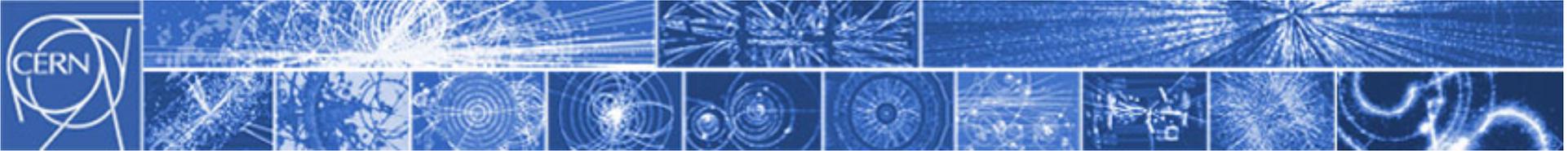


CERN

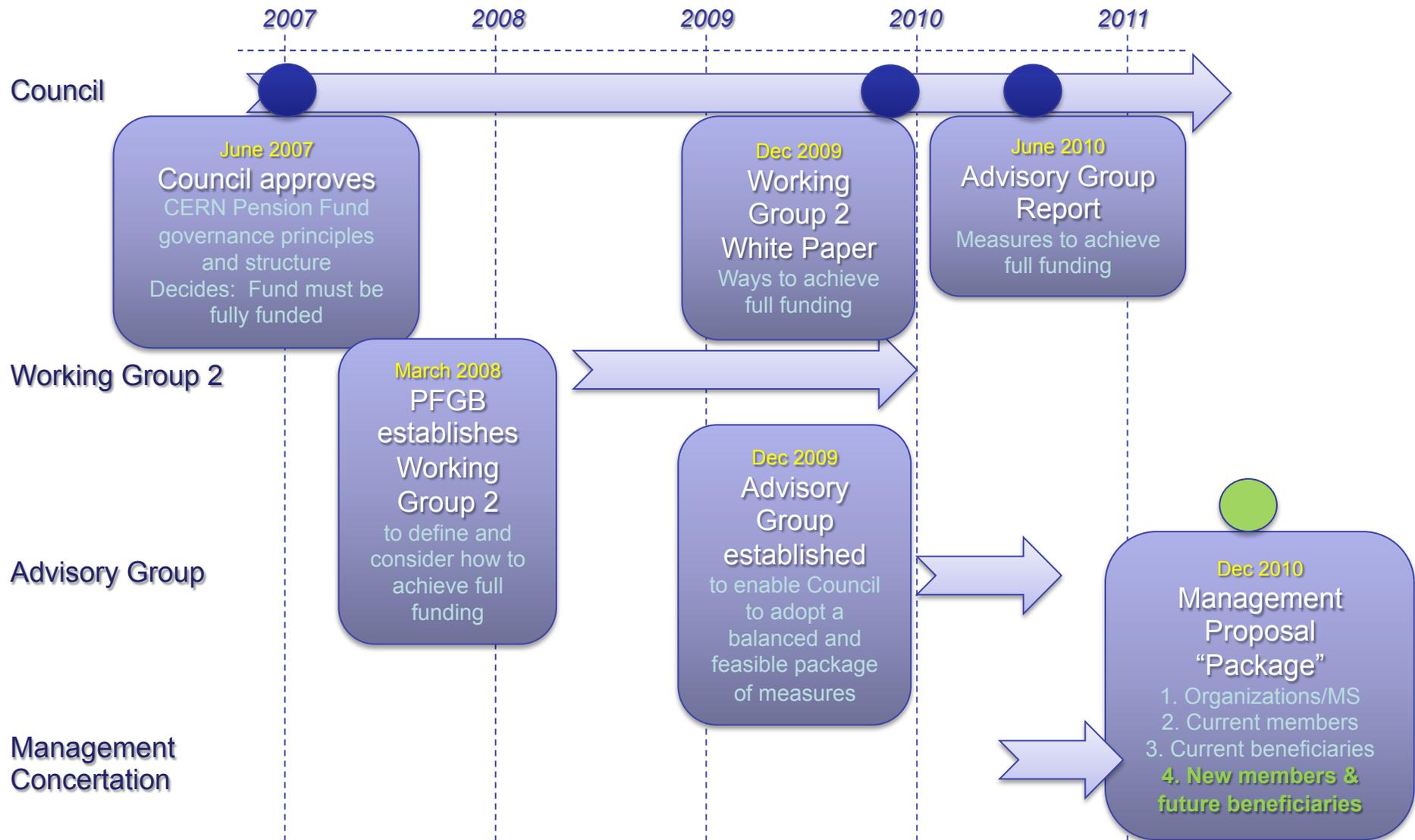
European Organization for Nuclear Research
Organisation Européenne pour la Recherche Nucléaire

