**Parametric Pension Reform in European Member States**

**Country Report**

**France**



**Component 1**

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**Parametric Reforms of the Pension System in France**

**Country brief**

**September 2017**

Anne Lavigne [[1]](#footnote-2)

Secrétariat général du Conseil d’orientation des retraites

The French pension system is often depicted as complex and fragmented. Basically, it is composed of two major pay-as-you-go schemes, the general basic scheme (Régime général) for most wage earners working in the private sector or contractual public servants (representing 60 to 70% of the employed labor force) and the public pension scheme that applies to civil and military servants (representing about 15% of the labor force). The other schemes concern self-employed workers and special schemes for workers in state-owned companies. For private sector employees, the first-pillar annuity-based scheme is completed by a professional pay-as-you-go point-based scheme.

The aim of the present draft is to focus on the last reforms that have taken place between 2010 and 2015, with a brief presentation of the remote context of the previous reforms (1993 and 2003) that have set the basic principles and step-by-step method for reforms.

**1. Reasons for parametric reforms**

1.1. Context as of the beginning of the 1990 decade

Both the private and public sector schemes were characterized by a legal age at retirement equal to 60 until the 1993 reform. At 60, provided she had been contributing during at least 37.5 years for a compulsory scheme, a former private sector worker was entitled to a basic pension equal to 50% of a reference wage computed on the basis of his best-10-years past wages, up to the “social security ceiling”. The basic pension was topped with one or two additional pensions served by the two compulsory professional schemes, ARRCO and AGIRC, the second one being specific to managers. At the same age of 60 (or at 55 for some specific categories of workers exposed to arduous jobs) a public sector employee was entitled to about 75% of his last treatment, excluding bonuses.

During the 1980, views expressed needs for reforms in political and academic circles with white books and reports. There were demographic concerns with respect to sustainability and, to a lesser extent, pension adequacy. No significant political moves have been observed during the 1980s (there has been a convention on the future of social protection organised by the government led by the Prime Minister Jacques Chirac that led to an expert report in 1987 but no political move). The parliamentary elections in 1993 gave a solid political support to the newly appointed Prime Minister, Edouard Balladur, who had enacted the first major reform of the French pension on public finances.

1.2. Reform trend

Since 1993, France has experienced four main parametric reforms of its first-floor basic schemes in 1993, 2003, 2010, 2014 and several agreements in the second-floor occupational schemes, the last being in 2015. It should be noted that in 1995 the right-wing Government confronted to massive public protest failed to implement a third floor financed on a fully-funded basis (beside the basic and complementary floors financed on a pay-as-you-go basis).

To avoid pitfalls in future reforms, the subsequent left-wing Government lead by Lionel Jospin has settled an independent pensions’ advisory council, the *Conseil d’orientation des retraites (COR),* in 2000. The COR is composed of 39 members:

- its president;

- 16 representatives of employers’ organisations and trade-unions;

- 6 representatives of the Government;

- 2 representatives of associations of retirees;

- 8 members of the Parliament. The COR publishes a yearly report in which it provides some statistics and analyses of the French pension system and simulations on its evolution in the long run (over the next 50 years).

Herein we focus on the 2010 reform (plus 2012 adjustment), the 2014 reform, and the 2015 agreement (concerning compulsory complementary pension schemes).

**2. Contents of the last five years reforms**

2.1. Reforms in the basic schemes

2.1.1. The 2010 and 2012 reforms

* Law of 9 November 2010 on pensions reform (adopted under the right-wing government lead by Prime Minister François Fillon)

The 2010 law concerns all the basic schemes. The main element is the scheduled increase in legal retirement ages (see tables 1 and 2): the minimum retirement age is progressively set at 62 (starting from 60) and the automatic full-rate retirement age is progressively set at 67 (starting from 65). The law also suppresses derogatory early retirement for parents of 3 children or more in the public schemes. In counterpart, the law enables early retirement at 60 for those having started their career before their 18th birthday.

* Decree of 12 July 2012 (known as the ‘Hollande’s decree’ after the name of the left-wing President François Hollande)

The 2012 decree concerns all the basic schemes. It modifies the rules for early retirement on four elements:

- The eligibility is opened for those who have started their career before their 20th birthday, with a progressive implementation along generations (see table 3);

- When the contribution record for a full-rate pension is obtained, no extra contributory duration is required[[2]](#footnote-3);

- The number of credit periods for unemployment and maternity leave is extended:

|  |  |  |
| --- | --- | --- |
| Table 1: Minimum retirement age by generation (since 2010) | | |
| Birth date | Private sector workers, independent workers, military and civil servants (except ‘active’ workers) | ‘Active’ military and civil servants |
| Before 01/07/1951 | 60 | 55 |
| Between 01/07/1951 and 31/12/1951 | 60 years and 4 months | 55 |
| 1952 | 60 years and 9 months | 55 |
| 1953 | 61 years and 2 months | 55 |
| 1954 | 61 years and 7 months | 55 |
| Between 01/01/1955 and 01/07/1956 | 62 | 55 |
| Between 01/07/1956 and 31/12/1956 | 62 | 55 years and 4 months |
| 1957 | 62 | 55 years and 9 months |
| 1958 | 62 | 56 years and 2 months |
| 1959 | 62 | 56 years and 7 months |
| 1960 onwards | 62 | 57 |

Source: legislation

|  |  |  |  |
| --- | --- | --- | --- |
| Table 2: Retirement age for a full-rate pension, by generation | | | |
| Birth date | Private sector workers, independent workers | Military and civil servants (except ‘active’ workers) | ‘Active’ military and civil servants |
| 1945 | 65 | Non applicable | Non applicable |
| 1946 | 65 | 61 | Non applicable |
| 1947 | 65 | 61 years and 6 months | Non applicable |
| 1948 | 65 | 62 years | Non applicable |
| 1949 | 65 | 62 years and 3 months | Non applicable |
| 1950 | 65 | 62 years and 6 months | Non applicable |
| Between 01/01/1951 and 30/06/1951 | 65 | 62 years and 9 months | 56 |
| Between 01/07/1951 and 31/08/1951 | 65 years and 4 months | 63 years and 1 month | 56 |
| Between 01/09/1951 and 31/12/1951 | 65 years and 4 months | 63 years and 4 months | 56 |
| Between 01/01/1952 and 31/03/1952 | 65 years and 9 months | 63 years and 9 months | 56 years and 6 months |
| Between 01/04/1952 and 31/12/1952 | 65 years and 9 months | 64 | 56 years and 6 months |
| Between 01/01/1953 and 31/10/1953 | 66 years and 2 months | 64 years and 8 months | 57 |
| Between 01/11/1953 and 31/12/1953 | 66 years and 2 months | 64 years and 11 months | 57 |
| Between 01/01/1954 and 31/05/1954 | 66 years and 7 months | 65 years and 4 months | 57 years and 3 months |
| Between 01/06/1954 and 31/12/1954 | 66 years and 7 months | 65 years and 7 months | 57 years and 3 months |
| 1955 | 67 | 66 years and 3 months | 57 years and 6 months |
| Between 01/01/1956 and 30/06/1956 | 67 | 66 years and 6 months | 57 years and 9 months |
| Between 01/07/1956 and 31/08/1956 | 67 | 66 years and 6 months | 58 years and 1 month |
| Between 01/09/1956 and 31/12/1956 | 67 | 66 years and 6 months | 58 years and 4 months |
| Between 01/01/1957 and 31/03/1957 | 67 | 66 years and 9 months | 58 years and 9 months |
| Between 01/04/1957 and 31/12/1957 | 67 | 66 years and 9 months | 59 |
| Between 01/01/1958 and 31/10/1958 | 67 | 67 | 59 years and 8 months |
| Between 01/11/1958 and 31/12/1958 | 67 | 67 | 59 years and 11 months |
| Between 01/01/1959 and 31/05/1959 | 67 | 67 | 60 years and 4 months |
| Between 01/06/1959 and 31/12/1959 | 67 | 67 | 60 years and 7 months |
| 1960 | 67 | 67 | 61 years and 3 months |
| 1961 | 67 | 67 | 61 years and 6 months |
| 1962 | 67 | 67 | 61 years and 9 months |
| 1963 onwards | 67 | 67 | 62 |

