

## FRANCE - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Between July 2011 and 2018, the minimum age for retirement benefits will increase from age 60 to age 62. The age for a full pension will increase from age 65 to age 67. A full retirement pension requires 162 quarters of contributions, increasing to 166 by 2020. The full pension is 50% of average earnings over the best 25 years, up to a maximum of 50% of the social security ceiling (EUR 2,945 a month in 2011). In addition, a career-average pension is provided from compulsory complementary pay-as-you-go pension plans for non-executives (ARRCO) and executives (AGIRC). The total pension is typically around 60%-65% for non-executives and 50% for executives. Survivors' and disability benefits are also provided. Employees are entitled to the reimbursement of up to 100% of medical expenses, based on an annual tariff of costs and depending on the type of treatment received. Some drugs are only partly reimbursed.
Typical New Pension Plan	Retirement benefits from private plans may be provided on a defined contribution basis under Article 83 of the Tax Code, or under a PERCO collective savings plan which provides for long-term savings until retirement. Defined benefits under Article 39 of the Tax Code may be provided for top executives, provided that defined contribution or savings plans are offered to all employees. Insured death, survivors' and disability benefits may be provided under a collective agreement. Medical insurance is often provided to reimburse the costs not covered by the state benefits.
Typical Costs	Contributions for each benefit vary according to employment category. The main contributions for state retirement benefits are 8.30% by employers and 6.65% by employees on earnings up to the social security ceiling, plus 1.6% of total earnings by employers and 0.1% by employees for a survivor allowance. In addition, employers pay 18.5% for other social security benefits and employees pay 0.75% for life benefits, sickness, maternity and family indemnities. Contributions to the compulsory pay-as-you-go plan for non-executives are around 12% by employers and 8% by employees, and for executives are around 14% by employers and 7% by employees on covered earnings.
Tax Implications	Employee contributions to state and complementary benefits are tax deductible. In Article 83 defined contribution plans employers' contributions are not subject to corporate taxes and employees' mandatory contributions are tax deductible up to 8% of earnings, with an earnings limit of eight times the social security ceiling. Lump sum death benefits are tax free. Pensions are taxable. Under PERCO savings plans, lump sum benefits are tax free and pensions are taxed at a reduced rate. There are separate taxes for supplementary "top hat" (retraite chapeau) pension plans.
Labour Law Issues	Vesting is regulated by tax and social laws. In defined contribution plans, benefits vest immediately. In defined benefit plans, benefits vest at career end.
Pooling Potential	Pooling potential is limited under the present system of retirement plans. There is potential for pooling insured benefits.
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are permitted in consolidated statements but are prohibited in separate statements.
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