



UNIVERSITY GRANTS COMMISSION

Finance Circular Letter No. 04/2024

02nd April 2024

Vice-Chancellors of Universities

Rectors of Campuses

Directors of Institutes

Application of Cost-of-Living Allowance by the Commission Circular No.04/2024 and Academic Allowance of the Academic Staff as per Commission Circular No.03/2024 for the Universities Provident Fund (UPF) and Universities Pension Scheme.

Your attention is invited to the Commission Circular No. 04/2024 dated January 17, 2024, issued on revision of Cost-of-Living Allowance and the Commission Circular No.03/2024 dated January 16, 2024, issued on revision of Academic Allowance.

As approved by the Cabinet of Ministers, the Universities Pension Scheme has been established by Commission Circular No.747 with effect from 1st September 1999. Accordingly, 8% out of the 15% of employer's contribution to the UPF is credited to the Universities Pension Fund. The members of the Universities Pension Scheme are entitled to a monthly pension subject to other provisions given in the said Circular No.747.

The Universities Pension Scheme has been established based on two key demographic and financial factors as recommended by the actuarial consultant and approved by the Cabinet of Ministers. The Universities Pension Fund is reviewed once in every three years to evaluate the sustainability of the funds based on the same actuarial assumptions as given below.

a) Demographic Assumptions – The Non-Academic and Administrative staff member should serve up to the age of 55 years with 20 years minimum service for the eligibility of monthly pension. The academic staff member should serve at their post, up to the age of 65 years with minimum 20 years of service to receive a monthly pension.

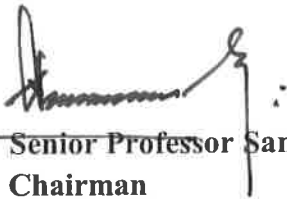
b) Financial Assumptions - Annual expected Return on Investment (ROI) is 10%, average salary increase per annum is 8% and monthly pension will not be increased after the retirement.

A high-rate salary increase will increase the past service liability and the value of the defined benefit plan (Monthly Pension). Therefore, increase of basic salary more than the 8% will increase the monthly pension benefit and past service liability of the pension fund. In the long run sustainability of the pension fund will be defended on gap between ROI and salary increases per annum.

Accordingly, it is not possible to consider salary increment per employee more than 8% of the basic salary per annum for the computation of contribution to the pension fund considering the current ROI. However, ROI is based on the interest rate of the economy and consideration of annual salary increment is within the purview of University Grants Commission as the administrator of the Universities Pension Fund.

Having considered the key assumptions of Actuarial Consultant by the Commission at its meeting No. 1118 and decided to inform the Universities/HEI's to compute the contribution on Academic Allowance and Cost of Living Allowance referred in this Circular as follows.

- 1) To consider the Cost-of-Living Allowance as increased by Commission Circular No. 04/2024 dated January 17, 2024, for the Universities Pension Fund and Universities Provident Fund.
- 2) To considerer the Academic Allowance as increased by the Commission Circular No. 03/2024 dated January 16, 2024, only for the member of the academic staff who has joined the university system with effect from 01.01.2024 for the Universities Pension Scheme.
- 3) To consider the Academic Allowance as increased by the Commission Circular No.03/2024 for all academic staff for the computation of contribution to the Universities Provident Fund.
- 4) To obtain an advisory report from the Actuarial Consultant on consideration of Academic Allowance for the Universities Pension Fund and until such time Academic Allowance as increased by the Circular No.03/2024 shall not be considered for the Universities Pension Fund for the academic staff members who joined the university system before 01.01.2024.



Senior Professor Sampath Amaratunge
Chairman

- Cc:
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 2. Vice-Chairman/UGC
 3. Secretary/UGC
 4. Registrars of Universities/SAR/AR/ of Institutes/Campuses
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