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| UNITED STATES | |
| SECURITIES AND EXCHANGE COMMISSION | |
| Washington, D.C. 20549 | |
|  | |
| **FORM 11-K** | |
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|  | |
| (Mark One) |  |
| [x]  ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES | |
| EXCHANGE ACT OF 1934 | |
| For the fiscal year ended: **December 31, 2011** | |
|  | |
| 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 |
|  |
| The Benefit Plans Administration Committee |
| Principal Life Insurance Company |
|  |
| We have audited the accompanying statements of net assets available for benefits of |
| The Principal Select Savings Plan for Employees as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 conducted 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, |
| 2011, 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. Such information is the responsibility of the Plan’s management. The information 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. |
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|  |
| /s/ Ernst & Young LLP |
|  |
| Des Moines, Iowa |
| June 28, 2012 |
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|  |
| The Principal Select Savings Plan for Employees |
|  |
| Statements of Net Assets Available for Benefits |

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|  |  |  |
|  | **December 31,** | |
|  | **2011** | **2010** |
| **Assets** |  |  |
| Investments at fair value: |  |  |
| Unallocated investment options: |  |  |
| Guaranteed interest accounts | **$ 47,258,750** | $ 49,394,988 |
| Separate accounts of insurance company | **1,115,226,879** | 1,099,709,012 |
| Principal Financial Group, Inc. ESOP | **64,178,110** | 75,259,838 |
| Total invested assets at fair value | **1,226,663,739** | 1,224,363,838 |
|  | | |
| Receivables: |  |  |
| Contribution receivable from Principal Life Insurance |  |  |
| Company | **2,214** | 2,194 |
| Contributions receivable from participants | **3,534** | 3,528 |
| Notes receivable from participants | **21,503,214** | 19,871,117 |
| Total receivables | **21,508,962** | 19,876,839 |
| Net assets available for benefits | **$ 1,248,172,701** | $ 1,244,240,677 |
|  | | |
| *See accompanying notes.* |  |  |

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

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|  | **For the year ended** | |
|  | **December 31,** | |
|  | **2011** | **2010** |
| **Additions** |  |  |
| Investment income: |  |  |
| Interest | **$ 958,515** | $ 1,193,796 |
| Dividends | **1,766,675** | 1,335,560 |
| Net (depreciation) appreciation of investments | **(25,265,101)** | 175,195,922 |
| Total investment (loss) income | **(22,539,911)** | 177,725,278 |
|  | | |
| Interest income on notes receivable from participants | **1,121,668** | 1,201,136 |
|  | | |
| Contributions: |  |  |
| Principal Life Insurance Company | **33,723,431** | 32,390,305 |
| Employees | **66,217,255** | 62,098,514 |
| Transfers from affiliated and unaffiliated plans, net | **21,649,669** | – |
| Total contributions | **121,590,355** | 94,488,819 |
| Total additions | **100,172,112** | 273,415,233 |
|  | | |
| **Deductions** |  |  |
| Benefits paid to participants | **95,916,377** | 86,214,687 |
| Transfers to affiliated and unaffiliated plans, net | – | 1,171,071 |
| Administrative expenses | **323,711** | 332,339 |
| Total deductions | **96,240,088** | 87,718,097 |
| Net increase | **3,932,024** | 185,697,136 |
|  | | |
| Net assets available for benefits at beginning of year | **1,244,240,677** | 1,058,543,541 |
| Net assets available for benefits at end of year | **$ 1,248,172,701** | $ 1,244,240,677 |
|  | | |
| *See accompanying notes.* |  |  |

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|  |
| The Principal Select Savings Plan for Employees |
|  |
| Notes to Financial Statements |
|  |
| December 31, 2011 |

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|  |
| **1. Significant Accounting Policies** |
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| **Basis of Accounting** |
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| The accounting records of The Principal Select Savings Plan for Employees (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 the Employee Retirement Income Security Act of 1974, as amended |
| (ERISA 401(b)) and separate accounts (described in ERISA 3(17)) of 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. Employee Stock |
| Ownership Plan (ESOP), which consists of common stock of Principal Financial Group, Inc., the |
| ultimate parent of Principal Life, is reported at fair value based on 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 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. |
|  |
| **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. |
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|  |
| The Principal Select Savings Plan for Employees |
|  |
| Notes to Financial Statements (continued) |

