

**ORGANISATION EUROPÉENNE POUR LA RECHERCHE NUCLÉAIRE**  
**CERN EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH**

<i>Action to be taken</i>		<i>Voting procedure</i>	
For Recommendation to Council	<b>FINANCE COMMITTEE</b> 334 <sup>th</sup> Meeting <b>15 December 2010</b>	- Indexes for the Personnel budget - Indexes for the Materials budget  - Overall Cost-Variation Index - Indexation of Member States' contributions	Simple majority of Member States represented and voting  Simple majority of Member States represented and voting and 70% of the contributions of the Member States represented and present for the voting and at least 51% of the contributions of all Member States
For Approval	<b>COUNCIL</b> 157 <sup>th</sup> Session <b>16 December 2010</b>	—	Simple majority of Member States represented and voting

**The Cost-Variation Index for 2011**

The document is in line with the method approved in December 2006<sup>1</sup> for calculating the indexes applicable to the personnel budget (basic salary and stipend index and index for allowances and family benefits, Annex A1 II Staff Rules and Regulations 11<sup>th</sup> edition<sup>2</sup>) and with that approved in June 1996<sup>3</sup> for calculating the Materials budget cost-variation index. The indexes are identical to those presented for information to TREF and FC in document CERN/FC/5451/RA/Rev.3 in November.

The Finance Committee is invited to recommend, and the Council is invited to approve:

- the basic salary and stipend index of 0.35%;
- the subsistence allowances and benefits index of 0.0%;
- the materials cost-variation index of -5.39%;
- overall cost-variation index of -2.49% and
- 0.0% as indexation of Member States' contributions in line of the Council decision of June 2009<sup>4</sup>

<sup>1</sup> Document CERN/FC/5110/Rev.-CERN/2698/Rev.

<sup>2</sup> Document CERN/FC/5155-CERN/2730

<sup>3</sup> Document CERN/FC/3881

<sup>4</sup> Document CERN/FC/5366-CERN/2864



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## The Cost-Variation Index for 2011

### 1. Method

In conformity with the rules and procedures decided by the Council, the latter decides annually on the indexes applicable to the Personnel budget, the Materials budget and the Interest and Debt Servicing costs. The applicable rules for the calculation of these indexes are the following:

#### 1.1 The Cost-Variation Indexes for the personnel budget

##### 1.1.1 The basic salary and stipend index (Annex A1 II A of the Staff Rules & Regulations)

Basic salaries and stipends are reviewed annually by the Council who for this purpose uses as a guide the calculated basic salary and stipend index. The purpose of the review is to protect basic salaries and stipends from the erosion of purchasing power resulting from the increase in the cost-of-living. The annual adjustment decision enters into force on 1 January of the following year.

In this context it is recalled that in a Resolution dated 15 December 2000, concluding the 2000 Five-Yearly Review, Council decided:

*“that, with a view to maintaining the competitiveness of CERN salaries and in parallel to increasing flexibility of the career structure, the Council will use its best efforts to adjust annually the salary scale in accordance with the guide provided for in Annex 1 of the Staff Rules”.*

##### 1.1.1.1 Composition of the basic salary and stipend index<sup>5</sup>

This index consists of two components:

###### a) First component

The Geneva cost-of-living movement for a twelve-month period from August of the year preceding the current year to August of the current year (according to the data

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<sup>5</sup> CERN/FC/5155-CERN/2730.

supplied by the Statistical Office of the Canton of Geneva, taking the index for the month of August in the year preceding the current year as base 100).

b) Second component

The average movements of the real net salaries of the civil servants:

- of the Swiss Federal Public Service, and
- of the Member States whose regular contribution in the current year is more than 2% of the Organization's Budget, for a twelve-month period from June of the year preceding the current year to June of the current year (according to the data supplied by the Statistical Office of the European Communities – EUROSTAT – taking the index for June of the year preceding the current year as base 100).

Half of the second component consists of the data concerning Switzerland and the other half consists of the data for the other Member States, determined using the above criterion, weighted according to the distribution of those Member States' nationals among the Organization's personnel (according to the personnel statistics at 31 December of the year preceding the current year).

1.1.1.2 Method of calculation of the basic salary and stipend index

The basic salary and stipend index shall be calculated on the basis of the data collected for the two components specified above using the following formula:

$$I = \frac{Gva * [CH + \sum_{n=1}^p a_n * s_n] / 2}{100}$$

- I** Basic salary and stipend index;
- Gva** Geneva cost-of-living movement (August-August);
- CH** Average movement of real net salaries of the civil servants of the Swiss Federal Public Service (June-June);
- a<sub>n</sub>** Weighting for Member State n;
- s<sub>n</sub>** Average movement of real net salaries of civil servants in the Civil Service of Member State n (June-June);
- p** Number of Member States determined using the criterion set out above.

