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EU demands Britain pays pensions of 1,730 Eurocrats in wake of Brexit vote



Theresa May's new government could be on a collision course with EU leaders over Eurocrats' pension payouts CREDIT: BLOOMBERG

By **Martin Banks** and **Michael Wilkinson**

2 AUGUST 2016 • 10:58AM

A bitter clash is looming over who will foot the bill for paying pensions owed to thousands of British Eurocrats when the UK leaves the EU.

Brussels has estimated its pensions liability at €60 billion (£50.7 billion) for all retired and current officials, with annual payments currently at about €1.4 billion (£1.2 billion).

Some 1,730 Britons currently make up almost 8 per cent of the 22,000 retired EU officials.

At a glance | Eurocrats' pensions

22,000 retired EU officials
1,730 Britons make up 8% of retired workforce
Brussels pension liability estimated at €60 billion
Pension payments to 3,000 UK officials who have worked in the EU institutions since 1973 at risk
Average EU yearly salary is approximately €78,503

The UK insists it cannot be held responsible for Eurocrat pensions which, it says, are the responsibility of EU institutions.

But EU officials say Britain would be expected to pay its part of the EU's pension promises when it finally quits the EU.

It potentially sets Theresa May's new government on a collision course with EU leaders as Brexit is negotiated.

Félix Geradon, deputy head of Union Syndicale-Bruxelles, the biggest EU trade union, said, "The UK is correct in its point that paying the pensions is the responsibility of the European budget. But the budget is a common responsibility of the member states."

According to some senior EU officials one compromise could involve the UK paying a lump sum to close its exposure and create a standalone pension fund.

"This could be horrible, ugly. I hope it won't be," one official told the *Financial Times*.

Britain has long argued that the EU's pensions are too generous and the area is one of many where complex joint liabilities will need to be unravelled.

Pensions at risk

Failure to find a solution could put at risk pension payments to about 3,000 UK officials who have worked in the EU institutions since 1973.

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

The cost of pensions for retired EU civil servants and MEPs meant that the EU's estimated pension liabilities for 2014, the last year for which figures are available, increased by more than £8.6 billion compared with 2013.

This represents a bill for the British taxpayers of £5 billion over the coming decades. As well as the cost of pension entitlements, the bill includes £4.5 billion in private sickness insurance.

An average EU yearly salary is approximately €78,503, rising to about €91,064 if an employee can claim a tax free 16 per cent expatriate allowance. An estimated 70 per cent of EU staff do this.

In the past, the European Council - the grouping of EU governments - has voiced concerns about EU pay, tax, pensions and career-related issues.

Cutting costs

Partly as a response, the European Commission plans to cut its administration costs by €6 billion in the period to 2020. Basic gross monthly salaries for Commission staff currently range from about €2,600 for a secretary to about €18,000 for a head of department, and about €20,000 for a commissioner.

The issue hit the headlines recently with demands that the Commission withhold the EU pension of its former president José Manuel Barroso who was recently

appointed as chairman and senior adviser at the international wing of the American investment bank Goldman Sachs. MEPs said the appointment "damages the reputation of the Commission and threatens the credibility of the EU".

Time since Britain voted to leave the European Union

41 : **13** : **06** : **10**
Days Hrs Mins Secs

For three years after they leave office, former presidents of the Commission are allowed to claim 60 per cent of their salaries, or €15,000 per month.

Earlier this year, it also emerged that Herman Van Rompuy, the former Council president, will be entitled to more than £500,000 over the next three years after finishing his term in November 2014.






Former prime minister David Cameron shakes hands with EU Council president Herman Van Rompuy in 2014 CREDIT: AFP

Mr Rompuy will be paid £133,723 a year, 55 per cent of his basic salary, until December 2017.

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