

**SEC. 302. INTEREST RATE ASSUMPTION FOR DETERMINATION  
OF LUMP SUM DISTRIBUTIONS.**

(a) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.— Paragraph (3) of section 205(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(g)(3)) is amended to read as follows:

“(3)(A) For purposes of paragraphs (1) and (2), the present value shall not be less than the present value calculated by using the applicable mortality table and the applicable interest rate.

“(B) For purposes of subparagraph (A)—

“(i) The term ‘applicable mortality table’ means a mortality table, modified as appropriate by the Secretary of the Treasury, based on the mortality table specified for the plan year under subparagraph (A) of section 303(h)(3) (without regard to subparagraph (C) or (D) of such section).

“(ii) The term ‘applicable interest rate’ means the adjusted first, second, and third segment rates applied under rules similar to the rules of section 303(h)(2)(C) for the month before the date of the distribution or such other time as the Secretary of the Treasury may by regulations prescribe.

“(iii) For purposes of clause (ii), the adjusted first, second, and third segment rates are the first, second, and third segment rates which would be determined under section 303(h)(2)(C) if—

“(I) section 303(h)(2)(D) were applied by substituting the average yields for the month described in clause (ii) for the average yields for the 24-month period described in such section,

“(II) section 303(h)(2)(G)(i)(II) were applied by substituting ‘section 205(g)(3)(B)(iii)(II)’ for ‘section 302(b)(5)(B)(ii)(II)’, and

“(III) the applicable percentage under section 303(h)(2)(G) were determined in accordance with the following table:

<b>In the case of plan years beginning in:</b>	<b>The applicable percentage is:</b>
2008 .....	20 percent
2009 .....	40 percent
2010 .....	60 percent
2011 .....	80 percent.”.

(b) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (3) of section 417(e) of the Internal Revenue Code of 1986 is amended to read as follows:

“(3) DETERMINATION OF PRESENT VALUE.—

“(A) IN GENERAL.—For purposes of paragraphs (1) and (2), the present value shall not be less than the present value calculated by using the applicable mortality table and the applicable interest rate.

“(B) APPLICABLE MORTALITY TABLE.— For purposes of subparagraph (A), the term ‘applicable mortality table’ means a mortality table, modified as appropriate by the Secretary, based on the mortality table specified for the plan year under subparagraph (A) of section 430(h)(3) (without regard to subparagraph (C) or (D) of such section).

“(C) APPLICABLE INTEREST RATE.—For purposes of subparagraph (A), the term ‘applicable interest rate’ means the adjusted first, second, and third segment rates applied under rules similar to the rules of section 430(h)(2)(C) for the month before the date of the distribution or such other time as the Secretary may by regulations prescribe.

“(D) APPLICABLE SEGMENT RATES.—For purposes of subparagraph (C), the adjusted first, second, and third segment rates are the first, second, and third segment rates which would be determined under section 430(h)(2)(C) if—

“(i) section 430(h)(2)(D) were applied by substituting the average yields for the month described in clause (ii) for the average yields for the 24-month period described in such section,

“(ii) section 430(h)(2)(G)(i)(II) were applied by substituting ‘section 417(e)(3)(A)(ii)(II)’ for ‘section 412(b)(5)(B)(ii)(II)’, and

“(iii) the applicable percentage under section 430(h)(2)(G) were determined in accordance with the following table:

<b>In the case of plan years beginning in:</b>	<b>The applicable percentage is:</b>
2008 .....	20 percent
2009 .....	40 percent
2010 .....	60 percent
2011 .....	80 percent.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plan years beginning after December 31, 2007.