Source: legislation

|  |  |  |  |
| --- | --- | --- | --- |
| Table 3: Early retirement rules applicable to long careers and other particular situations | | | |
| Conditions | **Long careers**  **(since 1st November 2012)** | **Disability** | Permanent incapacity (PI)  (since 20 January 2014) |
| Concerned schemes | All basic schemes | All basic schemes | General basic scheme, scheme for agricultural workers |
| Minimum retirement age | Starting from 56 (for the 1960 generation onwards: 58 or 60) | 55 | 60 |
| Affiliation record | No condition required | Contributory record for a full-rate pension minus 40 to 80 quarters | No condition required |
| Contribution record | Contributory record for a full-rate pension or,  for retirement before 60, contributory record for a full-rate pension plus 4 to 8 quarters | Contributory record for a full-rate pension minus – 60 to 100 quarters | No condition required |
| Age at entry of career | 16 or 20 (depending on generation) | \ | \ |
| Rate of permanent incapacity (PI) | No condition required | Since 1st February 2014: at least 50% | - PI over 20% or  - 10% <PI < 20%  plus duration of career |
| Source: legislation |  |  |  |

\* when unemployment benefits are received, each period of 50 days of unemployment benefits grants a credit of one quarter of contribution record, in the limit of 4 quarters per year, instead of 2 quarters previously;

\* a credit of 2 more quarters is given to one of the parents for child raising, that adds to the credit periods for maternity leave or military service (open either to the mother or the father)

- An increase in the contribution rates in all the basic schemes (see table 5).

2.1.2. The 2014 reform (adopted under the left-wing Government lead by Prime Minister Jean-Marc Ayrault)

The Law of 20 January 2014 guarantying the future and fairness of the pension system concerns all the basic schemes. It contains two ‘structural’ elements and some parametric adjustments. The two ‘structural’ elements are the introduction of a personal account for the prevention of arduous work (*Compte personnel de prévention de la pénibilité – C3P*) and the implementation of a unique claiming window (*Liquidation unique pour les polypensionnés des régimes alignés – LURA*) for pensioners affiliated to several private basic schemes (the general scheme for private sector employees and the so-called ‘aligned’ schemes for agricultural workers and independent workers).

2.1.2.1. Structural elements

* Arduous work (*C3P*)

The Decree taken in application of the Law defines 10 criteria of arduous working conditions, with a threshold associated to each criterion that opens a special account to exposed workers. The criteria are the following: repetitive work; night shifts; working an alternating succession of shifts; working in a hyperbaric environment; manual handling of loads; painful working positions; mechanical vibrations; loud noise; extreme temperatures and hazardous chemical substances. A year of exposition to one type of arduous working condition credits the account by 4 points; a year of exposition to several types of arduous working conditions credits the account by 8 points. The overall cumulated points in a career cannot exceed 100 points.

Points can be used in three ways:

- Vocational training: the first 20 points have to be used to vocational training, to give an incentive to employees to move to a less arduous or demanding job. Each point in the account qualifies for 25 hours of training;

- Reduction of working time: 10 points in the account can be used to finance part-time work for 3 months, without loss of pay.

- Early retirement: 10 points allow employees to retire 3 months earlier than expected at their full pension rate. No more than 80 points can be used for early retirement (which thus cannot exceed 2 years with respect to normal retirement).

* Unique claiming window (*LURA*)

This unique claiming window aims at simplifying pension claiming for the workers affiliated to more than one basic private scheme during their career (being either a blue or white collar worker, or an agricultural worker or an independent worker). The LURA is implemented from 1st July 2017. It merges all career earnings in a single one to compute the reference wage (see below the details in the computation of benefit formula). It also merges all contributory periods in a single one to determine the contribution record (meaning that if more than 4 quarters of contributory periods overlap in a single year due to contributions to more than one scheme, the annual contributory period is bounded by 4 quarters). The unique claiming window is at the last scheme of affiliation.

2.1.2.2. Parametric adjustments

* Increase in the contribution record to qualify for a full-rate pension (sustainability)

The length of the contribution record to qualify for a full-rate pension is adjusted upwards, from 166 quarters for the generation born in 1955 to 172 quarters for the generations born in 1973 and beyond (see table 4).

|  |  |  |  |
| --- | --- | --- | --- |
| Table 4: Contribution record (number of quarters of contribution to get a full-rate pension) by generation, since 2014 | | | |
| Birth year | Private sector workers, independent workers | Military and civil servants (except ‘active’ workers) | ‘Active’ military and civil servants |
| 1943 | 160 | 150 | 150 |
| 1944 | 160 | 152 | 150 |
| 1945 | 160 | 154 | 150 |
| 1946 | 160 | 156 | 150 |
| 1947 | 160 | 158 | 150 |
| 1948 | 160 | 160 | 150 |
| 1949 | 161 | 161 | 152 |
| 1950 | 162 | 162 | 154 |
| 1951 | 163 | 163 | 156 |
| 1952 | 164 | 164 | 158 |
| 1953 | 165 | 165 | 160 |
| 1954 | 165 | 165 | 161 |
| 1955 | 166 | 166 | 162 |
| 1956 | 166 | 166 | 163 |
| 1957 | 166 | 166 | 165 |
| 1958 | 167 | 167 | 165 |
| 1959-1960 | 167 | 167 | 166 |
| 1961-1963 | 168 | 168 | 167 |
| 1964-1966 | 169 | 169 | 168 |
| 1967-1969 | 170 | 170 | 169 |
| 1970-1972 | 171 | 171 | 170 |
| 1973-1975 | 172 | 172 | 171 |
| 1976 onwards | 172 | 172 | 172 |

Source: legislation.

* Increase in the contribution rates (sustainability)

The contribution rates in all basic schemes are increased along a scheduled calendar, from 2014 until 2017 onwards, for the part of the contribution base above the Social security ceiling (*Plafond de sécurité sociale*), see table 5.

