EUROPEAN COMMISSION

Brussels, 22.6.2011
COM(2011) 312 final

2011/0163 (NLE)

Proposal for a

COUNCIL REGULATION

adjusting the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union

{SEC(2011) 792 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

In accordance with Article 4(1) of Annex XI to the Staff Regulations, intermediate adjustments of remuneration and pensions under Article 65(2) of the Staff Regulations are to be made, on the basis of information provided by Eurostat, in the event of a substantial change in the cost of living between June and December, with due allowance being made for the forecast of the change in purchasing power during the current annual reference period.

Any Commission proposal needed is to be sent to the Council not later than the second half of April.

- **General context**

In accordance with Article 6(1) of Annex XI to the Staff Regulations, intermediate adjustments are to be made for all places (including Brussels) if the sensitivity threshold has been reached or exceeded in Brussels. If that sensitivity threshold for Brussels is not reached, intermediate adjustments are only to be made for those places where the sensitivity threshold has been exceeded.

In accordance with Article 7 of Annex XI to the Staff Regulations, the amount of the intermediate adjustment is the Brussels International Index multiplied, where appropriate, by half of the specific indicator forecast if this is negative.

The specific indicator measures changes in the real net remuneration, exclusive of inflation, of national civil servants in Member States' central governments. Eurostat has calculated this indicator on the basis of the information supplied by the eight Member States referred to in Article 1(4) of Annex XI to the Staff Regulations.

The Brussels International Index measures changes in the cost of living in Brussels for officials and other servants of the European Union. Eurostat has drawn up this index on the basis of the data provided by the Belgian authorities.

The correction coefficients are the ratio between the relevant economic parity and the exchange rate provided for in Article 63 of the Staff Regulations multiplied, if the adjustment threshold is not reached for Brussels, by the amount of the adjustment.

The economic parities for remuneration establish the purchasing power equivalence of the remuneration paid in Brussels, as the reference city, with that paid in the other places of employment. Eurostat has calculated those parities in agreement with the national statistical bodies of the Member States.

The economic parities for pensions establish the purchasing power equivalence of the pension paid in Belgium, as the reference country, with that paid in the other countries of residence. Eurostat has calculated those parities in agreement with the national statistical bodies of the Member States.

- **Existing provisions in the area of the proposal**

This proposal is in addition to the proposal presented each year for adjusting remuneration and pensions.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

- **Consultation of interested parties**

Methods of consultation used, main sectors covered and general profile of respondents

The elements of the proposal have been discussed with the staff representatives in accordance with the appropriate procedures.

Summary of replies received and the way in which they have been taken into account

The proposal takes account of the opinions of the parties consulted.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

– The purpose of the proposal is to adjust remuneration and pensions in accordance with the legislation in force.

– The legislation in force permits no alternative.

3. LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

In accordance with Article 4 of Annex XI to the Staff Regulations, the purpose of the proposed action is to adjust remuneration and pensions in those places in which there has been a substantial change in the cost of living.

The change in the cost of living for Brussels, measured by the Brussels International Index, over the period June to December of the previous year, is 1.3%.

Changes in the cost of living outside Belgium and Luxembourg during the reference period are measured by the implicit indices calculated by Eurostat. These indices are calculated by multiplying the Brussels International Index by the change in the economic parity.

The sensitivity threshold for a substantial change in the cost of living is the percentage corresponding to 7% for a twelve-month period (3.5% for a six-month period).

The implicit index applicable to remuneration has exceeded the sensitivity threshold in Estonia (4.5 %).

The implicit index applicable to pensions has not reached the sensitivity threshold in any of the countries.

The amount of the intermediate adjustment is the Brussels International Index multiplied, where appropriate, by half of the specific indicator forecast if this is negative.

The specific indicator forecast is -1.3 %, and thus the amount of the intermediate adjustment is 0.7 %**.**

The correction coefficients are the ratio between the relevant economic parity and the exchange rate multiplied, if the adjustment sensitivity threshold is not reached for Brussels, by the amount of the intermediate adjustment.

The new correction coefficients take effect on 1 January. However, for those countries or places whose implicit index is greater than 6.3 %, they take effect on 16 November. For those countries or places whose implicit index is greater than 12.6 %, they take effect on 1 November.

As a result, with effect from 1 January 2011, the correction coefficient applicable remuneration of officials and other servants of the European Union in Estonia is: 78.5.

The correction coefficients applicable to pensions and transfers remain unchanged.

- **Legal basis**

The Staff Regulations, and in particular Annex XI thereto, constitute the legal basis.

- **Subsidiarity principle**

The proposal concerns an area that falls within the exclusive competence of the Union. The principle of subsidiarity does not therefore apply.

- **Proportionality principle**

The proposal is consistent with the principle of proportionality for the following reasons:

– Annex XI to the Staff Regulations provides for a Council Regulation.

– The financial burden results directly from application of the method of adjustment provided for in the Staff Regulations.

- **Choice of instruments**

Proposed instrument(s): Regulation.

Other instruments would have been inappropriate for the following reasons:

– Annex XI to the Staff Regulations provides for a Council Regulation.

4. BUDGETARY IMPLICATION

The impact of the adjustment to the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union on administrative expenditure and on revenue is detailed in the financial statement annexed hereto.

