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Office of the General Counsel
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005-4026

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RIN 1212-AB30

RE Proposed Rule on Changes to Waivers for Annual Financial and Actuarial Information

We are writing on behalf of the Principal Financial Group® (the Principal®) with respect to the proposed changes to the waiver rules for the Annual Financial and Actuarial Information (4010) filing. The Principal is a global, diversified services organization with more than 130 years of financial services experience. We are a member of the Fortune 500, with \$539.9 billion in assets under management and 20.1 million customers worldwide. The Principal is one of the leaders in the retirement industry providing full-service solutions for defined contribution, defined benefit, employee stock ownership and non-qualified plans. We provide services to over 2,400 defined benefit plans covering over 330,000 participants. In April 2015 we were identified as the #1 provider of Defined Benefit services based on the number of client (Plan Sponsor Defined Benefit Administration Survey).

We would like to thank PBGC for reviewing this rule. Your efforts to reduce the reporting burden placed on plan sponsors are appreciated, and we believe they will be helpful for many plan sponsors. However, we have serious concerns about the changes you are proposing to the \$15 million waiver rule for plans that have more than 500 lives.

We have two alternatives to propose to the change in the \$15 million waiver rule, a recommendation about the information that is to be collected, and a comment on the proposed effective date.

Waiver Standard

Proposal #1: We propose that controlled groups with aggregate unfunded vested benefits less than \$50 million on a premium-payment basis should have the 4010 filing requirement waived.

Most importantly, the standard for a waiver needs to be focused on plans that actually expose the PBGC to a future loss. Ideally, this should use measures controlled by the PBGC rather than

the IRS. The IRS “shortfall” measure used today could be changed at any time for purely political reasons. As an alternative, PBGC appears to have determined that the value of unfunded vested benefits calculated in the premium process is an appropriate surrogate for risk since premiums are based on this measure. Using this approach for the 4010 reporting waiver also makes sense.

Proposal #2: We propose that the \$15 million shortfall waiver continue to be available for controlled groups with less than 1,000 participants, rather than 500.

If the proposed waiver framework is retained, the proposed rule needs to impact fewer plans. We appreciate the value to the PBGC of an early warning system and your need for data to make the process effective. However, we feel the proposed rule is too broad.

- Collecting more information on plans that do not pose a significant risk to PBGC is not reasonable, and leads to additional administrative costs to PBGC for a small return in valuable information.
- This reporting will be burdensome on the mid-sized plan sponsors that are managing their plans in a responsible manner and are of minimal risk to the PBGC. Generating actuarial data at an increased expense for plan sponsors without some real benefit to the PBGC is not beneficial to either party.

The 4010 filing is meant to give the PBGC warning of impending peril. It is not meant to create a database for the PBGC.

As an example: in reviewing our experience for 2014, we had 22 plans subject to the 4010 filing, 16 of which would be required to file the additional actuarial information under current rules. The proposed rule would increase the number of affected plans to 103. Of those plans, 78 would need to file additional actuarial information. A number of those plans have AFTAPs in excess of 100%.

An unintended consequence is that plan sponsors will change how they manage their plans (or businesses) to avoid the filing. Just one example, a number of plan sponsors are contributing to keep the shortfall under \$15 million. Changing the benchmark to a much more rigorous standard increases the risk of sponsors opting out of those extra contributions.

In both of these situations, the PBGC would get more data, but at a significantly increased expense (both time and money) to plan sponsors. Although any change that requires well-managed plans to file is troubling, setting the waiver restriction at 1,000 participants instead of 500 would more than double the data received by the PBGC based on our client base. We believe this is not the intent of the rules, nor is it productive.

Additional Actuarial Information Relief Proposal

We request that the *At-Risk Liability* calculation be removed from the required filing.

Whatever the form of the final waiver rules, there will be an increased number of plan sponsors filing. In order to reduce the expense to these plan sponsors, the additional actuarial information should be reduced to essential information. A key example is the *At-Risk Liabilities*. These are the third (fourth counting the Schedule SB figures) liability measure available to the PBGC. Frankly, it is of questionable value once the §4044 liability is known. For many of our clients, generating this liability is the single greatest actuarial expense in the filing, since it is not required for their funding calculations.

Effective Date Relief Request

The proposed rule is effective for information years beginning after December 31, 2015. This effective date will be a hardship for plan sponsors with a plan year not aligned to the controlled group's information year. For many plan sponsors, it is already beyond the date where they can manage their 2015 Funded Target Attainment Percentage (FTAP) to avoid the filing. **We strongly request that the effective date be changed to information years beginning one year after the rule is final. At a minimum, plans should be allowed to substitute the 2016 FTAP, if necessary to avoid the filing.**

Thank you for the opportunity to comment. If you have any questions or would like to discuss these proposals, please let us know.

Respectfully submitted,



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