
Poland denies rumors that it will nationalize 'second pillar' assets

By Editor Test Thu, Apr 11, 2013

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In response to speculation that the Polish government might nationalize assets in the country's mandatory second pillar funds (known by the acronym OFE), worth PLN268.9bn (€65bn), the Polish Chamber of Pension Funds (IGTE) urged the government not to tamper with the accounts of those close to retirement.

The suggestion that the government intended to nationalize the individual defined contribution accounts has been "fiercely denied" by Polish finance minister Jacek Rostowski, according to a report this week by *IPE.com*.

In spite of those denials, many observers believe the government will still attempt to access some of the assets, due to the need to reduce its deficit in line with the European Union's excessive deficit procedures.

In defending its management of the second pillar funds, the IGTE pointed to the OFEs' average annual return of 6.5% since they were created in 1999, or far better than the returns of bank deposits and other savings vehicles.

The IGTE also said the second pillar funds had helped finance private industries and infrastructure projects in Poland, creating hundreds of thousands of new jobs.

Press reports have said the Polish government intends to cancel some of the PLN120bn of government debt held by the funds, moving the private pension savings of participants within ten years of retirement into a so-called conservative fund run by the state-owned Social Insurance Institution (ZUS).

The letter noted that moving the savings of those ten years away from retirement to ZUS meant that the government would not use the money to fund a pension for them but would use their savings to pay benefits to current retirees.

Although no specific proposals were included in the letter, IGTE chairman Wojciech Nagel recently said that savers in OFEs should be able to use their pension pots to buy term annuities, rather than receive a lower income from a life annuity. Those retiring would be able to choose the term over which the pension would be paid. In addition, they would receive a minimum state pension.

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