

Pension context and perspectives

France



I/ Longer-term consequences of the pandemic context

Financial impacts on pension schemes

— **Debt:** Deficit of 0.8% of the GdP in 2020.

- Net positive patrimonial situation of 3.9% of the GdP (6.4% in 2019).

— **In-out balance:** Increase in the funding needs of 13 B€ (4% of resources)

- Very limited impact on expenses in 2020.
- Excess mortality in 2020 reduced the number of beneficiaries by 0.4%.
- Regarding Préfon: level of contributions virtually unchanged.

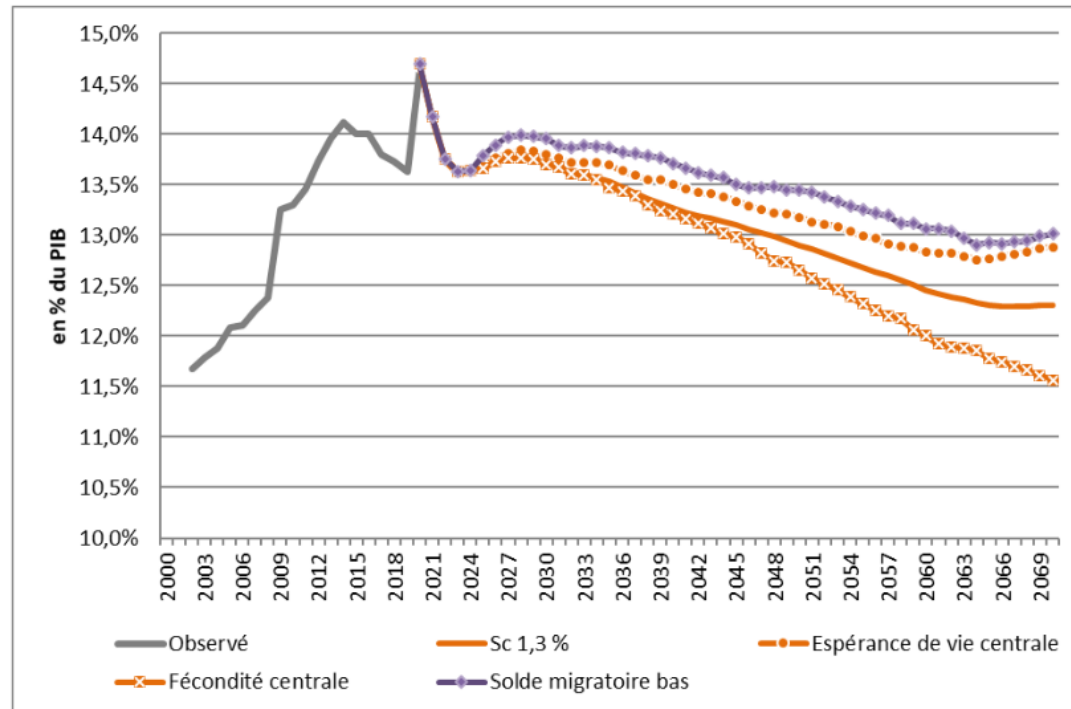
— **Reserves and provisions :** The total reserves in the pay-as-you-go mandatory system amount to 160 B€.

- -15% compared with 2019.
- Funded scheme amount for 2% of GdP
 - ✓ Coverage ratio of funded scheme RAFP went up by +7 points.
- Regarding Préfon: Increase in the market value of assets (18,2 B€, +5%) and liabilities (15,1 B€, +7%).

Structural and conjunctural factors

evolution of longevity: -4 month at 60/65 in 2020.

**Figure 2.18 – Sensibilité de la part des dépenses de retraite projetée dans le PIB
aux hypothèses démographiques**



Note : données hors charges financières, hors dotations et reprises sur provisions.

