

PENSION BENEFIT GUARANTY CORPORATION

Interest Assumption for Determining Variable-Rate Premium; Interest on Late Premium Payments; Interest on Underpayments and Overpayments of Single-Employer Plan Termination Liability and Multiemployer Withdrawal Liability; Interest Assumptions for Multiemployer Plan Valuations Following Mass Withdrawal

AGENCY: Pension Benefit Guaranty Corporation.

ACTION: Notice of interest rates and assumptions.

SUMMARY: This notice informs the public of the interest rates and assumptions to be used under certain Pension Benefit Guaranty Corporation regulations. These rates and assumptions are published elsewhere (or are derivable from rates published elsewhere), but are collected and published in this notice for the convenience of the public. Interest rates are also published on the PBGC's home page (<http://www.pbgc.gov>).

DATES: The interest assumptions for determining the variable-rate premium under part 4006 apply to premium payment years beginning in May, June, and July 1996. The interest assumptions for performing multiemployer plan valuations following mass withdrawal under part 4281 apply to valuation dates occurring in August 1996. The interest rates for late premium payments under part 4007 and for underpayments and overpayments of single-employer plan termination liability under part 4062 and multiemployer withdrawal liability under part 4219 apply to interest accruing during the third quarter (July through September) of 1996.

FOR FURTHER INFORMATION CONTACT: Harold J. Ashner, Assistant General Counsel, Office of the General Counsel, Pension Benefit Guaranty Corporation, 1200 K Street, NW., Washington, DC 20005, 202-326-4024 (202-326-4179 for TTY and TDD).

SUPPLEMENTARY INFORMATION: Before July 1996, the rates and assumptions to be used under the PBGC regulations discussed below were set forth in tables in the regulations, even though the tabulated rates were merely copied from (or based on) rates published by other agencies, or were identical to rates in other PBGC regulations. In a final rule effective July 1, 1996 (61 FR 34001), the PBGC reorganized, renumbered, and significantly shortened its regulations. Tables that simply set forth information available elsewhere were among the unnecessary items that were removed. The PBGC will now publish the new

rates and assumptions in Federal Register notices on or about the 15th of each month, with tables of the rates for recent periods. The rates will be published monthly or quarterly, as appropriate, regardless of whether they have changed.

Variable-Rate Premiums

Section 4006(a)(3)(E)(iii)(II) of the Employee Retirement Income Security Act of 1974 and § 4006.4(b)(1) of the PBGC's regulation on Premium Rates (29 CFR part 4006) prescribe methods for determining a single-employer plan's unfunded vested benefits for premium computation purposes. These methods (previously codified at 29 CFR part 2610) involve use of an assumed interest rate equal to a specified percentage (currently 80 percent) of the annual yield on 30-year Treasury securities for the month preceding the beginning of the plan year for which premiums are being paid. The yield figure is reported in Federal Reserve Statistical Releases G.13 and H.15. The assumed interest rates to be used for computing premiums for plan years beginning in May, June, and July 1996 (*i.e.*, 80 percent of the yield figures for April, May, and June 1996) are 5.43 percent, 5.54 percent, and 5.65 percent respectively.

The following table lists the interest rates required under 29 CFR 4006.4(b)(1) to be used in valuing vested benefits for purposes of determining variable-rate premiums for plans with premium payment years beginning within the specified months:

For premium payment years beginning in	The required interest rate is
August 1995	5.38
September 1995	5.49
October 1995	5.24
November 1995	5.10
December 1995	5.01
January 1996	4.85
February 1996	4.84
March 1996	4.99
April 1996	5.28
May 1996	5.43
June 1996	5.54
July 1996	5.65

Late Premium Payments; Underpayments and Overpayments of Single-employer Plan Termination Liability

Section 4007(b) of ERISA and § 4007.7(a) of the PBGC's regulation on Payment of Premiums (29 CFR part 4007) require the payment of interest on late premium payments at the rate established under section 6601 of the

Internal Revenue Code. Similarly, § 4062.7 of the PBGC's regulation on Liability for Termination of Single-employer Plans (29 CFR part 4062) requires that interest be charged or credited at the section 6601 rate on underpayments and overpayments of employer liability under section 4062 of ERISA. (These provisions were previously codified at 29 CFR parts 2610 and 2622.) The section 6601 rate is established periodically (currently quarterly) by the Internal Revenue Service. The rate applicable to the third quarter (July through September) of 1996, as announced by the IRS, is 9 percent.

The following table lists the late payment interest rates under 29 CFR §§ 4007.7(a) and 4062.7 for the specified time periods:

From	Through	Interest rate (percent)
10/1/89	3/31/91	11
4/1/91	12/31/91	10
1/1/92	3/31/92	9
4/1/92	9/30/92	8
10/1/92	6/30/94	7
7/1/94	9/30/94	8
10/1/94	3/31/95	9
4/1/95	6/30/95	10
7/1/95	3/31/96	9
4/1/96	6/30/96	8
7/1/96	9/30/96	9

Underpayments and Overpayments of Multiemployer Withdrawal Liability

Section 4219.32(b) of the PBGC's regulation on Notice, Collection, and Redetermination of Withdrawal Liability (29 CFR part 4219) specifies the rate at which a multiemployer plan is to charge or credit interest on underpayments and overpayments of withdrawal liability under section 4219 of ERISA unless an applicable plan provision provides otherwise. (These provisions were previously codified at 29 CFR part 2644.) For interest accruing during any calendar quarter, the specified rate is the average quoted prime rate on short-term commercial loans for the fifteenth day (or the next business day if the fifteenth day is not a business day) of the month preceding the beginning of the quarter, as reported by the Board of Governors of the Federal Reserve System in Statistical Release H.15 ("Selected Interest Rates"). The rate for the third quarter (July through September) of 1996 (*i.e.*, the rate reported for June 17, 1996) is 8.25 percent.

The following table lists the withdrawal liability underpayment and overpayment interest rates under 29

CFR § 4219.32(b) for the specified time periods:

From	Through	Rate (per-cent)
4/1/90	3/31/91	10.00
4/1/91	6/30/91	9.00
7/1/91	9/30/91	8.50
10/1/91	12/31/91	8.00
1/1/92	3/31/92	7.50
4/1/92	9/30/92	6.50
10/1/92	6/30/94	6.00
7/1/94	9/30/94	7.25
10/1/94	12/31/94	7.75
1/1/95	3/31/95	8.50
4/1/95	9/30/95	9.00
10/1/95	3/31/96	8.75
4/1/96	9/30/96	8.25

Multiemployer Plan Valuations
Following Mass Withdrawal

Section 4281.13 of the PBGC's regulation on Duties of Plan Sponsor Following Mass Withdrawal (29 CFR part 4281) prescribes methods for valuing benefits and certain assets of multiemployer plans following mass withdrawal under sections 4219(c)(1)(D) and 4281(b) of ERISA. These methods (previously codified at 29 CFR part 2676) involve use of the same interest assumptions used and prescribed under the PBGC's regulation on Allocation of Assets in Single-employer Plans (29 CFR part 4044). However, only part 4044 actually sets forth the prescribed

interest assumptions; part 4281 simply refers to the assumptions in part 4044. The interest assumptions applicable to valuation dates in August 1996 under part 4044 are contained in an amendment to part 4044 published elsewhere in today's Federal Register. Tables showing the assumptions applicable to prior periods are codified in appendix B to 29 CFR part 4044.

Issued in Washington, DC, on this 5th day of July 1996.

Martin Slate,

Executive Director, Pension Benefit Guaranty Corporation.

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