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| --- | --- | --- | --- | --- | --- | --- |
| Table 5: Contribution rates (first-floor basic schemes) | | | | | | |
|  | **Contribution rates before the decree of 2nd July 2012** | | **Contribution rates after the decree of 2nd July 2012** | | **Contribution rates after the law of 20 January 2014** | |
| Private sector employees (*CNAV*) and salaried employees in the agricultural sector (*MSA salariés*) | | | | | | |
| Year | Under the social security ceiling (employer’s rate/ employee’s rate) | On total wage (employer’s rate/ employee’s rate) | Under the social security ceiling (employer’s rate/ employee’s rate) | On total wage (employer’s rate/ employee’s rate) | Under the social security ceiling (employer’s rate/ employee’s rate) | On total wage (employer’s rate/ employee’s rate) |
| 2012 | 8.30%/6.65% | 1.60%/0.10% | 8.40%/6.75% | 1.60%/0.10% |  | |
| 2013 | 8.30%/6.65% | 1.60%/0.10% | 8.40%/6.75% | 1.60%/0.10% | 8.40%/6.75% | 1.60%/0.10% |
| 2014 | 8.30%/6.65% | 1.60%/0.10% | 8.45%/6.80% | 1.60%/0.10% | 8.45%/6.80% | 1.75%/0.25% |
| 2015 | 8.30%/6.65% | 1.60%/0.10% | 8.50%/6.85% | 1.60%/0.10% | 8.50%/6.85% | 1.80%/0.30% |
| 2016 | 8.30%/6.65% | 1.60%/0.10% | 8.55%/6.90% | 1.60%/0.10% | 8.55%/6.90% | 1.85%/0.35% |
| 2017 onwards | 8.30%/6.65% | 1.60%/0.10% | 8.55%/6.90% | 1.60%/0.10% | 8.55%/6.90% | 1.90%/0.40% |
| Independent workers (*RSI*) | | | | | | |
| Year | Under the social security ceiling | On total revenues | Under the social security ceiling | On total revenues | Under the social security ceiling | On total revenues |
| 2012 | 16.65% | 0.00% | 16.65% | 0.00% |  |  |
| 2013 | 16.65% | 0.00% | 16.85% | 0.00% | 16.85% | 0.00% |
| 2014 | 16.65% | 0.00% | 16.95% | 0.00% | 16.95% | 0.20% |
| 2015 | 16.65% | 0.00% | 17.05% | 0.00% | 17.05% | 0.35% |
| 2016 | 16.65% | 0.00% | 17.15% | 0.00% | 17.15% | 0.50% |
| 2017 onwards | 16.65% | 0.00% | 17.15% | 0.00% | 17.15% | 0.60% |

Source : legislation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Table 6: Contribution rates (second-floor occupational schemes Arrco and Agirc) after the 13th March 2013 agreement | | | | | | |
| Year | **Tranche 1** | | **Tranche 2** | | **Tranches B and C** | |
| **Arrco** | | **Arrco** | | **Agirc** | |
|  | **Before the 2013 agreement** | **After the 2013 agreement** | **Before the 2013 agreement** | **After the 2013 agreement** | **Before the 2013 agreement** | **After the 2013 agreement** |
| 2013 | 6% | 6% | 16% | 16% | 16.24% | 16.24% |
| 2014 | 6% | 6.10% | 16% | 16.10% | 16.24% | 16.34% |
| 2015 | 6% | 6.20% | 16% | 16.20% | 16.24% | 16.44% |
|  |  |  |  |  |  |  |
| Note: these contribution rates do not directly apply to earnings since there is a ‘calling rate’ of 125% which apply to earnings but does not give pension rights above 100%. The contribution rates above are those that open pension rights. | | | | | | |
| Source : legislation Agirc-Arrco | | |  |  |  |  |

* Date of indexation of pensions postponed to October, instead of April (sustainability)

The 2014 Law modifies the time-schedule of pensions indexation: instead of a yearly indexation as of the 1st of April, the indexation takes place on the 1st of October. Since the 2016 Social Security Financing Act, the indexation is based on the observed as of July (instead of expected) annual average inflation rate. If the inflation rate is negative, pensions are not indexed.

* Lower level of the reference wage enabling to validate one quarter of contributory period (fairness)

Instead of perceiving at least 200 hours of minimum wage, the 2014 law sets at 150 hours of minimum wage the reference wage qualifying for one quarter of contributory period. This measure contributes to a higher degree of fairness in the pension system, since it benefits to low-wage earners who are mostly women working part-time and having interrupted careers.

* Early retirement provisions (fairness)

The 2014 Law enlarges the time span for credit periods by 2 quarters for disability and unemployment, and by taking into account all legal maternity leaves as credit periods.

2.2. Reforms in the complementary schemes

Beyond the reforms adopted in the basic schemes, complementary schemes have modified some key parameters for sustainability concerns. We focus here on the main two complementary schemes (ARRCO and AGIRC) which top up the pension of the general scheme for private sector workers.[[3]](#footnote-4)

The complementary schemes which operate on a parity principle between trade unions and employers’ organisations have adopted three agreements in 2011, 2013 and 2015.

2.2.1. The 2011 agreement

The 2011 agreement:

- indexes, between 2012 and 2015, the evolution of the reference wage in both schemes on the evolution of the average wage less 1.5 percentage point, with a lower bound on the inflation rate;

- indexes, in 2012, the evolution of the (benefit) value of the point in the ARRCO scheme on the evolution of the average wage less 1.5 percentage point, with a lower bound on the inflation rate;

- indexes, in 2012, the evolution of the (benefit) value of the point in the AGIRC scheme to equalise the return at AGIRC and ARRCO as of 2011;

- indexes, between 2013 and 2015, the evolution of the (benefit) value of the point in both schemes on the evolution of the average wage less 1.5 percentage point, with a lower bound on the inflation rate;

- harmonises the rules on pension bonuses for parents of 3 children or more. The pension bonus is set at 10% in both schemes, and concerns only points accumulated from 2012 onwards;

- sets a ceiling on pension bonuses for parents of 3 children or more: the ceiling is equal to 1 000€ in each scheme, for individuals born after the 2 August 1951.

2.2.2. The 2013 agreement

The 2013 agreement:

- indexes, between 2014 and 2015, the evolution of the reference wage in both schemes on the evolution of the average wage less 1 percentage point, with a lower bound on the inflation rate;

- indexes, between 2014 and 2015, the evolution of the (benefit) value of the point in both schemes on the evolution of the average wage less 1 percentage point, with a lower bound on the inflation rate;

- increases the contribution rates (see table 6)

2.2.3. The 2015 agreement

The 2015 agreement has been signed between the three representative employers’ organisations (MEDEF, CGPME and UPA) and three (out of five) representative trade-unions (CFDT, CFE-CGC, CFTC).

The 2015 agreement is the most comprehensive and ambitious one for the last decade.

- it sets a new path for the indexation of the (benefit) value of the point in both schemes on the evolution of the inflation rate less 1 percentage point, with a lower bound at 0%, in 2016, 2017 and 2018;

- it modifies the time-schedule of pensions indexation: instead of a yearly indexation as of the 1st of April, the indexation takes place on the 1st of November;

- it increases the reference wage in 2016, 2017 and 2018, to reach a target of an internal return of the schemes equal to 6%;

- it increases the ‘effective rate’ *(taux d’appel*) of contributions.

