

Part III --- Administrative, Miscellaneous, and Procedural

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

Notice 2014-27

This notice provides guidance on the corporate bond monthly yield curve (and the corresponding spot segment rates), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. 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, the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I), and the minimum present value segment rates under § 417(e)(3)(D) as in effect for plan years beginning after 2007. These rates reflect certain changes implemented by the Moving Ahead for Progress in the 21st Century Act, Public Law 112-141 (MAP-21). MAP-21 provides that for purposes of § 430(h)(2), the segment rates are limited by the applicable maximum percentage or the applicable minimum percentage based on the average of segment rates over a 25 year period.

YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006, § 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. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins. However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007-81, 2007-44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond 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 March 2014 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of March 2014 are, respectively, 1.23, 4.23, and 5.31. For plan years beginning on or after January 1, 2012, the 24-month average segment rates determined under § 430(h)(2)(C)(iv) must be adjusted by the applicable percentage of the corresponding 25-year average segment rates. The 25-year average segment rates for plan years beginning in 2012, 2013, and 2014 were published in Notice 2012-55, 2012-36 I.R.B. 332, Notice 2013-11, 2013-11 I.R.B. 610, and Notice 2013-58, 2013-40 I.R.B. 294, respectively. The three 24-month average corporate bond segment rates applicable for April 2014 without adjustment, and the adjusted 24-month average segment rates taking into account the applicable percentages of the corresponding 25-year average segment rates, are as follows:

| For Plan Years Beginning In | | | 24-Month Average Segment Rates Not Adjusted | | | Adjusted 24-Month Average Segment Rates, Based on Applicable Percentage of 25-Year Average Rates | | |
|-----------------------------|------------------|------|---|----------------|---------------|--|----------------|---------------|
| | Applicable Month | | First Segment | Second Segment | Third Segment | First Segment | Second Segment | Third Segment |
| 2013 | April | 2014 | 1.19 | 4.06 | 5.11 | 4.94 | 6.15 | 6.76 |
| 2014 | April | 2014 | 1.19 | 4.06 | 5.11 | 4.43 | 5.62 | 6.22 |

30-YEAR TREASURY SECURITIES INTEREST RATES

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in section 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for March 2014 is 3.62 percent. The Service has determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in February 2044. The following rates were determined for plan years beginning in the month shown below.

| For Plan Years Beginning in | | 30-Year Treasury Weighted Average | Permissible Range | |
|-----------------------------|-------------|-----------------------------------|-------------------|----------------|
| <u>Month</u> | <u>Year</u> | | <u>90%</u> | <u>to 105%</u> |
| April | 2014 | 3.44 | 3.10 | 3.62 |

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. Notice 2007-81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value segment rates determined for March 2014 are as follows:

| First Segment | Second Segment | Third Segment |
|---------------|----------------|---------------|
| 1.23 | 4.23 | 5.31 |

