|  |  |  |
| --- | --- | --- |
|  |  |  |
| UNITED STATES  |
| SECURITIES AND EXCHANGE COMMISSION  |
| Washington, D.C. 20549  |
|   |
| **FORM 11-K**  |
|   |
|   |
|     (Mark One)  |   |
|     [x]  | ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  |
|   | EXCHANGE ACT OF 1934  |   |
|    For the fiscal year ended: **December 31, 2009**  |
|   |
| 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 Individual Field**  |
| (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)  |
|   |
|   |
|   |
|   |
|   |   |                                                                               Page 1 of 21  |
|   |   |                                                               Exhibit Index - Page 20  |

|  |
| --- |
|  |
| Report of Independent Registered Public Accounting Firm |
|   |
| The Management Resources Committee  |
| Principal Life Insurance Company  |
|   |
| We have audited the accompanying statements of net assets available for benefits of  |
| The Principal Select Savings Plan for Individual Field as of December 31, 2009 and 2008, and  |
| the related statements of changes in net assets available for benefits for the years then ended.  |
| These financial statements are the responsibility of the Plans management. Our responsibility is  |
| to express an opinion on these financial statements based on our audits.  |
|   |
| We conducted our audits in accordance with auditing standards of the Public Company Accounting  |
| Oversight Board (United States). Those standards require that we plan and perform the audit to obtain  |
| reasonable assurance about whether the financial statements are free of material misstatement. We were   |
| not engaged to perform an audit of the Plans internal control over financial reporting. Our audits included  |
| consideration of internal control over financial reporting as a basis for designing audit  |
| procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence  |
| supporting the amounts and disclosures in the financial statements, assessing the accounting  |
| principles used and significant estimates made by management, and evaluating the overall  |
| financial statement presentation. We believe that our audits provide a reasonable basis for our  |
| opinion.  |
|   |
| In our opinion, the financial statements referred to above present fairly, in all material respects,  |
| the net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes  |
| in its net assets available for benefits for the years then ended, in conformity with U.S. generally  |
| accepted accounting principles.  |
|   |
| Our audits were performed for the purpose of forming an opinion on the financial statements  |
| taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of  |
| December 31, 2009, is presented for purposes of additional analysis and is not a required part of  |
| the financial statements but is supplementary information required by the Department of Labors  |
| Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income  |
| Security Act of 1974. This supplemental schedule is the responsibility of the Plans management.  |
| The supplemental schedule has been subjected to the auditing procedures applied in our audits of  |
| the financial statements and, in our opinion, is fairly stated in all material respects in relation to  |
| the financial statements taken as a whole.  |
|   |
|   |
| /s/ Ernst & Young LLP  |
|   |
| June 29, 2010  |
|   |
|   |
|   |
|   |
|                                                                                                      Page 2 of 21  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Statements of Net Assets Available for Benefits |
|   |
|   |
|   |
|   |                  **December 31**  |
|   | **2009**  |   | **2008**  |
| **Assets**  |   |   |   |
| Investments:  |   |   |   |
|    Unallocated investment options at fair value:  |   |   |   |
|      Guaranteed interest accounts  | **$       2,915,965**  | $     3,613,821  |
|      Separate accounts of insurance company  | **117,701,725**  |   | 99,359,168  |
|    Principal Financial Group, Inc. ESOP  | **16,864,037**  |   | 12,871,794  |
|    Notes receivable from participants  | **2,834,515**  |   | 2,612,545  |
| Total invested assets  | **140,316,242**  |   | 118,457,328  |
|   |
| Contribution receivable from Principal Life Insurance  |   |   |   |
|    Company  | **120,897**  |   | 124,766  |
| Contributions receivable from participants  | **247,592**  |   | 216,242  |
| Net assets available for benefits  | **$  140,684,731**  | $ 118,798,336  |
|   |
| *See accompanying notes.*  |   |   |   |
|   |
|   |
|   |
|   |
|   |   |   | Page 3 of 21  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Statements of Changes in Net Assets Available for Benefits |
