

Pensions at a Glance 2023



France

France: Pension system in 2022

In the private sector, the pension system has two public mandatory components: a defined benefit public pension and an occupational points scheme. The defined benefit scheme includes means-tested minimum contributory pension (minimum contributif). In addition, there is a targeted minimum income for the elderly (ASPA).

Key indicators: France

		France	OECD
Average worker earnings (AW)	EUR	41 540	39 151
	USD	43 744	41 228
Public pension spending	% of GDP	13.4	7.7
Life expectancy	at birth	83.2	80.7
	at age 65	86.9	84.6
Population over age 65	% of working-age population	39.3	31.3

Qualifying conditions

A full-rate public pension, in the régime général, requires either both a minimum contributory record (41.75 years for people born in 1960) and the minimum legal pension age (62 years for people born in 1955 or later) or to be aged at least 67 (for people born in 1955 or later). The 2023 reform increases the minimum legal age by 3 months for each generation starting 1961 (born in September and later). For people born in 1968 and later, legal age is 64. The minimum contributory period is set to gradually increase from 165 quarters for people born in 1954 to 172 (43 years) for people born in 1965 or later.

The minimum contributory pension (minimum contributif) compensates the pension's level when the retiree reaches the legal conditions of the full-rate pension.

As the model assumes labour market entry at age 22 the long-term retirement age for a full pension in the defined benefit scheme is 65 with 172 quarters of contribution.

Benefit calculation

Earnings-related

The main public pension scheme (regime general) has a payment rate of 50% after a full career (the duration is increasing as described above). For each missing quarter, the pension is reduced by two means:

- the pension amount is reduced pro rata of the missing contributory period to reach the full contributory period (in the future 0.58% (=1/N) for one missing quarter – N being the number of quarters for a full career);
- in addition, the pension amount is reduced by 1.25% per missing quarter (or by 5% for each missing year) if the individual decides to retire before age 67; these rates (“décote”) concern people born from 1953.

The earnings reference is based on the average of the 25 best years, with past earnings valorised in line with price inflation.

There is a ceiling on eligible earnings, which in 2022 is EUR 41 136. Benefits in payment are indexed to prices.

Contributory minimum pension (“minimum contributif”)

There is an untargeted minimum pension in the “regime general” and in related schemes. To be eligible for the full benefit, 41.75 years of contributions (for people born in 1958 who can retire at the legal age of 62 in 2020) or being aged 67 years for people born in 1955 or later are needed (the minimum pension is pro-rated for shorter periods). In 2022, the monthly amount was EUR 652.60 between January and June and EUR 678.70 from July to December. When the pensioner has worked at least 120 quarters, these amounts were EUR 713.11, and EUR 741.63, respectively. The sum of the minimum contributif and pensions from other basic schemes cannot exceed a monthly ceiling of EUR 1 299.36. The value of the minimum pension is indexed to price inflation, with the rates from 1 January 2023 being EUR 686.13 increasing to EUR 747.57 with at least 120 quarters. Following the 2023 reform the minimum pension will increase by EUR 25 per month, with the increase being EUR 100 for those with at least 120 quarters. Following the 2023 reform, the contributory minimum benefit will increase in line with the minimum wage.

Mandatory occupational

The Agirc-Arrco scheme covers private and agricultural sector employees. Since 2019, all private and agriculture sector employees contribute to Agirc-Arrco up to an annual wage around EUR 329 000.

Benefits are earned with a 6.2% contribution under the ceiling of the main public scheme (regime general) and 17%, between one and eight times the ceiling (EUR 329 088 in 2022).

Each year, the number of points earned is the value of pensionable contributions divided by the cost of a pension point. At retirement, the accumulated number of points is converted into a pension benefit by multiplying them by the value of a pension point. The pension-point value is EUR 1.3498 in 2022. The pension-point cost was EUR 17.4316 for calendar year 2022.

Uprating of the cost and value of pension points is agreed between the social partners.

