IS THERE STILL A STATE PENSION AGE?

For the last 25 years there has been a succession of pension reforms aimed at absorbing present and future deficits. Relentless demographic change has continually increased the imbalance between pensioners and contributors. The State has attempted to juggle with the three variables on hand: contributions, pensions and retirement age. The third parameter is not the most simple to adjust: pushing back retirement age is, to say the least, unpopular. It is perhaps to avoid meeting the issue head-on that progressive or incentive measures have been put in place that have made retirement age totally random, even unpredictable. Read on.

An adjustable State pension qualifying age

Under the reforms in 2010 steered by Eric Woerth, the retirement age was gradually increased to 62. This is the minimum age for employees to take retirement. At 67, whatever the employee's track record, he/she qualifies for full pension.

In between these two markers, there is the crucial question of how long contributions need to be paid. This was changed in 2013 by the Ayrault reform. Currently, to qualify for full pension, contributions are required for a total of 166 quarters for employees born in 1955. This figure then rises gradually up to 172 quarters, i.e. 43 years, for generations born in 1973 and after. Taking into account the average age when starting work, which is 22 years and 7 months, we are therefore moving towards retiring at over 65 ... except that everyone has the possibility of retiring before that and taking a cut in lifetime pension of 1.25% for each quarter without contributions. For example, taking retirement two years before the full pension qualifying age means giving up 10% of one's pension.

A layer of complexity that also involves second pillar schemes

The system also applies to the A and B tranches of the Arrco and Agirc complementary schemes. A coefficient is applied so as to reduce pensions in proportion to the number of quarters not contributed. An employee loses 4% of his/her pension if 4 quarters are missing and 8% if taking retirement two years early.

There is the added complication that, in 2015, the social partners agreed on a bonus / malus (penalty) system intended to encourage employees to work longer. Beginning in 2019, an employee aged 64 who qualifies for full pension would find his/her pension reduced by 10% for the first three years. However if he/she waits until age 66 before retiring then an increase would apply in the first year. But, taking early retirement at 63 would not attract the provisional “malus”, instead, a discount would be applied to both first and second pillar lifetime pensions.

Is it safe not to take pension advice?

In the face of such levels of complexity, it is a hard job to assess one’s likely pension income. A pension forecast drawn up by a specialist helps you see things much more clearly. Unfortunately, the people who take such advice are usually well over 50 and can then only rely in tactical moves. In fact, it is much earlier, around 40, that strategic decisions enable one to better prepare for the later years, intelligently and efficiently, using property, savings and additional pension schemes, etc.