|   |
|   |
|   |         **Year Ended December 31**  |
|   | **2009**  |   | **2008**  |
| Investment income (loss):  |   |   |   |
|    Interest  | **$         279,260**  | $       338,597  |
|    Dividends  | **337,543**  |   | 189,713  |
|    Net realized and unrealized appreciation (depreciation) in  |   |   |   |
|        aggregate value of investments  | **22,871,270**  |   | (66,596,717)  |
| Total investment income (loss)  | **23,488,073**  |   | (66,068,407)  |
|   |
| Contributions:  |   |   |   |
|    Principal Life Insurance Company  | **3,160,473**  |   | 3,989,907  |
|    Employees  | **7,997,111**  |   | 9,195,693  |
|    Transfers from affiliated and unaffiliated plans, net  | **536,219**  |   | 294,917  |
| Total contributions  | **11,693,803**  |   | 13,480,517  |
|   | **35,181,876**  |   | (52,587,890)  |
|   |
| Deductions:  |   |   |   |
|    Benefits paid to participants  | **13,261,029**  |   | 16,476,968  |
|    Administrative expenses  | **34,452**  |   | 30,484  |
| Total deductions  | **13,295,481**  |   | 16,507,452  |
| Net increase (decrease)  | **21,886,395**  |   | (69,095,342)  |
|   |
| Net assets available for benefits at beginning of year  | **118,798,336**  |   | 187,893,678  |
| Net assets available for benefits at end of year  | **$  140,684,731**  | $ 118,798,336  |
|   |
| *See accompanying notes.*  |   |   |   |
|   |
|   |
|   |
|   |
|   |   |   | Page 4 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements |
|   |
| December 31, 2009 |
|   |
| **1. Significant Accounting Policies**  |
|   |
| The accounting records of The Principal Select Savings Plan for Individual Field (the Plan) are  |
| maintained on the accrual basis of accounting.  |
|   |
| **Valuation of Investments**  |
|   |
| The unallocated investment options consist of guaranteed interest accounts under a guaranteed  |
| benefit policy (described in ERISA 401(b)) and separate accounts (described in ERISA 3(17) of  |
| insurance company; Principal Life Insurance Company (Principal Life). The guaranteed interest  |
| accounts and separate accounts are reported at fair value as determined by Principal Life. The  |
| Principal Financial Group Inc. ESOP, which consists of common stock of Principal Financial  |
| Group, Inc., the ultimate parent of Principal Life, is reported at the quoted closing market price  |
| of the stock on the last business day of the Plan year.  |
|   |
| These unallocated investment options are non-benefit-responsive and are valued at fair value.  |
| The guaranteed interest accounts fair value is the amount Plan participants would receive  |
| currently if they were to withdraw or transfer funds within the Plan prior to their maturity for an  |
| event other than death, disability, termination, or retirement. This 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 the insurance companys administrative expenses. The  |
| separate accounts of insurance company represent contributions invested in pools of domestic  |
| and international common stocks, high-quality short-term debt securities, real estate, private  |
| market bonds and mortgages, and high-yield fixed-income securities which are slightly below  |
| investment grade, all of which are valued at fair value.  |
|   |
| The notes receivable from participants are reported at cost (unpaid balances), which  |
| approximates fair value.  |
|   |
| **Risks and Uncertainties**  |
|   |
| The Plan invests in various investment securities. Investment securities are exposed to various  |
| risks such as interest rate, market, 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 the amounts  |
| reported in the statements of net assets available for benefits.  |
|   |
|   |
|   |
|   |
|                                                                                                   Page 5 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
| **1. Significant Accounting Policies (continued)**  |
|   |
| **Use of Estimates**  |
|   |
| The preparation of financial statements in conformity with U.S. generally accepted accounting  |
| principles requires management to make estimates and assumptions that affect the amounts  |
| reported in the financial statements and accompanying notes. Actual results could differ from  |
| those estimates.  |
|   |
| **New Accounting Pronouncements**  |
|   |
| In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position  |
| 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability*  |
| *Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4)*.  |
| FSP 157-4 amended FASB Statement No. 157 (codified as Accounting Standards Codification  |
