Cour des comptes

PRESS RELEASE

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Communication to the Prime Minister

FINANCIAL SITUATION AND OUTLOOK FOR THE PENSION SYSTEM

Following his general policy speech to the National Assembly on 14 January, the Prime Minister entrusted the Court with a "flash mission" on the financial situation and outlook for the pensions system. The report is due on 20 February. According to the letter of assignment sent to the Court on 20 January, this report is intended to serve as an indisputable basis for the permanent delegation of social partners, which will then be tasked with proposing solutions to improve the pensions system, with the aim of achieving fairness and financial equilibrium. Once the report has been submitted, the social partners will have three months to reach an agreement. While this ground-breaking report is aimed at the social partners, it is also intended for the general public, to provide them with the clearest possible view of this complex subject based on objective findings and objective figures.

In 2023, the pension system was slightly in surplus, but the situation varied from one scheme to another

While the financial equilibrium of the pension system deteriorated between 2002 and 2010, it has since been gradually restored, despite the arrival at retirement age of many baby-boomers. In 2023, the pension system had a surplus of €8.5bn, which can be explained by two main factors. Firstly, the numerous reforms introduced since 2003 have meant that, between 2010 and 2023, the actual age at which working people retire has been pushed back by two years and two months. Secondly, the acceleration in inflation, which has had a faster impact on revenues than on pension expenditures, temporarily improved the financial situation by €4bn in 2023 and worsened the situation in 2024 by the same amount.

Six groups of pension schemes have been identified by the Court, with very different financial situations. The general scheme and the scheme for agricultural workers are in a precarious financial situation and are the main challenge for the financial equilibrium of the system. Although the deficit of these two schemes and the *fonds de solidarité vieillesse* (Old Age Solidarity Fund - FSV) was small in 2023 (€0.2bn), it will increase from 2024 onwards. The pension fund for civil servants at local authorities and hospitals is already in a critical situation, with a deficit of €2.5 billion in 2023. Other schemes benefit from a more favourable situation, such as those for the liberal professions and lawyers, or the compulsory supplementary schemes. The total surplus of the latter reached €9.9bn in 2023.

A clear deterioration in the financial situation both currently and for a 2045 horizon, despite the 2023 reform

The Court has examined the projected balance of the pension system up to 2045, as the uncertainties beyond this date become too great. The outlook is worrying, despite the 2023 reform. By 2025, the deficit (all schemes combined) is expected to reach €6.6bn. It should stabilise at around this level until around 2030, thanks in particular to the ramp-up of the 2023 reform. The deficit is then expected to deteriorate steadily, reaching almost €15bn (excluding

inflation) in 2035 and around €30bn in 2045. The labour productivity growth assumption adopted does not have a significant influence on the projections: there is less than €1bn difference between the two scenarios in 2035 and around €7bn in 2045.
The Court has examined the future effects of the latest pension reforms, in particular those of 2023. They should make it possible to significantly reduce the actual age at which working people retire. As a result, the number of pensioners should fall, improving the balance of the system. With regard to the 2023 reform, the effects on the financial equilibrium of the pension system alone, all schemes combined, have been estimated at around €10bn by 2030, before diminishing. Future deficits would be correspondingly higher in the absence of the reform. The 2023 reform would also have a positive effect on other general government revenues, comparable in scale to the effect on the pension system by 2030, but this would also diminish over time.
Finally, the average length of time spent in retirement, after a phase of decline, would return to the pre-reform level, thanks to gains in life expectancy. Pensions and living conditions for retirees will be better (excluding inflation) in 2045 than in 2023, despite a widening gap with incomes received by working people.

The main levers for reform and their effects on the financial equilibrium of the mandatory pension system

The intergenerational solidarity of a pay-as-you-go system means that it must be financially balanced over the long term. The Court presents a review of the main levers available to the public authorities and analyses their effects on the financial equilibrium of the pension system. To this end, it has chosen to examine four levers with a direct budgetary impact on the system: the age of entitlement, the length of insurance required, the contribution rate and the indexation of pensions. Upward and downward variations in these various levers have been carried out and their effects estimated for the year 2035. Bringing forward the age of entitlement by one year (from 64 to 63) would represent additional expenditure for the pension system of €5.8 billion in 2035. Raising the retirement age by one year (from 64 to 65) would bring in up to €8.4 billion. Reducing the required insurance period by one year (from 43 to 42 years) would cost the pension system €3.9 billion in 2035, while increasing it (from 43 to 44 years) would bring in €5.2 billion. A one-point increase in the contribution rate would generate additional revenue of between €4.8 billion and €7.6 billion, depending on the method used. Finally, under-indexing pensions by one point on the basis of projected pension expenditures in 2025 would represent a saving of €2.9bn in that year.

Read the report

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