ARMSTRONG
INTERNATIONAL

2024

DISCOUNT RATE ASSUMPTIONS

APPLICABLE FOR: IND AS 19 AND AS – 15 (R)

FOR MARCH 2024

In Actuarial calculations, the discount rate is the factor used to restate the value of cash flow at a future date to today's value to arrive at the actuarial liabilities.

In other words, how much money would be need to set aside now, given a particular liability value at a future point.

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One of the key actuarial assumptions, which has a material effect on the benefit obligations, is the discount rate. The discount rate reflects the time value of money but not the actuarial or investment risk. Specifically, the discount rate does not reflect the entity- specific credit risk borne by the entity's creditors, nor does it reflect the risk that future experience may differ from actuarial assumptions.

The discount rate plays a key role in assessing whether the defined benefit pension/gratuity plan has enough assets to meet its future pension obligations. The discount rate should be determined by reference to market yields at the end of the reporting period. The discount rate reflects what the plan's assets can reasonably be expected to earn over the long term. From this are subtracted the cost of running the pension plan and provisions for major adverse events.

The discount rate reflects the estimated timings of benefits payments. This can be achieved by applying a single weighted average discount rate that reflects the estimated timing and amount of benefits payment and the currency in which benefits are to be paid.

IND AS 19 – DISCOUNT RATE

As per the **IND AS 19 Guidelines** issued by the **Ministry of Corporate Affairs**, to decide upon the rate of discounting for the post employment benefit obligations, it is suggested to used the **yields on long term Indian Government bonds.**

It is suggested in practice to follow discount rates based on assumptions, such as weighted average yields, instead of considering the actual durations matching G-Sec.

GOVERNMENT OF INDIA BOND RATES

For March 2024

The yield rates below are comprised of Indian government bills and bonds. The rates given below are based on the benchmark FIMMDA (Fixed Income Markets and Derivatives Association of India) indices. FIMMDA is the nodal agency designated by RBI to set financial benchmarks, and the benchmarks are published by Financial Benchmark India Pvt. Ltd (FBIL), authorised by RBI for benchmark administration activities relating to the valuation of Government of India Securities.

Series	**Yield on Government of India Bonds As on end of March 2024**
India 1-Year	7.10%
India 2-Year	7.15%
India 3-Year	7.18%
India 4-Year	7.18%
India 5-Year	7.18%
India 6-Year	7.19%
India 7-Year	7.13%
India 8-Year	7.21%
India 9-Year	7.21%
India 10-Year	7.18%
India 11-Year	7.21%
India 12-Year	7.23%
India 13-Year	7.23%
India 14-Year	7.21%
India 15-Year	7.21%
India 19-Year	7.23%
India 24-Year	7.22%
India 30-Year	7.25%
India 40-Year	7.27%

G-Sec – Government of India dated Securities.
Yield indicates annualised yield as on 28th March 2024.

For more information on this subject, please write to us at mail@consultactuary.com