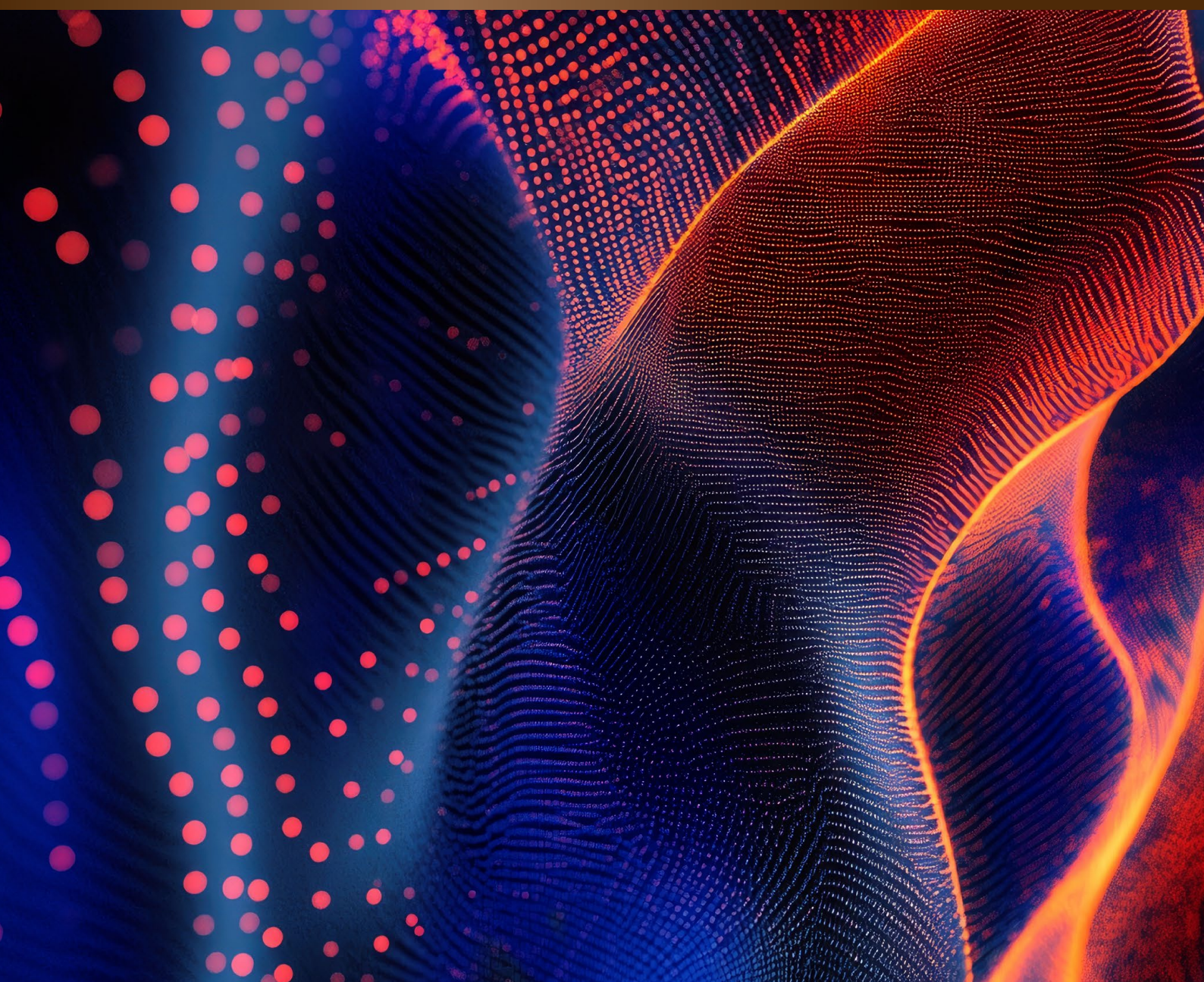


A Private Market Boom in French Pension Funds Boosts Yield and Impact Investments

Regulatory changes have encouraged asset owners in France to allocate more capital to private asset funds, fueling investment in social responsibility initiatives in the process.



Key takeaways:



Demographic and economic pressures have reshaped pension strategies

France's aging population and the lowering of the legal retirement age have strained the country's pension system and introduced unsustainable public debts in the economy, leading pension funds to turn to private asset investments.



