

PRINCIPAL FINANCIAL GROUP INC  
Form 11-K  
June 28, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-16725

The Principal Select Savings Plan for Employees  
(Full title of the plan)

Principal Financial Group, Inc.  
(Name of Issuer of the securities held pursuant to the plan)

711 High Street  
Des Moines, Iowa 50392  
(Address of principal executive offices) (Zip Code)

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Report of Independent Registered Public Accounting Firm

To the Plan participants and the Benefit Plans Administration Committee Principal Financial Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of The Principal Select Savings Plan for Employees as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2017 and 2016, and the changes in its net assets available for benefits for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Schedule

The accompanying supplemental schedule of assets (held at end of year) as of December 31 , 2017, for the year then ended, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

We have served as the Plan's auditor since at least 2001, but we are unable to determine the specific year.

Des Moines, Iowa

June 27, 2018

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The Principal Select Savings Plan for Employees  
Statements of Net Assets Available for Benefits

|  | December 31,    |                 |
|--|-----------------|-----------------|
|  | 2017            | 2016            |
| Assets   |                 |                 |
| Investments at fair value:   |                 |                 |
| Unallocated investment options:                                    |                 |                 |
| Deferred income annuity  | \$1,103,026     | \$—             |
| Guaranteed interest accounts                                       | 30,234,543      | 31,850,344      |
| Separate accounts  | 2,333,946,527   | 1,907,550,374   |
| Principal Financial Group, Inc. Employee Stock Ownership Plan      | 127,078,394     | 117,318,296     |
| Self-directed brokerage account                                    | 1,418,480       | 807,420         |
| Total invested assets at fair value                                | 2,493,780,970   | 2,057,526,434   |
| Plan interest in Master Trust Investment Account at contract value | 108,680,455     | 101,571,136     |
| Total investments  | 2,602,461,425   | 2,159,097,570   |
| Receivables:   |                 |                 |
| Contributions receivable from employer                             | 1,635,364       | —               |
| Contributions receivable from participants                         | 1,000           | 236             |
| Notes receivable from participants                                 | 23,291,331      | 22,493,123      |
| Other receivables  | 5,127           | 580             |
| Total receivables  | 24,932,822      | 22,493,939      |
| Net assets available for benefits                                  | \$2,627,394,247 | \$2,181,591,509 |

See accompanying notes.

The Principal Select Savings Plan for Employees  
Statement of Changes in Net Assets Available for Benefits

|  | For the<br>year ended<br>December 31,<br>2017 |
|--|---|
| Additions  |   |
| Investment income:                                     |   |
| Interest   | \$250,532                                     |
| Dividends  | 3,535,371                                     |
| Net appreciation of investments                        | 406,542,059                                   |
| Interest in Master Trust Investment Account            | 1,639,268                                     |
| Total investment income                                | 411,967,230                                   |
| Interest income on notes receivable from participants  | 1,233,198                                     |
| Contributions:   |   |
| Employer   | 47,506,670                                    |
| Participants   | 96,423,664                                    |
| Total contributions                                    | 143,930,334                                   |
| Total additions  | 557,130,762                                   |
| Deductions   |   |
| Benefits paid to participants                          | 106,729,754                                   |
| Transfers to affiliated plans, net                     | 2,576,717                                     |
| Administrative expenses                                | 2,021,553                                     |
| Total deductions                                       | 111,328,024                                   |
| Net increase   | 445,802,738                                   |
| Net assets available for benefits at beginning of year | 2,181,591,509                                 |
| Net assets available for benefits at end of year       | \$2,627,394,247                               |

See accompanying notes.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements  
December 31, 2017

1. Significant Accounting Policies  
Basis of Accounting

The accounting records of The Principal Select Savings Plan for Employees (the Plan) are maintained on the accrual basis of accounting.

Valuation of Investments and Income Recognition

Investments held by the Plan are stated at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (an exit price). See Note 4 for further discussion and disclosures related to fair value measurements.

Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable From Participants

The notes receivable from participants are reported at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when earned.

Payment of Benefits

Benefits are recorded when paid.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

Recent Accounting Pronouncement

In February 2017, the Financial Accounting Standards Board issued authoritative guidance that requires additional disclosures from master trusts. This guidance is effective for annual periods beginning after December 15, 2018, and will not have a material impact on the Plan's financial statements.



The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

2. Description of the Plan

The Plan is a defined contribution 401(k) plan that was established January 1, 1985. The Plan is available to substantially all employees of Principal Life Insurance Company (Principal Life) and its subsidiaries or affiliates (the Company). The Plan Sponsor is Principal Financial Group, Inc. (PFG), the ultimate parent of Principal Life.

Information about the Plan, including eligibility, and benefit provisions is contained in the Summary Plan Description. Copies of the Summary Plan Description are available from Principal Life's Human Resources Benefits Department or the Company's intranet. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan Administrator is responsible for the control and administration of the Plan. The Plan Administrator is the Benefit Plans Administration Committee (BPAC). For the purposes of investment and protection of Plan assets, the named fiduciary of the Plan is the Benefit Plans Investment Committee. The Plan is funded through a trust fund that holds group annuity contracts issued by Principal Life. The PFG Employee Stock Ownership Plan (ESOP), which consists of common stock of PFG, is held in a separate trust. The Trustees of the Trust that hold the group annuity contracts are employees of Principal Life. Bankers Life is the Trustee of the Trust that holds PFG common stock in the ESOP. Delaware Charter Guarantee & Trust Company (DCG), doing business as Principal Trust Company, an affiliate of PFG, is the Directed Trustee of the self-directed brokerage account (SDBA). Principal Life is the recordkeeper of the Plan.

Contributions

On January 1, 2006, the Company made several changes to the retirement program. Participants who were age 47 or older with at least ten years of service on December 31, 2005, could elect to retain the prior benefit provisions under the qualified defined benefit retirement plan and the Plan and forgo receipt of the additional benefits offered by amendments to the Plan. The participants who elected to retain the prior benefit provisions are referred to as "Grandfathered Choice Participants."

Matching contributions for participants other than Grandfathered Choice Participants were increased from 50% to 75% of deferrals, with the maximum matching deferral increasing from 6% to 8% of eligible pay-period compensation.

Participant Accounts

Each participant's account is credited with the participant's contributions and the Company's matching contributions. The participant's account also receives an allocation of plan earnings and administrative expenses. Plan earnings are allocated based on the participant's share of net earnings or losses of their respective elected investment options. Allocations of administrative expenses are based on the participant's account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.



The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

2. Description of the Plan (continued)

Vesting

Participants are eligible for immediate entry into the Plan with vesting at 100% after three years. The funds accumulate along with interest and investment return and are available for withdrawal by participants at retirement, termination, or when certain withdrawal specifications are met. The participants may also obtain loans of their vested accrued benefit, subject to certain limitations described in the governing document (the Plan Document). The federal and state income taxes of the participant are deferred (except in the case of Roth deferrals) on the contributions until the funds are withdrawn from the Plan.

Forfeitures

Upon termination of employment, participants forfeit their non-vested balances. Forfeited amounts are used to reduce Company contributions. As of December 31, 2017 and 2016, forfeited non-vested account balances totaled \$14,760 and \$17,789, respectively. In 2017 and 2016, employer contributions were reduced by \$852,609 and \$1,077,789, respectively, from forfeited non-vested accounts.

Participant Loans

The Plan provides for loans to active participants, which are considered a participant-directed investment of his/her account. The loan is a Plan asset, but only the borrowing participant's account shares in the interest paid on the loan or bears any expense or loss incurred because of the loan. The rate of interest is 2% higher than the Federal Reserve "Bank Prime Loan" rate at the time of the loan. The rate is set the day a loan is approved.

