

Part III --- Administrative, Miscellaneous, and Procedural

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

Notice 2010-36

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 as in effect for plan years beginning before 2008. 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, 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.

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, 2006-2 C.B. 366.

The composite corporate bond rate for March 2010 is 5.90 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>
April	2010	6.39	5.75	6.39

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 March 2010 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of March 2010 are, respectively, 2.29, 5.65, and 6.58. The three 24-month average corporate bond segment rates applicable for April 2010 under the election of § 430(h)(2)(G)(iv) are as follows:

<u>First Segment</u>	<u>Second Segment</u>	<u>Third Segment</u>
4.35	6.59	6.72

The transitional segment rates under § 430(h)(2)(G) applicable for April 2010, taking into account the corporate bond weighted average of 6.39 stated above, are as follows:

<u>For Plan Years Beginning in</u>	<u>First Segment</u>	<u>Second Segment</u>	<u>Third Segment</u>
2009	5.03	6.52	6.61

The transitional rule of § 430(h)(2)(G) does not apply to plan years starting in 2010. Therefore, for a plan year starting in 2010 with a lookback month to April 2010, the funding segment rates are the three 24-month average corporate bond segment rates applicable for April 2010, listed above without blending for the transitional period.

30-YEAR TREASURY SECURITIES INTEREST RATES

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 March 2010 is 4.65 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 February 2040.

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 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	2010	4.40	3.96	4.62

MINIMUM PRESENT VALUE SEGMENT RATES

Generally for plan years beginning after December 31, 2007, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. For plan years beginning in 2008 through 2011, the applicable interest rates are the monthly spot segment rates 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 March 2010, taking into account the March 2010 30-year Treasury rate of 4.65 stated above, are as follows:

For Plan Years Beginning in	First Segment	Second Segment	Third Segment
2009	3.71	5.05	5.42
2010	3.23	5.25	5.81

DRAFTING INFORMATION

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Table I

Monthly Yield Curve for March 2010
Derived from March 2010 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	0.76	20.5	6.32	40.5	6.61	60.5	6.71	80.5	6.76
1.0	1.07	21.0	6.34	41.0	6.62	61.0	6.71	81.0	6.77
1.5	1.40	21.5	6.35	41.5	6.62	61.5	6.72	81.5	6.77
2.0	1.75	22.0	6.36	42.0	6.62	62.0	6.72	82.0	6.77
2.5	2.11	22.5	6.37	42.5	6.63	62.5	6.72	82.5	6.77
3.0	2.48	23.0	6.38	43.0	6.63	63.0	6.72	83.0	6.77
3.5	2.84	23.5	6.39	43.5	6.63	63.5	6.72	83.5	6.77
4.0	3.18	24.0	6.40	44.0	6.64	64.0	6.72	84.0	6.77
4.5	3.50	24.5	6.41	44.5	6.64	64.5	6.73	84.5	6.77
5.0	3.79	25.0	6.42	45.0	6.64	65.0	6.73	85.0	6.77
5.5	4.05	25.5	6.43	45.5	6.65	65.5	6.73	85.5	6.77
6.0	4.28	26.0	6.44	46.0	6.65	66.0	6.73	86.0	6.77
6.5	4.49	26.5	6.45	46.5	6.65	66.5	6.73	86.5	6.78
7.0	4.68	27.0	6.46	47.0	6.65	67.0	6.73	87.0	6.78
7.5	4.85	27.5	6.47	47.5	6.66	67.5	6.73	87.5	6.78
8.0	5.01	28.0	6.47	48.0	6.66	68.0	6.74	88.0	6.78
8.5	5.14	28.5	6.48	48.5	6.66	68.5	6.74	88.5	6.78
9.0	5.27	29.0	6.49	49.0	6.66	69.0	6.74	89.0	6.78
9.5	5.38	29.5	6.50	49.5	6.67	69.5	6.74	89.5	6.78
10.0	5.48	30.0	6.50	50.0	6.67	70.0	6.74	90.0	6.78
10.5	5.58	30.5	6.51	50.5	6.67	70.5	6.74	90.5	6.78
11.0	5.66	31.0	6.52	51.0	6.67	71.0	6.74	91.0	6.78
11.5	5.74	31.5	6.52	51.5	6.68	71.5	6.74	91.5	6.78
12.0	5.80	32.0	6.53	52.0	6.68	72.0	6.75	92.0	6.78
12.5	5.86	32.5	6.54	52.5	6.68	72.5	6.75	92.5	6.78
13.0	5.92	33.0	6.54	53.0	6.68	73.0	6.75	93.0	6.79
13.5	5.97	33.5	6.55	53.5	6.69	73.5	6.75	93.5	6.79
14.0	6.01	34.0	6.55	54.0	6.69	74.0	6.75	94.0	6.79
14.5	6.05	34.5	6.56	54.5	6.69	74.5	6.75	94.5	6.79
15.0	6.09	35.0	6.56	55.0	6.69	75.0	6.75	95.0	6.79
15.5	6.12	35.5	6.57	55.5	6.69	75.5	6.75	95.5	6.79
16.0	6.15	36.0	6.57	56.0	6.70	76.0	6.76	96.0	6.79
16.5	6.18	36.5	6.58	56.5	6.70	76.5	6.76	96.5	6.79
17.0	6.20	37.0	6.58	57.0	6.70	77.0	6.76	97.0	6.79
17.5	6.22	37.5	6.59	57.5	6.70	77.5	6.76	97.5	6.79
18.0	6.24	38.0	6.59	58.0	6.70	78.0	6.76	98.0	6.79
18.5	6.26	38.5	6.60	58.5	6.71	78.5	6.76	98.5	6.79
19.0	6.28	39.0	6.60	59.0	6.71	79.0	6.76	99.0	6.79
19.5	6.29	39.5	6.60	59.5	6.71	79.5	6.76	99.5	6.79
20.0	6.31	40.0	6.61	60.0	6.71	80.0	6.76	100.0	6.79