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

FINANCE COMMITTEE

Three-hundred-and-fifty-eighth Meeting

Geneva – 14 December 2016

SUMMARY OF CONCLUSIONS

LIST OF PARTICIPANTS

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<u>Chair:</u>	Ms Charlotte Jamieson	United-Kingdom
<u>Participants:</u>	Ms Sabine Hertgen Mr Karl Prummer Prof. Jochen Schieck Mr Manfred Schmid	Austria
	Mr Stefaan Thys	Belgium
	Ms Sonya Krastanova Ms Zornitsa Todorova	Bulgaria
	Mr Stanislav Kulhánek Mr Ivan Lehraus Mr Petr Martinek Mr Ondřej Novák Mr Oldřich Veselý	Czech Republic
	Dr Juliette Forneris Prof. Jens J. Gaardhøje Mr René Michelsen	Denmark
	Mr Hannu Juuso Prof. Saku Mäkinen Mr Ossi Malmberg	Finland
	Mr Thierry Bergeonneau Mr Antoine Daël Ms Sylvie Peron	France
	Dr Wolfgang Erdt Dr Thomas Roth	Germany
	Dr Michele Barone Prof. Konstantinos Fountas	Greece
	Prof. Peter Levai Ms Barbara Vizkelety	Hungary
	Mr Eitan Kuperstoch Mr Asi Yosef	Israel

Prof. Umberto Dosselli Mr Mauro Morandin Dr Salvatore Sebastiano Vizzini	Italy
Prof. Eric Laenen Dr Joseph Rokx	Netherlands
Dr Bjørn Jacobsen Mr Ole Petter Nordahl Prof. Eivind Osnes	Norway
Mr Dariusz Drewniak Mr Wojciech Piatkowski	Poland
Ms Filipa Coelho Mr Emir Sirage	Portugal
Dr Eng. Florin Buzatu	Romania
Mr Marek Hajduk Mr Martin Kabáč Ms Jana Krchňavá Mr Stefan Molokáč Prof. Brano Sitár	Slovakia
Ms Guadalupe de Cordobá Mr Luis Diez Mateo Prof. Mario Martinez Mr Manuel Moreno	Spain
Prof. Barbro Åsman Dr Mats Johnsson Dr Per Karlsson	Sweden
Mr Patrick Pardo Mr Xavier Reymond	Switzerland
Mr Tony Medland Ms Sarah Verth	United-Kingdom

Associate Member State/Pre-stage to Membership:

Ms Michaelia Avani	Cyprus
Prof. Panos Razis	

Mr Danko Jovanović	Serbia
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Associate Member States:

Not represented	Pakistan
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Mr Hakan Kiziltoprak	Turkey
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Not represented	Ukraine
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Also Present:

Prof. Sijbrand de Jong	President of Council
Prof. Tatsuya Nakada	Chair of the Scientific Policy Committee

CERN OFFICIALS:

Dr Fabiola Gianotti	Director-General
Prof. Eckhard Elsen	Director for Research and Computing
Dr Frédéric Bordry	Director for Accelerators and Technology
Dr Martin Steinacher	Director for Finance and Human Resources
Ms Charlotte Warakaulle	Director for International Relations

and

Heads of Departments

Representatives of the Staff Association

CERN Services:

Dr Eva-Maria Gröniger-Voss	Legal Counsel
Ms Lisa Morris	Minute-writers
Mr John Pym	
Ms Brigitte Van der Stichelen	Council Secretariat
Ms Vedrana Zorica	

1. APPROVAL OF THE DRAFT MINUTES OF THE THREE-HUNDRED-AND-FIFTY-SEVENTH MEETING

(Item 1 of the Agenda) (CERN/FC/6058/RA/Draft)

The minutes of the three-hundred-and-fifty-third meeting (CERN/FC/6058/RA) were approved.

2. MATTERS ARISING FROM THE PREVIOUS MEETING

(Item 2 of the Agenda)

- Draft brochure on CERN's impact on society

The Finance Committee took note of the information provided by the Director for International Relations, Ms Warakaulle.

3. ADOPTION OF THE AGENDA

(Item 3 of the Agenda) (CERN/FC/6059/Rev.)

The agenda (CERN/FC/6059/Rev.) was adopted.

