

The Chief Executives, Fife Council and Dumfries & Galloway Council
Firemasters
Clerks to the Joint Boards

7 Tweedside Park
Tweedbank
Galashiels TD1 3TE
<http://www.sppa.gov.uk>

Telephone: 01896 893224
Fax: 01896 893230
James.preston@scotland.gsi.gov.uk

Our ref: FIR/06/01/01

17 August 2005

Dear Sir/Madam

SCOTTISH FIRE SERVICE CIRCULAR 12/2005

FIREFIGHTERS PENSION SCHEME (FPS)

This circular provides information on Salary Sacrifice Schemes and its effects on pensionable pay, informs FRAs that the New Earnings Survey has been replaced by the Annual Survey of Hours and Earnings (ASHE) and of a new address to submit Firefighters medical appeals.

These items should be brought to the attention of your fire authority, pension managers, brigade medical officers/occupational health managers and Human Resources and to all members of the Firemen's Pension Scheme.

1. Salary Sacrifice Schemes

A Salary Sacrifice Scheme provides an employee with the right to give up part of the 'cash benefit' due under his/her contract of employment, usually in return for some form of 'non cash benefit'. This sacrifice is achieved by varying the employee's terms and conditions of employment relating to pay.

The deduction of the salary sacrifice is applied to an employee's gross pay and therefore there are savings of National Insurance contributions and / or income tax to the employee. The employer may then provide non-cash benefits based on the full value of the salary sacrifice.

Two of these 'non-cash' benefits that are currently being provided to firefighters by some FRAs under Salary Sacrifice Schemes are childcare vouchers and home computers.

- *Childcare Vouchers* - From April 2005, if an employer provides its employees with childcare vouchers, the first £50 per week per employee will be exempt from National Insurance contributions and income tax.

- *Home Computer Initiative* - The tax-free allowance per employee is £500 per year. This means that an employee can be loaned a computer equivalent to that value and incur no tax charges on the benefit-in-kind.

FRA's should note that because members of the Firefighters' Pension Scheme are required to pay pension contributions (currently set at 11%) on their pensionable pay, if a FRA deducts a salary sacrifice from a member's pensionable pay before contributions are paid this can have an adverse effect on that individual's pension. It would not be the salary sacrifice that would affect pensionable pay but rather the absence of pension contributions.

It is our view that, provided pension contributions are based on pensionable pay before the deduction of salary sacrifice, pensionable pay need not be affected. Pensionable pay i.e. the pay received in relation to the role of a firefighter, will not change.

For more information on Salary Sacrifice Schemes you can access the HM Revenue and Customs website at: www.hmrc.gov.uk/manuals/eimanual/EIM42750.htm

2. Annual Survey of Hours and Earnings

It is recognised that when assessing the degree of disablement of an injury award, FRA's could refer to the National Earnings Survey (NES) to ascertain the average earnings for certain employments.

FRA's should note that as part of the programme of National Statistics Quality Reviews the Office of National Statistics has developed a new annual earnings survey. The Annual Survey of Hours and Earnings (ASHE) replaced the NES from 28 October 2004. The ASHE is based on the same sampling frame as the NES, but the new methodology includes improvements to the coverage of employees, and to the weighting of earnings estimates.

Further information regarding the ASHE and its methodology can be viewed by visiting www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13101

3. Referral of medical appeals to the Office of the Deputy Prime Minister (ODPM).

Since 1st August, the Firefighters' Pension Team has moved from the Fire Legislation, Safety and Pensions Division of the Fire and Rescue Services Directorate and has joined a new Local Government and Firefighters' Pensions Schemes Division in the Local Government Finance Directorate. The website will continue to be accessed on the ODPM website through Fire>Working in the Fire and Rescue Service>Firefighter Pensions.

The new address is : Firefighters' Pensions Team, LGFPS, Office of the Deputy Prime Minister, 1/H11-12, Ashdown House, 123 Victoria Street, London, SW1E 6DE. Contact telephones and e-mail addresses remain unchanged. **Please note that Medical Appeal papers must be sent to the new address.**

Yours faithfully



Jim Preston

