

## Brief

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

**Rationale:** This is the fourth session devoted to the referral of 23 May 2023 to the Conseil d'orientation des retraites (COR) to consider changes to family and marital rights. It aims to present the results of the simulations of the measures presented to members during the last session. Suggestions for changes are proposed to bring these measures more in line with their objectives.

### 1. Measures to change marital rights

- **What are the objectives?** Historically, there have been two approaches to the implementation of reversionary rights in the various schemes. From a patrimonial perspective, pension rights acquired during the marriage are considered "acquired property". From an insurance perspective, the purpose of reversion is to maintain the standard of living following the death of a spouse. The latter approach was deemed a priority by COR members, in addition to greater harmonisation of the rules between schemes.
- **What changes are needed to achieve this?** In very mechanical terms, measures to harmonise spousal rights "upwards" would increase expenditure and average pensions, while measures to harmonise them "downwards" would reduce them (**documents no. 2 and 5**): a downward (upward) alignment of the survivor's pension rates across all schemes would reduce (increase) expenditure by 8% (7%) by 2070. The generalisation of the means test in the general scheme would reduce total expenditure by 17% in 2070 (**documents no. 2 and 5**). However, these harmonisation measures would not guarantee the maintenance of living standards in all cases. For this reason, a new formula for calculating survivor's benefits, taking into account the surviving spouse's pension, has been simulated (**document no. 7**). This new formula would enable this objective to be achieved, although its individual effects would be very mixed. It would also lead to a 13% reduction in survivor's pension expenditure in 2070 as a result of the decline in the number of survivors.

### 2. Measures to change family rights

- **What are the objectives?** Two objectives can be assigned to family rights. There is a consensus that the priority objective is to compensate for the effects of children on the careers of mothers, by validating periods spent raising children (without discouraging women from working) and by increasing the amount of pension (rights credited to the account or pension increases reserved for mothers). The implementation of this objective must be coordinated with European law, which limits positive discrimination in favour of women. A second, more controversial objective is to promote large families.
- **What harmonisation is possible for duration of insurance (MDA)?** If the number of MDA quarters awarded were revised to 2 or 4 for all schemes, mothers who are civil servants would benefit, while those in aligned schemes would see their situation deteriorate. These ways for harmonisation would lead, on the one hand, to a reduction in direct expenditure (in the order of -0.1% to -0.6%) and, on the other hand, to a reduction in the average retirement age of mothers who have not interrupted their careers but still benefit from 8 quarters of MDA per child.
- **How can family rights be reformed more broadly?** A joint change to the MDA, old-allowance for the stay-at-home parent (AVPF) and pension increases would also be possible. Simulations (**documents no. 8, 9, 10, 12, 13, 14a and 14b**) show that the proposed changes, as calculated, would favour mothers of one or two children at the expense of those with three children, as the increase in pension

supplements would not offset the negative impact of the loss of MDA quarters combined with that of AVPF after the child reaches the age of three. The least well-off pensioners would also be the most penalised. Direct entitlement expenditure would decrease by 1.1% in 2070.

### **3. What effects can be expected from the proposal to switch from marital rights to family rights?**

- ***Why shift from marital rights to family rights?*** This change aims to take into account changes in marital patterns and the fact that more and more children are being born outside of marriage. It is primarily intended to strengthen the individual rights of each insured person. The transition to the new system would be relatively long and would not undermine the current balance between marital rights and family rights.
- ***Would the transformation of reversion be offset by the strengthening of family rights?*** The change would result in more women losing out (45%), particularly mothers with three or more children, due to the loss of the MDA, than men (30%), who would be mainly affected by the loss of the pension increase for three or more children (**documents no. 4 and 15**). Furthermore, the measure would negatively affect women in the upper quintiles due to changes in survivor's pension schemes and their caps. Thus, with the parameters currently simulated, the pension losses resulting from the transformation of survivor's pensions would only be partially offset by the strengthening of family rights for mothers.
- ***What are the effects of the measure on pension expenditure?*** Total benefits would decrease by 3.7% in 2070, mainly due to the reduction in survivor benefit expenditure.

### **4. Outlook: what changes should be made to the proposed measures to move towards a fairer compensation for maternity leave in women's careers?**

- ***What changes to the current parameters of the proposed measures should be considered?*** As they stand, the proposed measures do not achieve all their objectives and could be improved, particularly as they lead to a deterioration in the situation of mothers with three or more children. One way of changing the parameters would be to increase the rate of increase for these mothers without adjusting the rates for mothers with one or two children (for example, to 15% or more, according to the SG-COR's calculations based on typical cases). As women's insurance periods remain consistently lower than those of men, the second option would be to maintain the MDA for childbirth (four quarters). All of these proposals would lead to an increase in direct entitlement expenditure compared to current simulations, where such expenditure is declining.
- ***Replace the proportional pension increase with a flat-rate system that is progressive according to the number of children?*** Unlike proportional increases, which reflect the contributory nature of the pension system, the implementation of flat-rate increases would favour small pensions at the expense of larger ones, which would be most penalised by the combination of measures (**document no. 11**).
- ***Should family policy and the evolution of family rights be rethought together?*** As family rights are not independent of family policy, it is essential to ensure that these public policies are well coordinated, particularly when determining whether support for families should be provided during childhood or retirement. In addition, better early childhood care could promote women's employment, boost the birth rate and *ultimately* contribute to the sustainability of the pension system.