2011/0163 (NLE)

Proposal for a

COUNCIL REGULATION

adjusting the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Protocol on the Privileges and Immunities of the European Union, and in particular Article 12 thereof,

Having regard to the Staff Regulations of Officials of the European Union and to the Conditions of Employment of other servants of the Union, as laid down by Regulation (EEC, Euratom, ECSC) No 259/68[1], and in particular Articles 64, 65(2) of the Staff Regulations and Annexes VII, XI and XIII thereto, and the first paragraph of Article 20, Articles 64 and 92 of the Conditions of Employment of Other Servants,

Having regard to the proposal from the European Commission,

Whereas:

(1) There was a substantial increase in the cost of living in Estonia in the period from June to December 2010, the correction coefficients applied to the remuneration of officials and other servants of the Union should therefore be adjusted.

HAS ADOPTED THIS REGULATION:

Article 1

With effect from 1 January 2011, the correction coefficients applicable, under Article 64 of the Staff Regulations, to the remuneration of officials and other servants employed in the countries and places listed below shall be as follows:

– Estonia 78,5.

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

[1] OJ L 56, 4.3.1968, p. 1.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Council Regulation adjusting the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union

1.2. Policy area(s) concerned in the ABM/ABB structure[2]

All areas and activities are potentially concerned.

1.3. Nature of the proposal/initiative

☒ The proposal/initiative relates to **a new action** (periodical, adjusting the regulation in force)

1.4. Objectives

1.4.1. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The adjustment of the correction coefficient applicable to the remuneration of officials and other servants of the European Union in Estonia following a substantial change in the cost of living there will result in maintain the purchasing power equivalence as provided in the Staff Regulations.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

To ensure that in the event of a substantial change in the cost of living, the correction coefficients applicable to the remuneration and pensions of officials and other servants of the European Union are adjusted, and if appropriate applied retrospectively. To ensure that evolution of the purchasing power of EU civil servants' remuneration and pensions follows the changes in the purchasing power of civil servants of central government in the Member States, as referred to in Annex XI to the Staff Regulations.

2 ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

1.6. Duration and financial impact

☒ Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from 1 January 2011,

– followed by full-scale operation.

1.7. Management mode(s) envisaged[3]

☒ **Centralised direct management** by the Commission: PMO.

2. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

2.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description……………………...……….]	Diff./non-diff (4)	from EFTA[5] countries	from candidate countries[6]	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
	XX.01.01.01 and Chapter 11, Chapter 42 Expenditure Relating to Parliamentary Assistants	non-diff.	NO	NO	NO	NO

[3] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

[4] Diff. = Differentiated appropriations / Non-Diff. = Non-differentiated appropriations

[5] EFTA: European Free Trade Association.

[6] Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

2.2. Estimated impact on expenditure

2.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

Heading of multiannual financial framework:	Number	XX.01.01.01 and Chapter 11, Chapter 42 Expenditure Relating to Parliamentary Assistants

DG: HR			Year **N**[7]	Year **N+1**	Year **N+2**	Year **N+3**	… enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
• Operational appropriations										
Number of budget line	Commitments	(1)								
	Payments	(2)								
Number of budget line	Commitments	(1a)								
	Payments	(2a)								
Appropriations of an administrative nature financed from the envelope for specific programmes[8]										
Number of budget line		(3)								
TOTAL appropriations for DG HR	Commitments	=1+1a +3								
	Payments	=2+2a +3								

7 Year N is the year in which implementation of the proposal/initiative starts.

8 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADING <….> of the multiannual financial framework	Commitments	=4+ 6								
	Payments	=5+ 6								

<u>If more than one heading is affected by the proposal / initiative:</u>

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6								
	Payments	=5+ 6								

Heading of multiannual financial framework:	**5**	" Administrative expenditure "

EUR million (to 3 decimal places)

		Year **2011**	Year **2012**	Year **2013**	Year **2014**	… enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
DG: <…….>									
• Human resources									
• Other administrative expenditure									
TOTAL DG	Appropriations								

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**not available**

EUR million (to 3 decimal places)

		Year **2011**	Year **2012**	Year **2013**	Year **2014**	… enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**not available**
	Payments	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**0,017**	**not available**

2.2.2. *Estimated impact on operational appropriations*

– ☒ The proposal/initiative does not require the use of operational appropriations

2.2.3. *Estimated impact on appropriations of an administrative nature*

2.2.3.1. Summary

– ☐ The proposal/initiative does not require the use of administrative appropriations

– ☐ The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year **N** [9]	Year **N+1**	Year **N+2**	Year **N+3**	… enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
HEADING 5 of the multiannual financial framework								
Human resources								
Other administrative expenditure								
Subtotal HEADING 5 of the multiannual financial framework								
Outside HEADING 5[10] of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								

[9] Year N is the year in which implementation of the proposal/initiative starts.

[10] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

TOTAL								

2.2.3.2.

2.2.3.3. Estimated requirements of human resources

– ☒ The proposal/initiative does not require the use of human resources

2.2.4. Compatibility with the current multiannual financial framework

– ☒ The proposal/initiative is compatible the current multiannual financial framework.

2.2.5. Third-party contributions

– ☒ The proposal/initiative does not provide for co-financing by third parties

2.3. Estimated impact on revenue

– ☒ Proposal/initiative has no financial impact on revenue.