The modelling assumes that the pension cost is uprated with wages growth, and the point value will increase in line with prices in 2023, then wages – 1.16 p.p. until 2033 and 50% wages/ 50% prices thereafter.

In November 2023 the pension point was increased by 4.9%, with the new agreement from October 2023 indexes the point to price inflation – 0.4 p.p. from 2024 to 2026 and then to wages – 1.16 p.p. until 2036. These agreements were after the finalisation of results for this report and so have not been taken into account for the modelling.

Targeted minimum benefit (Allocation de solidarité aux personnes âgées, ASPA)

There is a means-tested minimum income benefit for people reaching 65 years old worth EUR 11 441.49 a year for a single person (EUR 17 762.96 for a couple) in 2022. Apart from the exceptional increases decided by the lawmaker in 2018, 2019 and 2020, this benefit is adjusted in line with prices. Full-career workers will rarely be eligible for the old-age assistance programme, since the mandatory occupational pension supplements the first-tier public pension.

The elderly can benefit from housing benefits (“aides au logement”). The eligibility criteria depend on the level of income, the cost of housing, the number of dependants and the place of residence.

Variant careers

Early retirement

The public pension amount is reduced by 1.25% per missing quarter (or by 5% for each missing year) if the individual decides to retire before age 67.

Under the occupational pension, early retirement is also possible, often subject to reductions related either to age of retirement or years of contributions. With less than the full contributory record, the pension is adjusted as shown in the table with the adjustment being that which is more favourable: that related to the retirement age or to the number of missing years. For retirement five years before the full pension retirement age, for example, the pension is reduced to 78% of the full value. However, if the individual retires missing only one year of contributions, the reduction is only to 96%. The pensioner who fulfils the conditions for early retirement without reductions in the main public pension scheme benefits also from full occupational pension.

Distance to full pension age, in years (increasing from 65 to 67)	5	4	3	2	1
Missing years to full contributory record	5	4	3	2	1
Coefficient	0.78	0.83	0.88	0.92	0.96

Late retirement

When people work after the minimum legal retirement age - or one year before if they have a bonus due to having children - and have reached the qualifying contributory conditions for a full pension (41.75 years for people born in 1958 who can retire at the legal age of 62 in 2020), each additional quarter subject to contributions increases the benefit under the public scheme by 1.25% (5% per year). For the period of deferred retirement, people continue to accumulate Agirc-Arrco points.

Work and pension receipt can be combined without limit when people have full rate pensions. If not, it is subject to some limits. From 2023, people will be able to leave a second time if they combine work and pension during some time. They will then receive a second pension, based on their contributions after the first retirement.

Childcare

For children born or adopted since 2010, a credit of four quarters is given to the mother for each of her children in the defined-benefit scheme, whether she continued to work or not during that time. Besides, a credit of four other quarters is given to one of the parents (or split between the two parents) for the education of each child. Parents who reach a full career at age 63 will receive a 1.25% increase per quarter they work between 63 and 64 years.

If they have raised three or more children for at least nine years before age 16, both parents can receive a 10% increase in final pension pay-out in the defined-benefit plan. Periods out-of-work or working part time caring for a child are also credited in the public and occupational pension schemes (Assurance Vieillesse des Parents au Foyer – AVPF). Credits are awarded as if the parent had earned the minimum wage. Three-year maximum applies to the first two children: credited periods are longer for subsequent children (qualifying conditions include entitlement to family benefits and earnings conditions). This credit can be cumulated with the two years (eight quarters) credited per child in the public scheme.

Unemployment

When unemployment benefits are received each completed 50 days of involuntary unemployment attributes one quarter of contributions, with a maximum of four quarters per year. These periods do not enter into the calculation of the average reference wage (salaire annuel moyen) based on the 25 best years of earnings and therefore not into the pension calculation.

There are also credits for periods of unemployment without unemployment payments. The first period of unemployment without payment is credited up to one and a half years. Subsequent periods of involuntary unemployment without unemployment payments are credited to a maximum of one year (five years at 55 and more) if this follows a period of unemployment with unemployment benefits.