1.1.2 The subsistence allowances and family benefits index (Annex 1 II B1 of the Staff Rules & Regulations)

Subsistence allowances and family benefits are reviewed annually by the Council who for this purpose, uses as a guide the Geneva cost-of-living movement calculated in accordance with 1.1.1.1 a) above. The purpose of the review is to protect subsistence allowances and family benefits from any erosion of purchasing power resulting from the increase in the cost-of-living.

## 1.2 The Materials Budget Cost-Variation Index<sup>6</sup>

1.2.1 The Materials budget cost-variation index is made up of the following elements:

- the cost-variation index of **goods, consumables and supplies** based on the indexes on Capital Goods, published by EUROSTAT (Luxembourg), and on Competitive Positions, published by the OECD (Paris). The variations of the indexes are applied to the relative share over three years of purchases in the concerned Member States and adjusted by the changes in exchanges rates;
- **insurance & communications, energy & water** and **industrial services**, all based on the contractual changes in tariffs including the impact of exchange rate fluctuations as for goods, consumables and supplies, and Geneva cost-of-living movement index for the item concerned.

As explained in previous years<sup>7</sup>, the calculation for **energy & water consumption** is linked to CERN's contractual agreements. For purchases in Euro, the impact of exchange rate fluctuations is included as for goods, consumables and supplies. Since CERN's energy consumption is dominated by electricity, the energy indexation rate for an average consumer cannot be applied (having a much larger share for fuels). The overall energy & water consumption index is thus computed by applying the increase of the contractually applicable tariff for electricity and the published indexes<sup>8</sup> for heating gases, fuels and water. The increases of these different components of the energy budget are applied according to their share taking into account the purchases in France and in Switzerland.

1.2.2 Exchange rates and percentage purchases

The following basic principles will be applied:

- in order to express the cost-variation index of each of the Member States in Swiss franc, the variation of the exchange rate of the national currencies with respect to the Swiss franc is applied to the difference of the corresponding cost-variation indices;

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<sup>6</sup> Document CERN/FC/3881 of June 1996 « The CERN Materials Cost-Variation Index : New Proposal ».

<sup>7</sup> CERN/FC/5149/Rev.3.

<sup>8</sup> OCSTAT in Geneva (Geneva Cantonal Office for Statistics) and INSEE (French National Institute for Statistics).

- the proportion of the supply purchases from those countries which make up at least 90% of the expenses for the supplies in all Member States will be used as weights.

### **1.3 The Cost-Variation Index for Interest and Debt Servicing**

As announced to Council in 2006<sup>9</sup> when signing the fixed rate loan with Fortis bank, the annual instalments to Fortis bank will increase until 2011 (during the LHC loan repayment period). The annual increases of the instalments shall be included in the overall cost-variation index. The interest for short-term loans and bank charges are indexed at the rate of the Geneva cost-of-living movement.

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<sup>9</sup> CERN/2676-CERN/FC/5051.



## 2. The calculated Cost-Variation Indexes for 2011

### 2.1 Cost-Variation Indexes for the Personnel Budget (Annex A)

#### Basic salary and stipend index

First component:

The Geneva cost-of-living movement is **0.5%** between August 2009 and August 2010.

Second component:

First element: the movement of the real net salaries of the Swiss Federal civil servants is **0.6%** between June 2009 and June 2010.

Second element: EUROSTAT publishes data for seven Member States whose regular contribution in the current year is more than 2% of the Organization's budget. Their weighting for half of the second component for the reference period (see item 1.1.1.1 b) is as follows:

Weighting of real net salary movements (W) in the following Member States:

	W (%)
- Belgium	5.6
- France	54.0
- Germany	8.9
- Italy	11.8
- Netherlands	3.7
- Spain	5.0
- United Kingdom	11.0

The movement of real net salaries of civil servants in the Member States (as defined in Section 1.1.1.1 b) between June 2009 and June 2010 is **-0.9%**.

Annex A shows that the basic salary and stipend index following the method recalled above amounts to **0.35%**.

#### The subsistence allowances and family benefits index

As mentioned above, the Geneva cost-of-living movement is **0.5%** for the period between August 2009 and August 2010. The negative cost of living index of **-0.8%** has not been applied last year, such that this index is **0.0%** leaving a memory of some **0.3%** for the next year.

