

FRANCE



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	1 950
GDP per capita (USD)	44 550
Population (000s)	62 277
Labour force (000s)	28 415
Employment rate	92.6
Population over 65 (%)	16.7
Dependency ratio ¹	36.5

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Two-tier system with an earnings-related public pension and mandatory occupational schemes, based on a points system.
- The public scheme also has a minimum pension.

Private pensions: occupational (voluntary)

- Book reserve pension plans
- Plan d'épargne retraite collective (PERCO)
- *Institut de retraite supplémentaire* (IRS)
- Group insurance contracts for workers

Private pensions: personal (voluntary)

- Plan d'épargne retraite populaire (PERP)
- Assurance vie à dénouement en rentes viagères à titre onéreux

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

Asset type								
assets	ND	ND	90,500	89,000	89,000	110,200	116,000	
sets	ND	ND	40.28	44.83	44.83	51.45	50.78	
(protected and unprotected) assets	ND	ND	59.72	55.17	55.17	48.55	49.22	
ets	ND	ND	18,600	10,500	10,500	13,500	14,800	
Assets (as a % of Total investments)								
its	ND	ND	ND	ND	ND	ND	ND	ND
	ND	ND	ND	ND	ND	ND	ND	ND
ds issued by the public and private sector	ND	ND	ND	ND	ND	ND	ND	ND
	ND	ND	ND	ND	ND	ND	ND	ND
	ND	ND	ND	ND	ND	ND	ND	ND
gs	ND	ND	ND	ND	ND	ND	ND	ND
ts	ND	ND	ND	ND	ND	ND	ND	ND
and Benefits								
ns, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
ntributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
ntributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
s a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
(thousands of persons)¹								
ip	ND	ND	ND	3,488	4,352	4,728	ND	ND
membership	ND	ND	ND	ND	ND	ND	ND	ND
: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
membership	ND	ND	ND	ND	ND	ND	ND	ND
es	ND	ND	ND	ND	ND	ND	ND	ND
ion Funds/Plans								
funds	ND	ND	ND	ND	ND	ND	ND	ND
olans	ND	ND	ND	ND	ND	ND	ND	ND

to pension funds, pension insurance contracts (including PERP) and investment companies managed funds (PERCO).
 gures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time,
 person has a number of employments in the year.

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Global Pension Statistics

FRANCE: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Social security coverage is mandatory for all private sector employees (general scheme), with special schemes for 16 particular groups of employees (railway workers, agricultural workers, miners, public utilities workers etc.). All of these schemes are administered by the CNAV. There are separate schemes for civil servants and the self-employed. All systems operate on a PAYG basis and are funded by employer and employee contributions (8.3% and 6.65% of gross earnings, respectively).

Pension benefits (50% of reference salary) are based on average earnings, using adjusted earnings during the best 24 salary years (25 from 2008), with maximum monthly earnings for calculation purposes being €2,589 (2006). Full pension benefits are payable at age 60, with at least 160 quarters of coverage required under the general scheme (increasing to 164 in 2012). Benefits are prorated for shorter contribution periods. Minimum pension benefits amount to €6,840.51. Pension benefits are adjusted periodically for changes in the cost of living.

Pensioners can begin a new gainful activity immediately after receiving the pension, but must wait 6 months before resuming the same gainful activity undertaken before retirement. Pension benefits can be deferred, in which case his pension benefits will increase by 3% per year (61), 4% (62-64) and by 5% (65 and over). Partial "progressive" pension benefits are paid out if the insured continues to work at less than 80% of full-time employment after reaching the normal retirement age.

Limited pension benefits are paid at age 60 with at least one quarter of insurance coverage. Low-income pensioners (annual income below €7,223.45 for a single person, or below €12,652.36 for a couple) receive top-ups their pension benefits. Equally, those who do not qualify for public pension benefits receive a state pension.

Using OECD estimates, the gross replacement rate for public pensions for an average worker in France is 49.4% (65.0% net).

A public retirement reserve fund was created in 1999. It aims to make up deficits in the PAYG pension system between 2020 and 2040.

OCCUPATIONAL MANDATORY

Coverage

The ARRCO plan covers the majority of private-sector blue-collar workers, while pension provisions for most white-collar workers or employees in executive positions are governed by the AGIRC system.

Contributions

ARRCO: benefits are earned on 6% of earnings below the social security ceiling and on 16% of earnings up to three times the social security ceiling. The social security ceiling was EUR 32 184 in 2007.

AGIRC: benefits are earned on 6% of earnings below the ceiling of the general public pension scheme and on 16.24% of earnings up to eight times the social security ceiling.

Contributions are converted into pension points. The number of points credited is calculated by dividing the amount of contributions by the cost of a pension point, adjusted annually to reflect the average earnings of covered employees. On 1 April 2007 the cost of a pension point under the ARRCO provision was EUR 13.5091 and EUR 4.7125 for AGIRC. An ARRCO point was worth EUR 1.1480 and an AGIRC point EUR 0.4073. Pension point value is jointly adjusted each year by the AGIRC and ARRCO federations in line with retail prices. All points are then converted into a pension by multiplying them by the value of points at the time of retirement.