Regulatory reforms have driven private asset investment growth

Recent legislative changes in France, such as the PACTE law, along with ELTIF 2.0 Regulation in greater Europe, have enabled pension funds and retail investors to allocate more capital to private assets in order to boost returns and diversify portfolios.



ESG and social impact have become central to pension fund allocations

Investor demand and regulatory mandates are pushing French pension funds to use those private asset investments to integrate Environmental, Social, and Governance (ESG) criteria and social impact initiatives into their portfolios.

The French Pension Revolution

French pension funds are contending with meagre returns in public markets and facing decumulation challenges as a result of demographic imbalances.

In particular, with life expectancy in France increasing 12 years since the 1960s¹ and a plummeting birthrate over the last 50 years,² the country's large aging population (a quarter of which is now 60 or older³) is drawing down on its retirement for longer. These dynamics also mean fewer active workers are replenishing those coffers, with the number of active contributors for each pensioner in France dropping from 4 in the 1960s to just 1.7 today.⁴ The 1983 lowering of the legal retirement age from 65 to 60, a threshold that remained reduced even with the boost to 62 in 2010, has further contributed to a scenario where the pay-as-you-go (PAYGO) pension system for private sector workers is no longer sustainable.⁵

That has led to a reality that puts pressure on the country's economy, with France's annual pensions bill clocking in at €400 billion, or 14% of the national GDP.⁶ Such hefty drawdowns further strain the country's public debt, now in excess of €3.3 trillion,⁷ with pension system deficits set to reach 0.4% of GDP by 2030 and 0.8% of GDP by 2050, according to the Council on the Future of Pensions (COR).⁸ Efforts to lift the legal retirement age from 62 to 64 by 2030 will not suffice.⁹

Similar to institutional investors seeking greater alpha in the market by investing in private assets, retail investors are now getting the opportunity to invest in these assets through public and private pension allocations. President Emmanuel Macron and his administration have explored opportunities to

champion the greater allocation of capital to private assets, particularly in infrastructure and innovation, in search of greater returns. To that end, a spate of recent legislative changes in France have permitted unlisted asset investments within pension funds. Certain workplace pension vehicles even require a minimum proportion of capital to be held in private assets. As part of that private asset focus, pension savers also have the opportunity to invest in social impact funds that champion such initiatives as energy transition strategies.

This paper unpacks the regulatory shifts over the past decade and the public/private pension fund trends that are pushing illiquid investments in France and simultaneously promoting impact investment initiatives.



¹ [Pension reform in France: Diagnosis of a crisis](#), GIS Reports, March 31, 2023

^{2,5,7} *Ibid.*

^{3,6} [Bayrou's last stand: Waking France up to the boom pension timebomb](#), Politico, September 1, 2025

⁴ [Pension reform in France: Diagnosis of a crisis](#), GIS Reports, March 31, 2023

⁸ [COR Annual report](#), Council on the Future of Pensions, June 2021

⁹ [France: Reform that increases the retirement age from 62 to 64 years was approved](#), Federación Internacional de Administradoras de Fondos de Pensiones, May 24, 2023

France's Personal Pension System Ushers in Private Investments

Under Macron, the French government has created a framework to encourage the flow of funds into the real economy through private capital investments that boost the likes of infrastructure development and small- and medium-sized enterprises (SMEs).

Specifically, the May 2019 enactment of the PACTE¹⁰ law – aimed at strengthening French companies by simplifying administrative procedures, promoting innovation, and encouraging investment and savings by individuals – has increased the appeal of retirement savings schemes by allowing investments in unlisted assets like private equity and private debt.¹¹ The main retirement savings vehicle to arise from this legislation is the Produit d'Épargne Retraite¹² (PER), a personal pension product that replaced previous plans like the PERP¹³ and Loi Madelin.¹⁴

The French FRPS¹⁵ regime, which is aligned with the Institutions for Occupational Retirement Provision II Directive (IORP II Directive), permits occupational pension funds like PERs to allocate capital with more flexibility to private equity, infrastructure, and credit. PERs, which individuals can easily subscribe to without an employer intermediary, may soon further facilitate the ability for retirement savers in France to invest in private assets: new laws to implement the IORP II Directive have encouraged the transfer of assets from the Solvency II framework to one that better promotes retirement fund growth with an increased asset allocation to alternatives than that already permitted for individuals in PERs.¹⁶