The two indexes together result in **an overall personnel index of 0.33%**.

## 2.2 Materials Budget Cost-Variation Index

The materials budget is divided into the following five parts:

- (1) Goods, consumables and supplies as detailed in Annex B,
- (2) Electricity, heating gas and water,
- (3) Industrial services,
- (4) Insurance and communications,
- (5) Third party payments, consultants and others.

The amounts of the above parts of the materials budget have been taken from the 2011 Draft Budget<sup>10</sup>.

The indices used for these five parts are:

- (1) For **goods, consumables and supplies**: Annex B gives details on exchange rates, weighted average percentage purchases and the calculation of the cost-variation indices for **goods, consumables and supplies**. The result is an index of **-8.87%**. Last year's result was -1.04%.
- (2) For **electricity, heating gas and water**, the cost-variation index computed as explained in Section 1.2.1 amounts to **3.22%** (last year's value 8.00%).
- (3) For **industrial services**, the index on contractual changes has been taken, leading to a cost-variation index of **-7.94%**, dominated by the general deflation (last year's value -0.74%).
- (4) For **insurance & communications**, the cost-of-living index results in **0%** related to insurance premiums.
- (5) For **third party payments, consultants and others**, no indexation is applied due to the facts explained in section 2.1 (non application of -0.8% change of cost of living in Geneva of last year offsetting the 0.5% this year).

## 2.3 Cost-Variation Index for Interest and Debt Servicing

- **Fortis bank** fixed interest rates are not indexed;
- the **interest to cover short-term loans** and **bank charges** are not indexed due to the facts explained in section 2.1.

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<sup>10</sup> CERN/SPC/948/Rev.-CERN/FC/5450/Rev.-CERN/2915/Rev.

### 3. The calculated overall Cost-Variation Index for 2011

Annex C shows the breakdown of the 2011 Draft Budget<sup>11</sup> at 2010 prices converted into 2011 prices taking into account the various indexes as explained above. These indexes are given in column 2 of Annex C.

- The weighted average **basic salary and stipend** index **0.35%**
  - The subsistence allowances and benefits index **0.00%**
- amounting to an overall **Personnel Budget** cost-variation index of **0.33%**
- **overall Materials Budget** cost-variation index **-5.39%**

Based on the breakdown of the Draft Budget for 2011, the above cost-variation indices give a calculated **overall cost-variation index of -2.49%**, which is below the “corridor” for the indexation of the Member States’ contributions of between 0% and 2% as defined in CERN/FC/5366-CERN/2864, approved in June 2009.

### 4. Proposal

The Finance Committee is invited to recommend and the Council is invited to approve:

- The basic salary and stipend index of 0.35%;
- The subsistence allowances and benefits index of 0.0%;
- The materials cost-variation index of -5.39%;
- Overall cost-variation index of -2.49% and
- 0.0% as indexation of Member States’ contributions in line of the Council decision of June 2009

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<sup>11</sup> CERN/SPC/948/Rev.-CERN/FC/5450/Rev.-CERN/2915/Rev.

**ANNEX A: Calculation of the basic salary and stipend index 2011**

1. Geneva cost-of-living movement (based on August 2009 - August 2010) 100.5

2. Average movement of the real net salaries of Swiss Federal civil servants  
(June 2009 - June 2010) 100.6

3. Average movement of the real net salaries of the civil servants of  
seven Member States:\* (June 2009 - June 2010)

Member States	Movements June 2009 - June 2010	Weight (%)	weighted
	A	B	C=A*B/100
Belgium	98.2	5.6	5.5
France	100.0	54.0	54.0
Germany	95.1	8.9	8.5
Italy	99.1	11.8	11.7
Netherlands	99.5	3.7	3.7
Spain	97.2	5.0	4.9
United Kingdom	98.7	11.0	10.9
<b>Total</b>		<b>100.0</b>	<b>99.1</b>

99.1

4. Basic salary and stipend index<sup>#</sup>

$$I = \frac{Gva * [CH + \sum_{n=1}^p a_n * s_n]}{100}$$

$$I = \frac{100.5 * [100.6 + 99.1]}{100}$$

Calculated basic salary and stipend index = 100.35

\* Based on the 2009 June – 2010 June data, information received on 26<sup>th</sup> October 2010.

<sup>#</sup> I Basic salary and stipend index; p=7, since only seven Member States publish real net movements.