In the mandatory occupational plans, periods of unemployment enable accumulation of pension points if the person had contributed to one of these plans before the beginning of unemployment. These points are calculated according to a “daily reference wage” (salaire journalier de référence) which is wages during the last 2 years, divided by the duration (including without work) between the first day worked and the last day worked.

Self-employed

There are many occupational schemes for the self-employed. Around the average wage, most self-employed workers pay the pension contribution rate of 24.75% compared to 27.84% paid by employees and the occupational pension entitlements are reduced proportionally. The contribution base is the income from the self-employed activity after deducting social security contributions.

Personal income tax and social security contributions

Taxation of pensioners

- People of 65 years and older benefits a special allowance on the net global income, if their income doesn't exceed a ceiling. People aged 65 years and older benefit from a special allowance on their net global income, if their income doesn't exceed a ceiling. When the net global income doesn't exceed EUR 16 410, allowance is:
 - EUR 2 620, for a person alone, or in a couple when only one member is older than 65 or disabled.
 - EUR 5 240 for a couple when both members satisfy the condition.
- When the net global income is between EUR 16 410 and EUR 26 400, allowance is:
 - EUR 1 310, for a person alone, or in a couple when only one member is older than 65 or disabled.
 - EUR 2 620 for a couple when both members satisfy the condition.

Taxation of pension income

As a replacement for the 10% business expenses exemption applied to the taxable income, there is a specific allowance of 10% of 2022 taxable pensions, with a minimum of EUR 422 per pensioner and a ceiling of EUR 4 123 per household. ASPA is exempted from personal income tax.

Social security contributions paid by pensioners

Older people are not liable for standard social security contributions. However, they pay the general social contribution (CSG, contribution sociale généralisée), the contribution to the reimbursement of social debt (CRDS, contribution pour le remboursement de la dette sociale), the CASA (contribution additionnelle de solidarité pour l'autonomie) and a social security contribution (illness) on mandatory occupational pensions. However, people with low global income are exempted from those contributions.

The CSG on pensions is progressive. There are 4 tax rates in 2022 (0%, 3.8%, 6.6% and 8.3%):

