April 29, 2011

ASOP No. 27 Revision
Actuarial Standards Board
1850 M Street, Suite 300
Washington, DC 20036

RE ASOP No. 27 Revision – Exposure Draft

Dear Pension Committee,

I am writing on behalf of the Principal Financial Group® (The Principal®) with respect to the ASOP No. 27 Exposure Draft. 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 $318.8 billion in assets under management and 19.1 million customers worldwide.[1] The Principal is one of the leaders in the retirement industry providing full-service solutions for defined contribution, defined benefit, employee stock ownership and nonqualified plans.

As the number one provider of total defined benefit (DB) plans serviced[2], we service nearly 2,600 DB plans - including almost 900 actuarial clients.[1] These include privately held, publicly traded and non-profit organizations ranging from small to large plan sizes. Our clients and their financial professionals are led by a team of 25 actuaries who have more than 21 years of experience[1] and are deployed regionally across the country. With nearly $55 billion in defined benefit assets under management[1,3] and more than 65 years of experience in the retirement services industry, the Principal Financial Group has the actuarial consulting expertise to help plan sponsors make key short and long-term plan decisions, coupled with the efficiencies and convenience of a full-service provider.

Following are comments with regard to changes identified in the ASOP No. 27 Exposure Draft:

3. Do you agree that a reasonability standard is an appropriate way to set economic assumptions? If not, why not?
   - The exposure draft indicates that the current best-estimate range concept will be eliminated as the Pension Committee felt that the range was too wide. If this is the case, on what basis can an actuary determine an assumption is reasonable?
   - Elimination of the best-estimate range concept may cause "actuary-shopping" among plan sponsors – prospects may ask in RFPs what the proposing actuary feels is a reasonable range and eliminate those that do not agree to their current rates.
   - Elimination of the best-estimate range concept (and the recognition in several places that actuaries could rely on outside investment professionals) makes it seem like our assumption would be more likely to be challenged and more difficult to defend.

4. Do you agree that the guidance on arithmetic and geometric returns is appropriate? Should the consequences of the use of geometric or arithmetic returns be disclosed?
   - Given that the range of acceptable results for asset returns narrows as the investment horizon lengthens, what is the appropriate horizon to consider when setting this assumption?

[1] As of 12/31/10.
[2] No.1 provider of DB plans serviced based on plan count. *Investment Advisor Magazine*, November 2010.
[3] Includes both full-service retirement plan clients and investment-only clients through subsidiary Principal Global Investors, Inc.

Thank you for the opportunity to comment on the exposure draft.

Sincerely,

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