

## COMPLEMENTARY RETIREMENT PLAN

\*

The current variety of mandatory and optional pension plans is best explained by their history.

The former social security system did not cover employees whose remuneration was more than a specified ceiling and therefore cadres were excluded. This led certain enterprises and professional sectors to organise separate cadre benefit programmes through their collective conventions.

When the social security system was expanded in 1945 to include all employees, the rationale behind these separate cadre institutions subsisted, since social security benefits were fixed at a relatively low level because salary was only considered up to the social security ceiling. This low level of benefits relative to actual salary was especially acute with the respect of old age benefits.

In 1947, the CNPF (enterprises Union – to day called MEDEF) and unions representing cadres negotiated a collective convention establishing a separate cadre pension and benefit system based on salary above the social security ceiling up to a certain maximum limit. This complementary cadre system was made mandatory by a decree extending the collective convention to all cadres in business sectors within the CNPF's professional scope.

As for non cadres, specific complementary system covering all employees (cadres and non cadres) were negotiated on an enterprise or sector basis until the MEDEF and worker representative created the UNIRS as a mandatory inter professional co ordination institution

The law of 29 December 1972 extended mandatory complementary system coverage to all employees covered by the general social security system.

### Current situation :

Two different categories of mandatory complementary benefits system now exist:

- the cadre system, generally organised under the auspices of MEDEF and unions representing cadres, to which cadres contribute on salary above the social security ceiling.
- 
- the general employee system rendered mandatory by the 1972 law, to which non cadres contributes based on salary up to three times the social security ceiling and to which cadre contribute on salary up to the social security ceiling.
- 

Both of these systems are composed of a number of quasi private benefit funds under the joint control and supervision of the Administration and special co-ordinating institutions.

### Complementary plan for Cadres :

The complementary cadre benefit system comprises three separate levels :

-a mandatory complementary old age retirement system, which is a redistribution system, one year's contributions being redistributed to qualified pensioners based on a point system.

-a mandatory complementary death benefits system financed exclusively by employers based on salary below the social security ceiling

-an optional system of benefits complementing both system mentioned above.

For cadres, these systems are in addition to the general complementary system.

Additional retirement pension and other benefits are provided by about sixty individual funds associated with a co-ordinating group AGIRC (Association générale des institutions de Retraite des Cadres).

AGIRC establishes general rules for these funding institutions operations and insure their benefits.

The 1947 Interprofessional Accord, as extended by decree, makes the complementary system fully applicable to enterprises whose activity is represented by the MEDEF. The law of 29 December 1972 extends the benefits of the same or similar system to all employees subject to the general social security system. Therefore, in general, the complementary cadre plans cover engineers and cadres working in metropolitan France for most enterprises, with exception of banks and enterprises with a special complementary system.

### Territoriality :

Foreign enterprises must register their cadres working in France, unless exempt under EEC regulations.

In addition to the possibility to elect to pay more than the minimum required, enterprises can adopt additional coverage of their employees medical disability and death risks by choosing a plan offered by a variety of insurers and institutions. These enterprises can freely decide which risk to cover.

The complementary, cadre, old age retirement pension system may normally be liquidated at 65 years of age. An agreement signed 4<sup>th</sup> February 1983 lower this age to harmonize it with the retirement age of the general social security system i.e between 60 and 65 depending on quarters of adherence. The amount of the annual pension itself is based on the number of points accumulated during the person's working career and the annual point value. The value of each retirement point is set each year by administrative board of retirement system.

The liquidation of the pension is made through mailing a letter to the last employer or directly to the funding institution. No residency or nationality requirement are imposed.

### **Aéro Multi Services**

9, rue de l'Echelle - 75001 Paris

Tél. : +33 1 42 86 83 53

Fax : +33 1 42 86 83 52

[www.gestion-de-la-paie.com](http://www.gestion-de-la-paie.com)

[www.french-payroll-administration.com](http://www.french-payroll-administration.com)

#### Complementary plan for all employees :

As mentioned above, since 1972, adherence to a supplementary pension fund is mandatory for all enterprises whose employees are obligatorily registered with the general social security pension system. Such a supplementary system was already required by a 1961 Interprofessional Accord negotiated between the MEDEF and workers unions, and the system was already in an advance stage of development upon creation in 1957 of a coordinating institution for the various funds, the UNIRS (Union Nationale des Institutions de Retraites des Salariés).

Currently, the UNIRS system is the largest of the 43 pension systems grouping the 125 individual funds. The ensemble is managed by a central institution ARRCO (Association des Régimes de Retraite Complémentaire).

Since the Accord of 6 June 1973, all cadres must contribute to a supplemental retirement system limited to the social security ceiling.

The 1961 Accord made the adherence to UNIRS mandatory for all enterprises created after the Accord's effective date.

The system insures all non cadre employees covered by the general social security system. In general this means employees working in France, but the 1961 Accord extended mandatory coverage to personnel temporarily assigned abroad and French workers in foreign branches or subsidiaries of covered enterprises.

#### Contributions :

The UNIRS plan is funded by a contribution based on salary as defined for employer's payroll tax purposes. Non-cadres contribute on salary up to three times the social security ceiling, cadres on only the social security ceiling.

Benefits :

The UNIRS is a redistribution pension plan; annual pension benefits depend on the number of points accumulated and on that year's contribution to the system.

The normal retirement age is 65, but an agreement of 1 April 1983 made early retirement possible consistent with the retirement age under the general social security system.