The loan rates were as follows:

| Participant Loan Dates                 | Rates |
|--|-------|
| January 1, 2013 to December 16, 2015   | 5.25% |
| December 17, 2015 to December 14, 2016 | 5.50% |
| December 15, 2016 to March 21, 2017    | 5.75% |
| March 22, 2017 to June 20, 2017        | 6.00% |
| June 21, 2017 to December 19, 2017     | 6.25% |
| December 20, 2017 to December 31, 2017 | 6.50% |

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event the Plan terminates, affected participants will become fully vested in their accounts.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

### 3. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (the IRS) dated October 12, 2017, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended and restated. The Plan is required to operate in conformity with the terms of the Plan Document and the Code to maintain its qualification. BPAC and the Company intend to operate the Plan in conformity with the provisions of the Plan Document and the Code.

Plan management is required to evaluate uncertain tax positions taken by the Plan. The financial statement effects of an uncertain tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. BPAC relies on the representations of the corporate tax department regarding the tax positions taken by the Plan and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions.

The Plan is subject to routine audits by taxing jurisdictions. Plan management believes the Plan is no longer subject to income tax examinations for years prior to 2014.

### 4. Fair Value of Financial Instruments (excluding interest in Master Trust Investment Account)

#### Valuation Hierarchy

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels.

Level 1 - Fair values are based on unadjusted quoted prices in active markets for identical assets. Our Level 1 assets include the Principal Financial Group, Inc. ESOP and the self-directed brokerage account.

Level 2 - Fair values are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. Our Level 2 assets include separate accounts and are reflected at net asset value (NAV).

Level 3 - Fair values are based on significant unobservable inputs for the asset. Our Level 3 assets include the deferred income annuity and guaranteed interest accounts.

Transfers between fair value hierarchy levels are recognized at the beginning of the reporting period. There were no transfers between levels during 2017 and 2016.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

4. Fair Value of Financial Instruments (excluding interest in Master Trust) (continued)

Determination of Fair Value

The following discussion describes the valuation methodologies used for assets measured at fair value on a recurring basis. The techniques utilized in estimating the fair values of financial instruments are reliant on the assumptions used. Care should be exercised in deriving conclusions based on the fair value information of financial instruments presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument. Such estimates do not consider the tax impact of the realization of unrealized gains or losses. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial instrument. There were no significant changes to the valuation processes during 2017.

The unallocated investment options consist of a deferred income annuity, guaranteed interest accounts under a guaranteed benefit policy (as defined in section 401(b) of ERISA), and separate accounts (as defined in ERISA section 3(17)) of Principal Life. The deferred income annuity and guaranteed interest accounts are reported at fair value while the separate accounts are reported at NAV as determined by Principal Life. These unallocated investment options are non-benefit-responsive.

Deferred Income Annuity

The deferred income annuity cannot be sold to a third party; thus, the only option to exit the deferred income annuity is to withdraw or transfer the funds. The fair value for each deferred income annuity surrendered within 90 days from the date of the purchase is the purchase amount of the surrendered portion. The fair value for each deferred income annuity surrendered more than 90 days after the date of the purchase is the lesser of the guaranteed income balance or the commuted value associated with the surrendered portion of the deferred income annuity. The fair value will never be greater than and may be less than the guaranteed income balance associated with the surrendered portion of the deferred income annuity. The fair value of the deferred income annuity is reflected in Level 3.

