



## Customized Discount Rate

### Determination of Financial Statement Liability for Benefit Plans

If you've been using the FTSE Pension Liability Index (FTSE PLI) for reporting future cash flows for your Pension and/or Post-retirement Health Care Plans to determine the discount rate, there is a better way. BPAS offers a customized approach that's more accurate and features a discount rate that is 50 to 100 basis points better.

**Do we have your attention?**

### The BPAS Actuarial & Pension Services Method

Rather than using a curve developed from a bond portfolio, **we select individual bonds to match to the expected cash flow.** This method provides a more accurate depiction of the true cost to the Pension/Post-retirement Health Care Plan to settle the obligations. Theoretically, the employer could go into the marketplace and purchase specific bonds used in the analysis to settle plan obligations.

**The BPAS Custom Discount Rate is typically 50 to 100 basis-points better than under the FTSE PLI.** Did you know a 100 basis-point change in discount rates could change pension and post-retirement health care plan obligations by 10 to 15%? This could cause employers to violate their debt covenants or even restrict their ability to borrow money. **Let BPAS show you how to support a better discount rate and significantly improve your balance sheet obligations.** Not convinced? Take a look at these case studies:

*(Note that the impact on the following year's expense will depend on additional plan specific factors.)*

### Case Study:

#### Company With Cash Balance Pension Plan (Not Frozen)

Comparison of Results under ASC 715 on June 30, 2024		
	FTSE Method	BPAS Method
Discount Rate	5.00%	6.00%
Projected Benefit Obligation	\$69,951,000	\$61,564,000
<b>Savings with BPAS Method</b>		<b>\$8,387,000 or 12%</b>

### Case Study:

#### Company With Frozen Traditional Plan

Comparison of Results under ASC 715 on December 31, 2024		
	FTSE Method	BPAS Method
Discount Rate	5.30%	6.20%
Projected Benefit Obligation	\$200,599,000	\$180,720,000
<b>Savings with BPAS Method</b>		<b>\$19,879,000 or 10%</b>

**At BPAS, our team of credentialed actuaries and advisors has been helping clients with employee benefit consulting solutions since 1973.**

**Ready to learn more? Let's talk.**



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