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ANNEX XI

RULES FOR IMPLEMENTING ARTICLES 64 AND 65 OF THE STAFF REGULATIONS

CHAPTER 1

ANNUAL UPDATE OF REMUNERATION PROVIDED FOR IN ARTICLE 65(1) OF THE STAFF REGULATIONS

Section 1

Factors determining annual updates

Article 1

1. *Report from the Statistical Office of the European Union (Eurostat)*

For the purposes of the update provided for in Article 65(1) of the Staff Regulations and in Article 13 of Annex X, Eurostat shall draw up every year before the end of October a report on changes in the cost of living in Belgium and Luxembourg, the economic parities between Brussels and certain places in the Member States and in third countries where necessary, and changes in the purchasing power of salaries in national civil services in central government.

2. *Changes in the cost of living in Belgium and Luxembourg*

Eurostat shall draw up an index to measure changes in the cost of living for officials of the Union in Belgium and Luxembourg. That index (hereinafter the 'Joint Index') shall be calculated by weighting national inflation (as measured by the Harmonised Indices of Consumer Prices (HICP) in the case of Belgium and the Consumer Prices Index (CPI) in the case of Luxembourg) between June of the previous year and June of the current year according to the distribution of the staff serving in those Member States.

3. *Changes in the cost of living outside Brussels*

(a) Eurostat shall, in agreement with national statistical institutes or other appropriate authorities in the Member States as defined in Regulation (EC) No 223/2009 of the European Parliament and of the Council⁽¹⁾ (hereinafter 'national statistical institutes or other appropriate authorities in the Member States'), calculate the economic parities which establish the equivalence of purchasing power:

(i) of the salaries of officials of the Union serving in the capitals of the Member States, except for the Netherlands where The Hague is used instead of Amsterdam, and in certain other places of employment with reference to Brussels,

(ii) of the pensions of officials paid in the Member States with reference to Belgium.

(b) The economic parities shall refer to the month of June each year.

(c) The economic parities shall be calculated in such a way that each basic component can be updated twice per year and checked by a direct survey at least once every five years. Eurostat shall update the economic parities using the change in the Harmonised Index of Consumer Prices of the Member States and the most appropriate indices as defined by the Working Group on Articles 64 and 65 of the Staff Regulations referred to in Article 13.

⁽¹⁾ Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European Statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

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- (d) Outside Belgium and Luxembourg, changes in the cost of living during the reference period shall be measured by the implicit indices. Those indices are calculated by multiplying the Joint Index by the change in the economic parity.

4. *Changes in the purchasing power of salaries of national civil servants in central government (specific indicators)*

- (a) For the purpose of measuring the percentage change, either upward or downward, in the purchasing power of salaries in the national civil services, Eurostat shall, on the basis of information supplied before the end of September by the national statistical institutes or other appropriate authorities in the Member States, calculate specific indicators reflecting changes in the real remuneration of civil servants in central government, between the month of July of the previous year and the month of July of the current year. The two should include one twelfth of all annually-paid elements.

The specific indicators shall take two forms:

- (i) one indicator for each of the function groups as they are defined in the Staff Regulations,
- (ii) an average indicator weighted to reflect the number of national civil servants corresponding to each function group.

Each of those indicators shall be established in real gross and real net terms. For the transition from gross to net, account shall be taken of statutory deductions and general taxation factors.

To establish the gross and net indicators for the European Union total, Eurostat shall use a sample composed of the following Member States: Belgium, Germany, Spain, France, Italy, Luxembourg, Netherlands, Austria, Poland, Sweden and United Kingdom. The European Parliament and the Council, acting on a Commission proposal under Article 336 of the Treaty on the Functioning of the European Union, may adopt a new sample which represents at least 75 % of the Union gross domestic product (GDP) and which will apply from the year following its adoption. The results per country shall be weighted in proportion to the appropriate national GDP aggregate measured using purchasing power parities as shown in the most recent statistics published in accordance with the national accounts definitions in the European System of Accounts currently in force.

- (b) At the request of Eurostat, the national statistical institutes or other appropriate authorities in the Member States shall supply it with the additional information which it considers necessary in order to draw up a specific indicator accurately measuring changes in the purchasing power of national civil servants.