DRAFTING INFORMATION

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Table I

Monthly Yield Curve for March 2014
Derived from March 2014 Data

| <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 | 0.26 | 20.5 | 5.00 | 40.5 | 5.34 | 60.5 | 5.47 | 80.5 | 5.53 |
| 1.0 | 0.43 | 21.0 | 5.02 | 41.0 | 5.35 | 61.0 | 5.47 | 81.0 | 5.53 |
| 1.5 | 0.62 | 21.5 | 5.03 | 41.5 | 5.35 | 61.5 | 5.47 | 81.5 | 5.53 |
| 2.0 | 0.83 | 22.0 | 5.05 | 42.0 | 5.36 | 62.0 | 5.47 | 82.0 | 5.53 |
| 2.5 | 1.07 | 22.5 | 5.06 | 42.5 | 5.36 | 62.5 | 5.47 | 82.5 | 5.53 |
| 3.0 | 1.32 | 23.0 | 5.07 | 43.0 | 5.37 | 63.0 | 5.48 | 83.0 | 5.53 |
| 3.5 | 1.58 | 23.5 | 5.09 | 43.5 | 5.37 | 63.5 | 5.48 | 83.5 | 5.53 |
| 4.0 | 1.83 | 24.0 | 5.10 | 44.0 | 5.37 | 64.0 | 5.48 | 84.0 | 5.53 |
| 4.5 | 2.08 | 24.5 | 5.11 | 44.5 | 5.38 | 64.5 | 5.48 | 84.5 | 5.53 |
| 5.0 | 2.31 | 25.0 | 5.12 | 45.0 | 5.38 | 65.0 | 5.48 | 85.0 | 5.54 |
| 5.5 | 2.54 | 25.5 | 5.13 | 45.5 | 5.38 | 65.5 | 5.48 | 85.5 | 5.54 |
| 6.0 | 2.75 | 26.0 | 5.14 | 46.0 | 5.39 | 66.0 | 5.49 | 86.0 | 5.54 |
| 6.5 | 2.95 | 26.5 | 5.15 | 46.5 | 5.39 | 66.5 | 5.49 | 86.5 | 5.54 |
| 7.0 | 3.13 | 27.0 | 5.16 | 47.0 | 5.39 | 67.0 | 5.49 | 87.0 | 5.54 |
| 7.5 | 3.31 | 27.5 | 5.17 | 47.5 | 5.40 | 67.5 | 5.49 | 87.5 | 5.54 |
| 8.0 | 3.47 | 28.0 | 5.18 | 48.0 | 5.40 | 68.0 | 5.49 | 88.0 | 5.54 |
| 8.5 | 3.62 | 28.5 | 5.19 | 48.5 | 5.40 | 68.5 | 5.49 | 88.5 | 5.54 |
| 9.0 | 3.76 | 29.0 | 5.20 | 49.0 | 5.41 | 69.0 | 5.50 | 89.0 | 5.54 |
| 9.5 | 3.89 | 29.5 | 5.21 | 49.5 | 5.41 | 69.5 | 5.50 | 89.5 | 5.54 |
| 10.0 | 4.00 | 30.0 | 5.22 | 50.0 | 5.41 | 70.0 | 5.50 | 90.0 | 5.55 |
| 10.5 | 4.11 | 30.5 | 5.22 | 50.5 | 5.42 | 70.5 | 5.50 | 90.5 | 5.55 |
| 11.0 | 4.21 | 31.0 | 5.23 | 51.0 | 5.42 | 71.0 | 5.50 | 91.0 | 5.55 |
| 11.5 | 4.30 | 31.5 | 5.24 | 51.5 | 5.42 | 71.5 | 5.50 | 91.5 | 5.55 |
| 12.0 | 4.38 | 32.0 | 5.25 | 52.0 | 5.43 | 72.0 | 5.50 | 92.0 | 5.55 |
| 12.5 | 4.45 | 32.5 | 5.25 | 52.5 | 5.43 | 72.5 | 5.51 | 92.5 | 5.55 |
| 13.0 | 4.52 | 33.0 | 5.26 | 53.0 | 5.43 | 73.0 | 5.51 | 93.0 | 5.55 |
| 13.5 | 4.58 | 33.5 | 5.27 | 53.5 | 5.43 | 73.5 | 5.51 | 93.5 | 5.55 |
| 14.0 | 4.63 | 34.0 | 5.27 | 54.0 | 5.44 | 74.0 | 5.51 | 94.0 | 5.55 |
| 14.5 | 4.68 | 34.5 | 5.28 | 54.5 | 5.44 | 74.5 | 5.51 | 94.5 | 5.55 |
| 15.0 | 4.72 | 35.0 | 5.29 | 55.0 | 5.44 | 75.0 | 5.51 | 95.0 | 5.55 |
| 15.5 | 4.76 | 35.5 | 5.29 | 55.5 | 5.44 | 75.5 | 5.51 | 95.5 | 5.56 |
| 16.0 | 4.80 | 36.0 | 5.30 | 56.0 | 5.45 | 76.0 | 5.52 | 96.0 | 5.56 |
| 16.5 | 4.83 | 36.5 | 5.30 | 56.5 | 5.45 | 76.5 | 5.52 | 96.5 | 5.56 |
| 17.0 | 4.86 | 37.0 | 5.31 | 57.0 | 5.45 | 77.0 | 5.52 | 97.0 | 5.56 |
| 17.5 | 4.88 | 37.5 | 5.32 | 57.5 | 5.45 | 77.5 | 5.52 | 97.5 | 5.56 |
| 18.0 | 4.91 | 38.0 | 5.32 | 58.0 | 5.45 | 78.0 | 5.52 | 98.0 | 5.56 |
| 18.5 | 4.93 | 38.5 | 5.33 | 58.5 | 5.46 | 78.5 | 5.52 | 98.5 | 5.56 |
| 19.0 | 4.95 | 39.0 | 5.33 | 59.0 | 5.46 | 79.0 | 5.52 | 99.0 | 5.56 |
| 19.5 | 4.97 | 39.5 | 5.34 | 59.5 | 5.46 | 79.5 | 5.52 | 99.5 | 5.56 |
| 20.0 | 4.99 | 40.0 | 5.34 | 60.0 | 5.46 | 80.0 | 5.53 | 100.0 | 5.56 |