

## LAW &amp; POLICY GROUP

**GRIST****FRANCE DETAILS 'LOI PACTE' PENSION REFORMS**

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Two French ordinances clarify details about the defined contribution (DC) and defined benefit (DB) reforms included in the Action Plan for Business Growth and Transformation or "Loi PACTE," enacted in 2018.

**HIGHLIGHTS**

The measures include key changes impacting DC and DB schemes.

**DC Plans**

New DC plans will become available in October 2019, and the new framework likely will replace the different DC schemes from 1 Jan 2020. Employers' contributions ("forfait social") will decrease from 20% to 16%, with the aim of encouraging more employers to adopt the new plans. [Ordinance 2019-766](#) (French) clarifies that employers will have to choose between two types of DC plans:

- One plan will be reserved for certain categories of employee and will succeed the current collective and mandatory enterprise contracts ([article 83](#)).
- The other will be open to all employees and will succeed the current collective retirement savings plans (PERCO).

While each plan will have its own features, similar conditions will apply to both, which will form the basis for the new retirement savings plans ("PER"). Features will include:

- Compulsory contributions, payments from payroll savings and tax-exempt voluntary employee contributions
- Generalized approach to the plan's financial management
- Retiree choice of lump sum and/or annuity payments
- Ability to rollover accrued benefits between individual and group or between new and old plans

### **DB Plans**

[Ordinance 2019-697](#) (French) includes measures to increase the portability of DB supplementary pension plans that aim to implement the EU directive on pension portability. The law also establishes a new framework for DB pension plans. Highlights include:

- The tax on employers' contributions has increased to 29.7%, up from 24% for contributions to old DB pension plans
- To receive DB plan benefits, individuals no longer have to remain employed by the company at the time of retirement. This allows employees to transfer accrued pension rights to another supplementary plan with a new employer.
- Individual's annual supplemental rights cannot exceed 3% of the annual reference wage, with the total pension benefit capped at 30% of wages (calculated across all the individual's employers)
- A performance condition applies to certain corporate officers and employees earning more than eight times the French annual social security ceiling.

Employers need to review their current DB pension plans for compliance with the new measures. DB pensions plans that closed to new members before 20 May 2014 can continue to accrue benefits, but current DB pension plans cannot add new beneficiaries after 3 Jul 2019 or allow new supplemental benefits to accrue for employment after 1 Jan 2020.

### **RELATED RESOURCES**

#### **Non-Mercer Resources**

- [Ordinance 2019-766](#) (French) (Legifrance, 25 Jul 2019)
- [Ordinance 2019-697](#) (French) (Legifrance, 4 Jul 2019)
- [Loi PACTE](#) (French) (Legifrance, 23 May 2019)

#### **Mercer Law & Policy Resources**

- [France: New 'Loi PACTE' Boosts Savings Schemes, Reforms Pensions](#) (6 Jun 2019)

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