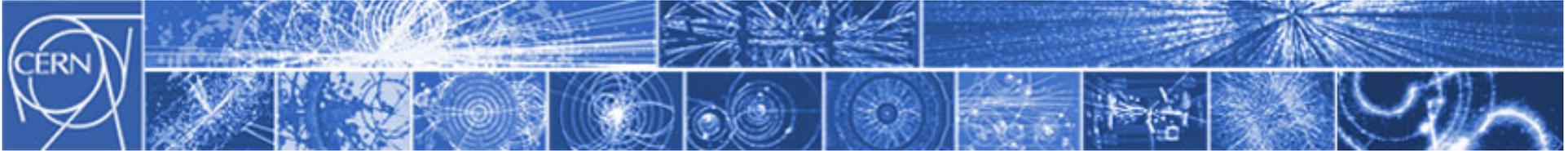
COMPLETION OF THE PACKAGE OF MEASURES TOWARDS RESTORING FULL FUNDING OF THE CERN PENSION FUND

MANAGEMENT PROPOSALS



Timeline





Package Elements

1. Measures concerning participating Organizations/Member States

- CERN to pay special contributions of 60 MCHF p/a -> Fund (until full funding confirmed)
- CERN Council to ask ESO to pay special contributions -> Fund



2. Measure concerning participating Organizations/current members of the Fund (1.1.2011)

- Increase in total contribution rate by 3.12 percentage points, from 30.88% to 34%



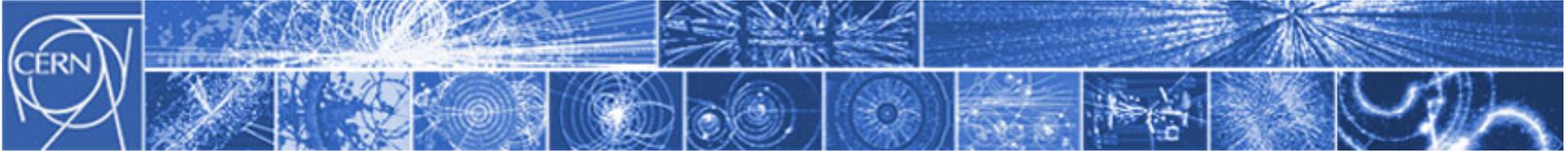
3. Measure concerning current beneficiaries of the Fund (31.12.2011)

- Automatic non-indexation of pensions for recipients of a pension as at 31 December 2011 until such time as their individual accumulated loss of purchasing power reaches 8%



4. Measures concerning new members and future beneficiaries of the Fund (1.1.2012)

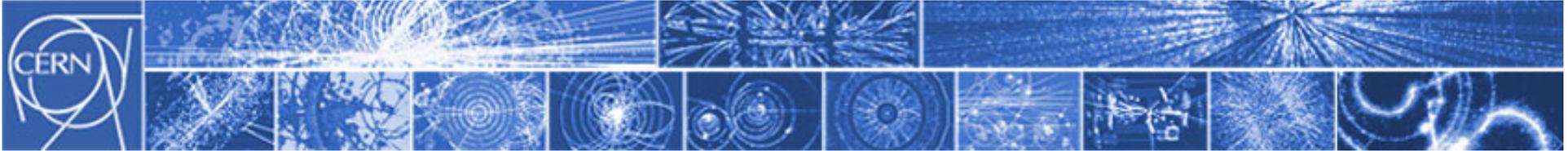
- New pension arrangements to be defined for future recruits
- Transition arrangements to be proposed for the application of the annual adjustment of pensions for future beneficiaries