4. STATUS OF PAYMENT OF 2016 CONTRIBUTIONS BY THE MEMBER STATES

(Item 4 of the Agenda) (CERN/FC/6062/RA)

The Finance Committee took note:

- of the information set out in document CERN/FC/6062/RA and of the presentation by the Director for Finance and Human Resources, Dr Steinacher, on the status of payment of contributions by the Member and Associate Member States, including details of payments received since the September meeting;
- that 98% of the current year's contributions had been received to date, compared with 93% at the same point in 2015;
- of the statements by the Serbian and Portuguese delegations regarding settlement of their 2016 contributions;
- of the statement by the Director-General thanking the Member and Associate Member States for their continuous support.

5. CASH POSITION

(Item 5 of the Agenda) (CERN/FC/6063/RA)

The Finance Committee took note of document CERN/FC/6063/RA, of the presentation by Dr Steinacher, including a reminder of the difference between the cash position and the cumulative budget deficit, and of his statement confirming that no short-term bank loans were expected to be required at the end of the year.

6. THE COST-VARIATION INDEX FOR 2017

(Item 6 of the Agenda) (CERN/FC/6061-CERN/3278)

The Finance Committee took note of the information set out in document CERN/FC/6061-CERN/3278 and of the presentation by the Head of the Finance and Administrative Processes Department, Dr Sonnemann, including an overview of the recent evolution of the Swiss franc/euro exchange rate and details of the final Eurostat figure for the real net civil service salary movements in the Member States, and unanimously decided to recommend that the Council approve:

- a basic salary and stipend index of 0% and a subsistence allowances and family benefits index of 0%, bringing the overall cost-variation index for the personnel budget to -0.01%, including the applicable indexation for home leave of -1.80%, on the understanding that:
 - the difference with respect to the calculated basic salary and stipend index for 2017 of 0.7% would be subtracted from the cumulative memory from previous years of 1.1%, and future positive calculated basic salary and stipend indexation would be reduced by the resulting total memory of -0.4%;
 - while the Geneva cost-of-living movement applicable to subsistence allowances and family benefits was 0.1% for the reference period, an index of 0% would be applied, leaving a memory of -1.1% to be applied in 2018;
- a materials budget cost-variation index of -4.93%;
- an overall cost-variation index of -2.39%.
- indexation of the Member States' contributions for 2017 by 0%, in line with the "corridor principle" decided by the Council in June 2012.

7. FINAL BUDGET OF THE ORGANIZATION FOR THE SIXTY-THIRD FINANCIAL YEAR 2017

(Item 7 of the Agenda) (CERN/FC/6060-CERN/3277)

The Finance Committee took note of the final Budget for 2017 in 2017 prices, as set out in document CERN/FC/6060-CERN/3277, of the presentation by Dr Sonnemann explaining the differences in revenues and expenses compared to the draft 2017 Budget approved in June 2016 and of his confirmation that all savings in 2016 had been used to reduce the cumulative budget deficit.

8. UPDATE ON THE CBD (CUMULATIVE BUDGET DEFICIT)

(Item 8 of the Agenda) (Oral)

The Finance Committee took note of the oral report by Dr Steinacher on the status of the cumulative budget deficit and the future outlook.

The Committee voiced appreciation for the Management's continuous efforts to bring the cumulative deficit down as much as possible over the coming years.

9. OUTCOME OF THE OCTOBER 2016 LIU AND HL-LHC COST AND SCHEDULE REVIEW

(Item 9 of the Agenda) (Oral)

The Finance Committee took note of the oral report by the Director for Accelerators and Technology, Dr Bordry, on the second LIU and HL-LHC cost and schedule review, of the report by the Chair of the Scientific Policy Committee, Professor Nakada, on the related discussion at the SPC's meeting on 12-13 December, and of the additional information provided by the Management in response to questions raised during the discussion.

10. REVIEW OF THE LIMITED-DURATION STAFF COMPLEMENT: REALLOCATION OF RESOURCES

(Item 10 of the Agenda) (CERN/SPC/1079/RA-CERN/FC/6065/RA-CERN/3281/RA)

The Finance Committee took note:

- of document CERN/SPC/1079/RA-CERN/FC/6065/RA-CERN/3281/RA and of the presentation by Dr Steinacher explaining the reasons for the Management's planned one-off recruitment of around 80 additional FTE staff on limited-duration contracts over the coming one to two years, funded by a 2% reallocation from the materials

heading to the personnel heading within the approved Budget using the flexibility provided for in Article 8 of the Financial Rules;

