



France: Guidance issued on new supplementary DB pensions

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A government circular (L137-11-2) provides further details about the contractual terms applicable to the new supplementary defined benefit (DB) pension schemes, effective 23 Dec 2020. The circular follows publication of a 3 Jul 2019 ordinance that reformed the former “Article 39” DB pension plans. The reforms required that existing “Article 39” plans (those which closed after 20 May 2014 or which remained open) close to new entrants from 4 Jul 2019 and to freeze future accruals from 1 Jan 2020.

Highlights

- Employers have more time to validate 2020 pension rights subject to insurance contracts and scheme rules signed by 31 Dec 2021. An exception is provided for contracts that do not include performance criteria.
- A method for calculating the pension rights of expatriate employees is included.
- The rules for factoring in bonus payments are clarified — they will be included in the year of their payment, not in the year they were awarded.
- Further details concerning minimum pension rights and the annual and cumulative caps are included.
- New DB schemes must be insurance-based — either by ensuring that acquired pension rights are based on deferred life annuities (this means that under certain conditions, employers are no longer subject to accounting requirements) — or by guaranteeing minimum pension rights of 80% or more for contracts that do not include a deferred life annuity (this means that employers will be subject to accounting requirements).
- Members of DB schemes that include acquired rights will have more freedom to designate their beneficiaries.

Related resources

Non-Mercer resource

[Government Circular \(L137-11-2\) \(French\)](#) (French government, 23 Dec 2020)

Mercer Law & Policy resources

- [France details 'Loi Pacte' pension reforms](#) (10 Sep 2019)
- [France: New 'Loi PACTE' boosts savings schemes, reforms pensions](#) (6 Jun 2019)

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