| (ASC) 820) to provide additional guidance on estimating fair value when the volume and level of  |
| activity for an asset or liability have significantly decreased in relation to its normal market  |
| activity. FSP 157-4 also provided additional guidance on circumstances that may indicate that a  |
| transaction is not orderly and on defining major categories of debt and equity securities to  |
| comply with the disclosure requirements of ASC 820. The Plan adopted the guidance in FSP  |
| 157-4 for the reporting period ended December 31, 2009. Adoption of FSP 157-4 did not have a  |
| material effect on the Plans net assets available for benefits or its changes in net assets available  |
| for benefits.  |
|   |
| In September 2009, the FASB issued Accounting Standards Update 2009-12, *Investments in*  |
| *Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12).  |
| ASU 2009-12 amended ASC 820 to allow entities to use net asset value (NAV) per share (or its  |
| equivalent), as a practical expedient, to measure fair value when the investment does not have a  |
| readily determinable fair value and the net asset value is calculated in a manner consistent with  |
| investment company accounting. The Plan adopted the guidance in ASU 2009-12 for the  |
| reporting period ended December 31, 2009 and has utilized the practical expedient to measure  |
| the fair value of investments within the scope of this guidance based on the investments NAV.  |
| In addition, as a result of adopting ASU 2009-12, the Plan has provided additional disclosures  |
| regarding the nature and risks of investments within the scope of this guidance. Refer to Note 5  |
| for these disclosures. Adoption of ASU 2009-12 did not have a material effect on the Plans net  |
| assets available for benefits or its changes in net assets available for benefits.  |
|   |
|   |
|   |
|   |
| Page 6 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **1. Significant Accounting Policies (continued)**  |
|   |
| In January 2010, the FASB issued Accounting Standards Update 2010-06, *Improving*  |
| *Disclosures about Fair Value Measurements,* (ASU 2010-06). ASU 2010-06 amended ASC 820  |
| to clarify certain existing fair value disclosures and require a number of additional disclosures.  |
| The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each  |
| class of assets and liabilities measured at fair value and provided guidance on how to  |
| determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also  |
| clarified the requirement for entities to disclose information about both the valuation techniques  |
| and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU  |
| 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for  |
| any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present  |
| information regarding the purchases, sales, issuances and settlements of Level 3 assets and  |
| liabilities on a gross basis. With the exception of the requirement to present changes in Level 3  |
| measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06  |
| becomes effective for reporting periods beginning after December 15, 2009.  |
|   |
| **2. Description of the Plan**  |
|   |
| The Plan is a defined contribution plan (401(k) plan) that was established January 1, 1985. The  |
| Plan is available to substantially all field management and agents holding a Career Agent  |
| Contract from Principal Life (the Company). On January 1, 2006, Principal Life 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 401(k) Plan and forgo receipt of the additional  |
| benefits offered by amendments to Principal Lifes 401(k). The participants who elected to retain  |
| the prior benefit provisions are referred to as Grandfathered Choice Participants. Matching  |
| contributions for participants other than the Grandfathered Choice Participants were increased  |
| from 50% to 75% of deferrals, with the maximum matching deferral increasing from 6% to 8%.  |
| Participants are eligible for immediate entry into the Plan upon contract effective date 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  |
| hardship withdrawal specifications are met. The participants may also obtain loans of their  |
| vested accrued benefit, subject to certain limitations described in the Plan document. The federal  |
| and state income taxes of the participant are deferred on the contributions until the funds are  |
| withdrawn from the Plan.  |
|   |
|   |
|   |
|   |
| Page 7 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
| **2. Description of the Plan (continued)**  |
|   |
| At December 31, 2009 and 2008, forfeited nonvested account balances totaled $10,267 and  |
| $105,139, respectively. In 2009 and 2008, employer contributions were reduced by $587,648 and  |
