

Part III --- Administrative, Miscellaneous, and Procedural

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2007-101

This notice provides guidance as to the corporate bond weighted average interest rate and the permissible range of interest rates specified under § 412(b)(5)(B)(ii)(II) of the Internal Revenue Code. It also provides guidance on the corporate bond monthly yield curve (and the corresponding spot segment rates), the 24-month average segment rates, and the funding transitional segment rates under § 430(h)(2). In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008, and the minimum present value segment rates under § 417(e)(3)(D) as in effect for plan years beginning after 2007.

CORPORATE BOND WEIGHTED AVERAGE INTEREST RATE

Sections 412(b)(5)(B)(ii) and 412(l)(7)(C)(i), as amended by the Pension Funding Equity Act of 2004 and by the Pension Protection Act of 2006 (PPA), provide that the interest rates used to calculate current liability and to determine the required contribution under § 412(l) for plan years beginning in 2004 through 2007 must be within a permissible range based on the weighted average of the rates of interest on amounts invested conservatively in long term investment grade corporate bonds during the 4-year period ending on the last day before the beginning of the plan year.

Notice 2004-34, 2004-1 C.B. 848, provides guidelines for determining the corporate bond weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability. That notice establishes that the corporate bond weighted average is based on the monthly composite corporate bond rate derived from designated corporate bond indices. The methodology for determining the monthly composite corporate bond rate as set forth in Notice 2004-34 continues to apply in determining that rate. See Notice 2006-75, 2006-36 I.R.B. 366.

The composite corporate bond rate for November 2007 is 6.14 percent. Pursuant to Notice 2004-34, the Service has determined this rate as the average of the monthly yields for the included corporate bond indices for that month.

The following corporate bond weighted average interest rate was determined for plan years beginning in the month shown below.

For Plan Years Beginning in		Corporate Bond Weighted Average	Permissible Range	
<u>Month</u>	<u>Year</u>		<u>90%</u>	<u>100%</u>
December	2007	5.90	5.31	5.90

YIELD CURVE AND SEGMENT RATES

Generally for plan years beginning after 2007 (except for delayed effective dates for certain plans under sections 104, 105, and 106 of PPA), § 430 of the Code specifies the minimum funding requirements that apply to single employer plans pursuant to § 412. Section 430(h)(2) specifies the

interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates. For plan years beginning in 2008 and 2009, a transitional rule under § 430(h)(2)(G) provides that the segment rates are blended with the corporate bond weighted average as specified above. An election may be made under § 430(h)(2)(G)(iv) to use the segment rates without applying the transitional rule.

Notice 2007-81, 2007-44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, the 24-month average corporate bond segment rates, and the funding transitional segment rates used to compute the target normal cost and the funding target. Pursuant to Notice 2007-81, the monthly corporate bond yield curve derived from November 2007 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of November 2007 are, respectively, 4.92, 6.02 and 6.47. The three 24-month average corporate bond segment rates applicable for December 2007 under the election of § 430(h)(2)(G)(iv) are as follows:

<u>First Segment</u>	<u>Second Segment</u>	<u>Third Segment</u>
5.31	5.90	6.41

The transitional segment rates under § 430(h)(2)(G) applicable for December 2007, taking into account the corporate bond weighted average of 5.90 stated above, are as follows:

<u>For Plan Years Beginning in</u>	<u>First Segment</u>	<u>Second Segment</u>	<u>Third Segment</u>
2008	5.70	5.90	6.07

30-YEAR TREASURY SECURITIES INTEREST RATE

Section 417(e)(3)(A)(ii)(II) (prior to amendment by PPA) defines the applicable interest rate, which must be used for purposes of determining the minimum present value of a participant's benefit under § 417(e)(1) and (2), as the annual rate of interest on 30-year Treasury securities for the month before the date of distribution or such other time as the Secretary may by regulations prescribe. Section 1.417(e)-1(d)(3) of the Income Tax Regulations provides that the applicable interest rate for a month is the annual rate of interest on 30-year Treasury securities as specified by the Commissioner for that month in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin.

The rate of interest on 30-year Treasury securities for November 2007 is 4.52 percent. The Service has determined this rate as the monthly average of the daily determination of yield on the 30-year Treasury bond maturing in May 2037.

