

**Health Professions Council
Finance and Resources Committee 21st June 2007**

PROJECTED COSTS OF PENSIONS AND PENSION COMPARISONS

Executive Summary and Recommendations

Introduction

The purpose of this paper is to provide projected pensions costs over the next five year period of pensions, and to provide comparisons of HPC's pension contribution rate with those of other organisations.

Decision

The Committee is requested to note the document. No decision is required.

Background information

Nil

Resource implications

Nil

Financial implications

Nil

Appendices

Nil

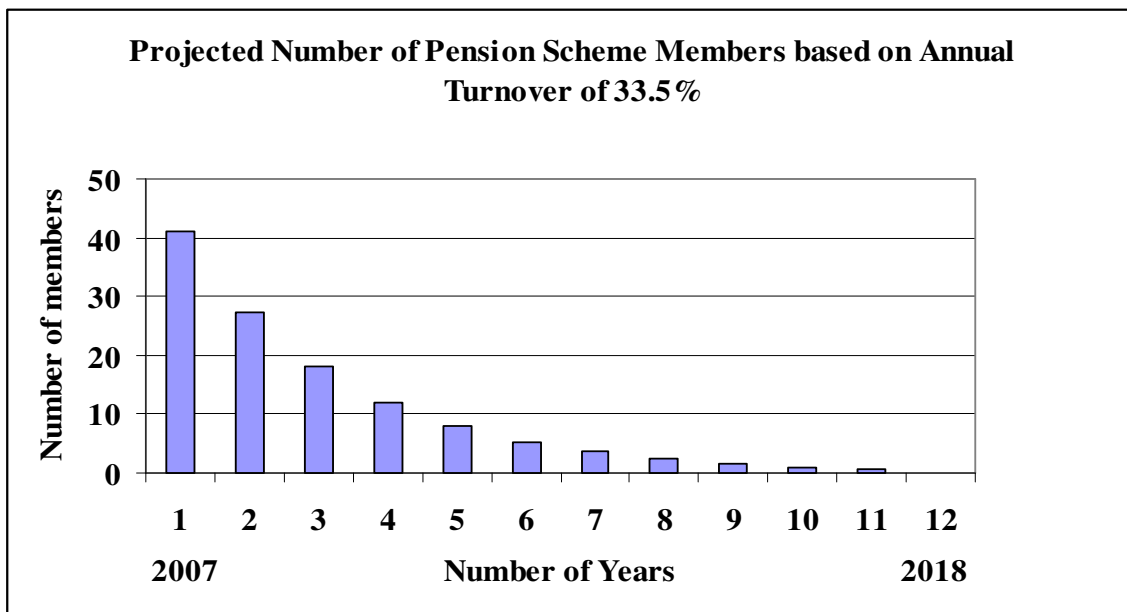
Date of paper

11th June 2007

Finance and Resources Committee 21st June 2007
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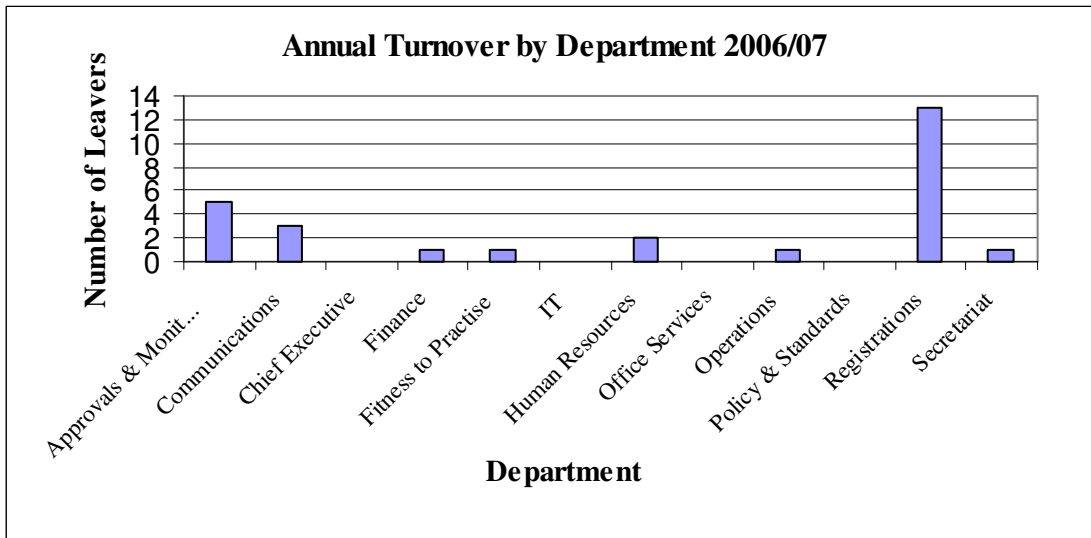
1.0 Projected Number of Pension Scheme Members

For the forty existing employees (who represent 47% of the current workforce) who are members of either the Capita pension scheme or the Friends Provident scheme with an employer contribution rate of 16.5%, a graph is provided below to demonstrate the anticipated rate (based on current turnover) that these members would leave HPC's employment.