Up until this latest stream of legislative reforms, retail investors looking to invest in private assets gravitated toward evergreen funds, semi-liquid vehicles with a 99-year lifespan that first appeared in France in 2015 and that are also particularly attractive as retail-accessible funds with flexible redemption windows and secondary liquidity. These evergreen funds are now aligned with PER and life insurance horizons, and according to France Invest's latest numbers for 2024, 65% of French retail investors in unlisted funds are invested in evergreen funds, which are particularly appealing in granting these retail investors access to private asset investments.¹⁷

Yet in promoting the allocation of capital to private assets, PERs are increasingly benefitting from their ability to invest in the European Long-term Investment Fund regime under Regulation (EU) 2023/606 (ELTIF 2.0 Regulation), enacted in January 2024, which provides a regulated vehicle for pension funds, along with retail investors, to access private market segments with lower minimum investment requirements.¹⁸ ELTIFs are also held by insurers, who benefit from reduced capital adequacy requirements under Solvency II, contributing to the successful sales of ELTIFs in these policies in France. Additionally, private clients can benefit from tax advantages when acquiring ELTIFs through unit-linked life insurance policies, which offer tax efficient gains after eight years, under certain conditions.

Spurred by regulatory clarity, the implementation of the ELTIF 2.0 Regulation, and France's strong preference for large-volume funds that cater exclusively to domestic professional investors, France is the country with the most amount of capital invested in ELTIFs, hitting €7.5 billion by the end of 2024.¹⁹ ELTIFs, which funnel capital into long-term projects and enterprises, provide portfolio

¹⁰ PACTE = Plan d'Action pour la Croissance et la Transformation des Entreprises (Action Plan for Business Growth and Transformation Plan)

¹¹ [Consequences of France's New PACTE Law \(Action Plan for Business Growth and Transformation\) on Corporate Governance](#), Hughes Hubbard & Reed, August 1, 2019

¹² PER = Produit d'Épargne Retraite (Eng. Retirement Savings Product)

¹³ PERP = Plan d'Épargne Retraire Populaire (Eng. Popular Retirement Savings Plan)

¹⁴ [France country report 2025: The rise – and rise – of the French IORP](#), Investment & Pensions Europe, July/August 2025

¹⁵ FRPS = Fonds de Retraite Professionnelle Supplémentaire (Eng. Supplementary Occupational Pension Fund)

¹⁶ [PensionsEurope Report 2024 – Trends and developments in funded pensions](#), Pensions Europe, May 2025

¹⁷ [Étude sur l'accès des épargnants au non coté](#), France Invest, April 2025

¹⁸ [ELTIF 2.0: a game-changer for the alternative investments industry?](#), IQEIQ, March 1, 2024

¹⁹ [ELTIF market set for more growth: volume exceeds EUR 20bn with record number of new funds in 2024](#), Scope Group, April 3, 2025

diversification across a range of asset classes to mitigate risk and offer the prospect of steady, long-term returns.

Some ELTIFs also allow for regular entry and exit opportunities, an appealing flexibility for investors who may have liquidity concerns. ELTIF 2.0 Regulation's relaxation of entry thresholds and the introduction of enhanced liquidity management tools make semi-liquid structures accessible for both retail and pension channels such as PERs.

While ELTIFs are a prominent platform for private asset investments in France via PERs and other channels, they are not the sole option. Private asset managers are actively adapting to evolving regulations and investor demand by introducing innovative fund structures to the market. The upcoming implementation of the Alternative Investment Fund Managers Directive II (AIFMD II), scheduled to take effect in April 2026,

represents a significant regulatory milestone that is expected to encourage greater private credit activity across the EU, expand the availability of unlisted asset vehicles, and stimulate demand from both retail and institutional investors.

In particular, AIFMD II will harmonize the rules for loan-origination, which could enable private credit funds to become a key pillar for pension allocations. This may facilitate greater access to direct lending, infrastructure debt, and opportunistic credit strategies within pension portfolios.

Secondaries, in which General Partners (GPs) or Limited Partners (LPs) sell their existing private investments to another investor, and hybrid funds also provide liquidity and combined listed and unlisted exposures to address retail concerns over the inability to exit private asset positions easily.

