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Global Pension Reform Spotlight: France

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Introduction by Josh Bank

Effective Jan. 1, 2019, France’s two major national supplementary (tier II occupational) pension programs, AGIRC and ARRCO, were merged, resulting in the new (name guesses anyone?) AGIRC-ARRCO retirement program for private sector salaried employees and their managers.

Previously, the supplementary pension program was divided into two distinct plans: the ARRCO plan for non-management employees and the AGIRC plan for executives (the latter also contributing to ARRCO). Supplementary pension contributions are deducted from wages. They are then counted as points. Before the reform, the values of the AGIRC and ARRCO points were different. From now on, the system switches to a single point pension system, with a single AGIRC-ARRCO point value and a single point count for each employee. As of 2019, the supplementary pension contributions are spread over two salary brackets for all employees (whether managers or non-managers). The first salary bracket is equal to the social security ceiling. The second salary bracket is between this ceiling and eight times the same ceiling. Contributions are funded 60 percent by the employer and 40 percent by the employees.

The detailed terms of the pre- and post-merger plans are beyond the scope of this article. You can Google (right, again!) “AGIRC-ARRCO” for brief summaries by some of our larger consulting firms and other interested parties. Our purpose is to expose you, as well as we can as fellow amateur global politics nonprofessionals, to the sort of language (and implied strategies) used in select countries to move pension reform legislation through (or past) the general population. It is noteworthy that these changes to the AGIRC-ARRCO plan were able to go through parliament without major demonstrations.

The following is a combined Texan and Québécois effort to convey in translated form how another OECD government is trying to avert the oncoming old age financial crisis that the World Bank described in 1994—the year they published their seminal “*Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*” (available from Oxford University Press, but probably free, in pre-read form, on the World Bank’s website.)



AGIRC-ARRCO PREAMBLE¹

The Principles that Underlie the Supplementary Pension

Considering the National Interprofessional Agreement of Oct. 30, 2015, relating to supplementary retirements AGIRC-ARRCO-AGFF (*Association Générale des Institutions de Retraite des Cadres, Association pour le Régime de Retraite Complémentaire des salariés* and *L’Association pour la Gestion de Fonds de Financement*, respectively) which foresees the completion of a National Interprofessional Agreement to establish, on Jan. 1, 2019, a joint supplementary retirement plan, named AGIRC-ARRCO, recapturing the entirety of rights and obligations of the AGIRC and ARRCO plans established, respectively, by the National Collective Agreement on Executive Retirement Plan of March 14, 1947, and the National Interprofessional Supplementary Retirement Agreement of Dec. 8, 1961.

The AGIRC-ARRCO supplementary retirement plan, which is under the responsibility of employers and salaried employee organizations at the national and interprofessional levels, is founded on principles of contributory, transparency, and solidarity, and relies on the following considerations.

The retirement plan operates on a pay-as-you-go basis and on points. It is based on interprofessional and intergenerational solidarity, so that active employee contributions each year finance the payment of retiree pensions as well as setting aside reserves



that allow demographic trends and economic uncertainties to be faced head-on.

These reserves are managed in a socially responsible manner, subject to the imperatives of profitability, security, liquidity and performance expected of the funds. In particular, environmental, social and governance criteria will be taken into account in setting the plan's funding policy.

The supplementary retirement plan follows a constraint of overall financial equilibrium, implying multiannual planning that is tied to the monitoring of the plan's obligations.

This multiannual management, based on explicit objectives and relevant indicators, ensures the sustainability of supplementary pensions.

It takes into account imperatives linked to:

- The fundamental principles of supplementary retirement and the implementation features notably tied to the functional parameters and the requirement of a sufficient level of reserves.
- The external environment to supplementary retirement, notably developments, both demographic (increase in life

expectancy ...) and economic (economic growth, unemployment rate, inflation ...).

The plan relies on efficient management that controls costs while guaranteeing the best service quality to salaried and retired participants as well as participating employers.

The AGIRC-ARRCO plan fulfills a mission of general interest.

Its governance and management, entrusted to employers and salaried employee organizations at the national and inter-professional levels, are operated under general principles of transparency, effectiveness of service rendered and male-female parity as defined and adapted by the National Interprofessional Agreement of Feb. 17, 2012, on the modernization of gender parity. Moreover, in order to avoid all conflicts of interest, appropriate measures are defined in statutes of the joint management organizations of the plan.

Article 1. Supplementary Retirement Plan for Salaried Employees

A supplementary retirement plan, known as AGIRC-ARRCO, established by the accompanying National Interprofessional Agreement, is effective from Jan. 1, 2019, for the benefit of salaried employees who are mandatorily covered by the general social security plan's old age insurance or by agricultural

or salaried retirees social insurance, in accordance with article L.921-4 of the Social Security Code.

Regulation of the current plan is defined from chapters I to VII. This plan is implemented by a Federation along with supplementary retirement institutions as defined in chapter IX.

The AGIRC-ARRCO Federation is the result of the merger, on Jan. 1, 2019, between the AGIRC and ARRCO Federations, in accordance with the arrangements in article L. 921-4 of the Social Security Code.

Within the framework of a merger, the Federation with the smaller population of participants and members delivers the entirety of its goods, rights and obligations, assets and liabilities as of Dec. 31, 2018, without exception or reservation, to the Federation with the larger population of participants and members. The stipulations covering these operations are the object of an agreement between the Federations concerned.

The present agreement is effective for an undetermined period. It puts in place an interpretive joint commission defined in section 1 of Chapter IX.

Article 2. Former Agreements

The current agreement revises the Executive Retirement Plan of March 14, 1947, and its amendments and the National Interprofessional Supplementary Retirement Agreement of Dec. 8, 1961, and its amendments, effective on Jan. 1, 2019; it enforces the term of the National Interprofessional Agreement of Feb. 10, 2001, creating the Association for management of the Finance Fund of AGIRC and ARRCO (AGFF) on Dec. 31, 2018, and brings to an end the structural finance Association created by the agreement of Feb. 4, 1983. The AGIRC-ARRCO federation mentioned in the preceding article assumes the rights and obligations of these two associations.

Article 3. Amendment of the Agreement

Amendment of the present agreement is called for if some revision of legislation or regulation comes to modify, simultaneously and for the same purpose, employer obligations or salaried employees' benefits.

Article 4. Agreement Membership

Those national and interprofessional organizations who, by their characteristics are eligible but who are not presently signatories of the agreement, may join at any time.

Said membership, which cannot be predicated on any condition or reservation, is reported by the new member organization to the signatories via registered letter. It is valid starting on the day following notice to the General Work Directorate and to the Registry of the Prud'hommes Council of Paris, (Greffe du Conseil des Prud'hommes de Paris), in the conditions provided for by law.

The organizations of employers and salaried employees at the national and interprofessional level who join the present accord participate in plan management as defined in Chapter IX, at the same level as signatory organizations. ■



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ENDNOTE

- 1 Preamble to the "Nov. 17, 2017, National Interprofessional Agreement establishing the AGIRC-ARRCO supplementary retirement plan" (Accord National Interprofessionnel du 17 novembre instituant le régime AGIRC-ARRCO de retraite complémentaire)



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