Beyond these parametric adjustments, it introduces temporary incentives to postpone retirement through temporary (maximum 3 years) pension cuts for those who retire at the legal retirement age in the basic scheme and temporary (1 year) pension premiums for those who postpone their pension claiming beyond the legal retirement age under the basic scheme. These minoring or majoring coefficients on pensions will be effective as of 1st January 2019 for the generations born in 1957 onwards.

Finally, a more structural measure has been agreed upon: ARRCO and AGIRC are scheduled to merge as of 2019.

**3. Process to have it endorsed**

To complement the advisory role of the *Conseil d’orientation des retraites* (see above), the Government has settled in 2014 a permanent steering committee for pensions (*Comité de suivi des retraites*) with a citizens’ jury (*jury citoyen*). The *Comité de suivi des retraites (CSR)* is composed of five members (including its president) designated by the Government for their expertise of the pension system, on a gender-parity basis. The CSR is in charge of steering the French pension system with respect to its sustainability and adequacy. More precisely, its role is:

- to give a yearly public notice to assess whether the pension system departs from its goals “in a significant manner”;

- to issue, if necessary, recommendations for corrective measures;

- to convene a citizens’ jury and get its advices and recommendations.

With these two committees, the French government benefits from a minimal consent on the diagnosis of the state of the pension system, if not on the ways to reform it.

**4. Results analysis**

The *Direction de la Recherche, des Etudes, de l’Evaluation et des Statistiques[[4]](#footnote-5)* has undertaken an in-depth evaluation of the past pension reforms. The herein analysis draws heavily on DREES (2016) and the synthesis provided by COR (2017).

4.1. Sustainability

The recent reforms have relied on the three main levers used to preserve the long-run sustainability of a PAYG pension system: the level of contributions, the relative level of pensions and the retirement age (and/or the contribution record which is partly correlated with retirement age).

As far as the retirement age is concerned, the past decreasing trend observed between 2004 and 2010 (following eligibility to early retirement for employees with long working careers) is expected to follow an upward swing: the average retirement age would grow from 60.5 in 2010 to 64 by the end of the 2030 decade.

The 2010 reform (increasing by 2 years the minimum and the full-rate retirement ages) is estimated to reduce pension benefits more significantly in the short run than in the long run. In the long run, the reduced period of retirement is balanced by an increase in pension rights due to longer contribution records. The 2014 reform (increasing the required contribution record for a full-rate pension) has the opposite time profile: in the short run, the first generations hit by the reform are not eligible to retirement and start to retire by 2030; in 2040, the 2014 reform generates an estimated reduction of pension benefits equivalent to 0.3 GDP point (0.15 GDP point in 2030). Overall, when taking into account all the reforms adopted since 2010 (including complementary schemes) the reduction of pension benefits amounts to 1 GDP point in 2020, 2030 and 2040.

On the contribution side, the past reforms have increased both the legal retirement ages and the financial incentives to postpone retirement, generating more contributions to the schemes. Combined with the increase in contribution rates, the overall effects of reforms on levied contributions are evaluated at 0.6 GDP point in 2020, 2030 and 2040.

All in all, the financial balance of the pension system (excluding the public sector employees’ schemes) would be improved by around 1.5 GDP point in 2040. In a shorter run, the improvement would be mainly due to the 2010 reform.

4.2. Adequacy

The past reforms will also impact future retirees’ living standard. Pension wealth (defined by OECD as “the size of the lump sum that would be needed to buy a flow of pension payments equivalent to that promised by the mandatory pension system”) is a relevant indicator of pension adequacy both from an intergenerational and intra-generational viewpoint. It complements the replacement rate as a measure of the adequacy of pension benefits to meet beneficiaries’ needs, since it takes into account the expected life expectancy at retirement and therefore the ability of mandatory schemes to cover the individual longevity risk.

* Effects of reforms within generations

For the generation born in 1980, the estimated pension wealth would be 4.5% lower following the past reforms. This evolution results from two opposite effects. On the one hand, pension benefits would be paid over a shorter timespan (due to a higher effective retirement age); on the other hand, the level of average pension with respect to average wage would increase by 2.1%.

The overall effects of past reforms are also expected to reduce the gender gap in pension wealth. Pension wealth would decrease by 6% for men born in 1980, against 3% for women of the same generation.

Past reforms have undesired differential effects along the wage scale: the negative impact on pension wealth is heavier for low-wage earners (-7% for the first quartile of the distribution) than for high-wage earners (-3.4% for the fourth quartile).

* Effects of reforms between generations

When considering the four generations born in 1950, 1960, 1970 and 1980, it appears that the cumulated effects of all reforms have the stronger negative impact on the 1970 generation’s pension wealth (-5.9%), the 1950 generation being hardly affected (-1.2%).

Beyond pension wealth, other indicators may be used to assess the impact of pension reforms on retiree’s well-being. Among them, the *Conseil d’orientation des retraites* focusses on four complementary indicators, namely the length of retirement period (with respect to lifetime), the length of career, the average pension and the average contribution rate during career.

Despite the increase in life expectancy, the length of retirement with respect to lifetime would be globally stable for the generations born between 1950 and 1990, around 30% according to DREES. The length of career with respect to lifetime would decline from 41.5% for the 1950 generation, to 39.8% for the 1990 generation.

The lifecycle replacement rate (defined as the average pension cumulated benefits perceived at retirement divided by the average cumulated earnings perceived during the career) would drop over the generations, from 55% for the 1950 generation to 45% for the 1990 generation (under an assumption of a 1.5% long-term increase of the labour productivity). This lifecycle replacement rate differs from the replacement rate defined as the individual pension entitlement divided by pre-retirement earnings, which was close to 68% in 2014.

The impact of the pension reforms on lifetime contributory effort would also make the last generations worst off: the lifetime contribution rate would rise from 23% for the 1950 generation to 27.8% for the 1990 generation.

**5. Cumulative effects of past reforms**

The increase of legal retirement ages and required contribution record for a full-rate pension is expected to improve the financial sustainability of the pension system. It may nevertheless have undesired side effects on other public expenditures.

Among them, the inflexibility of labour markets in the short-run may impede older workers to stay in employment or to find a job whenever they are unemployed (due to their higher seniority-linked wages). As a result, an increase in legal retirement ages may inflate unemployment or disability benefits. It has been assessed that, on the 14 billion euros of reduction in pension benefits generated by the 2010 reform, 15% have been compensated by an increase in disability benefits or social welfare benefits.

The increase of legal retirement ages has had a favourable impact on the employment rate of senior workers, but also on their unemployment rate. For the past 25 years, the employment rate of the 55-64 years old workers has been substantially raising as a consequence of an increase in the women’s labour force participation and of the last pension reforms. France which was lagging behind with respect to other OECD countries in terms of senior workers’ employment is progressively catching up, even if the specific role of pension reforms is difficult to isolate.