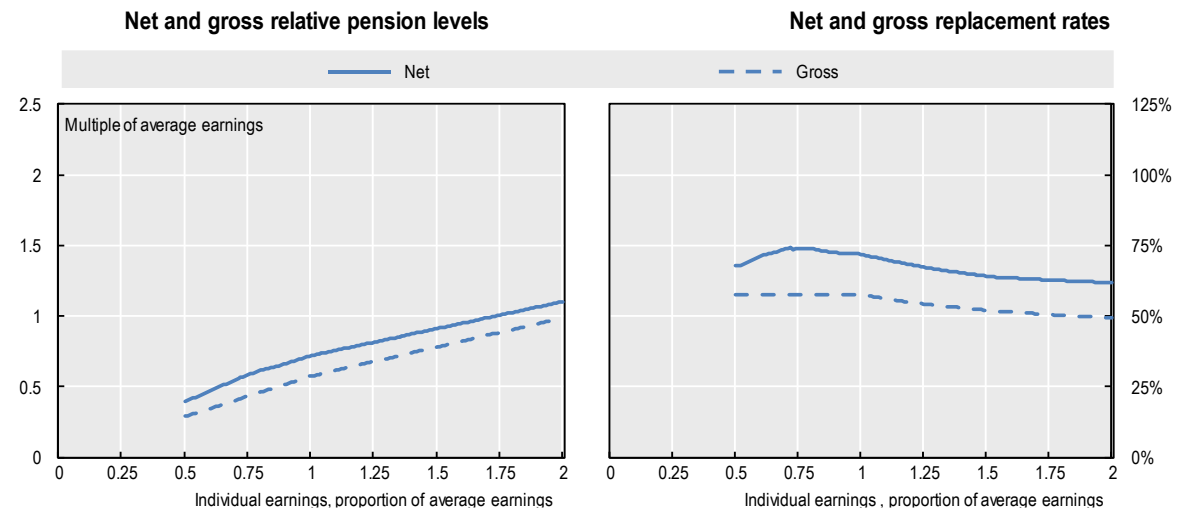
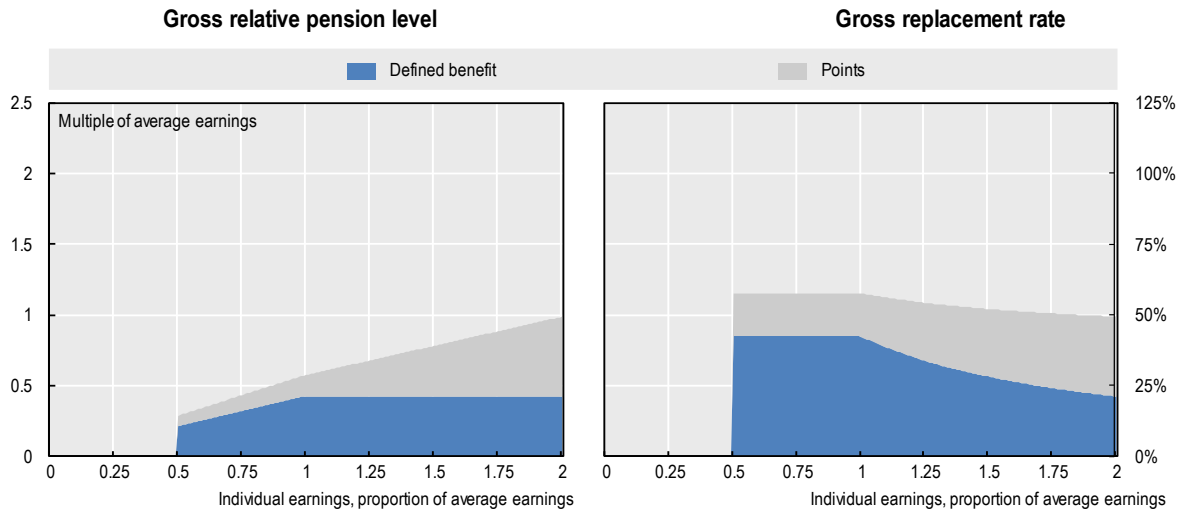
- Pensions of pension earners whose total income is below a first threshold are exempted from CSG, CRDS and CASA. This first threshold is around EUR 11 615 for a household of one person, and EUR 17 817 for a two-person household;
- Pensions of pension earners whose total income is above the first threshold but below a second one are subject to the CSG at the 3.8% rate. This second threshold is around EUR 15 184 for a household of one person, and EUR 23 292 for a two-person household;
- Pensions of pension earners whose total income is above the second threshold but below a third one are subject to the CSG at the 6.6% rate. This second threshold is around EUR 23 564 for a household of one person, and EUR 36 144 for a two-person household;
- Pensions of pension earners whose total income is above the third threshold are subject to the CSG at the 8.3% rate.

Pension earners who are not exempted from the CSG are subject to the CRDS, at the 0.5% rate.

Pension earners whose CSG rate is 6.6% or 8.3% are subject to the :

- 0.3% CASA (contribution additionnelle de solidarité pour l'autonomie) from 1 April 2013;
- 1% social security contribution (illness) applies to mandatory occupational pensions.

Pension modelling results: France in 2065 retirement at age 65



Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	28.9	43.3	57.6	78.2	98.7	139.9
Net relative pension level (% net average earnings)	39.3	58.2	71.9	91.1	110.3	146.3
Gross replacement rate (% individual gross earnings)	57.7	57.7	57.6	52.1	49.4	46.6
Net replacement rate (% individual net earnings)	67.7	73.7	71.9	64.1	61.8	59.1
Gross pension wealth (multiple of individual gross earnings)	10.6	10.6	10.5	9.5	9.0	8.5
Net pension wealth (multiple of individual net earnings)	12.4	13.5	13.1	11.7	11.3	10.8

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.