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TUEM FLASH

The current Pension Scheme is financially not sustainable, highly expensive (i.e., can be up to 70% of exit payroll per month) and significantly more advantageous than private and public sector Pension Schemes. There should be a review of the current pension scheme and liabilities to bring them in line with normal aviation industry models with a view to significantly reducing the pension liability of EUROCONTROL.

Fundamental Review of the EUROCONTROL Agency's activities & Strategic Plan
Deloitte, Page 56 & recommendation #16

Dear Member,

As seems to be the norm for this review, this short paragraph is entirely unfounded and highly misleading. If "dramatic & sensationalist simplification" had been part of the terms of reference for the review, Deloitte would have succeeded magnificently.

Despite it being short, the paragraph makes several far-reaching claims:

1) the EUROCONTROL liability towards the pension scheme needs to be reduced
2) pensions are up to 70% of the "exit payroll" and more advantageous than other schemes
3) the pension scheme is not financially sustainable

Tackling point 1, article 83 of the Staff Regulations explicitly states that the Member States shall jointly guarantee the payment of the benefits provided for in the present pension scheme. In that respect, it is worth noting that a pension deficit can, and should be, addressed through the **internationally agreed mechanism of covering all staff costs through user charges**. Such a mechanism is outlined in the ICAO Convention from 1947, through the EUROCONTROL Route Charges Agreement, and more recently by the European Commission Regulation 391/2013. Article 7.2 of that regulation states that **"...staff costs shall include gross remuneration, overtime payments, and employers' contributions to social security schemes as well as pension costs and other benefits..."**

This means that not the EUROCONTROL Agency but the Member States are ultimately liable for the pension scheme. However, because the tax compensation for EUROCONTROL pensions is paid from the EUROCONTROL budget and not from the pension fund, this could be perceived as a liability for the Agency. Yet instead of debunking this perception, Deloitte re-enforces it!

As is the case for pensioners from other European organisations, the net pension for EUROCONTROL staff is guaranteed. This means that the national taxes, which EUROCONTROL pensioners are subjected to, must be compensated to avoid discrimination between staff members retiring to different countries with different tax schemes. This compensation is actually paid from the EUROCONTROL budget, i.e. by the 41 States through the agreed sharing mechanism. Proportionally however, people tend to remain where they lived all their professional lives, and some countries like Belgium therefore receives more tax income from EUROCONTROL pensioners than they put in. Most other countries think this is unfair and want to implement an internal tax on EUROCONTROL pensions. This standoff has existed for years and while a resolution would be welcome, it is not the issue Deloitte has highlighted! **So while the pension tax scheme has an impact on the EUROCONTROL budget, to conclude that the Agency is therefore liable is simply not true.**

On the second point: there is no uniform pension scheme within EUROCONTROL. Thanks to several administrative reforms (contradicting another claim from this review that EUROCONTROL staff resists change - see a future Flash Info), there are at least four different schemes, depending on when someone's career started in EUROCONTROL. This makes for a very complex situation when it comes to discussing pensions and pension rights. Add to that the possible transfer of pension from a national pension system when joining EUROCONTROL, it is fair to say that the statement is far too general to make any sort of sense.

Saying that the pension is up to 70% of the final salary (let's assume that is what is meant in the Deloitte text) is a highly misleading generalisation: in the majority of cases, it will be substantially lower, as most people do not reach full pension rights and/or a number of benefits are not taken into account for the pension calculation. **Even if they reach 70% of the latest basic salary, most people would end up with 50-60% of their last full salary. What is more, as is the case for most civil servants, EUROCONTROL does not foresee access to a complementary pension scheme.** This is a significant difference with other aviation branches and private companies, where such schemes have long been established, and another issue which the Deloitte analysis conveniently ignores.

If there are concerns for the pension scheme, a significant one is that the continued recruitment embargoes, imposed by the Director General, as well as the increased push to hire contract staff, constantly changes the (anticipated) employee demographics. This undermines the predictability and performance of the pension fund.

As a reminder, the pension fund was re-established in 2005, after yet another reform, when the Member States noticed that abolishing the previous pension fund (in the 1980s) was actually a big mistake. The Pension Fund is explicitly established as a financial vehicle to help the Member States pay the EUROCONTROL pensions and to thereby avoid surprises for the airspace users. Particularly interesting is to note that the latest update to the Pension Supervisory Board shows the fund is currently valued 10% above its target value, despite the current crisis and the fact that parts of the Agency's permanent staff are not being replaced as anticipated!

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Bizarrely, Deloitte suggests to increase the use of Contract Agents (page 22, last paragraph), claiming that this will reduce pension liabilities: while this would have an effect on the long term, in the short to medium term, it clearly risks destabilising the pension fund and therefore the pension fund mechanism that the States have established to minimise the impact on the route charges for the airlines!

What is more, if another recommendation of Deloitte is acted on - namely to expel MUAC from the EUROCONTROL organisation - this will indeed make the fund (and therefore pension system) unsustainable, as previous studies on the MUAC institutional status have clearly shown.

To further debunk this paragraph, a study from the Performance Review Commission, published in 2018, compared the different pensions schemes in Europe's Air Navigation Service Providers. This reveals that the pensions for MUAC staff are below average compared to the 37 other providers and well below those of DFS and LVNL. MUAC is also listed as one of the ANSPs where pension costs have decreased over the past decade.

All the above indicates that this gratuitous paragraph on pensions, eagerly lapped up by the CANSO's of this world (as it distracts from the pension issues these privatised ANSPs are having), is unsubstantiated and completely false! Deloitte should be ashamed for including a statement like this in their review, but given the tabloid-standard quality of the rest of the document, we are hardly surprised.

It is also worth noting that the Irish Aviation Authority (IAA) staff is still disputing pension issues dating back to the period that Mr Brennan was CEO of the IAA. From what we have heard and read, the parallels between what happened in Ireland and the conclusion in the Deloitte review is quite alarming.

Risking to sound like a broken record, this small paragraph in the review is again based on hearsay, individual opinion and possibly envy rather than on facts. It again clearly demonstrates that this review was extremely poorly conceived, planned and executed. Its sole purpose is to mislead and misinform in order to justify far-reaching changes at the expense of the staff. TUEM once again calls on the Member States to dismiss this report and its short-sighted recommendations!

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Previous Flash Infos on the Deloitte Report

1. Staff is not our highest value, it's our customers
2. Separating MUAC from EUROCONTROL
3. MUAC should no longer be an international organisation

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