

# employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service  
Tax Exempt and Government  
Entities Division

A Publication of Employee Plans

## Plans May Use Reasonable Interpretation in Selecting a Yield Curve

Final regulations are being drafted concerning interest rates to be used to value pension liabilities under [§430](#). The final regulations generally will not be effective for plan years beginning before they are issued.

In accordance with Part 3 of [Notice 2008-21](#), for plan years beginning before the effective date of the final regulations, plan sponsors must follow applicable statutory provisions and can rely on the proposed regulations for compliance with those statutory provisions. For such plan years, taking into account the items with respect to which guidance is provided in Part III(A) of Notice 2008-21, the IRS will not challenge a reasonable interpretation of an applicable statutory provision under [§§430](#) or [436](#), as amended in 2008. Therefore in selecting which month's yield curve is permitted to be used for purposes of valuing pension liabilities in order to determine funding obligations for a plan year that begins before issuance of final regulations, employers may rely on a reasonable interpretation of the funding rules. Determining the plan's liabilities for such a plan year using interest rates under the corporate bond yield curve (determined without regard to 24 month averaging) for any applicable month represents a reasonable interpretation of the new funding rules in the statute. Thus, for a calendar year plan with a January 1, 2009 valuation date, the IRS will not challenge the use of the monthly yield curve for January 2009, or any one of the four months immediately preceding January 2009.

It is anticipated that the final regulations will provide approval for any change in an interest rate election under [§430\(h\)\(2\)](#) for plan years beginning in 2009.

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