

FIREFIGHTERS' PENSION COMMITTEE

FIREFIGHTERS' PENSION SCHEME (FPS)

SALARY SACRIFICE SCHEMES - CHILDCARE VOUCHERS

Note by ODPM

Purpose of Paper

This paper advises members that the provision of childcare vouchers through Salary Sacrifice Schemes can affect pensionable pay.

Provision of 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.

It is important to note that under Rule G2 of the Firefighters' Pension Scheme members are obliged to pay pension contributions of 11% of their pensionable pay. It would therefore follow that if a Fire and Rescue Authority deducts the cost of the childcare vouchers from a member's pensionable pay before pension contributions are paid then this could have an adverse effect on that individual's pension because of a reduction in average pensionable pay. It is not the purchase of childcare vouchers that affects pensionable pay but rather the absence of pension contributions.

It is our view that, provided pension contributions are based on pay before the deduction for the purchase of the vouchers, pensionable pay need not be affected. Pensionable pay, i.e. the pay received in relation to the role of a firefighter, will not change. The firefighter will still be receiving the same level of pay although choosing to take a proportion of it in the form of childcare vouchers, as payment in kind.

The Committee is invited to note. Guidance will be issued in a Fire Service Circular in due course.

April 2005