Future recruits: New pension arrangements

Parameter	Today	As of 1/1/2012
Retirement age	65 years	67 years
Contribution to	Reference salary	Reference salary
Contribution rate	34%	28.33%*
Contribution sharing	1/3 : 2/3	40% : 60%
Contribution employee	11.33%	11.33%
Contribution CERN	22.67%	17%
Accrual rate	2.0%, i.e. 35 years	1.85%, i.e. 37 years 10 months
Maximum pension	70%	70%
Pensionable salary	Last salary	Average of last 3 years' salary position

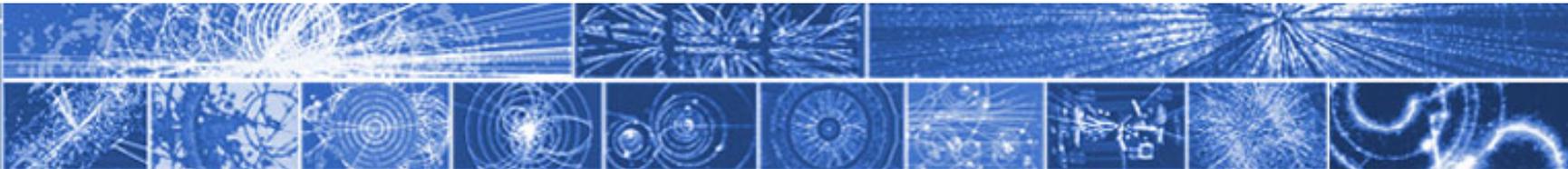
* established in accordance with current actuarial parameters; should a subsequent change in the parameters require adjustment of the rate later in 2011, it is deemed to be within the current package of measures



Future beneficiaries: Adjustment mechanism

For recipients of a pension as from 1 January 2012, the present extraordinary measure of *automatic non-indexation* shall be phased out in steps of 0.1% per retirement month from January 2013 to July 2019.

Automatic non-indexation will be gradually replaced with *potential under-indexation*, as follows ...



