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French Pension Fund Victims sacrificed again

Brussels, 31 October 2014 – 400 000 French pension savers who have been the victims of an irresponsible and misleading strategy are being sacrificed once again.

On October 11, 2014, the French mutual UMR announced measures to try and fill the undisclosed hole (amounting to at least 2.5 billion euros) of COREM and "R1", the pension funds it manages since 2002.

These measures once again heavily penalize the 400,000 participants, victims of an irresponsible and misleading strategy in place since 2002.

A further one-third reduction of the "R1" fund annuities

Indeed, these measures primarily target the older participants - and therefore the least likely to defend themselves – whose rights had been lumped together in the 2002 closed R1 Plan, following an already damaging curbing of their rights. In addition, annuities paid out by the R1 fund had not increased since 2002, resulting in a further loss of purchasing power of over 16% by the end of 2013 for participants.

Today the UMR announced a further reduction of the annuities by about a third, causing ever-greater distress to these elderly people who had entrusted their retirement savings to the COREM / R1 predecessor, based on the latter's commitment to not only never review returns downwards, but also to reassess these returns on an annual basis like salaries of civil servants.

Lower pension rights for COREM active participants

These measures, on the other hand, target the participants to the COREM Fund that is still being actively marketed. They too already saw their rights reduced in 2002 and had to endure a negligible or in existent increase of their rights paired with a loss of purchasing power of 16% since then.

UMR announced a postponement of two years for full pension rights (pushed back from the age of 60 to 62). Clearly this sleight of hands leads to yet another reduction of the rights of COREM participants, for whom two years of annuities have been eliminated. Again we are talking about a significant reduction of returns.



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Further decrease of returns

Also another measure reduces the minimum annual return on savings for 2015 from 2.3% to 1.5%. In other words, should annual inflation exceed 1.5% from now on, savers will lose rather than save money when investing in these products.

These measures will be adopted at the UMR General Assembly on 18 November without the consent of the members... since R1 and COREM participants do not have the right to participate in this meeting, and therefore do not have the right to vote either.

Chronic misselling

UMR has persistently failed to inform would-be subscribers that:

- the plan is massively underfunded relative to its commitments,
- the purchasing power of pension annuities plummeted by 16% since the launch of the plan;
- these annuities are not likely to be increased in the foreseeable future, leading to a further reduction in purchasing power.

Worse still, the UMR website continues to praise the "*safe and performing*" nature of the pension product, clearly and persistently violating legal provisions requiring fair, clear and not misleading information, as well as the specific legal requirement for COREM to clearly indicate the fact that only a fraction of the annuities to be paid out has actually been reserved for.

A fund that should have been closed in 2002

Last June, ARCAF* reminded the French Supervisory Authority again that the French State and CREF (the predecessor to UMR) had already been sentenced in the past for failure of supervision and the illegal management practices of the fund. It is again demanding the closure of the CREF's successor, COREM, as should have been done in 2002, and for the responsible parties to assume the costs of their failure.

The president of the Control Authority declined to comment, citing professional secrecy once again.

One thing is sure: legal provisions regarding investor information are still violated, whilst the recruitment of new affiliates continues unabated.

** ARCAF is a member association of FAIDER, itself a member association of Better Finance.*

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