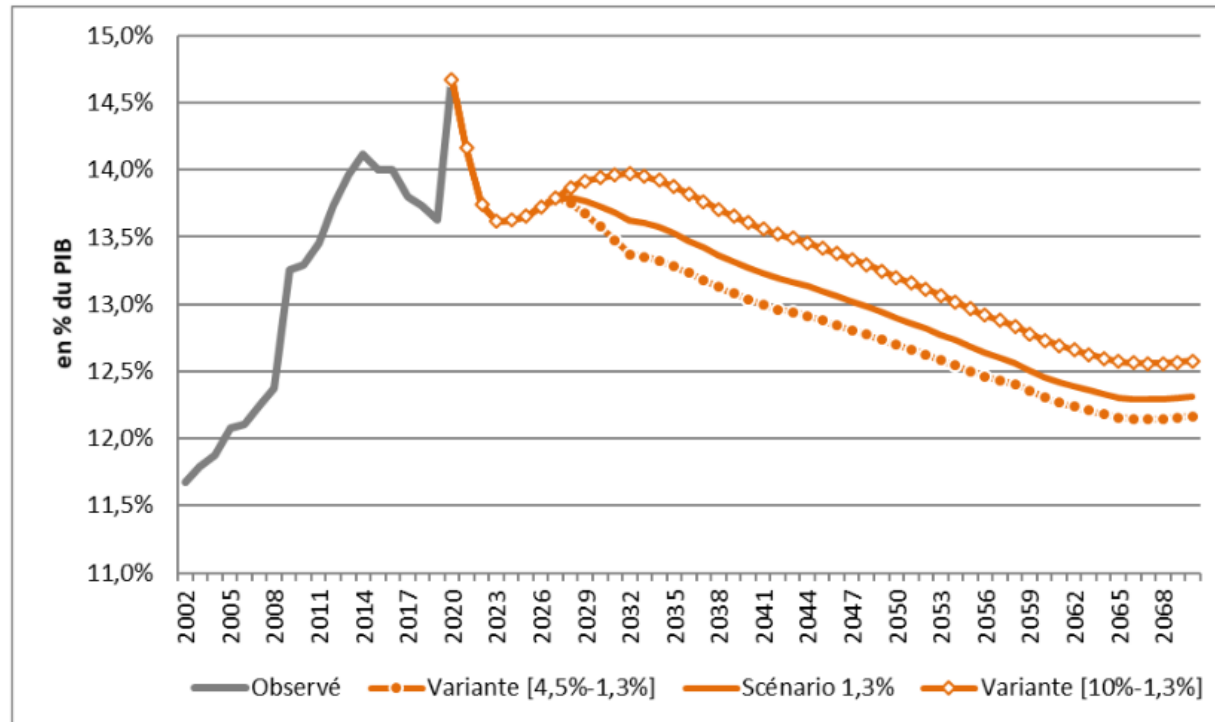
Champ : ensemble des régimes de retraite français légalement obligatoires, y compris FSV, hors RAFP.

Sources : rapports à la CCSS 2010-2020 ; projections COR – juin 2021.

Structural and conjunctural factors

evolution of unemployment:

**Figure 2.19 – Sensibilité de la part des dépenses de retraite projetée dans le PIB
à l'hypothèse de taux de chômage**



Note : données hors charges financières, hors dotations et reprises sur provisions.

Champ : ensemble des régimes de retraite français légalement obligatoires, y compris FSV, hors RAFP.

Sources : rapports à la CCSS 2010-2020 ; projections COR – juin 2021.

Impact of COVID-19 on pension accrual and pension adequacy

- ✓ Retired people are significantly less poor than the population as a whole.
 - 8.7% vs. 14.8% in 2018.

- ✓ According to Insee, the worsening in the financial situation of household is linked to the standard of living, not being retired and the sector of activity.
 - 6% of retired people declared the financial situation worsened.
 - 15% of French people as a whole, and 35% amongst the 10% poorer.



II/ Perspectives of pension reform

State of play for social partners

- Reticence or hostility of social partners towards a pension reform before the end of the mandate.
 - Unions that were opposed to Président Macron's reform do not want to appear participating in discussing rising the age of retirement.
 - Unions that were not against it in principle (CFDT, CFTC) and employers were open to working on senior employment.

- Social partners decided Agirc-Arrco pensions will be up 1% on November 1st.
 - That is 0.5 point under current inflation.
 - Following an agreement found during the summer, allowing to under-index increases in pensions by 0.5 (previously 0.2).
 - During the last 10 years, the average increase was around half the inflation.

☺ Projects put on hold during the crisis:

- Motives: Make pension rules transparent to individuals.
- Description: Create a universal system by points.
- Objectives: Unify all schemes, apply the same rules to all.
- Feasibility: Passed in Parliament right before the Covid crisis.

☺ New projects:

- Motives: Balance the pension system, fight old age poverty.
- Description: Postpone retirement age, create a 1000€ minimum pension, suppress special schemes.
- Objectives:
- Feasibility: Most probably to be debated during national elections.

Link with the EU and stakes at EU-level

- Président Macron's reform was presented in the public debate in France as a willingness to prove the government's responsibility towards the EU.
 - It was recommended by the European Council in 2019 in its opinion on France's program of stability.
 - Some politicians said it was a condition of the recovery plan.

- The government had repeated its aim of reforming pensions in its recovery and resilience plan to the European Commission.
 - Without mentioning a calendar.