A difference-in-difference estimation between the first generations concerned by the 2010 reform (borne after t July 1st 1951) and the previous ones evidenced an increase in the employment rate at the age of 60, estimated at 24 (resp. 22) percentage points for men (resp. women). The probability of being effectively employed surged from 17 (resp. 16) points for men (resp. women). But underemployment also rose by 7 (resp. 6) points for men (resp. women). The predominant effect of the reform has been to extend the employment duration for those effectively employed between 58 and 60 years old.

**6. Remedial measures against undesired effects**

The prolongation of working life raises questions about the physical and intellectual abilities at work of senior workers. With that respect, there have been reform qualifications for targeted populations, mainly those with arduous and physical demanding jobs and those who entered the labour market at younger ages.

The *Comité de suivi des retraites* relies on the annual report by the *Conseil d’orientation des retraites*. If the *Comité de suivi des retraites* believes, with respect to the indicators measured by the *Conseil d’orientation des retraites*, that the pension system deviates from its objectives, its recommendations to the Government and the Parliament may concern the evolution of the contributory record needed to get a full pension, the level of the contribution rates both in the basic and complementary schemes (within an overall upper limit of 28%), the use of the *Fonds de réserve pour les retraites* (the French public pension reserve fund).

**7. Public opinion reactions to reform**

The 2010 reform has caused a series of strikes and demonstrations. The first one occurred on March 23 in opposition to the Government’s announcement of a pension reform. On April 14, the *Conseil d’orientation des retraites* issues a report that highlights the impact of the financial crisis on the long run sustainability of the French pension system. At the same time, the Government launches a consultative process with the social partners. On July 7, eight trade-unions sign a joint statement by which they advocate increases in contribution bases (contributions levied on capital income) and rates. On July 10, the Government presents its reform project at the National Assembly. As described above, the two main measures are the increase of the minimum and the automatic full-rate retirement ages.

The parliamentary process opened a period of eight days of nationwide demonstrations and strikes organised by the French union leaders, between September 7 and November 6. The strikes led to cancellations in railways public services, motorway blockages by lorry drivers and disruption to oil deliveries to refineries leading to local fuel shortages. French students also joined the workers in the protests. According to a poll organized on October 21-22 (IPSOS, 2010), 53% of respondents felt acceptable to postpone retirement age, but 63% declared to support the protest movement.

Despite these events, the Government’s project has been adopted with only minor amendments by the National Assembly on September 15 and by the Senate on October 22.

The following reforms in 2012, 2014 and 2015 have been adopted without significant social movements.

**8. Overall evaluation**

Over the past decades, the French Governments, whatever their political orientation, have adopted step-by-step pension reforms. These reforms have been mainly driven by adjustments of the parameters of the pay-as-you-go pension schemes and by a convergence of pension rules between private and public schemes. The overall assessment so far is that the sustainability of the whole system is preserved in the middle run (next 25 years) under reasonable assumptions on the future economic growth rate.

As far as adequacy is concerned, the French pension system still provides a high level of coverage for its affiliated. The average living standard of the retirees represents 105% of the average living standard of the whole population (103% for the women and 108% for the men). This ratio has been stable for two decades and even slightly increasing since 2010. The last COR projections show that the ratio could drop to 94% at the 2060 horizon in case of a 1% long-term real growth and to 74% at the same horizon with a 2% long-term growth.

At risk-of-poverty and social exclusion rates are lower than the EU average rates: 7.9% of retirees are at risk-of-poverty (compared to 13.6% for the whole population and to more than 18% in average in the EU).

Since the election of the President Emmanuel Macron in May 2017, the French reform process seems to be moving from a step-by-step approach to a more structural one. As far as the pension system is concerned, the reform process could entail the adoption of a unified system based on notional accounts. The recent nomination of a High Commissioner for pension’s reform (*haut-commissaire à la réforme des retraites)* paves the way for a reform to be conceived and enacted by 2018 with a progressive implementation within the next five years.

**Appendix 1**

**Country profile – France – Pension system as of 2017**

1. **Overall organisation**

Pay-as-you-go mandatory pension schemes with minimum pensions. Supplementary voluntary occupational schemes.

Basically, two main schemes:

- for private sector employees: a first-floor annuity-based scheme (*régime général*) providing former workers a pension equal to 50% of their reference earnings, up to a ceiling, at the legal retirement age; and second-floor points-based complementary schemes, ARRCO (for all workers) and AGIRC (for managers) topping the basic pension;

- for civil and military servants: a unique annuity-based scheme providing former employees 75% of the last-six-months salary (excluding career premiums which give pension rights through a public mandatory fully-funded pension fund)

Other special schemes for self-employed workers and for workers in state-owned firms.

1. **Key indicators as of 2014 (Source: INSEE when not specified)**

- Public pension spending (minimum pensions and pensions provided by mandatory schemes) as a percentage of GDP: 14.7% (Source: DREES)

- Private pension spending (occupational or voluntary retirement saving) as a percentage of GDP: 0.3% (Source: DREES)

- Share of public pension as a percentage of total pension income: 95% (Source: OECD)

- Standard of living of the 65 and over population with respect to the overall population: 103%

- Employment rate of the 55-64 population: 47.0% (68.2% for the 55-59 and 25.1% for the 60-64)

- Population over 65 as a percentage of overall population: 18.2%

- Life expectancy at 65: 19.3 years for men, 23.3 years for women

1. **Key parameters of private sector schemes**

3.1. Basic pension

\* Qualifying conditions: a minimum of one quarter of contribution record to be entitled to a pension; age and contribution record for full-rate pension (see below)

\* Benefit formula:

The pension depends on three variables:

- Reference wage (average annual earnings), , under a ceiling (*plafond de sécurité sociale[[5]](#footnote-6)*)

- Payment rate, : the maximum payment rate (full rate) of 50% is granted either for individuals over the minimum retirement age and with a complete contribution record, or for individuals having reach the full-rate retirement age whatever their contribution record; otherwise the payment rate is adjusted to the contribution record (see below ‘pension rebate’ and ‘pension bonus’)

- Contribution period, , including the credit periods (see below), compared to the required contribution record; the required contribution record to get full-rate depends on the year of birth .

\* Minimum retirement age

62, for the generations born in 1955 onwards

\* Automatic full-rate retirement age

67, for the generations born in 1955 onwards

\* Early retirement age

- for long careers: from 56 years and 4 months for the generation born in 1955, to 58 years for the generation born in 1960 provided the individual fulfils the required contribution record and has started contributing before the age of 20.

- for disability: disabled may retire before the minimum legal age under conditions depending on the severity of disability, on the contribution record and on the generation.

\* Contribution record for full-rate pension

Ranging from 166 quarters for those born in 1955 to 172 quarters for those born in 1973 and after (with a gradient of one quarter every three generations)

\* Pension haircut (*décote*) for one missing quarter of contribution (early retirement, see table 7)

-1.25% reduction on full payment rate per missing quarter of contribution, in the limit of 20 missing quarters. Therefore, the payment rate cannot be inferior to 37.25%.

\* Pension premium (*surcote*) for an additional quarter of contribution (deferred retirement, see table 7)

+1.25% bonus on full payment rate per additional quarter of contribution, without limit.