Benefits

Retirement age is 65. Full benefits are payable from the age of 60, as and when a member qualifies for a full pension under the public pay-as-you-go scheme. Pension benefits are generally paid out as annuities, though they can take the form of lump sums under certain circumstances.

Companies must also provide a retirement indemnity plan called *Indemnité de Fin de Carrière* (IFC). The IFC is defined benefit in nature.

Taxation

Employer and employee contributions to both ARRCO and AGIRC pension plans are tax-exempt. Benefits, however, are taxed as income.

OCCUPATIONAL VOLUNTARY

Coverage

Collective agreements determine the coverage of each PERCO scheme. In general, all employees who have been with a firm for over three months are covered.

Contributions

Employees can make contributions of up to 25% of their gross annual salary, which employers can match up to a ceiling of EUR 5 149 per year, or three times the employee contribution. Employer matches under PERCO are higher than those allowed under PEE plans. Employer contributions are compulsory, though no minimum level has been set.

Benefits

PERCO schemes can be either defined benefit or defined contribution in nature. Benefits are paid out as annuities or as lump sums. In contrast to PEE schemes, contributions to PERCO plans are locked-in until retirement, which is usually 60 years of age, although life events may entitle employees to withdraw their savings earlier.

Taxation

Employer contributions of up to EUR 4 600 are not considered part of an employee's taxable income. Employer top-ups of employees contributions are tax-exempt up to a ceiling EUR 2 300, though the portion between EUR 2 300 and EUR 4 600 is liable to an 8.2% employer's tax. Voluntary contributions made by employees are subject to income tax at standard levels, while investment income and retirement benefits are exempt from income tax and social security contributions.

PERSONAL VOLUNTARY

Coverage

Coverage is voluntary and does not depend on members' employment status.

Contributions

The frequency and level of contributions are set out in the pension insurance plan. Regular and one-off contributions can usually be made under PERP plans.

Benefits

PERPs are of the defined contribution type of pension savings plan. Benefits are usually paid out as annuities, though they may take the form of annuities if savings are used to purchase a primary residence. Benefits are locked in until the saver reaches retirement age, while the insurer must guarantee a progressively incremented minimum level of benefits over the course of the contract. As the saver approaches retirement, larger shares of assets are invested in safe investment categories – rising to 90% two years before retirement.

Fees

Management and switch fees may be payable if the terms of the pension insurance plan so provide.

Taxation

Contributions are tax-deductible up to a ceiling of 10% of the income from the previous year's employment or up to eight times the social security ceiling. Where benefits are paid out as a lump sum, they are subject to income tax, which may be made as a one-off payment or spread over five years if the saver so chooses. Where benefits are paid out as annuities, they are taxed at rates identical to those of annuities from the ARRCO/AGIRC system.

MARKET INFORMATION

Occupational mandatory

Pension institutions underlying the ARRCO and AGIRC federations are private, non-profit entities established by collective agreements with the aim of implementing either the ARRCO or AGIRC schemes but not both at the same time. All pension institutions must join the appropriate national federation of pension institutions, *i.e.* ARRCO or AGIRC, which are private not-for-profit institutions, whose prime function is to supervise pension institutions. The ARRCO plan has some 18 million active members and 10 million beneficiaries managed by 36 pension institutions. AGIRC has 3.6 million active members and 2.1 million beneficiaries served by 23 institutions.

Occupational voluntary

At the end of the first quarter 2008 there were 60 786 companies operating PERCO plans. By 2007 total assets managed as part of the PERCO plan were worth to EUR 1.39 billion (USD 2.05 billion).

Personal voluntary

Banks and insurance companies have offered PERPs since 2004. Surveillance committees supervise the implementation of each PERP contract and defend members' interests.

POTENTIAL REFORM

Public finances are affected by the ageing French society. In September 2007, president Sarkozy announced that pension reforms would be made before the end of the year. These would include the abolition of special public pension schemes by bringing them into the general public pension scheme.

REFERENCE INFORMATION

KEY LEGISLATION

2003: The Pension Reform Act 2003-775 of 21 August 2003 regulates PERCO and PERP plans.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Ministry of Labour: approves collective pension agreements establishing AGIRC and ARRCO schemes;

www.travail.gouv.fr/

The *Inspection Générale des Affaires Sociales* (General Inspectorate of Social Affairs) supervises the implementation of AGIRC and ARRCO;

www.cohesionsociale.gouv.fr/

Autorité de Contrôle des Assurances et des Mutuelles (Insurance Company and Mutual Fund Surveillance Authority): supervises the PERP plans;

www.ccamip.fr

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Ministry of Finance.

OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.

OECD Est. Gross Replacement Rate Mandatory Pensions, Average Earner 2009