Countries with the Most Assets Invested in ELTIFs



FRANCE

€7.5 billion

37% of total market



ITALY

€3.5 billion

17% of total market



GERMANY

€2.8 billion

14% of total market

Source: Scope Group

Comparison Spotlight

Allocation of pension funds to private equity, venture capital, and infrastructure investments

11%

U.S.

4.3%

E.U.

Source: Unlocking the capital to fund European change, Invest Europe, June 6, 2024



The Rise of Private Asset Investments in Pension Funds Throughout Europe

In their signing of the Mansion House Accord, **17 of the UK's largest asset owners have committed to allocating at least 10%** of their main default funds to private asset investments.

Source: Asset owners across Europe gear up for greater investment in venture capital, Pensions & Investments, Oct. 2, 2025

Public Reserve Funds Step In

A number of other legislative reforms have paved the way for an increase in private investments within the public sector French pension system.

In 2019, the French civil service public pension fund, ERAFP,²⁰ was permitted by the Order of 31 July 2019 on the French Public Service Additional Pension Scheme to increase its allocation to equities and funds of unlisted assets to 45% from a 40% limit, and boost its real estate investments to 15% from 12.5%.²¹ In 2020, the Fonds de Réserve pour les Retraites (FRR),²² a public administrative establishment that serves as France's reserve fund to finance the country's pension system, announced its aim to double its private equity exposure with an allocation to 5% of its total assets.²³ This is part of a long-term plan to increase its allocation to illiquid assets over the next two decades.

In parallel, the largest French pension provider, Agirc-Arrco, whose complementary scheme manages more than €85 billion of reserves, serves as another domestic anchor investor base for private markets.²⁴ The Tibi 2 initiative, launched in 2024 with €7 billion of commitments from 35 French institutions, further strengthens the late-stage venture and growth equity ecosystem.²⁵



²⁰ ERAFP = Établissement de Retraite Additionnelle de la Fonction Publique (Eng. Additional Retirement Institution for Public Service)

²¹ [ERAFP can increase private market investments under new regulation](#), Pensions & Investments, September 23, 2019

²² FRR = Fonds de Réserve pour les Retraites (Eng. Reserve Fund for Retirement)

²³ [French public sector pension to double PE exposure](#), Private Equity International, February 17, 2020

²⁴ [AGIRC-ARRCO: des comptes dans le vert](#), UNSA Retraités, April 2, 2025

²⁵ [Tibi Initiative: a target raised to €15 billion](#), the Directorate-General of the Treasury, September 16, 2025

Philanthropic and ESG Aims

In concert with the legislative tailwinds that have boosted unlisted asset investments in French pension funds, investor demand for investments that are in the interest of the public good is a catalyst toward portfolio allocations that integrate more alternative assets.

Since 2022, PER savers have had access to social impact funds that promote initiatives like clean energy development and women-led businesses.²⁶ Retail social impact savings and investments in France grew by €2 billion in 2024, a 7% increase from the previous year according to the 23rd annual Social Impact Finance Barometre published by France's social impact investment association Financer Accompagner Impacter Rassembleur (FAIR) and the newspaper La Croix.²⁷ The majority of France's social impact finance came from employee savings schemes, which constituted €16.3 billion, or 60% of the total.²⁸

The Autorité des Marchés Financiers (AMF), the French regulator, has authorized several ELTIFs focused on infrastructure projects.²⁹ In addition, France's October

2023 implementation of the Green Industry Law,³⁰ which requires a portion of life insurance and pension savings to be invested in unlisted assets, has further boosted socially responsible ELTIF investments in the country, particularly those around sustainability. Green and energy transition funds are also particular strategies dedicated to decarbonization and industrial relocation that align with the Green Industry Law.

