



STRATEGY

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 February 28, 2022 | | |
|----------------------------------------------------------|---------------|----------------------------|
| | FTSE Method | BPAS Method |
| Discount Rate | 3.65% | 4.65% |
| Projected Benefit Obligation | \$490,000,000 | \$430,000,000 |
| Savings with BPAS Method | | \$60,000,000 or 12% |

Case Study:

Company With Frozen Traditional Plan

| Comparison of Results under ASC 715 on December 31, 2021 | | |
|----------------------------------------------------------|--------------|---------------------------|
| | FTSE Method | BPAS Method |
| Discount Rate | 2.58% | 3.71% |
| Projected Benefit Obligation | \$22,070,000 | \$19,002,000 |
| Savings with BPAS Method | | \$3,075,000 or 14% |

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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