1.1 Turnover

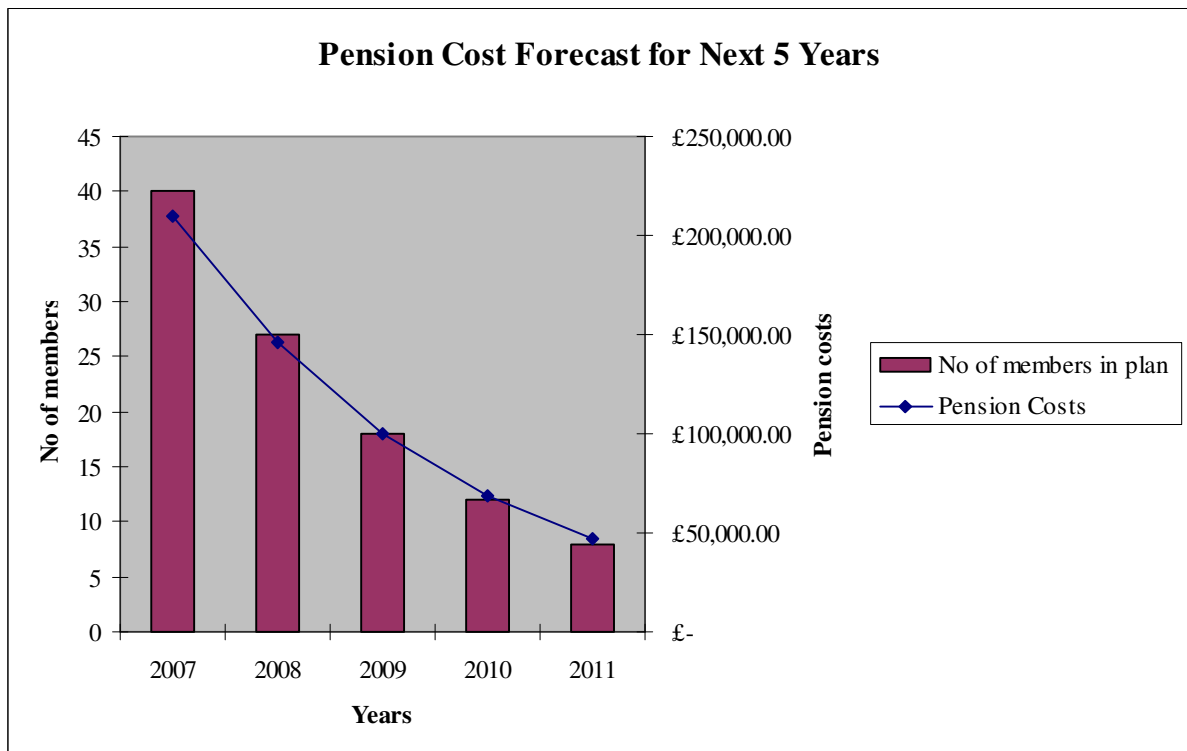
The employee turnover figure of 33.5% used for the above calculations is for the year ending March 2007. Employee turnover is the ratio of the number of employees that had to be replaced in a given time period to the average number of workers during the same period. In 2006/07 HPC had twenty seven leaving employees who needed to be replaced and an average of eighty employees over the one year period. 15% of these leavers left HPC's employment as a result of not successfully passing their probationary periods. Registration Officers made up 48% of total leaving employees.



2.0 Projected Pension Costs for Next Five Year Period

Based on the turnover rates outlined in the “HPC Pension Membership and Contribution Rates” paper an outline of projected costs for the forty existing members of the pension scheme is provided below.

A 3% (guesstimated) rate of inflation has been added onto each employee’s salary to account for any inflationary increases/pay increases which may potentially increase their salaries during this time.



3.0 Comparisons of Pension Contribution Rates with Other Organisations

3.1 All comparator organisations offered pension provisions as part of the organisation's benefits package. Eligibility is usually linked to satisfactory completion of the probation period.

3.2 **Five comparator organisations offer final salary pension plans.** The average percentage of the annual salary contributed by employees to these schemes is 3.5% percent, with the lowest being nought per cent and the highest contribution six percent. The average pension accrual rate is 1/67, with the lowest accrual rate being 1/60 and the highest accrual rate of 1/80. In these schemes, the normal retirement age ranges from sixty to sixty five.

3.3 **Eight comparator organisations offer money purchase pension plans.** This includes one organisation which limits its involvement to a stakeholder scheme and one organisation that operates a money purchase scheme alongside a closed final salary scheme. The average percentage of the annual salary contributed by employees to these schemes is 3%, with the lowest being 0% and the highest contribution 6%. **The average percentage of the annual salary contributed by the employer** to these schemes is 9.5%, with the lowest being 3.25% and the highest contribution 16.5%.

3.4 Both the NHS and Local Government organisations offer final salary pension schemes which, although not directly comparable with the HPC Stakeholder scheme, are considered a low risk and highly valuable benefit.