2012

2013

2014

2015

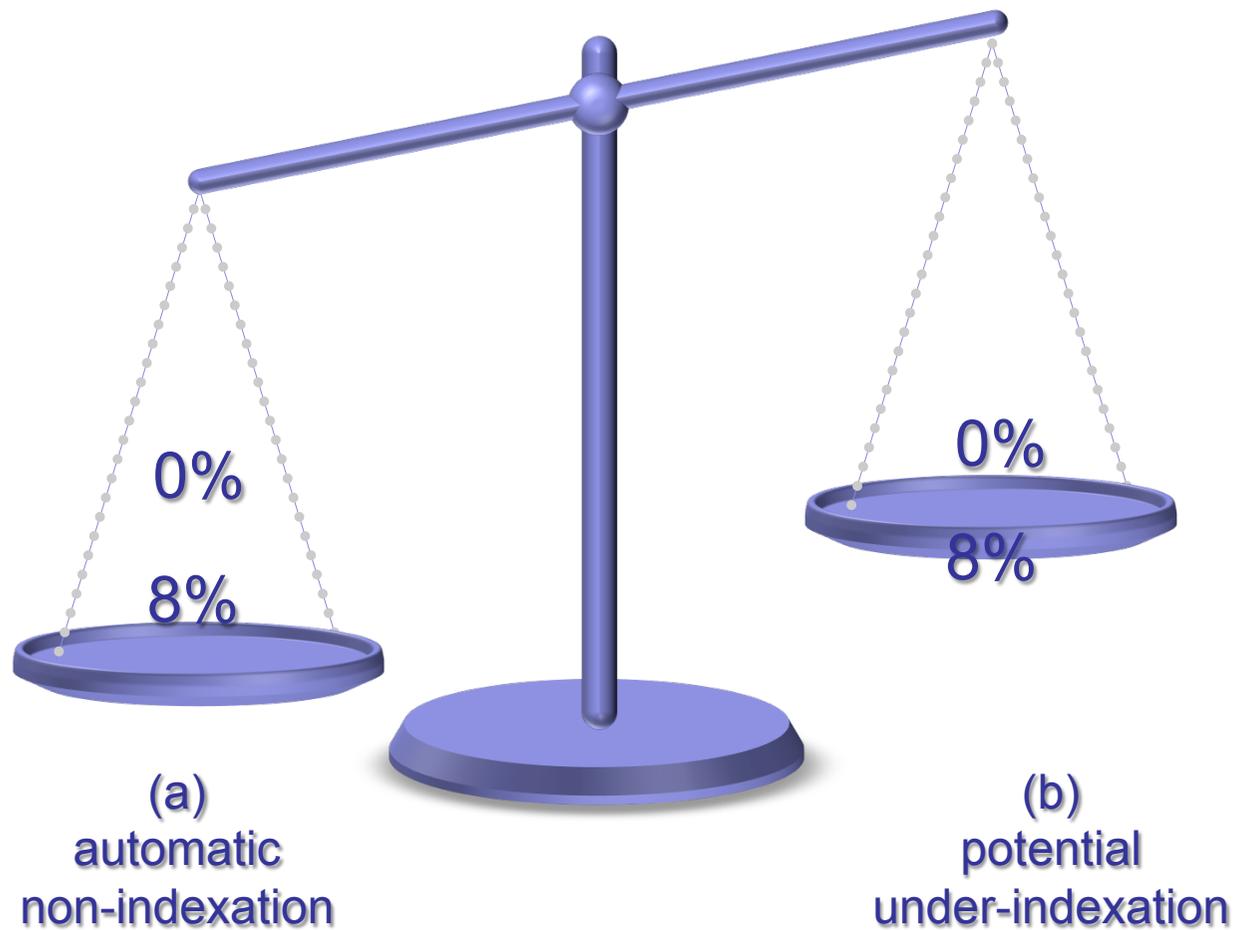
2016

2017

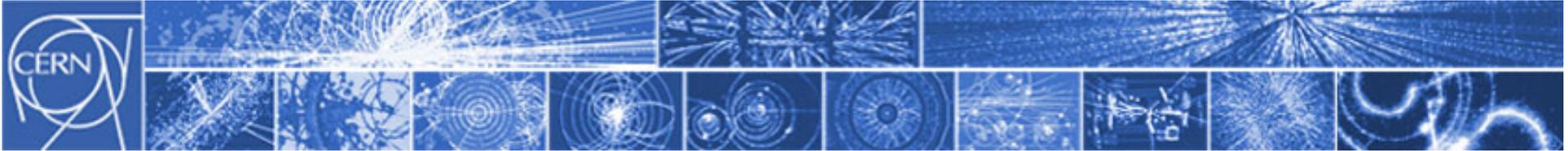
2018

2019

2020



In all cases: maximum individual purchasing power loss cannot exceed 8%



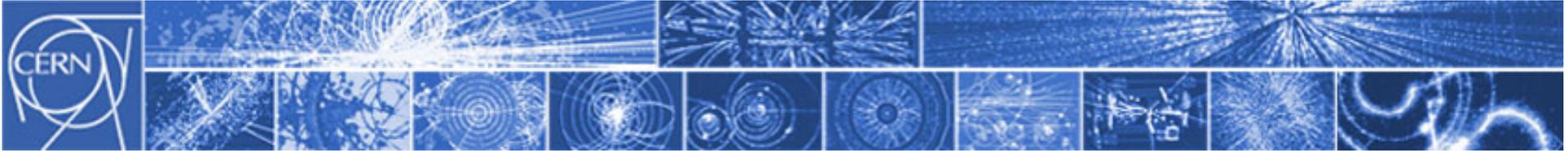
Future beneficiaries: Adjustment mechanism

Once the ceiling for non-indexation has been reached, the following adjustment mechanism shall apply:

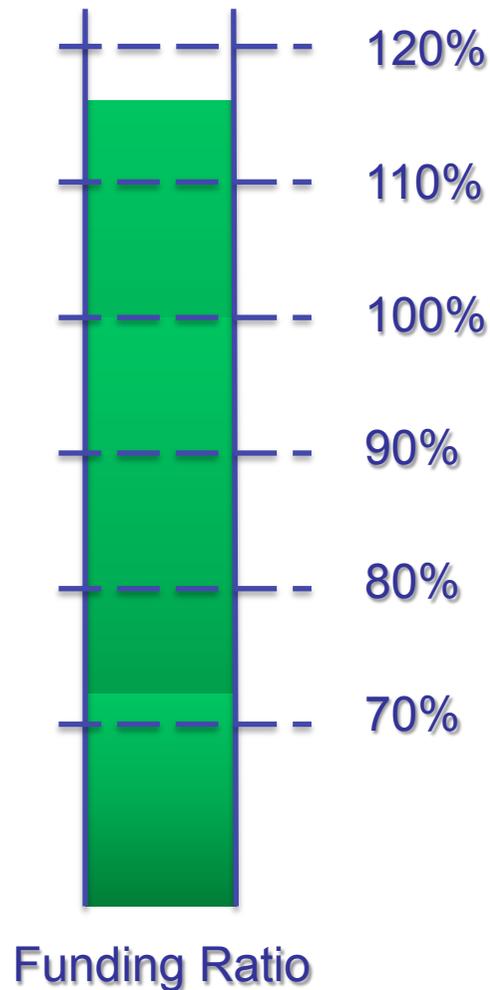
Annual adjustment of pensions[‡] = Funding Ratio x Geneva CVI