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|  |
| **1. Significant Accounting Policies (continued)** |
|  |
| **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 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 Pronouncements** |
|  |
| In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance |
| that clarifies and changes fair value measurement and disclosure requirements. This guidance |
| expands existing disclosure requirements for fair value measurements and makes other |
| amendments but does not require additional fair value measurements. The amendments are to be |
| applied prospectively and are effective for annual periods beginning after December 15, 2011. |
| Adoption of the guidance is not expected to have a material effect on the Plan’s net assets |
| available for benefits or its changes in net assets available for benefits. |
|  |
| In September 2010, the FASB issued authoritative guidance that requires participant loans to be |
| measured at their unpaid principal balance plus any accrued but unpaid interest and classified as |
| notes receivable from participants. Previously loans were measured at fair value and classified as |
| investments. The guidance was effective for fiscal years ending after December 15, 2010, and |
| was required to be applied retrospectively. |
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| The Principal Select Savings Plan for Employees |
|  |
| Notes to Financial Statements (continued) |

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| **1. Significant Accounting Policies (continued)** |
|  |
| In January 2010, the FASB issued authoritative guidance to clarify certain existing fair value |
| disclosures and require a number of additional disclosures. The guidance 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. The guidance 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, the guidance 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. This guidance was effective for |
| reporting periods beginning after December 15, 2009, except for the requirement to present |
| changes in Level 3 measurements on a gross basis, which was effective on January 1, 2011. |
| Since the guidance only affects fair value measurement disclosures, adoption of the guidance did |
| not affect the Plan’s net assets available for benefits or its changes in net assets available for |
| benefits. |
|  |
| **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 employees of Principal Life or its subsidiaries (the |
| Company). |
|  |
| 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. The Plan is subject to the provisions of |
| ERISA. |
|  |
| **Contributions** |
|  |
| 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.” |
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| The Principal Select Savings Plan for Employees |
|  |
| Notes to Financial Statements (continued) |

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|  |
| **2. Description of the Plan (continued)** |
|  |
| 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%. |
|  |
| **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 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 nonvested balances. Forfeited |
| balances of terminated participants’ nonvested accounts are used to reduce Company |
| contributions. At December 31, 2011 and 2010, forfeited nonvested account balances totaled |
| $43,413 and $41,454, respectively. In 2011 and 2010, employer contributions were reduced by |
| $1,409,750 and $1,259,764, respectively, from forfeited nonvested accounts. |
|  |
| **Participant Loans** |
|  |
| 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 asset, 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. The rate for |
| the loans issued in 2011 and 2010 was 5.25%. The notes receivable balance was reduced by |
| $1,639,866 and $1,198,838 in 2011 and 2010, respectively, for terminated participants that |
| received their account balance, net of the outstanding loans, as a benefit distribution. |
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| The Principal Select Savings Plan for Employees |
|  |
| Notes to Financial Statements (continued) |

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|  |
| **2. Description of the Plan (continued)** |
|  |
| **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, participants will become fully vested in their accounts. |
|  |
| **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. The Plan is required to operate in |
| conformity with the terms of the Plan document and the Code to maintain its qualification. The |
| Benefit Plans Administration Committee (BPAC) and the Plan sponsor intend to operate the Plan |
| in conformity with the provisions of the Plan document and the Code. BPAC and the Plan |
| sponsor acknowledge that inadvertent errors may occur in the operation of the Plan. If such |
| inadvertent errors occur, BPAC and the Plan sponsor represent that they 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. |
|  |
| Accounting principles generally accepted in the United States require plan management to |
| evaluate uncertain tax positions taken by the Plan. The financial statement effects of a 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. The plan administrator has analyzed the tax |
| positions taken by the Plan and has concluded that as of December 31, 2011, 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. The IRS commenced examination of the Plan for 2008 in August 2010. The plan |
| administrator believes it is no longer subject to income tax examinations for years prior to 2008. |
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|  |
| The Principal Select Savings Plan for Employees |
|  |
| Notes to Financial Statements (continued) |