| $325,054, respectively, from nonvested accounts.  |
|   |
| Although it has not expressed any intent to do so, the Company has the right to terminate the  |
| Plan subject to the provisions of the Employee Retirement Income Security Act of 1974  |
| (ERISA). In the event of Plan termination, participants will become fully vested in their  |
| accounts.  |
|   |
| Information about the Plan agreement, eligibility, and benefit provisions is contained in the  |
| Summary Plan Description. Copies of the Summary Plan Description are available from the  |
| Benefit Administration Department or the Intranet.  |
|   |
| **3. Income Tax Status**  |
|   |
| The Plan has received a determination letter from the Internal Revenue Service (the IRS) dated  |
| February 28, 2003, 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. Once qualified, the Plan is  |
| required to operate in conformity with the terms of the Plan document and the Code to maintain  |
| its qualification. The Plan sponsor intends to operate the Plan in conformity with the provisions  |
| of the Plan document and the Code. The Plan sponsor acknowledges that inadvertent errors may  |
| occur in the operation of the Plan. If such inadvertent errors occur, the Plan sponsor represents  |
| that it will take the necessary steps to bring the Plans operations into compliance with the Code,  |
| including voluntarily and timely correcting such errors in accordance with procedures  |
| established by the IRS.  |
|   |
|   |
|   |
|   |
| Page 8 of 21  |

|  |  |  |
| --- | --- | --- |
|  |  |  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **4. Investments**  |   |   |
|   |
| Contributions are invested in unallocated guaranteed interest accounts supported by the general  |
| account of insurance company (a pooled account invested primarily in fixed income securities  |
| having a range of maturities); in separate accounts of insurance company, the portfolios of which  |
| are primarily 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 which are slightly below investment grade, as appropriate for each separate account;  |
| and The Principal Financial Group Inc. ESOP, which consists of common stock of Principal  |
| Financial Group, Inc., the ultimate parent of Principal Life. Participants elect the investment(s) in  |
| which to have their contributions invested.  |   |   |
|   |
| The following presents investments that represent 5% or more of the Plans net assets available  |
| for benefits in 2009 and 2008. Principal Life is a party in interest with respect to these  |
| investments.  |   |   |
|   |
|   | **December 31**  |
|   | **2009**  | **2008**  |
|   |
|      Principal Financial Group, Inc. ESOP  | **$    16,864,037**  | $    12,871,794  |
|      Money Market Separate Account  | **14,835,808**  | 15,890,573  |
|      International Emerging Markets Separate Account  | **11,975,630**  | 6,688,312  |
|      Diversified International Separate Account  | **11,132,426**  | 9,140,563  |
|      U.S. Property Separate Account  | **8,133,174**  | 11,123,522  |
|      Mid-Cap Blend Separate Account  | **7,065,216**  | \*  |
|    |
|      \*Less than 5% of the fair value of net assets available for benefits at respective date.  |
|   |
| During 2009 and 2008, the Plans investments that are related to Principal Life (depreciated)  |
| appreciated in value by $22,871,270 and $(66,596,717), respectively, as follows:  |
|   |
|   | **Year Ended December 31**  |
|   | **2009**  | **2008**  |
|   |
|      Guaranteed interest account  | **$       (10,452)**  | $               8,743  |
|      Separate accounts of insurance company  | **18,048,529**  | (57,703,831)  |
|      Principal Financial Group, Inc. ESOP  | **4,833,193**  | (8,901,629)  |
|   | **$   22,871,270**  | $   (66,596,717)  |
|   |
|   |
|   |
|   |   | Page 9 of 21  |

|  |  |
| --- | --- |
|  |  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **5. Fair Value of Financial Instruments**  |
|   |
| **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.  |
|   |
|      |   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 are separate  |
|   |   accounts of insurance company and all transactions are being transacted at the NAV price  |
|   |   at the day of the transaction.  |
|   |
|      |   Level 3  Fair values are based on significant unobservable inputs for the asset. Our  |
|   |   Level 3 assets include guaranteed interest accounts, real estate separate accounts of the  |
|   |   insurance company, and notes receivable from participants.  |
|   |
| **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. We did not make any significant  |