If, after further consultation of the national statistical institutes or other appropriate authorities in the Member States, Eurostat finds statistical anomalies in the information obtained or finds it impossible to draw up indicators which measure with statistical accuracy the changes in the real income of civil servants in a given Member State, it shall report to the Commission and provide it with all the material it needs to make an assessment.

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- (c) Besides the specific indicators, Eurostat shall calculate appropriate control indicators. One such indicator shall be in the form of data on real per capita emoluments in central government, drawn up in accordance with the national accounts definitions in the European System of Accounts currently in force.

The Eurostat report on the specific indicators shall be accompanied by comments on the differences between those indicators and the control indicators referred to in this point.

Article 2

For the purposes of Article 15 of this Annex the Commission shall regularly survey the recruitment needs of the institutions.

Section 2**Arrangements for the annual update of remuneration and pensions***Article 3*

1. Under Article 65 of the Staff Regulations, on the basis of the criteria set out in Section 1 of this Annex, the remuneration and pensions shall be updated before the end of each year, with effect from 1 July.

2. The amount of the update shall be obtained by multiplying the Joint Index by the specific indicator. The update shall be in net terms as a uniform across-the-board percentage.

3. The amount of the update thus fixed shall be incorporated, in accordance with the following method, in the basic salary tables appearing in Article 66 of the Staff Regulations and in Annex XIII to the Staff Regulations and in Articles 20, 93 and 133 of the Conditions of Employment of Other Servants:

- (a) the net remuneration and net pension without correction coefficient shall be increased or reduced by the update referred to above,
- (b) the new table of basic salaries shall be drawn up by calculating the gross amount which, after deduction of tax having regard to paragraph 4 and compulsory deductions for social security and pension contributions, corresponds to the net amount,
- (c) the conversion of net amounts into gross amounts shall be based on the situation of an unmarried official who does not receive the allowances provided for in the Staff Regulations.

4. For the purposes of applying Regulation (EEC, Euratom, ECSC) No 260/68, the amounts in Article 4 of that Regulation shall be multiplied by a factor composed of:

- (a) the factor resulting from the previous update, and/or
- (b) the rate of update of remuneration referred to in paragraph 2.

5. No correction coefficient shall be applicable in Belgium and Luxembourg. The correction coefficients applicable:

- (a) to the salaries of officials of the European Union serving in the other Member States and in certain other places of employment,

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- (b) by way of derogation from Article 82(1) of the Staff Regulations, to European Union pensions paid in the other Member States for the part corresponding to the rights acquired before 1 May 2004,

shall be determined on the basis of the ratios between the corresponding economic parities referred to in Article 1 of this Annex and the exchange rates specified in Article 63 of the Staff Regulations for the relevant countries.

The procedures laid down in Article 8 of this Annex concerning the retrospective application of correction coefficients in places of employment with a high rate of inflation shall apply.

6. The institutions shall make the corresponding positive or negative update to the remuneration and pensions of the officials, former officials and other persons concerned with retroactive effect for the period between the effective date and the date of entry into force of the next update.

If that retroactive update necessitates the recovery of sums overpaid, such recovery may be spread over a period of not more than 12 months from the date of entry into force of the next annual update.

CHAPTER 2

INTERMEDIATE UPDATES OF REMUNERATION AND PENSIONS (ARTICLE 65(2) OF THE STAFF REGULATIONS)

Article 4

1. An intermediate update of remuneration and pensions pursuant to Article 65(2) of the Staff Regulations, taking effect on 1 January, shall be effected in the event of a substantial change in the cost of living between June and December (by reference to the sensitivity threshold defined in Article 6 of this Annex) and with due allowance being made for the forecast of the change in purchasing power during the current annual reference period.

2. Such intermediate updates shall be taken into account in the annual salary update.

Article 5

1. In March each year Eurostat shall make a forecast of changes in purchasing power over the period concerned on the basis of the information supplied at the meeting provided for in Article 13 of this Annex.

