Office of Regulations and Interpretations
Employee Benefit Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Re: Pension Benefit Statements; Advance Notice of Proposed Rulemaking (RIN 1210-AB20)
To Whom It May Concern:

I am pleased to respond on behalf of the Principal Financial Group® to questions regarding the Advance Notice of Proposed Rulemaking – Lifetime Income Streams (ANPRM). I commend the Department for providing this opportunity to garner feedback from the public as it shapes a rule that is usable and beneficial.

Our comments are based on more than 70 years in the retirement industry providing recordkeeping, investment, and administrative services to small and medium-sized employers and their employees. The Principal® currently provides retirement services to over 31 thousand[1] defined contributions plans that would be impacted by this proposed regulation.

The Principal® agrees there is a need to provide lifetime income projection illustrations on participant statements. We believe that seeing how an account balance translates into expected monthly income drives home the need to save early and often. These illustrations can help participants quickly determine if they are on track toward meeting income goals at retirement. The Principal already provides a lifetime income illustration on statements today, supported by robust tools to help participants plan for retirement. Our clients appreciate and value these illustrations and tools in large part because they are easy to use and easy for participants to understand.

We believe that any regulations around these illustrations must first do no harm. Requiring formats or methodologies that are highly complicated or inflexible, we believe, would greatly hamper the use of illustrations and undermine the primary objective which is to give participants a realistic view of how well their current savings would support their lifestyle in retirement.

Another key objective for a DOL rule on this issue is to alleviate fiduciary concerns and encourage more plan sponsors to use these illustrations. Sponsors are concerned about liability around the assumptions made in calculating income projections and would like DOL guidance. However, our clients consistently tell us they are opposed to government mandates and overly rigid, complex rules. Sponsors see these as serving to primarily increase costs, often with little value, and can be disincentives to sponsoring retirement plans altogether.

I would like to address three primary areas of concern with the ANPRM.

Complexity of proposed illustrations
As noted earlier, for income illustrations to have real value, they need to be easily understood. The ANPRM suggests statements provide several illustrations, including static and projected balances; single and joint life annuities. We see three key problems with this approach:

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[1] As of 03/31/2013

1. Incorporating too many illustrations is likely to confuse or intimidate most participants, if they read them at all. In our experience participants rarely take the time to review material that is too long or overly complex.

   The Principal recommends using one illustration.

2. The static balance illustration, assuming the participant is currently at normal retirement age, provides no practical value. There is no real world possibility that a thirty year old would have the same account balance as today with no contributions or earnings for the next thirty-five years. The assumption is not consistent with generally accepted actuarial principles. Such an illustration could actually be detrimental and discouraging. Given how small the resulting number may be for younger participants, it could cause them to give up saving completely as though failure is a foregone conclusion.

   The Principal recommends using a projected balance to provide a more realistic picture of potential retirement income.

3. The requirement to include an income stream projection based on a joint life annuity creates unnecessary complexity and presumes a basic level of understanding of annuity products – something the typical saver does not naturally have. Providing a joint life illustration will only complicate that understanding, especially if using assumptions such as age differential which may bear no relevance to the reality of the participant's situation.

   Liability for the joint life reporting would ultimately fall on the service provider, with no reasonable methodology to collect spousal information. Consider, for example, the built in violations of any joint life rules for partners in states that recognize same-sex marriages, who may not wish to disclose marital status to their employer. This could cause the sponsor—and ultimately the service provider hired to prepare the benefit statements—to unknowingly be in violation.

   The Principal recommends that any rule state there is no liability to a plan sponsor or service provider for not providing data on individuals who are not directly related to the plan.

Methodology
There are significant advantages and disadvantages of providing illustrations based on theoretical annuity factors versus retail annuity purchase rates, versus account balance draw-down strategies. Several other comment letters have addressed at great length the specific pros and cons of each so I will not address them here. We believe each methodology has a place and is valid for a given set of circumstances. **The Principal recommends that any rule from the Department be flexible enough to allow the use of any of these methodologies.** Plan sponsors need the ability to select a methodology that works best for each plan's unique demographics.

Safe harbor
The Principal is very concerned about providing any kind of safe harbor standards for income illustrations. History has shown that plan sponsors will want to use all of the safe harbor's illustration requirements to mitigate regulatory compliance risk and liability. However, that would discourage the use of more effective methods and interactive calculators and would limit innovative development to improve illustrations. The safe harbor would also limit the sponsor's ability to create illustrations that meet the needs of the plan's participants.

There is no one-size that fits all approach. Participants early in their careers have very different needs for retirement projections than in the middle stages and those in the latter stages of their careers. We know there are significant numbers of participants who prefer to track their balances and transactions daily on the internet and never look at paper statements. Those individuals cannot be ignored by imposing a required disclosure on statements. Statement illustrations should not be the only way to fulfill the objective.

We recommend that any rule be flexible enough to address the diverse life stage needs of participants as well as the diverse preferences for receiving and accessing benefit information.

The Principal absolutely supports the DOL in providing guidance on lifetime income illustrations but urges the Department to do so without mandating specific, prescribed methodologies.

In order to accomplish the necessary flexibility, we strongly recommend the Department issue a rule consistent the guidance provided in DOL Interpretive Bulletin 96-1 (Participant Investment Education). In this interpretive bulletin, the Department recognizes a wide range of appropriate and acceptable practices, and provides general guidance on the activities that are considered education and not advice. **We urge the Department to take a similar approach to guidance on the illustration of lifetime income streams, taking into account generally accepted investment theories and generally accepted actuarial principles. Further, we ask the Department to explicitly exempt any plan fiduciary from liability as a result of providing any reasonable lifetime income illustrations to participants.**

This approach would provide the additional clarity plan fiduciaries are seeking and result in more widespread adoption of these important income illustrations on statements and in interactive tools. Greater use of illustrations that are easy to understand and meaningful to participants would improve the chances of achieving the ultimate goal: greater retirement security for all Americans.

Thank you for the opportunity to comment.

Sincerely,

Greg Burrows

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