| changes to our valuation processes during 2009.  |
|   |
|   |
|   |
|   |
|   | Page 10 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **5. Fair Value of Financial Instruments (continued)**  |
|   |
| *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 the funds prior to maturity. The fair value of the  |
| account is the value paid when funds are withdrawn prior to their maturity. If the applicable  |
| interest rate is greater than the interest rate on the account, the fair value 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.  |
|   |
| *Separate Accounts of Insurance Company*  |
|   |
| Net asset value (NAV) of each of the separate accounts is calculated in a manner consistent with  |
| U.S. 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. Several of the separate accounts  |
| invest in publicly quoted mutual funds or actively managed stocks. The fair value of the  |
| underlying mutual funds or stock is used to determine the NAV of the separate account, which is  |
| not publicly quoted. Some of the separate accounts also invest in fixed income securities. The  |
| fair value of the underlying securities is based on quoted prices of similar assets and used to  |
| determine the NAV of the separate account. One separate account invests in real estate, for  |
| which the fair value of the underlying real estate is based on unobservable inputs and used to  |
| determine the NAV of the separate account. 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. Currently, this specific separate account has a temporary withdrawal limitation related  |
| to turmoil in the credit markets that resulted in a sharp slowdown in the sale of commercial real  |
| estate assets. The uncertain environment led to significantly increased requests for withdrawals.  |
| To allow for orderly administration and management benefiting all separate account investors,  |
| Principal Life implemented a pre-existing contractual limitation to delay withdrawal requests.  |
| Currently, certain, high need payments, such as death, disability, certain eligible retirements, and  |
| hardship withdrawals, are not subject to the withdrawal limitation. Other withdrawal requests are  |
| subject to the limitation until certain liquidity levels are achieved, mainly via proceeds from sales  |
|   |
|   |
|   |
|   |
| Page 11 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **5. Fair Value of Financial Instruments (continued)**  |
|   |
| of underlying properties, rents from tenants and new investor contributions. Since the inception  |
| of the withdrawal limitation, all sources of cash are first used to satisfy cash requirements at the  |
| properties, meet debt maturities, maintain compliance with debt covenants and meet upcoming  |
| separate account obligations. Outstanding withdrawal requests will be paid in multiple payments.  |
| Except for certain de minimis payments, payments will be made proportionately among all other  |
| outstanding withdrawal requests, based upon available liquidity*.* All withdrawals are being  |
| transacted at the NAV price at the date of distribution. Currently, there is no estimate of when  |
| this restriction will end. The restriction has been in place since September 26, 2008.  |
|   |
| Principal Financial Group, Inc. ESOP  |
|   |
| The Principal Financial Group Inc. ESOP, which consists of common stock of Principal  |
| Financial Group, Inc., the ultimate parent of Principal Life, is reported at the closing quoted  |
| market price on the last business day of the Plan year.  |
|   |
| Notes Receivable from Participants  |
|   |
| Participant loans are reported at unpaid balances which approximates fair value. There is no  |
| existing external exit market for these loans as all transactions are restricted to participants.  |
| These loans cannot be assumed or sold to outside parties. There is no credit risk involved with  |
| these loans as any participant defaults are deemed taxable distributions to the participant.  |
|   |
|   |
|   |
|   |
| Page 12 of 21  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|   |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **5. Fair Value of Financial Instruments (continued)**  |   |   |
|   |
| **Assets and Liabilities Measured at Fair Value on a Recurring Basis**  |   |
|   |
| Assets and liabilities measured at fair value on a recurring basis as of 2009 and 2008 are  |
| summarized below.  |   |   |   |   |
|   |
|   |   | **As of December 31, 2009**  |   |
|   | **Assets** |                      **Fair Value Hierarchy Level** |
|   | **Measured at** |   |   |   |
|   | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Assets**  |   |   |   |   |