MINIMUM PRESENT VALUE SEGMENT RATES

Generally for plan years beginning after December 31, 2007, the applicable interest rates

under § 417(e)(3)(D) of the Code are segment rates computed without regard to a 24 month average. For plan years beginning in 2008 through 2011, the applicable interest rate is the monthly spot segment rate blended with the applicable rate under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning in 2007. Notice 2007-81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value transitional segment rates determined for November 2007, taking into account the November 2007 30-year Treasury rate of 4.52 stated above, are as follows:

For Plan Years Beginning in	First Segment	Second Segment	Third Segment
2008	4.60	4.82	4.91

DRAFTING INFORMATION

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Table I

Monthly Yield Curve for November 2007

<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>
0.5	5.04	20.5	6.32	40.5	6.49	60.5	6.55	80.5	6.58
1.0	4.86	21.0	6.33	41.0	6.49	61.0	6.55	81.0	6.58
1.5	4.73	21.5	6.33	41.5	6.50	61.5	6.55	81.5	6.58
2.0	4.68	22.0	6.34	42.0	6.50	62.0	6.55	82.0	6.58
2.5	4.70	22.5	6.35	42.5	6.50	62.5	6.55	82.5	6.58
3.0	4.79	23.0	6.36	43.0	6.50	63.0	6.55	83.0	6.58
3.5	4.90	23.5	6.36	43.5	6.50	63.5	6.56	83.5	6.58
4.0	5.03	24.0	6.37	44.0	6.51	64.0	6.56	84.0	6.58
4.5	5.15	24.5	6.38	44.5	6.51	64.5	6.56	84.5	6.58
5.0	5.27	25.0	6.38	45.0	6.51	65.0	6.56	85.0	6.58
5.5	5.38	25.5	6.39	45.5	6.51	65.5	6.56	85.5	6.58
6.0	5.47	26.0	6.39	46.0	6.51	66.0	6.56	86.0	6.59
6.5	5.56	26.5	6.40	46.5	6.51	66.5	6.56	86.5	6.59
7.0	5.63	27.0	6.40	47.0	6.52	67.0	6.56	87.0	6.59
7.5	5.70	27.5	6.41	47.5	6.52	67.5	6.56	87.5	6.59
8.0	5.76	28.0	6.41	48.0	6.52	68.0	6.56	88.0	6.59
8.5	5.81	28.5	6.42	48.5	6.52	68.5	6.56	88.5	6.59
9.0	5.86	29.0	6.42	49.0	6.52	69.0	6.56	89.0	6.59
9.5	5.90	29.5	6.42	49.5	6.52	69.5	6.57	89.5	6.59
10.0	5.94	30.0	6.43	50.0	6.52	70.0	6.57	90.0	6.59
10.5	5.97	30.5	6.43	50.5	6.53	70.5	6.57	90.5	6.59
11.0	6.01	31.0	6.44	51.0	6.53	71.0	6.57	91.0	6.59
11.5	6.04	31.5	6.44	51.5	6.53	71.5	6.57	91.5	6.59
12.0	6.06	32.0	6.44	52.0	6.53	72.0	6.57	92.0	6.59
12.5	6.09	32.5	6.45	52.5	6.53	72.5	6.57	92.5	6.59
13.0	6.11	33.0	6.45	53.0	6.53	73.0	6.57	93.0	6.59
13.5	6.13	33.5	6.45	53.5	6.53	73.5	6.57	93.5	6.59
14.0	6.15	34.0	6.46	54.0	6.54	74.0	6.57	94.0	6.59
14.5	6.17	34.5	6.46	54.5	6.54	74.5	6.57	94.5	6.59
15.0	6.19	35.0	6.46	55.0	6.54	75.0	6.57	95.0	6.59
15.5	6.20	35.5	6.47	55.5	6.54	75.5	6.57	95.5	6.59
16.0	6.22	36.0	6.47	56.0	6.54	76.0	6.57	96.0	6.59
16.5	6.23	36.5	6.47	56.5	6.54	76.5	6.57	96.5	6.59
17.0	6.25	37.0	6.47	57.0	6.54	77.0	6.58	97.0	6.59
17.5	6.26	37.5	6.48	57.5	6.54	77.5	6.58	97.5	6.59
18.0	6.27	38.0	6.48	58.0	6.54	78.0	6.58	98.0	6.60
18.5	6.28	38.5	6.48	58.5	6.55	78.5	6.58	98.5	6.60
19.0	6.29	39.0	6.48	59.0	6.55	79.0	6.58	99.0	6.60
19.5	6.30	39.5	6.49	59.5	6.55	79.5	6.58	99.5	6.60
20.0	6.31	40.0	6.49	60.0	6.55	80.0	6.58	100.0	6.60