\* Reference wage: calculated on the 25 best-earning years of career with past earnings revalued in line with the evolution of CPI

\* Credit periods

- Child care:

* A credit of four quarters of contribution record is given to the mother for each born or adopted child (whether she continues to work or not); another credit of four quarters is given to one of the parents for child raising (or the parents can share this additional child credit as they want; by default, the additional child credit is given to the mother).
* Periods out-of-work or working part-time for child care (or care for a disabled relative) *(Allocation vieillesse des parents au foyer – APVF)*: credits are awarded as if the parent had earned the minimum wage. To be eligible to the AVPF pension benefit, the parent must fulfil three cumulative conditions: receiving one of the special benefits for child raising; and working part-time or not working at all; and a means-tested condition on the household’s earnings.

- Unemployment: when unemployment benefits are received, each period of 50 days of unemployment benefits grants a credit of one quarter of contribution record, in the limit of four quarters per year. When unemployment benefits are not received, each period of involuntary unemployment gives a credit period in the overall limit of four quarters when the worker is under 55, and of 20 quarters when the worker is 55 or over and already completes a contribution record of 80 quarters. Special rules applies for unemployment at the beginning of working life: if the unemployment period occurs after 2011, with no unemployment benefits perceived before, the involuntary periods of unemployment give a credit period in the overall limit of 6 quarters.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 7: Haircut and premium on pension benefit\* | | | | |
| Basic schemes  (first-floor *CNAV*, *MSA* and *RSI*) | |  | **Civil and military servants** | |
| Birth year |  | Year of pension claiming |  |
| Before 1944 | 2.5% |
| 1944 | 2.375% | **2006** | 0.125% |
| 1945 | 2.25% | **2007** | 0.25% |
| 1946 | 2.125% | **2008** | 0.375% |
| 1947 | 2% | **2009** | 0.5% |
| 1948 | 1.875% | **2010** | 0.625% |
| 1949 | 1.75% | **2011** | 0.75% |
| 1950 | 1.625% | **2012** | 0.875% |
| 1951 | 1.5% | **2013** | 1% |
| 1952 | 1.375% | **2014** | 1.125% |
| 1953 onwards | 1.25% | **2015 onwards** | 1.25% |
| \* Percentage of haircut per missing quarter or percentage of premium per additional quarter of contributory record to be entitled to full-rate pension | | | | |

\* Arduous work

Since the adoption of the Law n° 2014-40 of 20 January 2014, arduous work is taken into account in the private sector’s basic scheme to acknowledge that workers exposed to arduous working conditions have a reduced life expectancy and thus will have a shorter pension period compared with the average life expectancy of other workers. The n° 2014-1159 Decree defines 10 criteria of arduous working conditions, with a threshold associated to each criterion that opens a special account (*Compte personnel de prévention de la pénibilité)* to exposed workers. The criteria are the following: repetitive work; night shifts; working an alternating succession of shifts; working in a hyperbaric environment; manual handling of loads; painful working positions; mechanical vibrations; loud noise; extreme temperatures and hazardous chemical substances. A year of exposition to one type of arduous working condition credits the account by 4 points; a year of exposition to several types of arduous working conditions credits the account by 8 points. The overall cumulated points in a career cannot exceed 100 points.

Points can be used in three ways:

- Vocational training: the first 20 points have to be used to vocational training, to give an incentive to employees to move to a less arduous or demanding job. Each point in the account qualifies for 25 hours of training;

- Reduction of working time: 10 points in the account can be used to finance part-time work for 3 months, without loss of pay.

- Early retirement: 10 points allow employees to retire 3 months earlier than expected at their full pension rate. No more than 80 points can be used for early retirement (which thus cannot exceed 2 years with respect to normal retirement).

\* Progressive retirement

Progressive retirement, meaning cumulating wage and pension benefits, is open to workers qualifying to the cumulative following conditions: having reached the age of 60 and having a contribution record of at least 150 quarters and working part-time (between 40% and 80% of the full-time employment).

\* Pension indexation

Pension benefits are indexed on the evolution of the CPI.

\* Contributory minimum pension (*minimum contributif*)

The contributory minimum pension *(minimum contributif)* aims at increasing pensions up to a minimum threshold when the strict application of the benefit formula leads to a pension considered as too low. To be eligible to the *minimum contributif*, the pensioner must meet the requirements for a full-rate pension (contribution record and/or age) and a means-tested condition on her overall pensions (basic plus complementary). If the calculated pension is below the *minimum contributif* pro-rated for the contribution record, the pension benefit is levelled up to the *minimum contributif.* An extra minimum pension (*minimum contributif majoré*) is perceived when the worker has a contribution record of 120 quarters or more. As of 2017, the *minimum contributif* is set at 629.62€ per month and the *minimum contributif majoré* at 688€.

\* Child benefits (pension bonus)

Both parents of at least three born or adopted children get a 10% bonus on their pension benefit, conditionally on having raised each child for at least 9 years before age 16.

\* Survivor’s benefits

Only married, or divorced, survivors can get survivor’s benefits (other registered or informal unions do not open derived rights), whatever the length of marriage. The cumulative eligibility conditions are as follows:

- The deceased spouse has contributed for at least one quarter (but need not be retired at the time he/she dies);

- The survivor is at least 55 years old;

- The survivor’s total revenues, or the survivor’s household total revenues (if he/she is remarried or in couple), has to meet a means-tested condition (as of 2017: 20 300.80 € for a single survivor and 32 481.28 € for a survivor in couple).

The rate of survivor’s benefit in the basic scheme is equal to 54% of the deceased spouse’s basic pension (bonuses excluded). The rate is increased to 60% for widows aged 65 or more – to be progressively raised to 67 in line with the full-rate retirement age – under a means-tested condition[[6]](#footnote-7).

\* Contribution rates

Contributions are due at different rates under and above the social security ceiling, both by employers and employees. As of 2017, employers’ contribution rates are set at 8.5% under the social security ceiling, and at 1.8% above; employees’ rates are respectively set at 6.85% and 0.3%.

3.2. Complementary pension

\* Qualifying conditions

Being an employee in the private sector. Both non-executive employees (*non cadres*) and executive staff (*cadres*) contribute to the wage-earners ARRCO scheme (*Association pour le régime complémentaire des salariés*). Executive staff also contributes to the AGIRC scheme (*Association générale des institutions de retraite des cadres*). These schemes will merge in 2019. Both are operated by social partners, who set up the rules and manage pension provisions.

\* Benefit formula

The pension is calculated with a point-based formula.

Contributions credit points on the employee’s account. The number of points is equal to the amount of contributions divided by the purchase price of a point:. The amount of contributions is equal to the reference wage multiplied by the purchasing rate , since the crude contribution rate does not credit full, but truncated, pension rights. Contrary to the basic scheme in which pension benefits are capped by a ceiling, the complementary schemes credit employees’ account for the total wages perceived during the career. The purchase price of a point is yearly set by the scheme, along with the purchasing rate. The employee’s complementary pension is then equal to his/her number of points multiplied by the (benefit) value of the point yearly set by the scheme[[7]](#footnote-8):

\* Credit periods

- Maternity leave: points are credited for maternity leave;

- Unemployment: points are credited only if unemployment follows a period of employment and if unemployment benefits are received.

