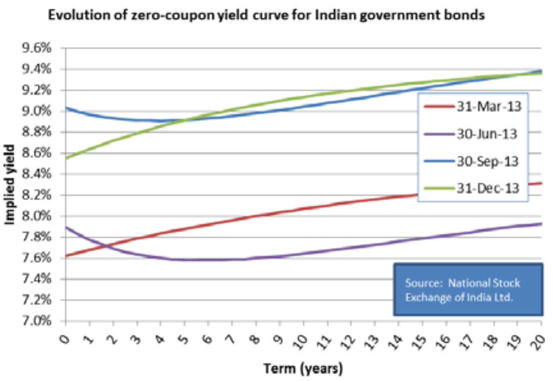
# The evolution of the discount rate for measuring employee benefit obligations under AS15(R) – 31 December 2013

**January 2014**

This is our quarterly update on the evolution of the discount rate for measuring employee benefit obligations under AS15(R). We consider the change in discount rates and the impact on the change in the value of obligations between 31 March 2013 and 31 December 2013.

As a recap, the discount rate for AS15(R) purposes is set with reference to the yield on Indian government bonds. We use this rate to calculate the current cost of providing the benefits we expect you to pay in the future. The particular rate taken is assessed based on the yield curve at the date of your valuation and the average duration of your liabilities. The chart below indicates how the yield curve has changed during 2013:




As evident from the chart, implied yields have risen since 31 March 2013. (For those who measure their benefit obligations on a quarterly basis, the directional change since 30 September 2013 has varied by term.)

The impact of this rise will depend on the weighted average expected future working lifetime (WAEFWL) of your employees. (The WAEFWL represents the expected term of employment of the participants of your benefit plan, taking into account the assumptions made for resignation, retirement, disability and mortality). It will also depend on the rounding methodology you employ in setting the discount rate. But generally speaking, a higher yield will lead to a lower disclosed liability.

For instance, if your practice is to take a discount rate rounded to the nearest 0.1%:

- For a WAEFWL of five years, the implied discount rate has risen approximately 1.0% since 31 March 2013, and in isolation this may suggest a fall in defined benefit obligation of approximately 5%.
- For a WAEFWL of 10 years, the implied discount rate has also risen approximately 1.0% since 31 March 2013, and in isolation this may suggest a fall in defined benefit obligation of approximately 9%.
- For a WAEFWL of 15 years, the implied discount rate has risen approximately 1.1% since 31 March 2013, and in isolation this may suggest a fall in defined benefit obligation of approximately 14%.

## CONTACT

We would be happy to talk with you in greater detail about the discount rate applicable to your plan, or indeed any other employee benefit issue.

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