

Part III --- Administrative, Miscellaneous, and Procedural

Weighted Average Interest Rate Update

Notice 2002-26

Sections 412(b)(5)(B) and 412(l)(7)(C)(i) of the Internal Revenue Code provide that the interest rates used to calculate current liability for purposes of determining the full funding limitation under § 412(c)(7) and the required contribution under § 412(l) must be within a permissible range around 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 and the resulting permissible range of interest rates used to calculate current liability for the purpose of the full funding limitation of § 412(c)(7) of the Code.

Section 417(e)(3)(A)(ii)(II) of the Code 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 interest rate 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 February 2002 is 5.40 percent. The Service has determined this rate as the average of the 30-year Treasury Constant Maturity interest rate determined each day through February 18, 2002 (as reported in § H.15 on the Federal Reserve website (www.federalreserve.gov/releases/)), and the yield on the 30-year Treasury bond maturing in February 2031, determined each day for the balance of the month.

Effective for March 2002, the Service will determine and publish the rate of interest on 30-year Treasury Securities solely on the basis of the monthly average of the daily determination of yield on the 30-year Treasury bond maturing in February 2031. The Service will determine and publish the average yield on such basis for an interim period, pending the enactment of legislative changes to §§ 412 and 417 that address the discontinuance of the 30-year Treasury bond.

Section 405 of the Job Creation and Worker Assistance Act of 2002 ("JCWAA") amended § 412(l)(7)(C) of the Code to provide that for plan years beginning in 2002 and 2003 the permissible range is extended to 120 percent.

The following rates were determined for the plan years beginning in the month shown below.

Month	Year	Weighted Average	90% to 120% Permissible Range	90% to 110% Permissible Range
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January	2002	5.71	5.14 to 6.85	5.14 to 6.28
February	2002	5.70	5.13 to 6.84	5.13 to 6.27
March	2002	5.69	5.12 to 6.83	5.12 to 6.26

Drafting Information

The principal author of this notice is Todd Newman of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please contact the Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number), between the hours of 8:00 a.m. and 6:30 p.m. Eastern time, Monday through Friday. Mr. Newman may be reached at 1-202-283-9888 (not a toll-free number).