



Recent publication in the French Legislation

Legislative Ordinance n° 2019-697 of July 3, 2019 - Publication of the circular N° DSS/3C/5B/2020/135 on Defined Benefit Schemes

Background

European Directive 2014/50/EU of April 16, 2014 requires each Member State to prepare its transposition before May 21, 2018. In the Directive, it demands minimum requirements for increasing the work mobility within European Union, by improving the acquisition and preservation of pension rights.

The French government used the "Loi PACTE" in order to transpose this European Directive and issued an Ordinance n° 2019-697 on July 3, 2019 on Defined Benefit Pension Scheme. The circular has just been published setting out the terms and conditions for closing down non-vested (mandatory condition to be within the Group at retirement to benefit from the plan) pension rights schemes.

What are the impacts?

Regulatory level: The circular prohibits the introduction of new supplementary pension scheme with non-vested rights from 5 July 2019. Current supplementary

pension plans are closed to new entrants from July 4, 2019 and the rights are frozen on December 31, 2019.

Accounting treatment: The circular provides details and examples on how non-vested rights are crystallized at December 31, 2019 (the condition to be within the Group at retirement still remains, the potential retirement rights are crystallized on December 2019).

- Defined Benefit Obligation (DBO): If the beneficiary meets the vesting conditions stipulated by the plan rules upon retirement, the benefit is equal to his/her accumulated random pension rights as of December 31, 2019.
- Profits & Losses (P&L): The impact of this change in benefits should be recognized in P&L as a plan amendment.

What are the implications for audit and consulting mission?

For Audit purpose, it is essential to verify if the company has closed its supplementary pension schemes and to ensure that the accounting impacts have been correctly

reflected in their accounts under IFRS and statutory norms.

For Consulting purpose, we could provide analysis for different possible scenarios and their implications. Furthermore, we could also provide our services on setting up other available vehicle or alternative measures (e.g. implementation of a new pension scheme L137-11-2).

Should you have any questions or concerns regarding the above, please do not hesitate to contact our team for further information!

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