| Guaranteed interest accounts  | **$     2,915,965**  | **$               **  | **$                   **  | **$     2,915,965**  |
| Separate accounts of  |   |   |   |   |
|   insurance company:  |   |   |   |   |
|     Fixed income security  | **21,617,589**  | ****  | **21,617,589**  | ****  |
|     Lifetime balanced asset  |   |   |   |   |
|           allocation  | **14,955,713**  | ****  | **14,955,713**  | ****  |
|    U.S. large cap equity  | **25,460,308**  | ****  | **25,460,308**  | ****  |
|    U.S. small/mid cap equity  | **24,426,885**  | ****  | **24,426,885**  | ****  |
|    U.S. real estate  | **8,133,174**  | ****  | ****  | **8,133,174**  |
|    International equity  | **23,108,056**  | ****  | **23,108,056**  | ****  |
| Principal Financial Group,  |   |   |   |   |
|   Inc. ESOP  | **16,864,037**  | **16,864,037**  | ****  | ****  |
| Notes receivable from  |   |   |   |   |
|   participants  | **2,834,515**  | ****  | ****  | **2,834,515**  |
| Total assets  | **$ 140,316,242**  | **$ 16,864,037**  | **$109,568,551**  | **$ 13,883,654**  |
|   |
|   |   | **As of December 31, 2008**  |   |
|   | **Assets** |                     **Fair Value Hierarchy Level**  |
|   | **Measured at** |   |   |   |
|   | **Fair Value** | **Level 1**  | **Level 2**  | **Level 3**  |
| **Assets**  |   |   |   |   |
| Guaranteed interest accounts  | $     3,613,821  | $                    | $                    | $          3,613,821  |
| Separate accounts of  |   |   |   |   |
|   insurance company  | 99,359,168  |   | 88,235,646  | 11,123,522  |
|      Principal Financial Group,  |   |   |   |   |
|        Inc. ESOP  | 12,871,794  | 12,871,794  |   |   |
| Notes receivable from  |   |   |   |   |
|   participants  | 2,612,545  |   |   | 2,612,545  |
| Total assets  | $  118,457,328  | $ 12,871,794  | $   88,235,646  | $         17,349,888  |
|   |
|   |
|   |
|   |   |   |   | Page 13 of 21  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **5. Fair Value of Financial Instruments (continued)**  |   |   |   |
|   |
| **Changes in Level 3 Fair Value Measurements**  |   |   |   |   |
|   |
| The reconciliation for all assets and liabilities measured at fair value on a recurring basis using  |
| significant unobservable inputs (Level 3) for the years ended December 31, 2009 and 2008, are  |
| as follows:  |   |   |   |   |   |   |   |   |
|   |
|   |
|   |   |   |   | **Year Ended December 31, 2009**  |   | **Changes in****Unrealized****Gains (Losses)****Included in****Statements of****Changes in****Net Assets****Available for****Benefits****Relating toPositions StillHeld** |
|   |   |   |   |   | **Purchases,****Sales,****Issuances,****and****Settlements****\*\*** |   |   |
|   | **Beginning****Asset Balance****as of****January 1,****2009** | **Total****Realized/****Unrealized****Appreciation****(Depreciation)** |   |   |
|   |   | **Ending Asset****Balance as of****December 31,****2009** |
|   | **Transfers in****(Out) of****Level 3** |
|   |
|   |
| **Assets**  |   |   |   |   |   |   |   |   |
| Guaranteed interest accounts | **$       3,613,821** | **$        89,925**  | **$  (787,781)**  | **$          **  | **$ 2,915,965**  | **$           (10,452)**  |
| U.S. real estate |   | **11,123,522**  |   | **(3,585,351)**  | **595,003**  | ****  | **8,133,174**  | **(3,630,115)**  |
| Notes receivable from  |   |   |   |   |   |   |   |   |
|   participants  |   | **2,612,545**  |   | ****  | **221,970**  | ****  | **2,834,515**  | ****  |
| Total  | **$    17,349,888**  | **$   (3,495,426)** | **$     29,192**  | **$          **  | **$ 13,883,654**  | **$     (3,640,567)**  |
|   |
|   |   |   |   | **Year Ended December 31, 2008**  |   | **Changes in****Unrealized****Gains (Losses)****Included in****Statements of****Changes in****Net Assets****Available for****Benefits****Relating to****Positions Still****Held** |
|   |   |   |   |   | **Purchases,****Sales,****Issuances,****and****Settlements****\*\*** |   |   |
|   |              **Beginning**           **Asset Balance**            **as of**            **January 1,**           **2008** | **Total****Realized/****Unrealized****Appreciation****(Depreciation)** |   |   |
|   |   | **Ending Asset****Balance as of****December 31,****2008** |
|   | **Transfers in****(Out) of****Level 3** |
|   |
|   |
| **Assets**  |   |   |   |   |   |   |   |   |
| Guaranteed interest accounts  | $        2,813,830  | $         116,637  | $     683,354  | $                   | $     3,613,821  | $               8,743  |
| Separate accounts of insurance  |   |   |   |   |   |   |   |
|    company  |   | 15,718,644  |   | (1,668,464)  | (2,926,658)  |   | 11,123,522  | (3,269,220)  |
| Notes receivable from  |   |   |   |   |   |   |   |   |
