federal register

Monday
July 15, 1996

Part II

Pension Benefit Guaranty Corporation

29 CFR Part 4044

Allocation of Assets in Single-Employer Plans; Interest Rates and Assumptions Used in Making Benefits Valuations; Final Rule and Notice

PENSION BENEFIT GUARANTY CORPORATION

29 CFR Part 4044

Allocation of Assets in Single-Employer Plans; Interest Rate for Valuing Benefits

AGENCY: Pension Benefit Guaranty Corporation.

ACTION: Final rule.

SUMMARY: This final rule amends the Pension Benefit Guaranty Corporation's regulation on Allocation of Assets in Single-Employer Plans. The regulation prescribes interest assumptions for valuing benefits under terminating single-employer plans. This rule adopts interest assumptions for plans with valuation dates in August 1996 and advises the public of the new assumptions. These interest assumptions are also used under the PBGC's regulation on Duties of Plan Sponsor Following Mass Withdrawal.

EFFECTIVE DATE: August 1, 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: This rule adopts the August 1996 interest assumptions to be used in benefit valuations for terminating single-employer plans. Before July 1996, the interest assumptions used for such benefit valuations were contained in PBGC regulations codified at 29 CFR part 2619. In a final rule effective July 1, 1996 (61 FR 34001), the PBGC reorganized and renumbered its regulations. The single-employer benefit valuation provisions are now codified in the PBGC's regulation on Allocation of Assets in Single-Employer Plans at 29 CFR part 4044, and this rule amends that regulation. As discussed in a notice published elsewhere in today's Federal Register, these interest assumptions are also used in valuations of multiemployer plans following mass withdrawal.

Part 4044 prescribes actuarial assumptions for valuing plan benefits of terminating single-employer plans covered by title IV of the Employee Retirement Income Security Act of 1974. Under ERISA section 4041(c), a single-employer plan administrator wishing to terminate the plan in a distress termination must value guaranteed benefits and ''benefit liabilities'' (*i.e.*, all benefits provided under the plan as of the plan termination date) in accordance with part 4044. (Benefit liabilities may also be valued in accordance with part 4044 for purposes of the Standard Termination Notice filed with the PBGC by a plan terminating in a standard termination, although this is not required.) In addition, when the PBGC terminates an underfunded plan involuntarily pursuant to ERISA section 4042(a), it values benefits in accordance with part 4044 to determine the amount of the plan's underfunding.

Among the actuarial assumptions prescribed in part 4044 are interest rates and factors, which are set forth in appendix B to part 4044. Because these interest rates and factors are intended to reflect current conditions in the financial and annuity markets, it is necessary to update the rates and factors periodically.

Two sets of interest rates and factors are prescribed, one set for the valuation of benefits to be paid as annuities and one set for the valuation of benefits to be paid as lump sums. This amendment adds to appendix B to part 4044 the two sets of interest rates and factors for valuing benefits in plans with valuation dates during August 1996.

For annuity benefits, the interest rates will be 6.30 percent for the first 20 years following the valuation date and 4.75 percent thereafter. For benefits to be paid as lump sums, the interest assumptions to be used by the PBGC will be 5.25 percent for the period during which benefits are in pay status, 4.50 percent during the seven-year period directly preceding the benefit's placement in pay status, and 4.00 percent during any other years preceding the benefit's placement in pay status. The annuity interest assumptions represent an increase (from those in effect for July 1996) of 0.10 percent for the first 20 years following the valuation date and are otherwise unchanged. The lump sum interest assumptions represent an increase (from those in effect for July 1996) of 0.25 percent for the period during which benefits are in pay status and the seven years directly preceding that period and are otherwise unchanged.

Generally, the interest rates and factors under part 4044 are in effect for at least one month. However, the PBGC publishes its interest assumptions each month regardless of whether they represent a change from the previous month's assumptions. The assumptions are normally published in the Federal Register on or about the 15th of the preceding month.

The PBGC has determined that notice and public comment on this amendment are impracticable and contrary to the public interest. This finding is based on the need to determine and issue new interest rates and factors promptly so that the rates and factors can reflect, as accurately as possible, current market conditions.

Because of the need to provide immediate guidance for the valuation of benefits in plans with valuation dates during August 1996, the PBGC finds that good cause exists for making the rates and factors set forth in this amendment effective less than 30 days after publication.

The PBGC has determined that this action is not a ''significant regulatory action'' under the criteria set forth in Executive Order 12866.

Because no general notice of proposed rulemaking is required for this amendment, the Regulatory Flexibility Act of 1980 does not apply. See 5 U.S.C. 601(2).

List of Subjects in 29 CFR Part 4044

Pension insurance, Pensions.

In consideration of the foregoing, part 4044 of chapter XL, title 29, Code of Federal Regulations, is hereby amended as follows:

PART 4044—[AMENDED]

1. The authority citation for part 4044 continues to read as follows:

Authority: 29 U.S.C. 1301(a), 1302(b)(3), 1341, 1344, 1362.

Appendix B to Part 4044—[Amended]

2. In appendix B, a new entry is added to Table I, and Rate Set 34 is added to Table II, as set forth below. The introductory text of each table is republished for the convenience of the reader and remains unchanged.

Appendix B to Part 4044—Interest Rates Used to Value Annuities and Lump Sums

TABLE I.—ANNUITY VALUATIONS

[This table sets forth, for each indicated calendar month, the interest rates (denoted by i_1, i_2, * * *, and referred to generally as i_t) assumed to be in effect between specified anniversaries of a valuation date that occurs within that calendar month; those anniversaries are specified in the columns adjacent to the rates. The last listed rate is assumed to be in effect after the last listed anniversary date]

For valuation dates occurring in the month—	The values of i_t are:					
	i_t	for t=	i_t	for t=	i_t	for t=
* * *	*		*	*		*
August 1996	.0630	1–20	.0475	>20	N/A	N/A

TABLE II.—LUMP SUM VALUATIONS

[In using this table: (1) For benefits for which the participant or beneficiary is entitled to be in pay status on the valuation date, the immediate annuity rate shall apply; (2) For benefits for which the deferral period is y years (where y is an integer and $0 < y \leq n_1$), interest rate i_1 shall apply from the valuation date for a period of y years, and thereafter the immediate annuity rate shall apply; (3) For benefits for which the deferral period is y years (where y is an integer and $n_1 < y \leq n_1 + n_2$), interest rate i_2 shall apply from the valuation date for a period of $y - n_1$ years, interest rate i_1 shall apply for the following n_1 years, and thereafter the immediate annuity rate shall apply; (4) For benefits for which the deferral period is y years (where y is an integer and $y > n_1 + n_2$), interest rate i_3 shall apply from the valuation date for a period of $y - n_1 - n_2$ years, interest rate i_2 shall apply for the following n_2 years, interest rate i_1 shall apply for the following n_1 years, and thereafter the immediate annuity rate shall apply]

Rate set	For plans with a valuation date		Immediate annuity rate (percent)	Deferred annuities (percent)				
	On or after	Before		i_1	i_2	i_3	n_1	n_2
*	*		*	*	*	*		*
34	08–1–96	09–1–96	5.25	4.50	4.00	4.00	7	8

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

Martin Slate,

Executive Director, Pension Benefit Guaranty Corporation.

[FR Doc. 96–17792 Filed 7–12–96; 8:45 am]

BILLING CODE 7708–01–P