

## Brief

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

**Rationale** Among the objectives of the pension system is "[...] an objective of solidarity between generations and within each generation, in particular [...] by guaranteeing a satisfactory standard of living for all pensioners". Following the 2022 COR symposium, this session looks back on the standard of living of retirees, in particular those benefiting from small pensions. The first part focuses on pensioners' living standards and low pensions. The second part looks at minimum pension schemes and their articulation to the minimum old-age pension. Finally, the third part looks at the beneficiaries of the various minimum pension schemes and the minimum old-age pension.

### I. Retirement living standards and small pensions

- ***How do retirees' living standards compare with those of the general population?*** Since 1996, once all household income components are taken into account (higher wealth income for retirees, and social-tax transfers) and household size (smaller for retirees who no longer have dependent children), the standard of living of retirees is very slightly higher (+1.5%) than that of the population as a whole (document no. 2). Their poverty rate is also lower (9.5% vs. 14.6% for the population as a whole in 2019).
- ***Are small pensions and a modest standard of living linked?*** Not always. The link is close for the 40% of retirees who live alone. For other retirees, living with a partner can compensate for a low pension if the spouse has a higher income.
- ***Who receives small pensions?*** At the end of 2016, according to the Drees inter-regime pensioner sample, 23% of pensioners received a direct-law pension of less than 750 euros gross per month. The risk of having a lower pension is highest for insured persons affiliated mainly to the farmers' scheme, due to the low level of their income and their contributions, but also to the absence of a minimum pension up to 2009. Since 2016, the implementation of the differential supplement to compulsory supplementary pension (75% of the minimum agricultural wage, then 85%) and the improvement of the minimum reference pension have made it possible to improve the situation of farmers (document no. 3).

### II. Minimum pension schemes and their connection to the minimum old-age pension

- ***On what systems are the protection of pensioners who have had low occupational income and the fight against poverty among the elderly based?*** Two distinct systems coexist. On the one hand, minimum pensions are solidarity schemes integrated into pension schemes. They enable insured people who have paid contributions on low wages and who meet the conditions for full retirement to receive a minimum pension. On the other hand, the minimum old-age pension (€961.08 per month for a single person and €1,492.08 for a couple) is a social assistance scheme designed to provide people aged 65 and over with a minimum income if they have paid little or no pension contributions (document no. 4). While retirement pensions are "exportable", the minimum old-age pension (Aspa) is subject to a condition of residence in France (document no. 11).
- ***How do the objectives of minimum pensions differ from those of the minimum old-age pension?*** Minimum pensions are part of the social security system. They represent an element of individual solidarity within schemes whose rationale is primarily contributory. The minimum old-age pension, on the other hand, is based on a social assistance rationale (all household resources are taken into account to justify a "need for assistance", recovery on inheritance)

- ***What are the existing minimum pensions?*** These are the minimum contributory pension (Mico) provided by the basic schemes for former private-sector employees and tradesmen and artisans (€748 gross per month including increases as of 01/01/2023, which is combined with the supplementary pension) and the guaranteed minimum pension (Miga) for former civil servants (€1,248). Their allocation rules have been reconciled since 2011. However, proratisation according to the length of insurance remains non-proportional for the Miga, and the amount of the Mico is capped if the total amount of pensions exceeds €1,323. Farmers, for their part, can benefit from two minimum benefits: an increased reference pension (€748 as of 01/01/2023) and the compulsory complementary pension supplement (CDRSCO), reserved for farm managers and calculated so that the total gross pension is equal to 85% of the minimum net wage.
- ***What does the reform project currently under discussion provide for?*** The project plans to increase the amount on liquidation of the Mico and the PMR by a maximum of €100 per month, prorated according to the length of the career, so that the gross pension of a new retiree with a full full-time career minimum wage reaches at least 85% of the net minimum wage. 23% of retirees from the 1962 generation should benefit from it for an average gain of €34 gross per month (before taking into account the age measure). Current pensioners, provided they have contributed for at least 120 quarters, will also see their pensions under the aligned schemes increased by €100, prorated according to their length of insurance. The measure should benefit 10% of current retirees for an average monthly gain of €57 gross (document no. 4bis).
- ***What are the interactions between the different devices?*** The case study analysis highlights the Mico, Miga and minimum old-age pension schemes for employees earning the minimum wage (Smic), depending on the length of their career and the percentage worked. In the private sector, before the reform, a full-career retiree working full-time at the Smic does not receive the Mico, which mainly benefits retirees working part-time. In the public sector, the rules are more favorable. At the age of 65, the minimum old-age pension levels out the pensions paid, regardless of the contributory effort (document no. 5).
- ***And abroad?*** Among the countries monitored by COR, only the United-States has no minimum pension scheme for retirees. All other countries have one or more minimum pension schemes, which may take the form of a pension specific to the retirement system, open only to contributors (Belgium, Spain, Italy, Germany), or a universal, flat-rate pension open to all citizens (Canada, Netherlands, Sweden, Japan and the UK). These systems may be supplemented by social assistance benefits, either universal or targeted to the elderly population (document no. 6).

### **3. Beneficiaries of minimum pensions and minimum old-age benefits**

- ***How many people receive minimum pensions?*** In 2019, one out of five liquidated pensions is brought to the contributory minimum and to the guaranteed minimum at the CNRACL. It is just under one in ten in the state civil service. The proportion of new retirees at the Mico has decreased significantly since 2012 due to the tightening of the conditions for allocation. In 2021, 36.8% of all direct pensioners will receive the guaranteed minimum pension from CNRACL, and 12.9% of direct pensioners under the farmers' scheme will receive the increased reference pension (PMR). In 2022, the number of PMR beneficiaries increased sharply (+30.7%) following the improvement of the system (documents no. 7, 8 and 9).
- ***And what about the minimum old-age benefits?*** At the end of 2020, 635,300 people were receiving the minimum old-age pension (document no. 10). Drees estimates that in 2016, 50% of single people potentially eligible for the minimum old-age pension did not use it. In addition, even if the minimum old-age pension is below the poverty line, household income can be supplemented by other benefits, such as housing allowances. Drees thus estimated that only 50% of retired households receiving the minimum old-age pension were in monetary poverty in 2018.