

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

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

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

12 “(ii) The term ‘applicable interest rate’ means
13 the adjusted first, second, and third segment rates
14 applied under rules similar to the rules of section
15 303(h)(2)(C) for the month before the date of the
16 distribution or such other time as the Secretary of
17 the Treasury may by regulations prescribe.

18 “(iii) For purposes of clause (ii), the adjusted
19 first, second, and third segment rates are the first,
20 second, and third segment rates which would be de-
21 termined under section 303(h)(2)(C) if—

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

1 “(II) section 303(h)(2)(G)(i)(II) were ap-
 2 plied by substituting ‘section
 3 205(g)(3)(B)(iii)(II)’ for ‘section
 4 302(b)(5)(B)(ii)(II)’, and

5 “(III) the applicable percentage under sec-
 6 tion 303(h)(2)(G) were determined in accord-
 7 ance with the following table:

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

8 (b) AMENDMENT TO INTERNAL REVENUE CODE OF
 9 1986.—Paragraph (3) of section 417(e) of the Internal
 10 Revenue Code of 1986 is amended to read as follows:

11 “(3) DETERMINATION OF PRESENT VALUE.—

12 “(A) IN GENERAL.—For purposes of para-
 13 graphs (1) and (2), the present value shall not
 14 be less than the present value calculated by
 15 using the applicable mortality table and the ap-
 16 plicable interest rate.

17 “(B) APPLICABLE MORTALITY TABLE.—

18 For purposes of subparagraph (A), the term
 19 ‘applicable mortality table’ means a mortality
 20 table, modified as appropriate by the Secretary,
 21 based on the mortality table specified for the
 22 plan year under subparagraph (A) of section

1 430(h)(3) (without regard to subparagraph (C)
2 or (D) of such section).

3 “(C) APPLICABLE INTEREST RATE.—For
4 purposes of subparagraph (A), the term ‘appli-
5 cable interest rate’ means the adjusted first,
6 second, and third segment rates applied under
7 rules similar to the rules of section
8 430(h)(2)(C) for the month before the date of
9 the distribution or such other time as the Sec-
10 retary may by regulations prescribe.

11 “(D) APPLICABLE SEGMENT RATES.—For
12 purposes of subparagraph (C), the adjusted
13 first, second, and third segment rates are the
14 first, second, and third segment rates which
15 would be determined under section
16 430(h)(2)(C) if—

17 “(i) section 430(h)(2)(D) were applied
18 by substituting the average yields for the
19 month described in clause (ii) for the aver-
20 age yields for the 24-month period de-
21 scribed in such section,

22 “(ii) section 430(h)(2)(G)(i)(II) were
23 applied by substituting ‘section
24 417(e)(3)(A)(ii)(II)’ for ‘section
25 412(b)(5)(B)(ii)(II)’, and

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

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

4 (c) **EFFECTIVE DATE.**—The amendments made by
5 this section shall apply with respect to plan years begin-
6 ning after December 31, 2007.

7 **SEC. 303. INTEREST RATE ASSUMPTION FOR APPLYING**
8 **BENEFIT LIMITATIONS TO LUMP SUM DIS-**
9 **TRIBUTIONS.**

10 (a) **IN GENERAL.**—Clause (ii) of section
11 415(b)(2)(E) of the Internal Revenue Code of 1986 is
12 amended to read as follows:

13 “(ii) For purposes of adjusting any
14 benefit under subparagraph (B) for any
15 form of benefit subject to section
16 417(e)(3), the interest rate assumption
17 shall not be less than the greatest of—

18 “(I) 5.5 percent,

19 “(II) the rate that provides a
20 benefit of not more than 105 percent
21 of the benefit that would be provided
22 if the applicable interest rate (as de-