Guaranteed Interest Accounts

The guaranteed interest accounts cannot be sold to a third party; thus, the only option to exit the guaranteed interest accounts is to withdraw or transfer the funds prior to maturity for an event other than death, disability, termination, or retirement. The fair value represents guaranteed interest account values adjusted to reflect current market interest rates only to the extent such market rates exceed contract crediting rates. This value represents contributions allocated to the guaranteed interest accounts, plus interest at the contractually guaranteed rate, less funds used to pay Plan benefits and Principal Life's administrative expenses. The fair value of the guaranteed interest accounts is reflected in Level 3.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

4. Fair Value of Financial Instruments (excluding interest in Master Trust) (continued)

Separate Accounts

Separate accounts are designed to deliver safety and stability by preserving principal and accumulating earnings. The separate account assets include, but are not limited to, contributions invested in domestic and international common stocks, high-quality short-term debt securities, real estate, private market bonds and mortgages, and high-yield fixed income securities that are slightly below investment grade, all of which are valued at fair value. The NAV of each of the separate accounts is calculated in a manner consistent with GAAP for investment companies and is determinative of their fair value and represents the price at which the Plan would be able to initiate a transaction. The fair value of the underlying funds and securities is used to determine the NAV of the separate account, which is not publicly quoted. The fair value of the underlying mutual funds and equity securities are based on quoted prices of identical assets. The fair value of the underlying fixed income securities are based on third-party pricing vendors that utilize observable market information. As of December 31, 2017, all separate accounts are reflected in Level 2.

One separate account invests in real estate. The fair value of the underlying real estate is estimated using discounted cash flow valuation models that utilize public real estate market data inputs such as transaction prices, market rents, vacancy levels, leasing absorption, market cap rates, and discount rates. In addition, each property is appraised annually by an independent appraiser. The fair value of the separate account is based on NAV and is considered a Level 2 asset.

There are currently no redemption restrictions on these investments.

Principal Financial Group, Inc. ESOP

The ESOP is reported at fair value based on the quoted closing market price of PFG's stock on the last business day of the Plan year and is reflected in Level 1.

Self-Directed Brokerage Account

Plan participants have access to a limited number of mutual funds through the SDBA. The SDBA is reflected in Level 1.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

## 4. Fair Value of Financial Instruments (excluding interest in Master Trust) (continued)

## Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below.

|   | As of December 31, 2017       |                                    |                 |              |
|---|-------------------------------|------------------------------------|-----------------|--------------|
|   | Assets Measured at Fair Value | Fair Value Hierarchy Level Level 1 | Level 2         | Level 3      |
| Assets  |                               |                                    |                 |              |
| Deferred income annuity   | \$1,103,026                   | \$—                                | \$—             | \$1,103,026  |
| Guaranteed interest accounts  | 30,234,543                    | —                                  | —               | 30,234,543   |
| Separate accounts:  | 2,333,946,527                 | —                                  | 2,333,946,527   | —            |
| Principal Financial Group, Inc. ESOP  | 127,078,394                   | 127,078,394                        | —               | 0            |
| Self-directed brokerage account   | 1,418,480                     | 1,418,480                          | —               | —            |
| Total invested assets, excluding Plan interest in Master Trust Investment Account | \$2,493,780,970               | \$128,496,874                      | \$2,333,946,527 | \$31,337,569 |
|   |                               |                                    |                 |              |
|   | As of December 31, 2016       |                                    |                 |              |
|   | Assets Measured at Fair Value | Fair Value Hierarchy Level Level 1 | Level 2         | Level 3      |
| Assets  |                               |                                    |                 |              |
| Guaranteed interest accounts  | \$31,850,344                  | \$—                                | \$—             | \$31,850,344 |
| Separate accounts:  | 1,907,550,374                 | —                                  | 1,907,550,374   | —            |
| Principal Financial Group, Inc. ESOP  | 117,318,296                   | 117,318,296                        | 0               | 0            |
| Self-directed brokerage account   | 807,420                       | 807,420                            | 0               | 0            |
| Total invested assets, excluding Plan interest in Master Trust Investment Account | \$2,057,526,434               | \$118,125,716                      | \$1,907,550,374 | \$31,850,344 |