- that the additional staff concerned were needed to ensure the successful implementation of the scientific programme, as well as other strategic goals such as education and training, and that they would be assigned to key technical areas where crucial needs had been identified in the course of a recent comprehensive analysis of resources;
- of the report by the Chair of the Scientific Policy Committee, Professor Nakada, on the related discussion at the SPC's meeting on 12-13 December;
- of the statement by the President of the Staff Association, Dr Roy, in support of the Management's analysis of the current pressure on the staff complement and its planned recruitment of additional staff on limited-duration contracts;
- of the statements by Member State delegations expressing broad support for the Management's strategy to secure the necessary expertise without increasing Member States' contributions or the peak cumulative budget deficit.

11. REPORT BY THE VICE-CHAIR OF TREF

(Item 11 of the Agenda) (Oral)

The Finance Committee took note of the report by the Vice-Chair of the Tripartite Employment Conditions Forum (TREF), Ms Vizkelety, on the issues discussed at TREF's meeting on 15 November.

12. CERN HEALTH INSURANCE SCHEME: PROPOSALS FOR MODIFICATIONS BY THE MANAGEMENT

(Item 12 of the Agenda) (CERN/FC/6066-CERN/3282)

The Finance Committee took note of document CERN/FC/6066-CERN/3282 and of the presentation by Dr Steinacher and decided, by 21 votes in favour and one against (Austria)¹, to recommend that the Council approve the proposed modifications to the CHIS benefits, contributions and membership conditions set out in Sections I to V of the document with effect from 1 July 2017.

¹ 97.82% of Member States' contributions in favour.

13. CERN PENSION FUND

(Item 14 of the Agenda)

a) Report by the Chair of the Governing Board (Oral)

The Finance Committee took note of the oral report by the Chair of the Pension Fund Governing Board, Dr Roth, on the activities of the Board, the Investment Committee and the Actuarial and Technical Committee since the Finance Committee's September meeting.

The Finance Committee further took note that the Investment Committee had submitted an updated Statement of Investment Principles to the Governing Board for comment and approval and that the final document would be presented to the Finance Committee and the Council for information in 2017.

The Committee congratulated the Pension Fund on its receipt of the "CIO of the Year award for Switzerland, Germany and Austria" by the Institutional Investor Magazine.

b) Report on Assets of the Pension Fund (Oral)

The Finance Committee took note:

- of the oral report by the Chief Executive Officer of the Pension Fund, Mr Eyton-Jones, outlining the macro and market trends that had marked the investment year, in particular the increasing level of market risk, and reviewing the Fund's positive monthly and cumulative performance since 2012 compared to the risk and return objectives, the evolution of the Fund's net asset value since 2012 and the macro and market outlook for 2017;
- of the 2017 strategic asset allocation approved by the Pension Fund Investment Committee at its November 2016 meeting, whose compatibility with the risk limit would be regularly reviewed;
- of the confirmation by the Fund's risk consultant, Ortec Finance, that the long-term return objective of 3% above inflation remained a feasible target for the Fund, even if the expected real return of the 2017 strategic asset allocation was slightly below that target at 2.7%;
- of the additional information provided by Mr Eyton-Jones in response to questions raised during the discussion.

c) Dashboard on the evolution of the CERN Pension Fund as at 1 July 2016 (Oral)

The Finance Committee took note of the presentation by the consulting actuary, Mr Hurd of Xerox HR Services, on the evolution of the funding ratio, assets and liabilities of the Pension Fund between 1 January 2016, the date of the last periodic actuarial review, and 1 July 2016, highlighting:

- a 1.9 percentage-point reduction in the current funding ratio from 73.0% to 71.1%, according to the best-estimate assumptions;
- a reduction in the projected funding status as at 1 January 2041 from 113.6% to 107.2%, according to the best-estimate assumptions and assuming that all assumptions were borne out in practice;
- an increase in the liabilities from 5.60 BCHF to 5.64 BCHF, according to the best-estimate assumptions, as a result of the additional accrual of benefits, the interest cost and the membership experience over the period;
- a decrease in the value of the assets from 4.09 BCHF to 4.01 BCHF, essentially as a result of negative asset returns over the period.