\* Minimum retirement age

62, for the generations born in 1955 onwards; full-rate complementary pension can be obtained at 62 with the qualifying contribution record in the basic scheme (see above).

\* Automatic full-rate retirement age

67, for the generations born in 1955 onwards.

\* Early retirement age

Complementary pension can be awarded at 57 with a definitive haircut which depends on employee’s age and/or contribution record. Special situations (disability, long careers, arduous working conditions etc.) open full-rate complementary pension before the age of 62.

\* Temporary haircut (*décote*) or premium (*surcote*) as of 2019

Starting in 2019, for contributors born in 1957 onwards, temporary haircuts or premiums will be applied to foster late retirement and thus secure the financial sustainability of complementary occupational schemes.

- Temporary haircut: if the complementary pension is claimed at the same age as in the basic scheme (e.g. at 62 years old with full-rate contribution record), a temporary haircut of 10% is applied on the complementary pension during 3 years. The haircut is lifted when the retiree reaches is 67th birthday.

- No haircut and no premium: if the complementary pension is claimed one year later than the normal claiming age (e.g. at 63 years old with full-rate contribution record), it is awarded at full-rate.

- Temporary premiums: if the complementary pension is claimed at least 2 years later than the normal claiming age, it is awarded with:

* A 10% premium during one year if claiming is postponed 2 years later;
* A 20% premium during one year if claiming is postponed 3 years later;
* A 30% premium during one year if claiming is postponed 3 years or more later

\* Progressive retirement

The qualifying conditions for progressive retirement in complementary schemes are the same as in the basic scheme. The complementary pension is pro-rated on the working duration: an employee working 55% of full-time duration receives 45% of his/her complementary pension.

\* Minimum pension

Every employee affiliated to AGIRC and working full-time is entitled to a minimum of 120 points (*Garantie minimale de points – GMP*) per year, even if his/her wage is not high enough to get this number of points. This GMP is awarded in counterpart of a flat contribution set by the AGIRC scheme[[8]](#footnote-9). It will be suppressed in 2019, with the merging of ARRCO and AGIRC.

\* Child benefits (pension bonus)

Two types of child benefits, mutually exclusive, can be claimed:

- Benefits for child caring

- Benefits for child born or raised

The rules differ at ARRCO and AGIRC. Bonuses are computed on complementary pensions excluding (temporary or definitive) age-related haircuts at ARRCO but including them at AGIRC. The most favourable rule applies (i.e. the one that provides the highest bonus in each scheme).

|  |  |  |
| --- | --- | --- |
|  | Bonus for child caring | Bonus for child born or raised |
| ARRCO | On the whole complementary pension: 5% per child | On the whole complementary pension for pensions rights accrued in 2012 onwards: 10% for 3 children and more, up to a ceiling (1031.15€ as of 1st November 2016)  On the whole complementary pension for pensions rights accrued between 1999 and 2012: 5% for 3 children and more  For pensions rights accrued before 1998: specific agreements |
| AGIRC | On the whole complementary pension: 5% per child | On the whole complementary pension   * for pensions rights accrued in 2012 onwards: 10% for 3 children and more, up to a ceiling (1028.12€ as of 1st November 2016) * for pensions rights accrued before 2011:   8% for 3 children  12% for 4 children  16% for 5 children  20% for 6 children  24% for 7 children and more |

Benefits for child caring can be transferred to the employee’s survivor when the child was also the deceased employee’s one. Benefits for child raised can be transferred to the employee’s survivor even if the child has no parental link to the survivor. At ARRCO, the bonuses are fully transferred to the survivor; at AGIRC, the bonuses are transferred at a 60% rate. The same ceilings as above apply for the survivor’s.

\* Survivor’s benefit

Married, or divorced, survivors can get survivor’s benefits (other registered or informal unions do not open derived rights), whatever the length of marriage. Orphans (under 21) of two parents are also eligible to survivor’s benefits.

The cumulative eligibility conditions for married or divorced survivors differ from those of the basic scheme and are as follows:

- the survivor must not be remarried (if he/she gets married after benefiting from survivor’s allowance, the survivor’s benefit is suspended);

- the survivor is at least 55 years old when the survivor’s benefit is paid by ARRCO, and at least 60 years old when the survivor’s benefit is paid by AGIRC (or 55 years old with haircut); the age conditions do not apply if the survivor is in charge of at least 2 children or if he/she is disabled;

The rate of survivor’s benefit in the complementary schemes is equal to 60% of the deceased spouse’s complementary pension (bonuses excluded). If the benefiter is an orphan, the rate of survivor’s benefit which can be claimed for each parent is equal to 50% at ARRCO and 30% at AGIRC.

\* Pension indexation

The purchase price of a point is indexed on the evolution of the average wage in each scheme plus 2% until 2018. The (benefit) value of a point is indexed on the evolution of the CPI minus 1% until 2018. From 2019 onwards, the indexation will be determined by the newly merged scheme.

\* Contribution rates

Contributions are due at different rates depending on wage tiers (*tranche)* and schemes. The contribution rates are shared between employers (60%) and employees (40%).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Scheme | Tier brackets | |  | Contribution rates |
| ARRCO | | | |  |
| Tier 1 (*Tranche 1*) | | From 1€ to 1 Social security ceiling | | 7.75% |
| Tier 2 (*Tranche 2*) | | Between 1 and 3 Social security ceilings | | 20.25% |
| AGIRC | | | |  |
| Tier B (*Tranche B*) | | Between 1 and 4 Social security ceilings | | 20.55% |
| Tier C (*Tranche C*) | | Between 4 and 8 Social security ceilings | | 20.55% |
| CET1 (exceptional and temporary contribution) | | | |  |
| Tier B (*Tranche B*) | |  | | 0.35% |
| Tier C (*Tranche C*) | |  | | 0.35% |
| AGFF2 (extra contribution) | | | |  |
| Tier 1 (*Tranche 1*) | |  | | 2% |
| Tier 2 (*Tranche 2*) | |  | | 2.20% |
| Tier B (*Tranche B*) | |  | | 2.20% |
| Tier C (*Tranche C*) | |  | | 2.20% |

1. Solidarity contribution in the AGIRC scheme that does not accrue pension rights.

2. Special contribution that finances early retirement between 65 and 67 years old in the complementary schemes and does not accrue pension rights.

1. **Key parameters of the public sector scheme**

The public sector pension scheme is an integrated scheme, meaning that the scheme provides both a basic and a complementary (occupational) pension. It covers military and civil servants, in the central, local and hospital administration. It is an annuity-based scheme. Some civil servants perceive, besides their index-related salary, premiums that do not accrue pension rights in the integrated pay-as-you-go scheme, but in a mandatory fully-funded pension fund (*Retraite additionnelle de la function publique* – *RAPF*).

\* Distinction between *active* and *sédentaire* categories

According to the legislation, there are two categories of positions in the French administration: *active* and *sédentaire*. The *active* category refers to jobs with a particular occupational hazard or physically demanding. The positions considered as *active* are defined by ministerial orders, and all positions not defined as *active* are *sédentaires* by default.

Being in an *active* position opens special pension rights (early retirement, pension bonuses).