If that forecast produces a negative percentage, half of that percentage shall be taken into account in the calculation of the intermediate update.

2. The change in the cost of living for Belgium and Luxembourg shall be measured by the Joint Index for the period from June to December of the previous calendar year.

3. For each place for which a correction coefficient has been set (other than Belgium and Luxembourg), an estimate for December of the economic parities mentioned in Article 1(3) shall be calculated. The change in the cost of living shall be calculated in accordance with the rules set out in Article 1(3).

Article 6

1. The sensitivity threshold for the six-month period mentioned in Article 5(2) of this Annex shall be the percentage corresponding to 6 % for a 12-month period.

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2. The threshold shall be applied in accordance with the following procedure, subject to application of the second subparagraph of Article 5(1) of this Annex:

- (a) if the sensitivity threshold is reached or exceeded in Belgium and Luxembourg (as measured by the Joint Index between June and December), the remuneration for all places shall be updated following the annual update procedure,
- (b) if the sensitivity threshold is not reached in Belgium and Luxembourg, only the correction coefficients of places where the change in the cost of living (as measured by the implicit indices between June and December) has exceeded the threshold shall be updated.

Article 7

For the purposes of Article 6 of this Annex:

The amount of the update shall be the Joint Index, multiplied, where appropriate, by half of the specific indicator forecast if this is negative.

Correction coefficients shall be the ratio between the relevant economic parity and the exchange rate provided for in Article 63 of the Staff Regulations, multiplied, if the update threshold is not reached for Belgium and Luxembourg, by the value of the update.

CHAPTER 3**DATE ON WHICH A CORRECTION COEFFICIENT COMES INTO EFFECT (PLACES OF EMPLOYMENT WITH A HIGH COST-OF-LIVING INCREASE)***Article 8*

1. For places with a high cost-of-living increase (as measured by the change in the implicit indices), the correction coefficient shall come into effect before 1 January in the case of the intermediate update, or 1 July in the case of the annual update. This is so as to bring the loss in purchasing power into line with what it would be in a place of employment where the change in the cost of living corresponded to the sensitivity threshold.

2. The effective dates for the annual update shall be as follows:

- (a) 16 May for places of employment having an inflation rate higher than 6 %, and

- (b) 1 May for places of employment having an inflation rate higher than 10 %.

3. The effective dates for the intermediate update shall be as follows:

- (a) 16 November for places of employment having an inflation rate higher than 6 %, and

- (b) 1 November for places of employment having an inflation rate higher than 10 %.

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(ARTICLE 64 OF THE STAFF REGULATIONS)***Article 9*

1. The appropriate authorities of the Member States concerned, the administration of an institution of the Union or the representatives of officials of the Union in a given place of employment can request the creation of a correction coefficient specific to that place.

Such a request should be supported by objective factors revealing an appreciable difference over some years in the cost of living between that place of employment and the capital of the Member State concerned (except for the Netherlands, where The Hague is used instead of Amsterdam). If Eurostat confirms that the difference is appreciable (more than 5 %) and sustainable, the Commission shall enact, by means of delegated acts in accordance with Articles 111 and 112 of the Staff Regulations, a correction coefficient for that place.

2. The Commission shall decide, by means of delegated acts in accordance with Articles 111 and 112 of the Staff Regulations, to withdraw the application of a correction coefficient specific to a certain place. In that case the decision shall be based on one of the following:

- (a) a request by the appropriate authorities of the Member State concerned, the administration of an institution of the Union or the representatives of officials of the Union in a given place of employment showing that the cost of living in that place is no longer significantly different (less than 2 %) from that in the capital of the Member State concerned. Such convergence should be sustainable and validated by Eurostat,
- (b) the fact that there are no longer any officials and temporary staff of the Union employed in that place.

CHAPTER 5**MODERATION AND EXCEPTION CLAUSES***Article 10*

The value of the specific indicator used for the annual update shall be subject to an upper limit of 2 % and a lower limit of – 2 %. If the value of the specific indicator exceeds the upper limit or is below the lower limit, then the value of the limit shall be used to calculate the update value.

The first paragraph shall not apply when Article 11 applies.

