



Principal Life
Insurance Company

May 31, 2006



LETTER OF COMMENT NO. 6219

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Re: File Reference No. 1025-300

Dear Technical Director:

The Principal Financial Group ("PFG"), as an employer sponsoring a defined benefit and other postretirement benefit ("OPEB") plans, would like to offer our comments on the current Financial Accounting Standards Board ("FASB") exposure draft, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. PFG is a publicly held financial services organization, providing retirement and investment services, life and health insurance and banking services.

We recognize the Board's long standing desire to review the accounting for defined benefit and OPEB plans and agree the current accounting models for defined benefit and OPEB plans do not accurately reflect the economic value underlying such plans.

While we agree with the general direction offered by the Board in this exposure draft, we have three main concerns with the proposal.

First, we have concerns about the use of the Projected Benefit Obligation ("PBO") as the liability measurement. According to FASB Concept Statement No. 6 ("CON 6"), "liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events." The PBO includes an assumption of future salary levels and the impact those increases will have on the benefits received under the plan. It is our position that the future salary increases do not reflect a present obligation at the financial statement date as the company has unilateral decision making with regard to both whether employees will receive salary increases and whether they will freeze the plan. The obligation at the financial statement date should be based on the benefits earned to date based on past service and past salaries which would be the accumulated benefit obligation ("ABO"). We realize that the liability measurement will be reevaluated under Phase II of this project, but we feel it is inappropriate to go forward with a compensation-inflated liability measurement under Phase I. We recommend the Board consider the use of the "ABO" in the funded status calculation to be recognized on the balance sheet in lieu of the PBO.

Second, we request the decision to change the measurement date to the financial statement date be reconsidered. Changing the measurement date to the financial statement date will create problems for some employers like us who currently use an earlier measurement date. This concern revolves around issues pertaining to the gathering of necessary data and financial information to meet accelerated filing deadlines of our annual financial statements. Additional comments are provided below in the response to the specific questions raised by the Board.

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Third, we have concern with the Board's proposal to retrospectively adopt the standard in years where there have been settlements and/or curtailments. By immediately recognizing the unamortized transition asset or transition obligation as an adjustment of the opening balance of retained earnings, the calculations of settlement and/or curtailment accounting would need to be adjusted in retrospective years to reflect that the transition asset or obligation no longer exists. This would create much additional work for little value, since generally the transition asset or transition liability is relatively a small amount. For most companies, the transition asset or transition liability is virtually fully amortized since it was established back in 1987. We recommend the Board allow the amortized transition asset or liability to be recognized as an adjustment to accumulated other comprehensive income to be consistent with the treatment of actuarial gains and losses and prior service costs and credits.

Responses to Specifically Requested Issues

PFG would like to offer our comments on the specific issues raised by the Board in the exposure draft, as follows:

Issue #1: Do you agree that the cost of implementing this standard would not be significant because the information required to be presented is largely available?

Response: We largely agree that there will be very little implementation cost to companies as no additional data or measurement is required with adopting this guidance on a go-forward basis assuming the measurement date and retrospective settlement/curtailment recalculations concerns we outlined above are addressed.

Issue #2: Are there specific implementation issues associated with the requirement to align the plan's measurement date with the financial statement date?

Response:

- The Board believes that eliminating prior measurement dates improves transparency by valuing assets and liabilities as of the financial statement date. However, we have concerns that this implies a level of valuation precision that does not really exist. Many assumptions are used to develop the liability measurement including such assumptions of withdrawal (turnover), mortality, retirement, health care claim costs, health care trend, and inflation. All of these assumptions could have a bigger impact on the liability measurement than whether the obligation is measured as of the financial statement date or one or two months prior.
- The requirement to determine the discount rate and asset values precisely as of the financial statement date will create a hardship in meeting our timing requirements without adding much value to the users of financial statements. As a public company, our earnings release is approximately 30-35 calendar days after year-end. Under accelerated timing, our Form 10-K must be filed with the Securities and Exchange Commission ("SEC") by 60 days after year-end. There are a variety of factors that make a year-end valuation not practical. Of specific concern, the asset values are generally not available until a week after the financial statement date. With only a few weeks after the financial statement date to have all our information completed, not receiving asset information until a week after the financial statement date creates timing concerns.
- The fact above was also recognized by the SEC Staff and the AICPA SEC Regulations Committee back in 2004. At a meeting back in mid 2004, these two groups noted that they were sensitive to the demands of accelerated reporting on actuarial valuations performed under FASB Nos. 87 and 106. For accelerated filers with an actuarial measurement date that currently coincides with the fiscal year end, it was noted that the SEC staff would not object if the registrant changes its measurement date by no more than a month. This illustrates that the SEC acknowledges the calculation work and time needed to prepare the accounting results.

- As an insurance company we also must complete both statutory compliance reporting and GAAP financial statements within extremely short timeframes. Allowing the use of an earlier measurement date allows us the time necessary to complete accurate and timely financial information.

If the Board's intent is to value the assets and liabilities precisely as of the financial statement date, we request a delayed effective date of at least two years to give companies time to get the systems and procedures in place to handle this change.

Issue #3a: Should the Board provide an impracticability exemption related to the assessment of the realizability of deferred tax assets? Are there other reasons that retrospective application might be impracticable?

Response: No comment.

Issue #3b: How would this standard impact contractual arrangements other than debt covenants?

Response: No comment.

Issue #4: Are there specific impediments to implementation that would make the proposed effective date impracticable? How would a delay alleviate those impediments?

Response:

As stated previously, changing the measurement date so late in the current year will be burdensome and costly. If an earlier measurement date was allowed, we would not have concerns about the effective dates.

Issue #5: Does the proposed statement provide appropriate guidance for not-for-profit organizations or other entities that do not report other comprehensive income?

Response: This issue is not applicable to the PFG and as such we have no comments to offer at this time.

Thank you for this opportunity to express our views, concerns, and recommendations on this developing accounting guidance. Should you have any questions or wish to discuss our concerns in greater detail, please feel free to contact us.

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Principal Financial Group

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