The adjustment is proportional to the funding ratio

[‡] Provided the result is smaller or equal to the actuarial parameter for annual inflation, currently 2%.



Future beneficiaries: Adjustment mechanism Funding Ratio dependency



Examples

Funding Ratio 72%

Adjustment = CVI * FR (72%)

max adjustment = 2% (actuarial parameter)

max cumulative loss 8%

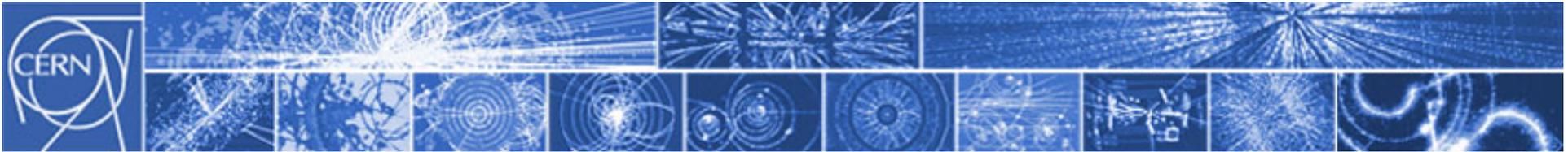
Funding Ratio 100%

Adjustment = CVI

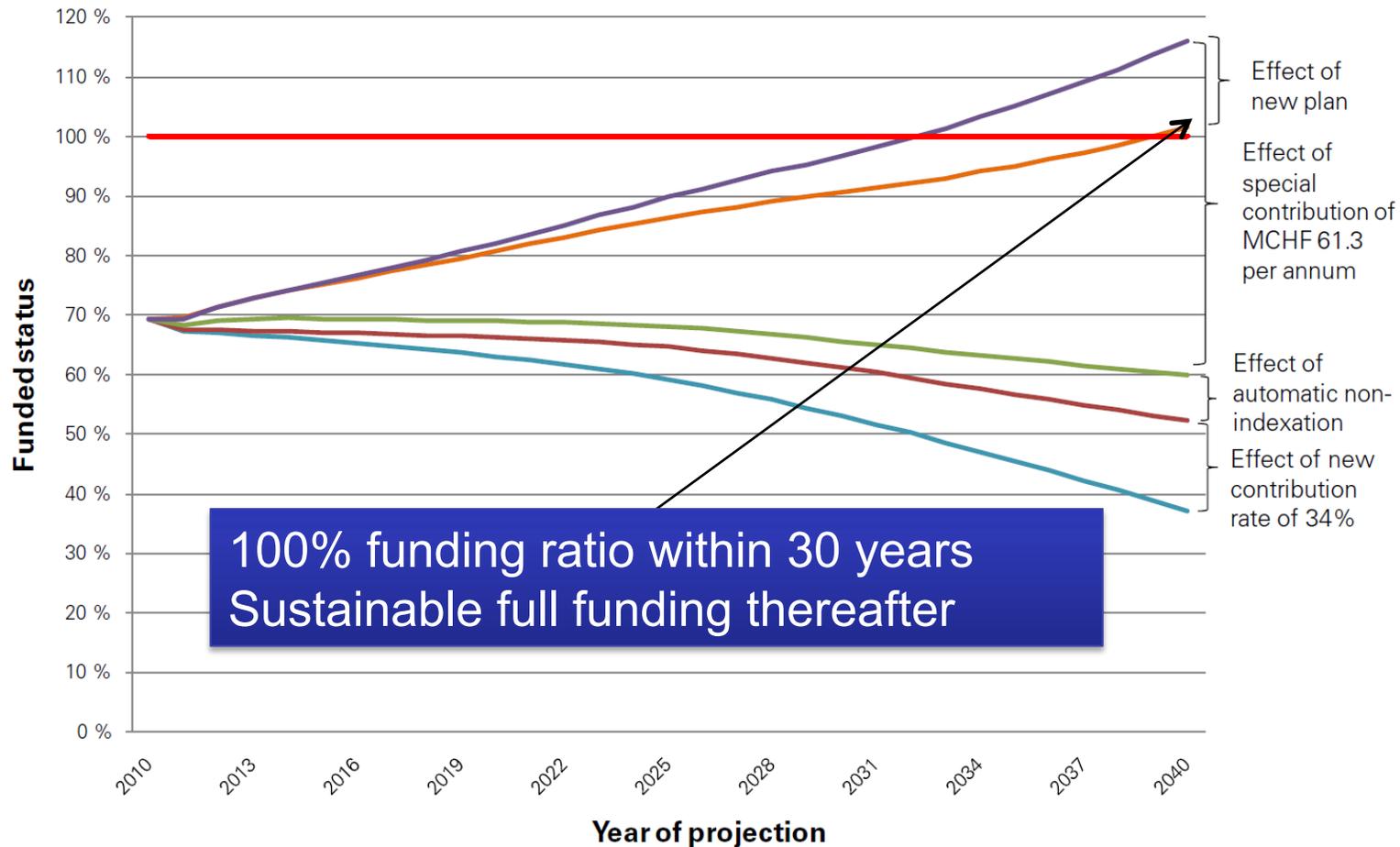
Funding Ratio 116%

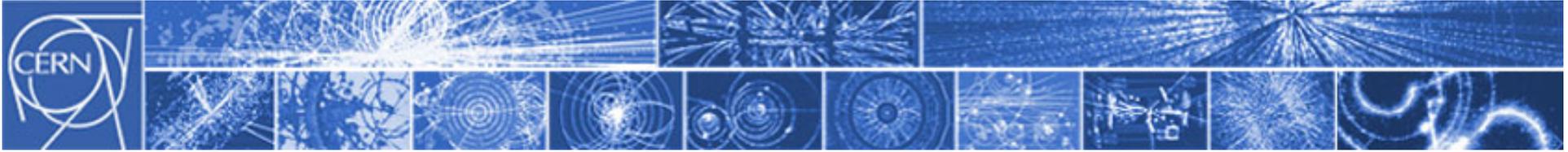
Adjustment = CVI * FR (116%)

