Principal

November 27, 2019
Sent via e-mail to reg.comments@pbgc.gov

RIN 1212-AB41
Regulatory Affairs Division
Office of the General Counsel
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026

Subject RIN 1212-AB41 Lump Sum Payment Assumptions

Sir/Madam:

We appreciate the opportunity to comment on the Pension Benefit Guaranty Corporation's (PBGC) proposal to discontinue the monthly publication of PBGC's lump sum interest rate assumption.

Principal Financial Group® provides actuarial services and consulting to over 500 defined benefit plans and over 5,000 group annuity contracts covering former participants in defined benefit plans[1]. Our plans/contracts range in size from covering very few participants to much bigger plans/contracts covering thousands. This letter was prepared by the author in conjunction with thoughts and opinions from other actuaries and colleagues within Principal®.

While we have not extensively been able to review all of our defined benefit plan clients or group annuity contracts in detail, we do believe well over 100 of our current clients and annuity contracts will be impacted by the changes proposed in RIN 1212-AB41. While we recognize a relatively small number of plans in our total block are impacted, having to review, analyze and quantify the impact of such a change is a burden on our business and our clients.

Those effected are impacted in a variety of ways (not exhaustive):

- Lump sum conversions
- Annuity optioning
- Cash balance interest crediting rates

Potential Impact – mainly twofold

- ***Cost of plans potentially increases.*** The proposal of issuing a final immediate rate of 1.5%, without any movement into the future, effectively locks our clients into potentially higher long-term cost than if the interest rates continue to fluctuate with market rates. While we recognize current rates are lower than the 1.5% rate proposed, our clients are maintaining their plans for the long haul and many expect interest rates to eventually rise above 1.5%.
- ***Administrative burden.*** While changing the referenced rate may not have a significant cost impact on plans that use the rate for purposes other than lump sum, it does create a burden to implement processes, procedures and programming for changes to the published rates.

[1]Plan/contract count as of January 1, 2019

Recommendations and Next steps

Because Principal provides services for well over 100 plans and group annuity contracts potentially impacted by this proposal, we recommend the PBGC to not make a change to how they publish these rates.

However, if the PBGC moves forward with a change, we suggest moving to a referenced rate that does move with market rates. Also, if a change is being made, we suggest providing enough time for plan sponsors to review and implement any potential changes.

We thank the PBGC for the opportunity to comment on this proposal. Please contact us directly if you would like to discuss.

Sincerely,

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