Pension funds like ERAFP and FRR are incorporating Environmental, Social, and Governance (ESG) considerations into their private asset investment decisions, seeking to align their portfolios with sustainability goals and climate targets.³¹ With support from the Forum for Responsible Investment (FIR), both ERAFP and FRR are leading a task force initiative made up of institutional investors, asset managers, and academics to assess the efficacy of engaging with companies to improve their responsible investing activities and enhance shareholder and bond engagement.³²

Given that start-ups founded only by women received just 1.8% of the total capital invested in venture-backed start-ups in Europe in 2023, thematic and impact funds targeting women-led enterprises and late-stage tech, via Tibi 2, are also a focus in France on the ESG front.³³

²⁶ [French savers' investments in social ventures top EUR 29bn in 2024, latest 'solidarity finance' figures reveal](#), Pioneers Post, June 30, 2025

^{27,32} [France's retail social impact investment market reaches €29.4bn](#), impactInvestor, July 10, 2025

²⁸ *Ibid.*

²⁹ [Changes to the AMF ESG Doctrine to reflect compliance with the ESMA Guidelines on Funds' Names Using ESG or Sustainability-Related Terms](#), Dechert, January 28, 2025

³⁰ *Loi sur l'Industrie Verte*

³¹ [French funds ERAFP and FRR engage with ESG issues to enhance responsible investment](#), European Pensions, March 3, 2025

³³ [European VC female founders dashboard](#), Pitchbook, August 5, 2025

Simplifying Private Asset Fund Allocations in France and Beyond



As regulatory shifts have enabled pension funds in France to allocate more capital to private assets and invest in impact initiatives in the process, asset managers must contend with challenges like portfolio administration within alternative asset funds. That is where it can be advantageous to have an experienced partner.

The breadth of J.P. Morgan's capabilities supports alternative clients in a number of key ways. For financing needs, we provide subscription line facilities and NAV financing adapted to semi-liquid funds, treasury assistance, and FX support for cross-border flows. We deliver a full suite of depositary and administration services, supporting 20+ domiciles as of June 30, 2025. We deliver end-to-end alternatives services in the UK, Luxembourg, Ireland, Jersey, and the U.S.

J.P. Morgan Securities Services boasts expertise across the full suite of open- and closed-ended funds. As the ELTIF can be structured as either a closed-ended or semi-open ended fund vehicle, we can customize an end-to-end operating model to combine the capabilities and infrastructure of both our alternative and traditional fund services. At J.P. Morgan, we retain significant expertise with respect to a range of fund structures with allocations to both liquid and illiquid asset classes, and our approach to supporting ELTIF and other private asset fund products builds on this by leveraging our flexible fund accounting and transfer agency technology stack while adding our depositary services capabilities.

J.P. Morgan's Fund Services business caters to rapidly expanding private asset classes, including private equity, private credit, hedge, infrastructure, and fund-of-funds strategies. Our private asset operating model and related services are fit for purpose to align with and support the complexity of diverse fund structures. For fund-of-funds and secondaries strategies, we offer fund-level performance reporting through MSCI Burgiss, which provides a transparent lens into underlying holdings, performance, and exposure within a fund's commitments.

Managing unstandardized, decentralized data, particularly with relation to private asset investments that lack transparency, can prove time- and resource-intensive as institutional investors aim to turn that complexity into actionable insights. Fusion by J.P. Morgan, a cloud-native data technology solution for institutional investors, provides end-to-end data management, analytics, and reporting to generate insights across private assets, integrated into one view. In Fusion's Public and Private Look-Throughs, institutional investors can view and analyze their total exposure and performance across their portfolios and accounts. Our solutions leverage artificial intelligence to gather private asset data from diverse sources. Combined with extensive automation efforts, this capability supports a flexible service model for managing complex LP and GP reporting, timely capital calls, and deal processing.

GPs looking to launch private asset funds and asset owner LPs seeking to facilitate private asset investments in pension funds would do well to partner with a firm that can deliver best-in-class asset servicing. For solutions navigating the complex terrain of innovative private asset funds in France and beyond, reach out to our J.P. Morgan Securities Services team for expert guidance.

Spotlight on Spark

As part of the rise of philanthropic-minded investments in France, J.P. Morgan Chase has announced \$70 million in capital commitments to boost economic opportunity across France.

Spark France (Étincelle), an investment initiative to which J.P. Morgan has committed \$50 million, is a partnership with Bpifrance aimed at providing capital to gender diverse private investment firms and funds investing in strategies that are positively impacting society and communities.

J.P. Morgan has also committed \$20 million in capital to support programs that facilitate connections between underserved communities in France and employment and business growth opportunities in the evolving economy.



\$70 million

*in capital commitments to
boost economic opportunity
across France*



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