*# if FR > 110% for 3 or more years,
compensation of accumulated loss*



Impact of the completed package, per the Actuary's report of May 2011



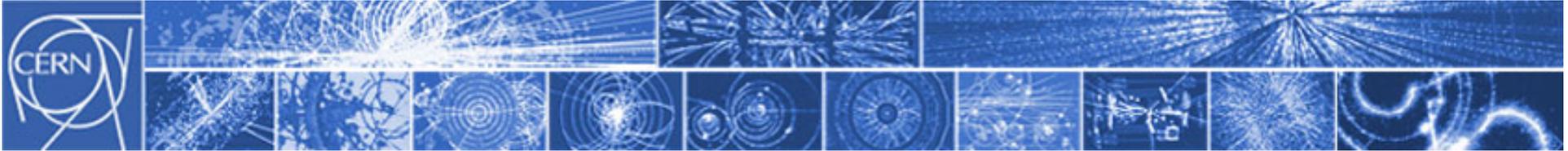


Future recruits: Acquired rights

Article III 1.02 of the Fund's Rules shall not apply:

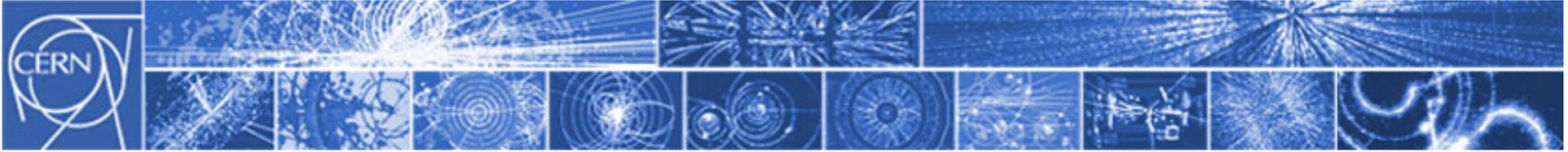
Acquired rights are the rights to benefits which were applicable to those who were members of the Fund before the entry into force of the present Rules and which result from the Rules of the Fund to which they were subject, where these are more favourable to them.

