

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

Action to be taken

Voting procedure

For Recommendation to Council	FINANCE COMMITTEE 327 th Meeting 11 November 2009	- 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	COUNCIL 153 rd Session 18 December 2009	—	Simple majority of Member States represented and voting

The Cost-Variation Index for 2010

The document is in line with the method approved in December 2006¹ 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 11th edition²) and with that approved in June 1996³ for calculating the Materials budget cost-variation index.

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

- a basic salary and stipend index of 1.6%; a subsistence allowances and benefits index of 0.0% (bringing the overall personnel cost-variation index to 1.38%);
- a materials cost-variation index of 0.96% and
- an overall cost-variation index of 1.16% as indexation of Member States' contributions.

¹ Document CERN/FC/5110/Rev. - CERN/2698/Rev.

² Document CERN/FC/5155 - CERN/2730.

³ Document CERN/FC/3881.

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The Cost-Variation Index for 2010

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 Interests 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 A1 of the Staff Rules”.

1.1.1.1 Composition of the basic salary and stipend index⁴

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

⁴ 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_n	Weighting for Member State n;
s_n	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 Index⁵

1.2.1 The Materials budget cost-variation index is based on 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 years⁶, the calculation for **energy & water consumption** is linked to CERN's contractual agreements. For purchases in Euros, 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 indexes⁷ 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 indexes;
- the proportion of the supply purchases from those countries which make up at least 90% of the expenditure for the supplies in all Member States will be used as weights.

⁵ Document CERN/FC/3881 of June 1996 « The CERN Materials Cost-Variation Index : New Proposal ».

⁶ CERN/FC/5149/Rev.3.

⁷ OCSTAT in Geneva (Geneva cantonal office for statistics) and INSEE (French National institute for statistics).

1.3 The Cost-Variation Index for Interests and Debt Servicing

As announced to Council in 2006⁸ 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 interests for short-term loans and bank charges are indexed at the rate of the Geneva cost-of-living movement.

⁸ CERN/FC/5051 - CERN/2676.

2. The Cost-Variation Indexes for 2010

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

Basic salary and stipend index

First component:

The official Geneva cost-of-living movement is **-0.8%** between August 2008 and August 2009 (after +3.2% in the period August 2007 to August 2008).

Second component:

First element: the movement of the real net salaries of the Swiss Federal civil servants is **1.5%** between June 2008 and June 2009.

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	53.9
- Germany	9.0
- Italy	11.3
- Netherlands	4.0
- Spain	4.9
- United Kingdom	11.3

The movement of real net salaries of civil servants in the Member States (as defined in Section 1.1.1.1 b) between June 2008 and June 2009, based on the data provided by EUROSTAT is 3.3%.

Annex A shows that the basic salary and stipend index estimated following the method recalled above amounts to **1.6%** (last year's value was 2.7 %).

The subsistence allowances and family benefits index

As mentioned above, the Geneva cost-of-living movement is -0.8% for the period August 2008 to August 2009 (3.2% in the previous period). The wording of the method for the annual adjustment of subsistence allowances and family benefits as set out in Annex A1 II B of the Staff Rules aims at protecting against "any erosion of

purchasing power resulting from the increase in the cost of living" and does not envisage adjustment in times of deflation. In addition, the annual adjustment decision constitutes an amendment to the individual employment terms and conditions so that the respective amounts are of contractual nature which, as such, cannot be reduced.

In view of the above, the index cannot be established as a negative and is therefore set at **0.0%**.

The two indexes together result in **an overall personnel index of 1.38%** (2.77% in the previous period).

2.2 The 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 2010 Draft Budget⁹.

The indexes 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 indexes for **goods, consumables and supplies**. The result is an index of **-1.04%**. Last year's result was 5.69%.
- (2) For **electricity, heating gas and water**, the cost-variation index computed as explained in Section 1.2.1 amounts to **8%** (last year's value 7.46%).
- (3) For **industrial services**, the index on contractual changes has been taken, leading to a cost-variation index of **-0.74%**, dominated by the general deflation (last year's value 3.03%).

⁹ CERN/FC/5347 – CERN/2847.

- (4) For **insurance & communications**, the cost-of-living index results in **4%** related to insurance premiums.
- (5) For **third party payments, consultants and others**, no indexation is applied due to the negative Geneva cost-of-living movement.

2.3 Cost-Variation Index for Interests and Debt Servicing

- **Fortis bank** fixed interests rates are not indexed;
- the **interests to cover short-term loans** and **bank charges** are indexed at the Geneva cost-of-living index of **-0.8%**.

3. The overall Cost-Variation Index for 2010

Annex C shows the breakdown of the 2010 Draft Budget at 2009 prices under the above headings and the corresponding increases which take into account the variations determined in the preceding paragraphs.

In Annex C, the movements under Personnel are presented under two categories I and II.

Category I covers the basic salary and stipend index and family allowances by cost-of-living.

Category II covers the subsistence allowances and benefits index and expenditure such as the indexation of the home leave, which is unavoidable for the Organization in order to preserve provisions for the planned man-years (items of the centralised personnel budget and home leave).