The Finance Committee further took note of the information provided by Mr Hurd regarding the funding position at 1 July 2016 compared with the expected position based on the projections made at 1 January 2016, namely that assets were 110 MCHF lower than expected, liabilities 76 MCHF higher than expected and the funding level 2.9% lower than expected.

d) Technical Amendments to the Agreement between CERN and ESO concerning the admission of ESO staff to the CERN Pension Fund
(CERN/FC/6067-CERN/3283)

The Finance Committee took note of document CERN/FC/6067-CERN/3283 and of the presentation by Dr Steinacher of the proposed technical amendments to the agreement between CERN and ESO on the admission of ESO staff to the CERN Pension Fund, which would be submitted to the Council for approval at its Restricted Session the following day.

14. STANDING ADVISORY COMMITTEE ON AUDITS (SACA)

(Item 13 of the Agenda)

- SACA – Report of activities in 2016
(CERN/FC/6064//RA-CERN/3279/RA)

The Finance Committee took note of document CERN/FC/6064//RA-CERN/3279/RA and of the presentation by Ms Jamieson of SACA's meeting on 9 November, in her capacity as SACA Chair.

- Draft Terms of Reference for a CERN Audit Committee submitted by the SACA
(White Paper)

The Finance Committee took note of the White Paper and of the presentation by Ms Jamieson in her capacity as SACA Chair, underlining that the aim of the review of the Committee's Terms of Reference was to bring them into line with best practice.

15. LHC MATTERS

(Item 15 of the Agenda)

- a) Status Report on the LHC (Oral)
- b) Status report on LHC experiments and computing (Oral)

The Finance Committee took note of:

- the oral report by Dr Bordry on the status of the LHC machine and injectors;
- the oral report by the Director for Research and Computing, Professor Elsen, on the status of the LHC experiments and computing;
- the report by Professor Nakada on the SPC's discussion of LHC matters at its meeting on 12-13 December;
- the comments made during the discussion regarding possible solutions to the increasing computing requirements for the LHC and the HL-LHC;

and congratulated the Management and all the teams involved in the successful LHC machine, experiment and computing activities in 2016.

16. REPORT ON THE ILO FORUM MEETING HELD ON 13 DECEMBER 2016

(Item 16 of the Agenda) (Oral)

The Finance Committee took note of the oral report by the Chair of the ILO Forum, Dr Forneris, on the ILO training day held at CERN on 15 September and on the special ILO Forum meeting held on 13 December to examine a set of proposed amendments to the procurement rules and procedures, drawn up by the internal working group set up by the Director-General in response to comments from Finance Committee delegations and Industrial Liaison Officers, aimed at improving the distribution of industrial return to the CERN Member States and introducing objective and transparent procedures enabling CERN to reject bids found to be “abnormally low”.

17. UPDATE ON THE “REVIEW OF THE PROCUREMENT RULES AND PROCEDURES”

(Item 17 of the Agenda) (Oral)

The Finance Committee took note:

- of the presentation by the Chair of the internal working group on the review of the procurement rules and procedures, Mr Unnervik, Head of the Procurement and Industrial Services group, on the work conducted by the group since its creation in May 2016;
- that the group planned to present proposed amendments to the procurement rules and procedures to the Finance Committee in March 2017 in the form of a White Paper, taking account of the feedback provided at the December meeting of the ILO Forum.

18. CONTRACT ADJUDICATIONS

(Item 18 of the Agenda)

The Finance Committee took note of an introductory presentation by Dr Bordry on the six contract adjudications relating to the HL-LHC magnets, submitted for adjudication at the present meeting, set out in documents CERN/FC/6072/RA, CERN/FC/6085/RA, CERN/FC/6087/RA, CERN/FC/6088/RA, CERN/FC/6092/RA and CERN/FC/6093/RA.

- Proposal for the award of a contract for the provision of architectural and engineering consultancy services for the new Building 90 on CERN's Meyrin site
(CERN/FC/6068/RA)

The Finance Committee decided, by unanimous vote of the delegations present², to approve the proposal set out in document CERN/FC/6068/RA.

- Proposal for the award of two blanket purchase contracts for the design, supply, installation and commissioning of heating, ventilation and air conditioning systems on the CERN site
(CERN/FC/6069/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6069/RA.

- Proposal for the award of two blanket purchase contracts for the design, supply, installation and commissioning of cooling systems on the CERN site
(CERN/FC/6070/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6070/RA.

- Proposal for the award of a contract for the supply of the water cooling, HVAC and superheated water systems for Building 311
(CERN/FC/6071/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6071/RA.

