newer colleagues carry most of the weight, while a small group benefits heavily from additional Office payments. Raising contributions under these conditions, and on such skewed terms, cannot be called a shared effort. It is an unequal burden — heaviest on those least able to bear it.

The CSC members in the GCC

Comments of the CSC members of the GCC on GCC/DOC 16/2025:

Circular 416: Total contribution rate to the healthcare insurance scheme applicable as from 1 January 2026 (Article 83a(1) Service Regulations)

The healthcare insurance scheme differs significantly from the Pension Schemes and the Salary Savings Plan in terms of contribution structure. There is broad consensus that the healthcare insurance scheme is based on solidarity. All members pay the same percentage of their basic salary or pension into the scheme, regardless of the amount of their salary or pension, regardless of their place of employment or residence, regardless of their gender or family status. It is the generally endorsed goal of our healthcare insurance scheme to provide the best possible medical care and to keep pace with medical advances. The Central Staff Committee not only supports the fact that it is a fund-based system but has regularly advocated for it. This common understanding of the nature of the healthcare insurance scheme requires that the calculation of contributions be as transparent as possible.

The CSC members of the GCC note that during the meeting of the GCC on 6 October 2025 some questions regarding the calculation of contributions remined unanswered. The Office provided further explanations by email of 7 October 2025 ("the email") to the members of the GCC. A meeting between the Actuarial Advisory Group (AAG) and the GCC SSPR took place on 2 June 2025, a further one on 10 September 2025. It is regrettable that the request for a third preparation meeting, which was made at the first meeting, was denied. Given the complexity of the matter, which is evident from the fact that the Office has had at least eight meetings with the AAG, such a third meeting would certainly have helped to clarify issues in advance. The above circumstances could have been avoided.

A key point of criticism in the calculation of the contributions to the health insurance scheme is the determination of the discount rate. The CSC members of the GCC refer to their opinion on document GCC/DOC 13/2025 in this regard.

Furthermore, it is intransparent why a factor of 1.05 was applied in order to derive a calibrated profile of reimbursements to be used in projections of future payments under the healthcare insurance scheme. The later provided argument (in the email) that this factor is intended to reflect the actual trend on healthcare costs when looking at the experience for the period of January to May 2025 remains without further basis. Contrary to the healthcare figures for the past years, which were presented to the GCC regularly (see e.g. GCC/DOC 07/2024), no traceable data is available for the above time period.

In addition, the calculation of the contributions is based on the assumption that the number of active staff will reduce so that there will be around 1.000 people fewer than at the end of 2018. This would amount to 5.702 staff members. It is difficult to understand this assumption, particularly with regard to evolution of personnel as shown in annex 7.3 of CA/50/24. But also based on the workforce planning assumptions as provided in CA/25/25 it is currently unclear how the above target population will be reached (as the Office mentioned in the email) by 2029. Further

explanation would be needed for the table provided in the email, which appears to reflect several (diverging) assumptions, e.g. those of CA/68/23 and CA/100/24.

Another unclarity is what level of reserve fund for the healthcare system is aimed at. It appears that a coverage rate of 105 % is to be achieved. On the other hand, the analysis shows that the turning point of the fund will be in 2045. The explanation given in the email further emphasises how the above coverage rate is defined. However, the email could not clarify at what point in time which PV of the reserve fund is to be achieved.

The Office confirmed in the email that no SSP contributions to the healthcare system were considered when calculating the funded status for the healthcare plans. This inevitably results in an overestimation of the liabilities for the healthcare system. As the value of the assets has an impact on the calculated contribution rate of the healthcare scheme, it appears that this overestimation will lead to unnecessarily high contributions.

Finally, the email clarified that the calculation of the provisional rate for 2026 in dependence on the contribution for gainfully employed spouses is regulated in Circular No. 336.

The CSC members of the GCC conclude that transparency of the calculation of the contribution rate for 2026 is not fully provided. However, it should also be emphasises that achieving a comprehensible and reasonable funded status of the reserve fund is important.

The CSC members of the GCC