The general principle of acquired rights as defined by the case law remains applicable.



Differences between the Management's proposal and the position of the Staff Association

Parameters	Current Staff	Future Staff – as of 1/1/2012		Impact of Staff Association's position
		Management proposal	Staff Association's position	
Retirement age	65 years	67 years with reduction factors for early retirement	67 years without reduction factors for early retirement	Higher commitments; reduces funding ratio
Contribution sharing	1/3 : 2/3	40% : 60%	Maintain 1/3 : 2/3 for obligatory part, 40% : 60% when buying extra years	Higher contribution but more commitments; impact unclear
Contribution rate	34%	28.33%	30.6% (34%)	
Contribution member	11.33%	11.33%	10.2% (+ 3.4%)	Lower obligatory rate; lower funding ratio
Contribution Organization	22.67%	17%	20.40%	Higher costs to CERN
Accrual rate	2.00% i.e. 35 yrs	1.85% i.e. 37 yrs + 10 months	1.89% i.e. 37 yrs	Higher commitments; reduces funding ratio
Acquired rights article	Applies	Does not apply	Applies	Maintains historical ambiguity
Pension level	Last basic salary	Average of last 3 yrs' salary position	Average of last 3 yrs' salary position	
100% funding ratio achieved	2032-2033	Within 30 years	Within 30 years	
Indexation of pension	non-indexation to 8% loss of PP	non-indexation phased out and replaced with potential under-indexation, max 8% loss of PP	non-indexation phased out and max loss of PP simultaneously reduced	Higher commitment; reduces funding ratio

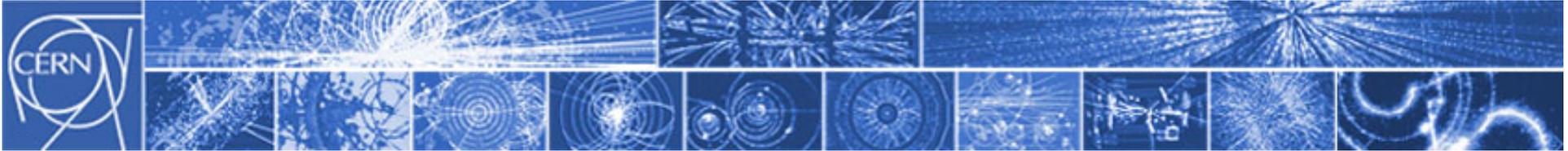


Current and future members of the Fund: Voluntary measures

Preliminary discussions have commenced on two voluntary complements:

1. An **individual savings plan** (Management concept)
2. Purchase of **additional annuities** (Staff Association concept)

In the absence of a commitment from Council that CERN could contribute in part to one or both of these schemes, progress has stalled.



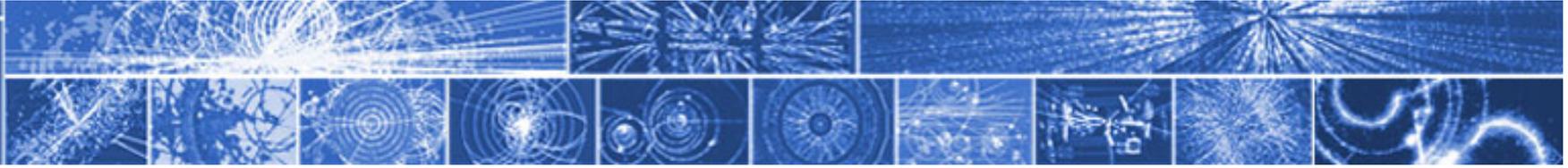
Current members of the Fund: Voluntary measures

Possible progressive increase in the retirement age

For example, for members retiring:

- 1/1/2013 to 30/06/2014 65.5 years
- 1/7/2014 to 31/12/2015 66 years
- 1/1/2016 to 30/06/2017 66.5 years
- As of 1/7/2017 67 years

Criteria for optional prolongation to be determined



Decision Timeline

