DISCOUNT RATE. This is the interest rate used to discount the estimated future benefit payments that have been accrued to date (the projected benefit obligation or "PBO") to their net present value and to determine the succeeding year's ongoing pension expense (prior to any year-end MTM adjustment). The discount rate is determined each year at the plan measurement date. The discount rate for our U.S. Pension Plans at each measurement date was as follows:

Measurement Date	Discount Rate
5/31/2017	4.08%
5/31/2016	4.13
5/31/2015	4.42
5/31/2014	4.60

We determine the discount rate with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better). In developing this theoretical portfolio, we select bonds that match cash flows to benefit payments, limit our concentration by industry and issuer, and apply screening criteria to ensure bonds with a call feature have a low probability of being called. To the extent scheduled bond proceeds exceed the estimated benefit payments in a given period, the calculation assumes those excess proceeds are reinvested at one-year forward rates.

The measurement of our PBO and the related impact on our annual MTM adjustment is highly sensitive to the discount rate assumption. For our largest pension plan, a 50-basis-point increase in the discount rate would have decreased our 2017 PBO by approximately $1.7 billion and a 50-basis-point decrease in the discount rate would have increased our 2017 PBO by approximately $1.9 billion. However, our annual segment-level pension expense is less sensitive to changes in the discount rate. For example, a one-basis-point increase in the discount rate for our largest pension plan would have a $34 million effect on the fourth quarter MTM adjustment but only a net $200,000 impact on segment-level pension expense.

PLAN ASSETS. The expected average rate of return on plan assets is a long-term, forward-looking assumption that effects our segment level pension expense. It is required to be the expected future long-term rate of earnings on plan assets. Our pension plan assets are invested primarily in publicly tradable securities, and our pension plans hold only a minimal investment in FedEx common stock that is entirely at the discretion of third-party pension fund investment managers. As part of our strategy to manage pension costs and funded status volatility, we follow a liability-driven investment strategy to better align plan assets with liabilities.

Establishing the expected future rate of investment return on our pension assets is a judgmental matter, which we review on an annual basis and revise as appropriate. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected compound geometric return we can reasonably expect those investment classes to earn over time; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

For consolidated pension expense, we assumed a 6.50% expected long-term rate of return on our U.S. Pension Plan assets in 2017 and 2016 and 7.75% in 2015. We lowered our EROA assumption in 2016 as we continued to implement our asset and liability management strategy. In lowering this assumption, we considered our historical returns, our current capital markets outlook and our investment strategy for our plan assets, including the impact of the duration of our liabilities. Our actual returns in 2017 and 2015 exceeded our long-term assumption. Our actual return in 2016, however, was less than the expected return.

At the segment level, we set our EROA at 6.50% for all periods presented when we adopted MTM accounting in 2015. We record service cost, interest cost and EROA at the segment level, but our annual MTM adjustment and any difference between our consolidated EROA and our segment EROA are reflected only at the corporate level. This allows our segment operating results to follow internal management reporting, which is used for making operating decisions and assessing segment performance.

For our U.S. Pension Plans, a one basis-point change in our EROA would impact our 2018 segment pension expense by $2.5 million. The actual historical annual return on our U.S. Pension Plan assets, calculated on a compound geometric basis, was 7.8%, net of investment manager fees, for the 15-year period ended May 31, 2017.

FUNDED STATUS. The following is information concerning the funded status of our pension plans as of May 31 (in millions):

	2017	2016
Funded Status of Plans:		
Projected benefit obligation (PBO)	$ 29,913	$ 29,602
Fair value of plan assets	26,312	24,271
Funded status of the plans	$ (3,601)	$ (5,331)
Cash Amounts:		
Cash contributions during the year	$ 2,115	$ 726
Benefit payments during the year	$ 2,310	$ 912