|    participants  |   | 2,766,013  |   |   | (153,468)  |   | 2,612,545  |   |
| Total  | $       21,298,487  | $     (1,551,827)  | $  (2,396,772)  | $                   | $     17,349,888  | $      (3,260,477)  |
|   |
| \*\* Includes contributions, transfers from affiliated and unaffiliated plans, transfers to other investments via participant direction, benefits  |
|    paid to participants, and administrative expenses.  |   |   |   |   |   |
|   |
|   |
|   |
|   |
|   |   |   |   |   |   |   |   | Page 14 of 21  |

|  |
| --- |
|  |
| The Principal Select Savings Plan for Individual Field |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **6. Notes Receivable From Participants**  |
|   |
| The Plan document provides for loans to active participants, which are considered a participant-  |
| directed investment of his/her account. The loan is a Plan investment but only the borrowing  |
| participants account shall share in the interest paid on the loan or bear 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, and the rate  |
| for the loans issued in 2009 and 2008 ranged from 5.25% to 9.25%. The notes receivable balance  |
| was reduced by $418,015 and $249,692 in 2009 and 2008, respectively, for terminated  |
| participants that received their account balance, net of the outstanding loans, as a benefit  |
| distribution.  |
|   |
| **7. Transactions With Party in Interest**  |
|   |
| In addition to the transactions with parties in interest discussed in Notes 4 and 5, Principal Life  |
| provides recordkeeping services to the Plan and receives fees, which are paid through revenue  |
| generated by Plan investments, for those services. Principal Life may pay other Plan expenses  |
| from time to time.  |
|   |
| **8. Form 5500**  |
|   |
| Certain line items of net asset additions and deductions in the 2009 and 2008 Forms 5500 differ  |
| from similar classifications in the accompanying financial statements. However, such differences  |
| are not considered material and create no differences in net asset balances at December 31, 2009  |
| and 2008.  |
|   |
|   |
|   |
|   |
| Page 15 of 21  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|  |  |  |  |
|   | EIN: 42-0127290  | Plan Number: 004  |   |
|  |
| Schedule H, Line 4i  Schedule of Assets |
| (Held at End of Year) |
|  |
| December 31, 2009 |
|   |
| **Identity of Issue**  | **Description of Investment**  | **Current Value**  |
|  |  |  |  |
| Principal Life  |   |   |   |
| Insurance Company\*  | Deposits in guaranteed interest accounts  | $ 2,915,965  |
|  |  |  |
| Principal Life  | Deposits in insurance company Small-Cap Value II  |   |
| Insurance Company\*  |    Separate Account  |   | 1,868,875  |
|  |  |  |
| Principal Life  | Deposits in insurance company Money Market  |   |
| Insurance Company\*  |    Separate Account  |   | 14,835,808  |
|  |  |  |
| Principal Life  | Deposits in insurance company U.S. Property Separate  |   |
| Insurance Company\*  |    Account  |   | 8,133,174  |
|  |  |  |
| Principal Life  | Deposits in insurance company Bond and Mortgage  |   |
| Insurance Company\*  |    Separate Account  |   | 5,480,460  |
|  |  |  |
| Principal Life  | Deposits in insurance company Diversified  |   |
| Insurance Company\*  |    International Separate Account  | 11,132,426  |
|  |  |  |
| Principal Life  | Deposits in insurance company Governmental and  |   |
| Insurance Company\*  |    High Quality Bond Separate Account  | 1,301,321  |
|  |  |  |
| Principal Life  | Deposits in insurance company Medium Company  |   |
| Insurance Company\*  |    Blend Separate Account  | 7,065,216  |
|  |  |  |
| Principal Life  | Deposits in insurance company Large-Cap Stock Index  |   |
| Insurance Company\*  |    Separate Account  |   | 6,715,057  |
|  |  |  |
| Principal Life  | Deposits in insurance company Partner Large-Cap  |   |
| Insurance Company\*  |    Blend I Separate Account  | 5,786,758  |
|   |
|   |
|   |
|   |   |   | Page 16 of 21  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|  |  |  |  |
|   | EIN: 42-0127290  | Plan Number: 004  |   |
|  |
| Schedule H, Line 4i  Schedule of Assets |
| (Held at End of Year) |
|  |
| December 31, 2009 |
|  |  |  |
| **Identity of Issue**  | **Description of Investment**  | **Current Value**  |
|  |  |  |
| Principal Life  | Deposits in insurance company Partner Mid-Cap  |   |
| Insurance Company\*  |    Growth Separate Account  | $ 5,088,411  |
|  |  |  |
| Principal Life  | Deposits in insurance company Small-Cap Stock Index  |   |
| Insurance Company\*  |    Separate Account  |   | 6,566,044  |
|  |  |  |
| Principal Life  | Deposits in insurance company Large Company  |   |
| Insurance Company\*  |    Growth Separate Account  | 4,222,535  |