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

## 4. Fair Value of Financial Instruments (excluding interest in Master Trust) (continued)

## Changes in Level 3 Fair Value Measurements

The reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2017 and 2016, was as follows:

|                              | For the year ended December 31, 2017                         |             |              |                |  |   | Changes in<br>Unrealized<br>(Losses)<br>Included in<br>Changes in<br>Net Assets<br>Available<br>for<br>Benefits<br>Relating to<br>Positions<br>Still Held |
|------------------------------|--|-------------|--------------|----------------|--|---|---|
|                              | Beginning<br>Asset<br>Balance as<br>of<br>January 1,<br>2017 | Interest*   | Purchases**  | Sales**        | Transfers<br>In (Out)<br>of<br>Level 3 | Ending Asset<br>Balance as of<br>December 31,<br>2017 |   |
| Assets                       |  |             |              |                |  |   |   |
| Deferred income annuity      | \$0  | \$(107,618) | \$1,519,698  | \$(309,054)    | \$—                                    | \$—1,103,026  | \$(107,618)   |
| Guaranteed interest accounts | 31,850,344   | 56,937      | 11,345,262   | (13,018,000)   | —                                      | 30,234,543  | (193,595 )  |
| Total                        | \$30,850,344   | \$-50,681   | \$12,864,960 | \$(13,327,054) | —                                      | \$31,337,569  | \$(301,213)   |

|                              | For the year ended December 31, 2016                         |           |              |                |  |   | Changes in<br>Unrealized<br>(Losses)<br>Included in<br>Changes in<br>Net Assets<br>Available<br>for<br>Benefits<br>Relating to<br>Positions<br>Still Held |
|------------------------------|--|-----------|--------------|----------------|--|---|---|
|                              | Beginning<br>Asset<br>Balance as<br>of<br>January 1,<br>2016 | Interest* | Purchases**  | Sales**        | Transfers<br>in (Out)<br>of<br>Level 3 | Ending Asset<br>Balance as of<br>December 31,<br>2016 |   |
| Assets                       |  |           |              |                |  |   |   |
| Guaranteed interest accounts | \$32,414,952   | \$256,237 | \$10,817,320 | \$(11,638,165) | —                                      | \$31,850,344  | \$(3,933 )  |
| Total                        | \$32,414,952   | \$256,237 | \$10,817,320 | \$(11,638,165) | —                                      | \$31,850,344  | \$(3,933 )  |

\*Includes interest and unrealized gains or losses.

\*\*Includes contributions, transfers from affiliated and unaffiliated plans, transfers to other investments via participant election, benefits paid to participants, and administrative expenses.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

## 4. Fair Value of Financial Instruments (excluding interest in Master Trust) (continued)

## Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs used for recurring fair value measurements categorized within Level 3.

| As of December 31, 2017      |                               |                      |   |   |
|------------------------------|-------------------------------|----------------------|---|---|
| Assets                       | Assets measured at fair value | Valuation technique  | Unobservable input description  | Input/range of inputs                                     |
| Deferred income annuity      | \$1,103,026                   | Discounted cash flow | Long duration interest rate<br>Mortality rate                         | 3.00% - 3.97%<br>See note (1)                             |
| Guaranteed interest accounts | 30,234,543                    | See note (2)         | Interest rate on account<br>Applicable interest rate<br>Maturity date | 0.10% - 1.95%<br>2.24% - 2.77%<br>12/31/2017 - 12/31/2023 |

| As of December 31, 2016      |                               |                     |   |   |
|------------------------------|-------------------------------|---------------------|---|---|
| Assets                       | Assets measured at fair value | Valuation technique | Unobservable input description  | Input/range of inputs                                     |
| Guaranteed interest accounts | 31,850,344                    | See note (2)        | Interest rate on account<br>Applicable interest rate<br>Maturity date | 0.10% - 2.36%<br>1.31% - 2.59%<br>12/31/2016 - 12/31/2022 |

(1) This input is based on an industry mortality table and a range does not provide a meaningful presentation.