\* Vesting period

To be eligible to a pension from the public pension scheme there is a vesting period of 2 years for the *sédentaire* category (and 17 years for the *active* category – with exceptions for military servants).

\* Benefit formula

Full-rate pension is equal to the product of three terms: the index-related gross salary (*traitement indiciaire brut),* the payment rate and a bonus or haircut coefficient.

- Index-related gross salary: correspond to the index-related salary perceived during at least 6 months before pension claiming;

- Payment rate: the full payment rate is equal to 75% if the servant has a contribution record ranging from 166 quarters of contribution in the public scheme for those born in 1955 to 172 quarters for those born in 1973 and after (with a gradient of one quarter every three generations)

- Haircut coefficient: applies whenever the servant has not reached the automatic full-retirement age or has not the qualifying contribution record (in all pension schemes) for the full payment rate. Bonus coefficient: applies whenever the servant has reached the automatic full-retirement age or meets the qualifying contribution record (in all pension schemes) for the full payment rate.

\* Minimum retirement age and automatic full-rate retirement ages

The same rules as for private workers apply to civil servants.

\* Early retirement age

- For long careers

From 57 years old for the generation born in 1957, to 58 years for the generation born in 1960 provided the individual fulfils the required contribution record at pension claiming and an additional condition on his/her contribution record at the beginning of the career (before 20).

- For disability

The same rules as for private workers apply.

\* Pension haircut (*décote*) for one missing quarter of contribution (early retirement)

The same rules as for private workers apply since 2015.

\* Pension premium (*surcote*) for an additional quarter of contribution (deferred retirement)

The same rules as for private workers apply since 2009.

\* Credit periods for child caring

Credit periods for child caring are different from those applicable to private sector workers. Since 2004, different periods for child caring are considered as effective service periods (and therefore credited to the servant’s contribution record):

- part-time working for child caring: from a maximum credit of 6 quarters (whatever the number of children simultaneously taken care of) for a 50% part-time working to a maximum 2.4 quarters for a 80% part-time working.

- leave (*disponibilité*) for child caring: a maximum credit of 12 quarters for child caring between birth and 3rd birthday of the child; an additional maximum credit of 12 quarters for child caring before the 8th birthday of the child. In case of multiple births or adoptions, the credits for child caring cumulate (unless they overlap).

\* Arduous work

The *compte de prévention de la pénibilité* open to private sector workers does not apply in the public sector pension scheme. In the public sector scheme, it is the difference between *active* and *sédentaire* categories that accounts for arduous work.

\* Progressive retirement

Does not apply in the public sector pension scheme

\* Pension indexation

Pension benefits are indexed on the evolution of the CPI.

\* Contributory minimum pension (*minimum garanti*)

The *minimum garanti* is the equivalent of the *minimum contributif* designed in the private basic scheme. To be eligible to *minimum garanti,* the civil servant has to meet one of the conditions for a full-rate pension.

The amount of *minimum garanti* depends on the service record: if the service record is at least equal to 40 years, the monthly *minimum garanti* cannot be inferior to a given index-related gross salary (1 158.06€ as of 2017); if the service record is less than 40 years, the monthly *minimum garanti* is pro-rated on the contributory record required to get a full-rate pension.

\* Child benefits (pension bonus)

Child benefits are different in public and private schemes. In the public scheme, both parents of three born or adopted children get a 10% bonus on their pension benefit, conditionally on having raised each child for at least 9 years before age 16. For each additional child born or adopted after the third one, the additional bonus on pension benefit is equal to 5% per child. The overall pension benefit (including child benefits) cannot exceed the last index-related salary (if it does, the total pension benefit is capped at the last index-related salary).

\* Survivor’s benefits

As for private sector employees, only married, or divorced, survivors can get survivor’s benefits (other registered or informal unions do not open derived rights), but the other eligibility conditions differ. In the public sector, there are no age condition (the widow may perceive survivor’s benefits whatever his/her age) and no means-tested condition. In the public sector, survivor’s benefits are perceived under the following conditions:

- in any case, the surviving spouse must not be remarried; if he/she re-marries (or even has a new non-registered partner), he/she does not perceive survivor’s benefits any longer.

- for a deceased civil servant’s widow, or divorced and non-remarried spouse, at least one of the four conditions must apply:

* At least one child has been born or adopted during the marriage;
* The marriage has last at least 4 years;
* The marriage has occurred at least 2 years before the deceased spouse retired;
* The deceased spouse perceived disabled benefits.

- for a deceased civil servant’s divorced spouse who has been remarried before the decease of his/her former spouse, at least one of the four previous conditions must apply, plus two additional conditions:

* His/her new marriage has ceased with no survivor’s benefits due to this new union;
* The deceased spouse had no spouse or orphan who may be entitled to survivor’s benefits.

The rate of survivor’s benefit in the public scheme is equal to 50% of the deceased spouse’s pension (including child benefits if any). If the deceased spouse had been married twice or more times, the survivor’s benefits are split between the ex-non-remarried spouses pro-rated at the length of their respective marriage.

\* Contribution rates

The civil servants’ contribution rate (on index-related salary) to the pay-as-you-go scheme is set at 10.29% as of 2017, in line with the private sector employees’ contribution rate. An exceptional solidarity contribution is set at 1% for monthly salaries comprised between 1 447.98€ and 13 076€. The contribution rate (on premiums) to the RAPF (mandatory public pension fund) is equal to 5%. The State’s contribution rate is set at 74.28% for civil staff and at 126.07% for military staff.

**5. Minimum allowance for the elderly**

Next to the contributory schemes, the French pension system provides a minimum non-contributory means-tested allowance (allocation de solidarité aux personnes âgées - ASPA) eligible to all residents aged 65 and over. As of 2017, the ASPA is equal to 803€ for a single and 1 247€ for a couple. The ASPA as well as low-value pension benefits are tax exempted.

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1. The views expressed are those of the author and do not necessarily reflect those of the Conseil d’orientation des retraites. [↑](#footnote-ref-2)
2. In the 2010 reform, early retirement was possible before 60, provided that an extra contributory period of 4 to 8 quarters (with respect to full-rate contribution record) was completed. [↑](#footnote-ref-3)
3. Two ministerial rulings in September and October 2008 have also modified the parameters of IRCANTEC, the complementary scheme for public sector employees who are not civil servants. Basically, they increased the contribution rates and reduced the pension benefits. [↑](#footnote-ref-4)
4. The *Direction de la Recherche, des Etudes, de l’Evaluation et des Statistiques* is an administrative department of the ministries in charge of social affairs, employment, labor, occupational training and social dialogue). [↑](#footnote-ref-5)
5. As of 2017, the annual social security ceiling is set at 39 228 €. [↑](#footnote-ref-6)
6. As of 2017, the total (direct or derived) pension benefits perceived by a widow over 65 cannot 2 559.73€ per quarter. [↑](#footnote-ref-7)
7. As of 2017, the purchase price of an ARRCO point is set at 16.1879€ and the (benefit) value of the ARRCO point is set at 1.2513€. The respective values for AGIRC points are 5.6306 € and 0.4352 €. [↑](#footnote-ref-8)
8. As of 2017, the annual flat contribution is set to 844.56 €. [↑](#footnote-ref-9)