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## Brexit

# Eurocrats' pensions shape up to be flashpoint in Brexit talks

EU and London set for clash over liabilities running to several billion euros



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by: **Alex Barker** and **Jim Brunsten** in Brussels

The pensions of British Eurocrats are shaping up to be one of the most politically poisonous points in the UK's [Brexit \(http://www.ft.com/eu-referendum\)](http://www.ft.com/eu-referendum) talks, as the EU and London prepare to clash over liabilities running to several billion euros.

Big staff unions in Brussels are already calling for a “League of Nations” style solution, which would see a post-Brexit Britain pay part of the EU's €60bn worth of pension promises, just as the League's members did when the organisation was dissolved after the second world war.

The move sets the stage for a bruising political battle with London, which will be loath to remain on the hook for pensions that it views as too generous and the responsibility of [EU \(http://www.ft.com/topics/organisations/European\\_Union\)](http://www.ft.com/topics/organisations/European_Union) institutions as the employers.

Pensions are one of many areas — from European Investment Bank projects to research funding — where complex joint liabilities with Britain will need to be unwound in Brexit talks.

Failing to find a solution would put at risk pension payments to about 3,000 British officials who have worked in EU institutions since 1973. Senior officials on both sides acknowledge the issue could become one of the most charged of the negotiations.

Some senior EU officials predict the final compromise could involve Britain paying a lump sum to close its exposure, which would be used to create a standalone pension fund. “This could be horrible, ugly. I hope it won’t be,” said one.

Brussels estimates its total pension liability to be about €60bn for all retired and current EU officials, with annual payments running at about €1.4bn. Some 1,730 retired Britons make up almost 8 per cent of the roughly 22,000 EU officials drawing pensions at present.

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The “pay as you go” EU pensions are covered through the EU budget; employee contributions are not invested in a pension fund but are counted as budget revenue. EU member states, under law, guarantee their notional contributions and accrued rights.

Brussels sees those guarantees as binding, even on a departing member state. It is unclear whether the EU would seek for Britain to make good on its guarantees for all civil servants, or merely British staff.

Felix Geradon, deputy secretary-general of Union Syndicale Bruxelles, the biggest staff union representing EU civil servants, said Britain would be expected to guarantee its part of pension rights accrued to date.

“The UK is correct in its point that paying the pensions is the responsibility of the European budget. But the European

budget is a common responsibility of the member states," he said.

“The member states are collectively responsible. This is what happened with the League of Nations [that existed] before the war ... The member states continued to pay the pensions.”

The typical EU official is entitled to a pension worth no more than 70 per cent of their final basic salary, at a 1.9 per cent accrual rate — the proportion of salary earned as pension each year. EU staff pay about 9 per cent of their salary towards a pension.

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