Gva Geneva cost-of-living movement (August-August)

CH Average movement of real net salaries of Swiss Federal civil servants (June-June)

a<sub>n</sub> Weighting for Member State n

s<sub>n</sub> Average movement of real net salaries of the Civil Service of Member State n (June-June)

### ANNEX B: Calculation of the Cost-Variation Indices for Investments and Consumables

COUNTRY	Index on capital goods based on national currencies *		Competitive positions based on national currencies **		Average exchange rate of year	Average exchange rate of year	Increase of national indexes applied to exchange rate variation of national currencies to CHF		Percentage purchases (average of the years 2006/2007/2008)	Weighted increase of national indexes expressed in CHF by origin of purchases 10= 9 * ( 7 + 8 )/2
	2008	2009	2008	2009	2008	2009	Investments 7= 2 / 1 * 6 / 5	Consumables 8= 4 / 3 * 6 / 5		
	1	2	3	4	5	6	7	8	9	10
Belgium	118.01	109.55	104.20	95.90	1.587	1.510	0.883	0.876	0.7	0.62
France	112.68	105.46	102.90	96.50	1.587	1.510	0.891	0.892	38.8	34.59
Germany	112.58	108.01	100.60	97.10	1.587	1.510	0.913	0.918	17.9	16.39
Italy	115.05	108.85	105.10	99.60	1.587	1.510	0.900	0.902	10.9	9.82
Spain	116.32	112.36	103.00	97.30	1.587	1.510	0.919	0.899	2.9	2.64
Switzerland	109.55	106.90	101.40	97.80	1.000	1.000	0.976	0.964	23.7	22.99
United Kingdom	128.24	124.59	112.50	103.00	1.997	1.695	0.825	0.777	5.1	4.08

\* EUROSTAT-Luxembourg

\*\* OECD-Paris. Indices based on export prices of goods and services.

<b>TOTAL</b>	<b>91.13</b>
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<b>INDEX [%]</b>	<b>-8.87</b>
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**ANNEX C: Conversion of the 2011 Draft Budget  
(CERN/SPC/948/Rev.-CERN/FC/5450/Rev.-CERN/2915/Rev.)  
from 2010 to 2011 prices (in MCHF), rounded to 5 kCHF**

	2011 Draft Budget at 2010 prices	Increase due to Cost-Variation		2011 Draft Budget at 2011 prices
		%	MCHF	
	1	2	3	4 = 1 + 3
<b>PERSONNEL</b>				
1 Expenses affected by the basic salary and stipend adjustment *, **	468.415	0.35	1.640	470.055
2 Family allowances <sup>#</sup>	22.805	0.00	0.000	22.805
3 Other Expenses affected by the cost-of-living index ***,#	25.900	0.00	0.000	25.900
4 Home-leave ****	1.750	4.73	0.085	1.835
<b>TOTAL PERSONNEL</b>	<b>518.870</b>	<b>0.33</b>	<b>1.725</b>	<b>520.595</b>
<b>MATERIALS</b>				
5 Goods, consumables and supplies	263.060	- 8.87	- 23.335	239.725
6 Electricity, heating gas and water	87.540	3.22	2.820	90.360
7 Industrial Services (Services and Others contracts)	95.000	- 7.94	- 7.545	87.455
8 Insurance and communications	7.275	0.00	0.000	7.275
9 Third party payments, consultants and others <sup>#</sup>	67.525	0.00	0.000	67.525
<b>TOTAL MATERIALS</b>	<b>520.400</b>	<b>-5.39</b>	<b>- 28.060</b>	<b>492.340</b>
10 Interest to Fortis bank	13.585			13.585
11 Cost of short-term interest	1.900	0.00	0.000	1.900
12 Bank charges	1.260	0.00	0.000	1.260
<b>TOTAL INTEREST and DEBT SERVICING</b>	<b>16.745</b>	<b>0.000</b>	<b>0.000</b>	<b>16.745</b>
<b>GLOBAL INDEX</b>	<b>1,056.015</b>	<b>-2.49</b>	<b>- 26.335</b>	<b>1,029.680</b>

\* Basic salaries, stipends, non-residence allowances, overtime, shift work, contract terminations and installation, social contributions, progressive retirement programme allowances, special contributions for the Pension Fund and unemployment.

\*\* Excluding internal taxation.

\*\*\* Removal, education, contribution to Health insurance for pensioners and contribution to Long-Term Care.

\*\*\*\* Travelling expenses shall be indexed on 1<sup>st</sup> March every year according to the EUROSTAT European Consumer Price Index for Transport as at December of the previous year.

# No cost-of-living increase in Geneva adjust as described in section 2.1.

The difference between 0% indexation of Member States' contributions and the application of the CVI to the materials and personnel expenses will be used to reduce the overall budgetary deficit of the Organization.