If the applicable interest rate is equal to or less than the interest rate on the account, the fair market value is equal to the contract value. If the applicable interest rate is greater than the interest rate on the account, the fair market value

(2) is the contract value reduced by a percentage. This percentage is equal to the difference between the applicable interest rate and the interest rate on the account, multiplied by the number of years (including fractional parts of a year) until the maturity date.

## 5. Interest in Master Trust Investment Account

In 2016, the Principal Select Savings Stable Value Master Trust was liquidated and transferred to the Principal Select Stable Value Separate Account (PSSVSA), which is reported as a Master Trust Investment Account (MTIA). The MTIA was established for the investment of assets of The Principal Select Savings Plan for Employees and The Principal Select Savings Plan for Individual Field (the Plans). The Plans gain access to the PSSVSA through a group annuity contract (Contract) issued by Principal Life, an affiliate. Each participating plan has an undivided interest in the PSSVSA. The

The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

5. Interest in Master Trust Investment Account (continued)

PSSVSA is an insurance company separate account that invests in the Morley Stable Income Bond Fund (Bond Fund) and the Principal Liquid Asset Separate Account (PLASA). The Bond Fund is a collective investment trust that invests in investment-grade fixed income securities. The Bond Fund was maintained by Principal Global Investors & Trust Company, an affiliate of PFG. The PSSVSA is valued at contract value as reported to the Plans by Principal Life.

As of December 31, 2017 and 2016, the Plan's interest in the net assets of the MTIA was approximately 91% and 87%, respectively. Investment income and administrative expenses are allocated to the individual plans based upon the Plan's interest in the MTIA.

The Contract provides a crediting rate that amortizes portfolio gains and losses over time and accounts for benefit payments to the Plans' participants at the contract value. Under the Contract, Principal Life agrees to pay any deficiency if the investments in the PSSVSA have been exhausted for benefit payments and the contract value is greater than zero. The objective of the PSSVSA is to preserve capital, credit relatively stable returns consistent with its comparatively low risk profile, and provide liquidity for benefit-responsive payments. The crediting interest rate is based on a formula agreed upon with Principal Life, but it may not be less than 0%. Such interest rates are reviewed on a monthly basis for resetting.

Certain events limit the ability of the Plans to transact at contract value with Principal Life when material event withdrawals are made, including (1) certain termination of employment of a group of participants (including through layoffs or early retirement incentive programs instituted by the Company) of 25% or more of the Plan Members in any calendar year, (2) a certain spin-off or sale of the Company's business entity or location that affect more than 25% of the Plan Members, (3) certain adoptions of amendments to one of the plans, any change in practice, or any change in participant withdrawal rights under one of the plans. The Plans do not believe that the occurrence of any such material event is probable.

As required by Accounting Standards Codification (ASC) 962, Plan Accounting - Defined Contribution Pension Plans, the Statements of Net Assets Available for Benefits present the fair value of investments, excluding the fully benefit-responsive investment contract which is presented at contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.



The Principal Select Savings Plan for Employees  
Notes to Financial Statements (continued)

5. Interest in Master Trust Investment Account (continued)

The net assets, including investments, of the MTIA was as follows:

|                                    | December 31,  |               |
|------------------------------------|---------------|---------------|
|                                    | 2017          | 2016          |
| PLASA                              | \$4,824,901   | \$5,914,788   |
| Bond Fund                          | 115,350,473   | 110,325,057   |
| Total assets                       | 120,175,374   | 116,239,845   |
| Payables                           | (369,247)     | (6,983)       |
| Total net assets at contract value | 119,806,127   | 116,232,862   |
| Plan interest in the MTIA          | \$108,680,455 | \$101,571,136 |

Investment income for the MTIA was as follows:

|                         | For the year<br>ended<br>December 31,<br>2017 |
|-------------------------|---|
| Interest income         | \$ 2,008,866                                  |
| Other income            | 1,285   |
| Expenses                | (176,200 )                                    |
| Total investment income | \$ 1,833,951                                  |