# Dutch Pensioners in a Panic

By Editor Test *Wed, Aug 25, 2010*

*Participants in 14 pension funds in the Netherlands are facing benefit cuts in the wake of the financial crisis.*

NETHERLANDS – The Dutch Parliament was set to discuss the prospect of benefits cuts at 14 pension funds yesterday during an emergency debate with social affairs minister Piet Hein Donner, IPE.com reported.

Donner should spell out exactly which pension funds are likely to cut benefits and rights in order to avoid panic among workers and retirees, said Paul Ulenbelt, the socialist party member of Parliament who organized the meeting.

Ulenbelt, who opposes the cuts, said that employers and even workers should the plug financial gaps. If needed, he said, the government should ultimately step in with "loans and guarantees."

"If we can save banks and guarantee Greece's financial liabilities, we can't let the elderly down," he said.

In the wake of the financial crisis, 340 of 600 Dutch private pension funds had to submit a recovery plan mapping out how to increase their funding to a minimum of 105% within five years. Of the 18 pension funds that already factored in rights cuts, however, 14 have failed to recover sufficiently, Donner said in a letter to Parliament.

The coverage ratio of Dutch pension funds, after an initial recovery in spring 2009, has fallen to 100% on average, largely due to a steep drop in long-term interest rates in the second quarter of 2010. Pensions funds have also had to take new longevity figures into account, which has lowered coverage ratios by approximately five percentage points.

Donner said there was no reason to assume low interest rates – approximately 3.2% at present – would increase any time soon, and that the possibility of a quick economic recovery was still uncertain.

The Association of Industry-wide Pension Funds (VB) also called on the 14 funds to inform their participants as soon as possible about the likelihood of rights cuts.

Peter Gortzak, vice-chairman of the FNV, the largest union, said: "The picture painted by minister Donner and regulator De Nederlandsche Bank (DNB) is spreading panic. Although a limited number of small pension funds are in a serious position, the large majority do not need to cut benefits. The DNB and the schemes must first look at alternatives, such as raising contributions or additional contributions by employers."

The large consumers organization, Consumentenbond, also called for "immediate clarity" for workers and pensioners regarding possible cuts, while ANBO, the pensioners lobbying body, attributed low coverage ratios in the wake of low interest rates to the financial problems of the PIIGS (Portugal, Ireland, Italy, Greece and Spain) countries.

On its website, the ANBO said: “But we mustn’t give the impression pension cuts are caused by financial mismanagement of southern European governments.”

The NBP – the small but vocal lobbying organization of retirees – demanded an inquiry into the matter, as many pension funds’ boards have made “big mistakes.”