

Pensions Entitlement for Public Servants (PEPS)

Why does PEPS, a voluntary "help-line" group of mainly retired financial/legal professionals, use a title with such hyperbole that would rank this as the greatest "white collar" pension scandal in Irish pension enhancement history? Here's why:

Defined Benefit (DB) Pensions Schemes are like gold dust

- they cannot be bought in the open market any more
- private Sector D.B. schemes have halved in proportion over the past 10 years
- major pension providers have discontinued them for their own new staff
- shareholders/lenders fear impact of F.S. 17 (for DB Pensions) on future profits under funded DB schemes is of concern and is being addressed
- ICTU unions have highlighted major worker real pay losses from DB scheme erosion.

The message is very obvious; "lucky" workers in the private or public sector who still enjoy the benefit of membership of DB schemes should treasure it, particularly those who have pension service deficits and can **buy into** a guaranteed DB scheme.

DB schemes are safe, pay related, predictable in outcome and guaranteed.

DC/AVC schemes are risky, charge-bearing and unpredictable in outcome and not guaranteed.

PEPS use the term "Steer" to apply to the specific situation where workers are consistently and/or deliberately enticed into risky charge bearing DC schemes and away from guaranteed high yielding, charge free in-house DB schemes for traditional pension needs. ("Flexible Extras" common to AVC pension products, ideally bought at the 'last minute' are not at issue.)

1. private sector workers are less likely to be victims of "steer" because their DB pension plans
2. unlike public service AVC schemes, are structured strictly to the letter of pension law and
3. have superior staff briefing arrangements
4. have less complex features and structures
5. have better communications and control such as worker trustees because of factors a) to d) a "steer" would be 'spotted and stopped
6. regulatory bodies in Ireland, noted for their softly, softly approach do not challenge Government employers on non-compliance with disclosure requirements of the Pensions Act.

But a "Steer" has been taking place on grand scale in the public service for the past 20 years and that's where the hundreds of millions arise:

Non career technically oriented public service late arrivals from the private sector such as technical teachers and lecturers, nurses, paramedics, tradesmen, technicians, who need to fund their pension service deficits have been led, with the blessing of their employers and

the promotional urgings of their unions into investing huge sums in AVC funds, while the take-up of the vastly superior in-house NSP option is minimal. 3,500 members of the Teachers Union of Ireland alone have invested 65 million euro in AVC funds, most of which, if balanced unprejudiced information/advice/care prevailed, would be invested in the DB/NSP option. Over 15,000 nurses hold AVC funds in similar circumstances. Primary and Secondary schoolteachers who for decades have had the privilege of buying NSP for early retirement at age 60 have been persuaded to use AVC's instead of NSP.

PEPS at present are assisting primary teacher F.A. who has complained to his AVC provider. Six years ago he commenced contributing 8% of his salary to AVC's. He paid to AVC provider over 900 Euro in professional consultancy advice fees. In the six years the same 8% of salary would have earned him TWO years under the NSP option. Recently having attended a PEPS lecture he decided to switch to buy NSP service where it bought him app. ONE year. He now is faced with paying out close to **30,000 Euro to catch up** on where he would have stood if guided into NSP six years ago.

F.A.'s case is a fact not a fiction PEPS estimates that there are some 15,000 teachers and 10,000 in the same predicament – all totally unaware of their plight.