The remainder of the annual update resulting from the difference between the update value calculated with the specific indicator and the update value calculated with the limit shall be applied as from 1 April of the following year.

Article 11

1. If there is a decrease in the real Union GDP for the current year as forecast by the Commission and the specific indicator is positive, only part of the specific indicator shall be used to calculate the value of the update. The remainder of the update value corresponding to the remainder of the specific indicator shall be applied as from a later date in the following year. That remainder of the update value shall not be taken into account for the purposes of Article 10. The value of the Union GDP, the consequences in terms of split of the specific indicator, and the application date are defined in accordance with the following table:

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Union GDP	Consequences on the specific indicator	Date of payment of the second part
[− 0,1 %; − 1 %]	33 %; 67 %	1 April of year n + 1
[− 1 %; − 3 %]	0 %; 100 %	1 April of year n + 1
below − 3 %	0 %	—

2. Where there is a gap between the forecast mentioned under paragraph 1 and the final data on Union GDP made available by the Commission and those final data would modify the consequences as laid down in the table under paragraph 1, the necessary corrections, including retroactive adjustments, either positive or negative, shall take place in accordance with the same table.

3. Any updated reference amount resulting from a correction shall be published by the Commission within two weeks from the correction in the C series of the *Official Journal of the European Union* for information purposes.

4. When the application of paragraph 1 or 2 has led to the fact that the value of the specific indicator did not serve the update of the remunerations and the pensions, that value shall form the basis of the calculation of a future update once the cumulative increase of the Union GDP measured from the year in which paragraph 1 or 2 was applied becomes positive. In any case the value mentioned in the first sentence shall be subject by analogy to the limits and the principles laid down in Article 10 of this Annex. The evolution of the Union GDP shall be regularly measured by Eurostat for this purpose.

5. If relevant, the legal consequences resulting from the application of Article 10 and this Article shall continue to have full effect even after the date of expiry of this Annex as referred to in Article 15.

CHAPTER 6

ROLE OF EUROSTAT AND RELATIONS WITH THE NATIONAL STATISTICAL INSTITUTES OR OTHER APPROPRIATE AUTHORITIES OF THE MEMBER STATES*Article 12*

It shall be the task of Eurostat to monitor the quality of basic data and statistical methods used to work out the factors taken into account for the update of remuneration. In particular, it shall make any assessments or carry out any studies required for such monitoring.

Article 13

In March each year Eurostat shall convene a meeting of a working group composed of experts from the national statistical institutes or other appropriate authorities in the Member States, to be known as the 'Working Group on Article 64 and 65 of the Staff Regulations'.

At that meeting, the statistical methodology and its implementation concerning specific and control indicators, the joint index and economic parities shall be examined.

The information required to produce a forecast of changes in purchasing power for the purposes of the intermediate update of remuneration shall also be provided, together with the data on working hours in central government departments.

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At the request of Eurostat, Member States shall inform Eurostat of any factors having a direct or indirect impact on the composition and changes in the remuneration of central government civil servants.

CHAPTER 7

FINAL PROVISION AND REVIEW CLAUSE*Article 15*

1. The provisions of this Annex shall apply from 1 January 2014 to 31 December 2023.
2. Before 31 March 2022 the Commission shall submit a report to the European Parliament and the Council. That report shall have regard to the survey conducted under Article 2 of this Annex and shall assess whether, in particular, the evolution of purchasing power of remuneration and pensions of Union officials is in accordance with the changes in the purchasing power of salaries in national civil services in central governments. On the basis of that report, if appropriate, the Commission shall submit a proposal to amend this Annex as well as Article 66a of the Staff Regulations on the basis of Article 336 of the Treaty on the Functioning of the European Union.
3. As long as the European Parliament and the Council have not adopted a Regulation on the basis of a Commission proposal, this Annex and Article 66a of the Staff Regulations shall continue to apply provisionally beyond the expiry dates laid down in paragraph 1 of this Article and in Article 66a of the Staff Regulations.
4. At the end of 2018 the Commission shall submit an interim report to the European Parliament and the Council on the application of this Annex and of Article 66a of the Staff Regulations.