



European Union

European
Social Fund

2014-2020 ESF Programme

Action Note

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Action note heading

Pension Contributions and Direct Staff Costs

Who

ESF Applicants, ESF Grant Recipients, including Co-Financing Organisations, ESF Managing Authority, Greater London Authority, IBs.

What

This action note provides information in relation to Direct Staff Costs and the circumstances in which increased pension contributions can be treated as an eligible staff cost for ESF purposes.

Cleared

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Background

The Managing Authority have decided following receipt of legal advice, that where an employer is required to make increased contributions to the pension fund, this is an eligible direct staff cost.

The employer is obliged to make the payment, which must be directly attributed to staff working on the project and is the cost of employing staff. These increased pension contributions are classed as superannuation contributions which are an eligible direct staff cost, as they are a regular payment made into a pension fund towards the costs of an employee's future pension. The costs should be in line with the employer's usual employment practice

Where it is recorded that the increased contribution includes an element of a "past service deficit" this is an eligible cost as the percentage for the deficit is not paid separately and is set by pension trustees and reflects the actual, unavoidable cost of employing an individual on the project. In these cases it is not possible to apportion costs between contributions attributable to past shortfalls and those attributable to current service, as both payments must be made in respect of the employee to secure the ongoing viability of the employer's pension fund.

Pension contributions may vary depending on the circumstances and organisation but as with all ESF costs, salary costs have to be justifiable and should be made up of direct costs off employees working directly on the project. The following evidence should be available to support the inclusion of increased pension contributions in a claim:

- confirmation that posts are 100% on the project or a time sheet or a statement of fixed % of time on the project for those working less than 100% on a project; and
- A letter from the Beneficiary Organisation confirming that they are claiming for higher pensions contributions as part of their direct staff costs because these include an element of a 'past service deficit'. The letter should explain which staff are covered by this and give the names of the specific pension schemes that the staff members belong to.

Where a Grant Recipient contributes an extra lump sum each year this should not be treated as an eligible cost as it cannot be attributed to staff time spent on delivering the Project and cannot be classed as expenditure incurred in relation to the Project.

Action

This criteria is introduced from the date this Action Note was issued.

Contact

If you have any questions about this Action Note please contact esf.2014-2020@dwp.gov.