



Pension Protection Act (PPA) Funding Interest Rates

Effective for 2008 plan years and later, the Pension Protection Act (PPA) of 2006 allows employers to choose from two different discount rates: the segmented yield curve and the full yield curve.

Monthly segment rates

The underlying rates that are used to create the segmented yield curve are shown below:

Month-Year	First Segment	Second Segment	Third Segment
Aug-20	0.52	2.22	3.03
Jul-20	0.59	2.25	3.01
Jun-20	0.74	2.57	3.32
May-20	1.08	2.78	3.47
Apr-20	1.58	2.88	3.24
Mar-20	2.22	3.08	3.73
Feb-20	1.73	2.72	3.35
Jan-20	1.91	2.93	3.54
Dec-19	2.03	3.06	3.59
Nov-19	2.04	3.09	3.68
Oct-19	2.01	3.06	3.65
Sep-19	2.13	3.07	3.65
Aug-19	2.09	3.00	3.61
Jul-19	2.34	3.38	4.01
Jun-19	2.41	3.51	4.16
May-19	2.72	3.76	4.33
Apr-19	2.79	3.88	4.33
Mar-19	2.86	4.00	4.42
Feb-19	3.01	4.11	4.41
Jan-19	3.19	4.25	4.60
Dec-18	3.38	4.32	4.69
Nov-18	3.43	4.46	4.88
Oct-18	3.33	4.39	4.72
Sep-18	3.21	4.26	4.55
Aug-18	3.10	4.15	4.46
Jul-18	3.15	4.20	4.47
Jun-18	3.12	4.20	4.60
May-18	3.08	4.19	4.58
Apr-18	2.99	4.04	4.43
Mar-18	2.91	3.99	4.43
Feb-18	2.72	3.94	4.33
Jan-18	2.48	3.65	4.15
Dec-17	2.33	3.55	4.11

Segmented yield curve

The **segmented yield curve** consists of three rates: the first rate is used to value expected benefit payments within the first five years from the valuation date; the second rate is used to value expected benefit payments in the next 15 years; and the third rate is used to value expected benefit payments thereafter. The yield curve for a month consists of these three rates (derived from the high-quality corporate-bond yield curve) averaged over the specified period of time – 24 months or 25 years. The default is to use the segment rate for the month containing the valuation date. Alternatively, plan sponsors can elect to use up to a four-month lookback period for setting the rates.

PPA was subsequently modified, first in 2012 (by MAP-21), then in 2014 (by HATFA) and finally in 2015 (by BBA) by extending the average from 24 months to 25 years with a 10% corridor around the 25-year rates that would increase by 5% each year, from 10% in 2012 to 30% in 2016. HATFA reset the corridor to 10% through 2017 and deferred the start of the 5% per year expansion to 2018, capping out at 30% in 2021. BBA then deferred the start of the 5% per year expansion to 2020, capping out at 30% in 2023.

The modified interest rates only apply to the calculation of liabilities for determining the minimum required contribution and the funded status for application of benefit restrictions. They do not apply to the determination of lump sum payments, the maximum deductible contribution amount, or the calculation of PBGC variable rate premiums, among other things.

Month-Year	24-month average rates, unadjusted under PPA			25-year average rates with applicable corridor under HATFA		
	First Segment	Second Segment	Third Segment	First Segment	Second Segment	Third Segment
Sep-20	2.22	3.38	3.92	3.32	4.79	5.47
Aug-20	2.33	3.46	3.98	3.64	5.21	5.94
Jul-20	2.44	3.54	4.04	3.64	5.21	5.94
Jun-20	2.54	3.61	4.09	3.64	5.21	5.94
May-20	2.62	3.66	4.14	3.64	5.21	5.94
Apr-20	2.68	3.71	4.19	3.64	5.21	5.94
Mar-20	2.71	3.75	4.21	3.64	5.21	5.94
Feb-20	2.75	3.80	4.26	3.64	5.21	5.94
Jan-20	2.77	3.83	4.28	3.64	5.21	5.94
Dec-19	2.78	3.85	4.30	3.64	5.21	5.94
Nov-19	2.79	3.87	4.33	3.64	5.21	5.94
Oct-19	2.79	3.90	4.35	3.64	5.21	5.94
Sep-19	2.79	3.92	4.38	3.64	5.21	5.94
Aug-19	2.78	3.94	4.41	3.74	5.35	6.11
Jul-19	2.76	3.95	4.43	3.74	5.35	6.11
Jun-19	2.74	3.96	4.44	3.74	5.35	6.11
May-19	2.71	3.96	4.45	3.74	5.35	6.11
Apr-19	2.68	3.95	4.46	3.74	5.35	6.11
Mar-19	2.65	3.95	4.48	3.74	5.35	6.11
Feb-19	2.60	3.94	4.49	3.74	5.35	6.11
Jan-19	2.55	3.93	4.49	3.74	5.35	6.11
Dec-18	2.50	3.92	4.50	3.74	5.35	6.11
Nov-18	2.43	3.89	4.49	3.74	5.35	6.11
Oct-18	2.35	3.85	4.47	3.74	5.35	6.11

Full yield curve

The **full yield curve** is derived from the high-quality corporate-bond yield curve averaged over all business days in a month. This is available on the IRS website:

<http://www.irs.gov/retirement/article/0,,id=177408,00.html>