- Proposal to negotiate a collaboration agreement for the engineering and supply of superconducting magnets for the High Luminosity LHC (HL-LHC) project
(CERN/FC/6072/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6072/RA.

² Israel was not represented for the votes under Item 18. Belgium was not represented for the votes on contracts CERN/FC/6072/RA onwards. Romania was not represented for the votes on contracts CERN/FC/6080/RA onwards.

- Proposal for the award of a blanket purchase contract, without competitive tendering, for the supply of radiation-hard linear variable differential transformers for the LHC collimators
(CERN/FC/6073/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6073/RA.

- Proposal for the award of a blanket purchase contract, without competitive tendering, for the supply of radiation-hard stepping motors with resolvers for the LHC collimators
(CERN/FC/6074/RA)

The Finance Committee decided, by unanimous vote of the delegations present³, to approve the proposal set out in document CERN/FC/6074/RA.

- Proposal for the award of a contract, without competitive tendering, for the refurbishment of three goods lifts at the SPS
(CERN/FC/6075/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6075/RA.

- Proposal for the award of a contract, without competitive tendering, for the supply, installation and commissioning of an industrial laser machine
(CERN/FC/6076/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6076/RA.

- Proposal for the award of two contracts for the supply of CPU servers for physics data processing
(CERN/FC/6077/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6077/RA.

³ Belgium was not represented for the votes from this point in the meeting onwards.

- Proposal for the award of four contracts for the supply of storage expansion units for physics data processing
(CERN/FC/6078/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6078/RA.

- Proposal to extend two blanket purchase contracts for the supply and maintenance of enterprise-class magnetic tape drives, libraries and cartridges for LHC data storage
(CERN/FC/6079/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6079/RA.

- Proposal for the award of a blanket purchase contract for the supply of all-metal gate valves
(CERN/FC/6080/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6080/RA.

- Proposal for the award of a blanket purchase contract for the supply of ultra-high vacuum right angle valves
(CERN/FC/6081/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6081/RA.

- Proposal for the award of a blanket purchase contract for the supply of the Personnel Protection System for the Super Proton Synchrotron
(CERN/FC/6082/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6082/RA.

- Proposal for the award of a contract for the supply of a movable helium cryoplant for crab cavity testing
(CERN/FC/6083/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6083/RA.

- Proposal for the award of a blanket purchase contract, without competitive tendering, for the supply of gamma radiation area monitoring systems
(CERN/FC/6084/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6084/RA.

- Proposal to negotiate a collaboration agreement for the design, testing and prototyping of superconducting elements for the High Luminosity LHC (HL-LHC) project and for the production of spare quadrupole magnets for the LHC
(CERN/FC/6085/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6085/RA.

- Proposal for the award of a contract, without competitive tendering, for the supply of spare beam screen tubes for the LHC cryo-magnets
(CERN/FC/6086/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6086/RA.

- Proposal to negotiate an amendment to an existing contract for the supply of Nb3Sn superconducting wire for the MQXF project at CERN – Bruker
(CERN/FC/6087/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6087/RA.

- Proposal to negotiate an amendment to an existing contract for the supply of Nb3Sn superconducting wire for the MQXF project at CERN – Oxford Superconductor Technology
(CERN/FC/6088/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6088/RA.

- Proposal for the award of a contract for the operation of the CERN Service Desk
(CERN/FC/6089/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6089/RA.

- Proposal for the award of a contract for the provision of support services for information and communication technologies on the CERN site
(CERN/FC/6090/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6090/RA.

- Proposal for the award of a contract for the provision of multidirectional scaffolding services on the CERN site
(CERN/FC/6091/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6091/RA.

- Proposal to negotiate two collaboration agreements for the development of 16 T dipole model magnets and design of the 400 T/m quadrupole magnet for the Future Circular Collider (FCC) study
(CERN/FC/6092/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6092/RA.

- Proposal for the award of a blanket purchase contract for the braiding of woven mineral insulation around Nb₃Sn superconducting cables for the CERN high-field magnet programmes
(CERN/FC/6093/RA)

The Finance Committee decided, by unanimous vote of the delegations present, to approve the proposal set out in document CERN/FC/6093/RA.

19. OTHER BUSINESS

(Item 19 of the Agenda)

- Award of the 2016 EIPM Peter Kraljic prize to CERN's Procurement service
- Departure of one Finance Committee member
- End of the terms of office of the Chairs of the Scientific Policy Committee and the Finance Committee

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