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## **REPORT OF FIRST PARITARY WORKING GROUP MEETING (16 MARCH 2011)**

During the first meeting, we again drew management's attention to the fact that we do not share the analysis of Deloitte, especially because of the accounting approach used. It was agreed that a funding approach, similar to what has been used by the EPO for the past 20 years, with an appropriate choice of the discount rate, could accommodate the situation of the system better than the purely accounting-based approach used by Deloitte. The actuarial study carried out for the RFPSS every two years is ongoing independently of the working group.

The working group organised itself to address mainly only the last of three issues at stake in three different areas. The first topic is mainly dealt with by DG 5 and the second topic is dealt with by the Controlling Department.

1. introduction of an internal tax (DG5)
2. economic study(ies) showing EPO impact in host countries (Controlling)
3. the design of the new DB scheme for all staff (DG4)

In view of the first subject, we stressed that *nothing would be agreed until everything was agreed* and that the avoidance of double taxation of pensions by means of introducing an internal tax was an integral part of the package. Any delay in putting in place a workable solution to that problem implies delaying the whole solution.

On the second topic, we welcomed the approach taken, reminded of former similar studies done in the past. It was agreed to exchange information openly and constructively.

On the third topic, a model will be designed and calibrated using the demographic assumptions of the EPO and projections to the future. Thereafter, the WG will agree to a baseline scenario. From there, other scenarios will be produced, including the one having all staff in the old DB scheme with internal taxation and references to EU conditions. Parameters will be tested only within given limits to assess their influence on the long-term sustainability of the scheme.

It was not easy to convince all DG4 nominees that we obviously would need access to all information<sup>1</sup> in order to fully understand the model and trust the results, although this had been promised by the President both to staff and to the Administrative Council. However it was eventually agreed that we would have access to the needed information. Actions to this end are materializing painstakingly slowly, though, which puts a burden on the discussions.

We made it clear that we were not interested in moving at random any parameters and see how this would influence costs. We are interested in designing a system fit for purpose, that brings the necessary legal security and addresses the current defaults of our present system. A pension system is a complex instrument with a very specific purpose and with specific constraints. It is also a very sensitive subject.

What we want is a pension scheme, designed from an HR perspective in consensus with staff to fit both EPO and staff needs thereby providing the required long term sustainability.

The Central Staff Committee

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<sup>1</sup> information is to be understood as quality information, i.e. not only raw data, but indications on:  
- mathematical model used (simulation tool);  
- choice of parameters and chosen values including motivation for those decisions.