

employer contributions of \$6.2 million and \$3 million as of September 30, 2017 and 2016, respectively. The total liability reported for the Voluntary Contribution Plan is \$10 million and \$3 million as of September 30, 2017 and 2016, respectively.

Local Defined Contribution Plans

In 49 countries, the Department has implemented various local arrangements, primarily with third party providers, for defined contribution plans for the benefit of FSNs. Total contributions to these plans by the Department in 2017 and 2016 were \$25 million and \$23.8 million, respectively.

Defined Benefit Plans

In 12 countries, involving over 3,600 FSNs, the Department has implemented various arrangements for defined benefit pension plans for the benefit of FSNs. Some of these plans supplement the host country's equivalent to U.S. social security, others do not. While none of these supplemental plans is mandated by the host country, some are substitutes for optional tiers of a host country's social security system. Such arrangements include (but are not limited to) conventional defined benefit plans with assets held in the name of trustees of the plan who engage plan administrators, investment advisors and actuaries, and plans offered by insurance companies at predetermined rates or with annual adjustments to premiums. The Department deposits funds under various fiduciary-type arrangements, purchases annuities under group insurance contracts or provides reserves to these plans. Benefits under the defined benefit plans are typically based either on years of service and/or the employee's compensation (generally during a fixed number of years immediately before retirement). The range of assumptions that are used for the defined benefit plans reflect the different economic and regulatory environments within the various countries.

As discussed in Note 1, the Department accounts for these plans under guidance contained in International Accounting Standards (IAS) No. 19, *Employee Benefits*. In accordance with IAS No. 19, the Department reported the net defined benefit liability of \$61 million and \$68 million as of September 30, 2017 and 2016, respectively. There was a decrease of \$7 million in 2017 and no change in 2016.

The material FSN defined benefit plans include plans in Germany and the United Kingdom (UK) which represent 74 percent of total assets, 76 percent of total projected benefit obligations, and 92 percent of the net defined benefit liability as of September 30, 2017. The Germany Plan's most recent evaluation report, dated August 24, 2017, is as of July 1, 2017. The UK Plan's most recent evaluation, dated February 20, 2017, is as of February 1, 2017.

For the Germany Plan the change in the net defined benefit liability was an increase of \$6 million in 2017 and an increase of \$2 million in 2016, while for the UK plan the change was a decrease of \$13 million in 2017 and a decrease of \$1 million in 2016.

For Germany, the increases in the net defined benefit liability in 2016 and 2017 were primarily due to losses from a change in the financial assumption of the discount rate.

For the UK Plan in 2017, the decrease in the net defined benefit liability was primarily due to gains from investment earnings and currency exchange rates. The decrease in 2016 was primarily due to a combination of gains from changes in the financial assumptions, mainly the discount rate, as well as currency exchange rates.

The tables below show the changes in the projected benefit obligation and plan assets during 2017 and 2016 for the Germany and UK plans (*dollars in millions*).

Change in Benefit Obligations:	2017	2016
Benefit obligations beginning of year	\$ 329	\$ 341
Service Cost	4	2
Interest Cost	8	4
Other	33	(18)
Benefit obligations end of year	\$ 374	\$ 329

Change in Plan Assets:	2017	2016
Fair value of plan assets beginning of year	\$ 268	\$ 282
Return on plan assets	22	(1)
Contributions less Benefits Paid	16	17
Other	12	(30)
Fair value of plan assets end of year	318	268
Net Defined Benefit Liability	\$ 56	\$ 61