**PENSION PLAN VALUATION**

**What GAO Found**

Defined benefit plans use interest rates to "discount," or determine the current value of estimated future benefits. Experts in the United States have disagreed on both the approach that should be taken by plans to determine a discount rate and the appropriate rate to be used. Different discount rates can create large differences in the valuation of a plan's obligations, which in turn can lead various stakeholders to draw different conclusions about a plan's health, the value of a plan's benefits, and the contributions required to fund them.

As requested, GAO examined different approaches used to determine the discount rate. This report addresses (1) the significance of differences in approaches used to determine discount rates among public and private plans; (2) purposes for measuring the value of a plan's future benefits and key considerations for determining discount rate policy; and (3) approaches selected countries have taken to choose discount rates.

For this review, GAO analyzed provisions in relevant federal laws and regulations, as well as financial reporting and actuarial standards. GAO also reviewed relevant literature and interviewed experts, including experts in Canada, the Netherlands, and the United Kingdom—countries with significant defined benefit systems. In addition, GAO modeled hypothetical pension investment portfolios and cash flows to calculate average investment returns using available historical data.

**What GAO Recommends**

GAO is not making any recommendations in this report.

**Why GAO Did This Study**

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