|  |  |  |
| Principal Life  | Deposit in insurance company International Emerging  |   |
| Insurance Company\*  |    Markets Separate Account  | 11,975,630  |
|  |  |  |
| Principal Life  | Deposit in insurance company Principal Financial  |   |
| Insurance Company\*  |    Group, Inc. Stock Separate Account  | 1,732,194  |
|  |  |  |
| Principal Life  | Deposits in insurance company Partner Large-Cap  |   |
| Insurance Company\*  |    Value Separate Account  | 3,206,153  |
|  |  |  |
| Principal Life  | Deposits in insurance company Lifetime2010 Separate  |   |
| Insurance Company\*  |    Account  |   | 1,454,845  |
|  |  |  |
| Principal Life  | Deposits in insurance company Lifetime2020 Separate  |   |
| Insurance Company\*  |    Account  |   | 4,232,719  |
|  |  |  |
| Principal Life  | Deposits in insurance company Lifetime2030 Separate  |   |
| Insurance Company\*  |    Account  |   | 3,714,729  |
|  |  |  |
| Principal Life  | Deposits in insurance company Lifetime2040 Separate  |   |
| Insurance Company\*  |    Account  |   | 2,911,807  |
|   |
|   |
|   |
|   |   |   | Page 17 of 21  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| The Principal Select Savings Plan for Individual Field |
|  |  |  |  |  |
|   | EIN: 42-0127290  | Plan Number: 004  |   |   |
|  |
| Schedule H, Line 4i  Schedule of Assets |
| (Held at End of Year) |
|  |
| December 31, 2009 |
|  |  |  |
| **Identity of Issue**  | **Description of Investment**  | **Current Value**  |
|  |  |  |  |
| Principal Life  | Deposits in insurance company Lifetime2050 Separate  |   |   |
|    Insurance Company\*  |    Account  |   | $ 1,624,513  |
|  |  |  |  |
| Principal Life  | Deposits in insurance company Large Company Value  |   |   |
|    Insurance Company\*  |    Stock Separate Account  |   | 1,326,088  |
|  |  |  |  |
| Principal Life  | Deposits in insurance company Partner Large-Cap  |   |   |
|    Insurance Company\*  |    Growth I Separate Account  |   | 2,471,523  |
|  |  |  |  |
| Principal Life  | Deposits in insurance company Lifetime Strategic  |   |   |
|    Insurance Company\*  |    Income Separate Account  |   | 1,017,100  |
|  |  |  |  |
| Principal Life  | Deposits in insurance company Partner Small-Cap  |   |   |
|    Insurance Company\*  |    Growth II Separate Account  |   | 3,838,339  |
|  |  |  |  |
| Principal Financial  | 701,499 shares of Principal Financial Group, Inc.  |   |   |
|    Group, Inc.  |    ESOP  |   |   | 16,864,037  |
|  |  |  |  |
| Various participants  | Notes receivable from participants with interest rates  |   |   |
|   |    ranging from 5.25% to10.25%  |   | 2,834,515  |
| Total invested assets  |   |   | $ 140,316,242  |
|  |  |  |  |
| \*Indicates party in interest to the Plan.  |   |   |   |
|   |
|   |
|   |
|   |
|   |   |   |   | Page 18 of 21  |

|  |  |
| --- | --- |
|  |  |
| SIGNATURE |
|   |
|   |
| Pursuant to the requirements of the Securities Exchange Act of 1934, the administrator of The  |
| Principal Select Savings Plan for Individual Field has duly caused this annual report to be signed  |
| on its behalf by the undersigned hereunto duly authorized.  |
|   |
|   |          THE PRINCIPAL SELECT SAVINGS PLAN FOR  |
|                                                     INDIVIDUAL FIELD |
|   |          by Benefit Plans Administration Committee  |
|   |
|   |
| Date: June 29, 2010  |          By  /s/ Ralph C. Eucher                                                    |
|   |              Ralph C. Eucher  |
|   |              Committee Member  |
|   |
|   |
|   |
|   |
|   | Page 19 of 21  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **Exhibit Index** |
| The following exhibit is filed herewith:  |   |   |
|   |   |   | Page  |
|  |  |  |  |
| 23  | Consent of Ernst & Young LLP  |   |   21  |
|   |
|   |
|   |
|   |
|   |   |   | Page 20 of 21  |

|  |
| --- |
|  |
|                                                                                                Exhibit 23  |
|   |
|   |
|   |
|   |
| Consent of Independent Registered Public Accounting Firm |
|   |
| We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333-  |
| 72002) pertaining to The Principal Select Savings Plan for Individual Field of Principal Financial  |
| Group, Inc. of our report dated June 29, 2010, with respect to the financial statements and  |
| schedule of The Principal Select Savings Plan for Individual Field included in this Annual  |
| Report (Form 11-K) for the year ended December 31, 2009.  |
|   |
|   |
|                                                                          /s/ Ernst & Young, LLP  |
|   |
|   |
| Des Moines, Iowa  |
| June 29, 2010  |
|   |
|   |
|   |
|   |
| Page 21 of 21  |