The various movements are given in Column 2 of Annex C and may be summarised as follows:

- The weighted average **basic salary and stipend** index **1.6%**
 - The subsistence allowances and benefits index **0.0%**
- amounting to an overall **Personnel Budget** cost-variation index of **1.38%**
- **overall Materials Budget** cost-variation index **0.96%**

Based on the breakdown of the total approved budget for 2010, the above summarized cost-variation indices for the Personnel Budget and the Materials Budget, together with the Interests and Debt Servicing index, give an **overall cost-variation index of 1.16%**, which falls within 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 1.6%;
- The subsistence allowances and benefits index of 0.0%;
- The materials cost-variation index of 0.96% and
- Overall cost-variation index of 1.16% as indexation of Member States’ contributions.

ANNEX A: Calculation of the basic salary and stipend index 2010

1. **Geneva cost-of-living movement** (based on August 2008 - August 2009)

99.2

2. **Average movement of the real net salaries of Swiss Federal civil servants**

(June 2008 - June 2009)

101.5

3. **Average movement of the real net salaries of the civil servants of**

seven Member States:* (June 2008 - June 2009)

Member States	Movements June 2008 - June 2009	Weight (%)	weighted
	A	B	C=A*B/100
Belgium	102.0	5.6	5.7
France	103.8	53.9	56.0
Germany	103.2	9.0	9.3
Italy	102.4	11.3	11.6
Netherlands	102.3	4.0	4.1
Spain	104.3	4.9	5.1
United Kingdom	102.0	11.3	11.5
Total		100.0	103.3

103.3

4. **Basic salary and stipend index**[#]

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

$$I = \frac{99.2 * [101.5 + 103.3] / 2}{100}$$

Calculated basic salary and stipend index =

101.6

* Information received on 30th October 2009.

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_n Weighting for Member State n

s_n Average movement of real net salaries of the Civil Service of Member State n (June-June)

ANNEX B: Calculation of the Cost-Variation Indexes 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 IX*(VII+VIII)/2
	2007	2008	2007	2008	2007	2008	II/I*VI/V	IV/III*VI/V		
	I	II	III	IV	V	VI	VII	VIII	IX	X
Belgium	105.9	107.8	103.0	107.5	1.643	1.587	0.983	1.008	3.4	3.40
France	105.0	107.9	102.9	105.8	1.643	1.587	0.993	0.993	33.6	33.37
Germany	100.7	101.6	101.0	101.8	1.643	1.587	0.975	0.974	21.0	20.49
Italy	105.8	109.0	120.9	126.9	1.643	1.587	0.995	1.014	20.2	20.31
Spain	106.5	109.2	115.5	119.3	1.643	1.587	0.990	0.998	4.5	4.45
Switzerland	107.4	111.0	104.9	107.1	100.000	100.000	1.034	1.022	11.1	11.37
United Kingdom	103.2	107.0	105.5	118.8	2.401	1.997	0.863	0.937	6.2	5.56

* EUROSTAT-Luxembourg (except Switzerland: OFS-Bern).

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

TOTAL	98.96
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INDEX [%]	-1.04
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**ANNEX C: Conversion of the 2010 Draft Budget (CERN/FC/5347)
from 2009 to 2010 Prices (in MCHF) rounded**

	2010 Draft Budget at 2009 prices	Increase due to Cost-Variation		2010 Draft Budget at 2010 prices
		%	MCHF	
	1	2	3	4 = 1 + 3
PERSONNEL				
I Adjustments due to the first and second components				
1 Expenditure affected by the basic salary and stipend adjustment *, **	373.310	1.60	5.975	379.285
2 Family allowances [#]	20.690	0.00	0.000	20.690
Total Personnel I	394.000		5.975	399.975
II Adjustments to compensate unavoidable expenses				
3 Expenditure affected by the cost-of-living index ***, [#]	34.675	0.00	0.000	34.675
4 Home-leave ****	1.750	-2.294	- 0.040	1.710
Total Personnel II	36.425		- 0.040	36.385
TOTAL PERSONNEL (I+II)	430.425	1.38	5.935	436.360
MATERIALS				
5 Goods, consumables and supplies	219.135	- 1.04	- 2.280	216.855
6 Electricity, heating gas and water	77.175	8.00	6.175	83.350
7 Industrial Services (Services and Others contracts)	54.655	- 0.74	- 0.405	54.250
8 Insurance and communications	7.000	4.00	0.280	7.280
9 Third party payments, consultants and others [#]	32.730	0.00	0.000	32.730
TOTAL MATERIALS	390.695	0.96	3.770	394.465
10 Interests to Fortis bank	14.120			14.120
11 Cost of short-term interests	2.290	- 0.80	- 0.020	2.270
12 Bank charges	0.250	- 0.80	0.000	0.250
TOTAL INTERESTS and DEBT SERVICING	16.660	-0.12	- 0.020	16.640
GLOBAL INDEX	837.780	1.16	9.685	847.465

* Basic salaries, 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 1st 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.