

Brief

Prepared by the General Secretariat of the Council, under the direction of the President of the COR

Rationale: The pensions of former civil servants contributing to the State civil service scheme or to the CNRACL currently represent around a quarter of the pensions paid by all of the mandatory French pension schemes. They should only be a fifth in 2070, due to the combined effects of the moderation in the remuneration of civil servants and a slowdown in the increase in the number of retirees.

The specific rules for calculating civil service pensions regularly fuel the suspicion that civil servants are favored, in spite of numerous past studies, in particular by the COR. In this respect, this dossier offers an inventory of the situation of public service retirees and their schemes in France and abroad. It also reviews the effect of the application of private pension rules to civil servants and finally proposes an evaluation of the pension returns within the civil service, comparing all the contributions paid and all the pensions received.

I. Pensions in the public service

- **What are the specific rules for calculating pensions to the civil service?** (document no. 2) The affiliation schemes for civil servants (FPE, CNRACL, or CNAV and Ircantec) differ according to their status, the side of the civil service to which they belong and their weekly working time. Following the 2003 reform, whose effects can be analysed in particular on the flow of new retirees (document no. 6), the conditions for retirement are identical between private sector employees and sedentary civil servants but remain different for “active categories”. Differences remain in the rules for calculating pensions on the one hand, in particular the bases taken into account for the calculation of the pension, and the solidarity mechanisms on the other hand, in particular for the increased insurance period for children or the calculation of the minimum pension. The State civil service scheme is balanced by a public subsidy traced in the CAS Pension (document no. 3).
- **How have pension expenditures for civil servants evolved since 2000 and in projection?** (document no. 4) These expenditures would represent 3.3% of GDP between 2015 and 2030, then the share would decrease to reach 2.3% to 2.8% in 2070 according to the long-term productivity scenario. The share of public service scheme expenditure in overall pension expenditure would drop from the current 25% to 20% in 2070. A lower dynamism of the average pension and a lower increase in the number of former civil servants, compared to all retirees, explain this decrease; it is notably linked to the very moderate evolution of the indexed salary of civil servants, due to the observed and projected decrease in the real value of the index point.
- **Who are the new civil service retirees?** (document no. 5) 61% of the 3.3 million direct pensions paid for new retirees, former holders of the three public functions concern former central government civil servants. Among the latter, the greater proportion of former category A civil servants as well as longer careers imply a higher average pension (2,162 euros among civilians) than for former hospital (1,473 euros) or territorial civil servants (1,301 euros).

II. What would be the effect of switching to private sector rules on the pension of civil servants?

- **What are the main differences in pension calculation?** (documents no. 2, 7 and 8) The pension of civil servants is usually equal to 75% of the last six months' salary, compared with 50% of the capped

salary of the best 25 years for the basic private sector pension. Unlike the civil service schemes, a supplementary pension, representing about a quarter of the pension for non-managerial employees, calculated on total earnings (capped at 8 times the ceiling), is added to the basic pension.

- **What is the effect of the change in calculation rules?** For sedentary civil servants only (i.e. excluding active categories), the pension of civil servants of the 1958 generation would change very little on average if the private sector rules were applied to them (+1.5%), with the hypothesis of an equal gross salary and an unchanged retirement age. Civil servants with the highest pensions would lose out in the majority of cases, as they generally have ascending careers beyond the ceiling. Pensions would increase more for those who have a high proportion of bonuses, which would be fully taken into account in the calculation of the pension if the private sector rules were applied. Mixed public/private careers would benefit from having their pension calculated solely on the basis of the general scheme. Finally, there would be no difference between women and men.
- Over the generations, **the advantage of applying the private sector rules would decrease due to a reduction in the yield of the Agirc-Arrco complementary scheme.** This advantage would be all the more important for the generations that would see their index point frozen over a long period including their end of career.

III. What redistribution of the pension system between categories of civil servants?

- **How to measure the return on pensions?** (document no.9) The internal rate of return compares, for an individual, the discounted sum of contributions paid and pensions received over the life cycle: the differences in return provide information on the redistributive nature of the system.
- **Which profiles benefit from the highest return?** The public system, which calculates pensions from the end-of-career salary, tends to favour the most dynamic salary trajectories by granting a higher return on the pension operation. Consequently, the higher the return, the better off the civil servants are, with the exception of those with the lowest incomes who benefit from the effect of the minimum pension guarantee.
- For the additional civil service scheme (RAFP), the return is negative, because the present value of the pensions received is lower than the contributions paid. It is proportional to the length of retirement, which favours well-off retirees in the CNRACL or modest retirees in the FPE schemes.

IV. International comparisons

- **What pension system for civil servants abroad?** (document no. 10) In some other countries monitored by the COR, pensions are closer between civil servants and the private sector than in France, either because the system is totally unified (as in Italy, Spain or Japan), or because even if the civil servants' pension scheme remains separate, the conditions of departure and the pension calculations are similar (as in the Netherlands and Sweden). In contrast, there are still greater differences in treatment in favour of civil servants in Canada, the United Kingdom and the United States, where civil servants have specific supplementary pensions in addition to the identical basic pensions paid to civil servants and private sector employees.