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| **4. Investments** |
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| 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 individual investments that represent 5% or more of the Plan’s net assets |
| available for benefits in 2011 and 2010. Principal Life is a party in interest with respect to these |
| investments. |

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  | **December 31** | |
|  | **2011** | **2010** |
|  | | |
| Large-Cap Stock Index Separate Account | **$ 137,100,940** | $ 138,471,505 |
| Bond and Mortgage Separate Account | **93,377,684** | 85,247,318 |
| Diversified International Separate Account | **87,900,476** | 100,006,483 |
| U.S. Property Separate Account | **84,204,454** | 68,032,089 |
| Small-Cap Stock Index Separate Account | **76,322,736** | 79,740,461 |
| Medium Company Blend Separate Account | **75,486,540** | 68,704,871 |
| International Emerging Markets Separate Account | **74,216,829** | 94,948,394 |
| Money Market Separate Account | **67,176,915** | 63,699,465 |
| Principal Financial Group, Inc. ESOP | **64,178,110** | 75,259,838 |

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

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| **4. Investments (continued)** |
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| During 2011 and 2010, the Plan’s investments that are related to Principal Life (depreciated) |
| appreciated in value by $(25,265,101) and $175,195,922, respectively, as follows: |

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  | **For the year ended** | |
|  | **December 31,** | |
|  | **2011** | **2010** |
|  | | |
| Guaranteed interest accounts | **$        199,283** | $                94,260 |
| Separate accounts of insurance company | **(6,971,359)** | 153,693,987 |
| Principal Financial Group, Inc. ESOP | **(18,493,025)** | 21,407,675 |
|  | **$   (25,265,101)**$        175,195,922 | |
|  | | |
| **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 are reflected at the net asset value (NAV) price. |
|  | |
| • | Level 3 – Fair values are based on significant unobservable inputs for the asset. Our |
|  | Level 3 assets are guaranteed interest accounts of the insurance company. |
|  | |
| Transfers between fair value hierarchy levels are recognized at the beginning of the reporting | |
| period. |  |
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| The Principal Select Savings Plan for Employees |
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| Notes to Financial Statements (continued) |

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| **5. Fair Value of Financial Instruments (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 2011. |
|  |
| *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. The fair value of the |
| guaranteed interest accounts is reflected in Level 3 and the valuation is based on the applicable |
| interest rate. 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. If the applicable |
| interest rate is equal to or less than the interest rate on the account, the fair value is equal to the |
| contract value. |
|  |
| *Separate Accounts of Insurance Company* |
|  |
| This category is designed to deliver safety and stability by preserving principal and accumulating |
| earnings. The 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. As of December 31, 2011, all |
| separate accounts are reflected in Level 2. Several of the separate accounts invest in publicly |
| quoted mutual funds or actively managed stocks. Some of the separate accounts also invest in |
| fixed income securities. The fair value of the underlying mutual funds or stock and of the |
| underlying securities, which is based on quoted prices of similar assets, is used to determine the |

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

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| NAV of the separate account which is not publicly quoted. There are currently no redemption |
| restrictions on these investments. |
|  |
| **5. Fair Value of Financial Instruments (continued)** |
|  |
| 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. In 2010, this was categorized as Level 3, as the fund had restrictions on redemption of |
| NAV at the measurement date. In 2011, the withdrawal limitations associated with this separate |
| account were removed and the investments were being redeemed at NAV at the measurement |
| date. Therefore, the fair value of the separate account is based on NAV and is considered a Level |
| 2 asset in 2011. |
|  |
| *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 quoted closing |
| market price on the last business day of the Plan year and is reflected in Level 1. |
|  |
| **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, 2011** | | | | |
|  | **Assets Measured at** | **Fair Value Hierarchy Level** | | |  |
|  | **Fair Value** | **Level 1** | **Level 2** |  | **Level 3** |
| **Assets** |  |  |  |  |  |
| Guaranteed interest accounts | **$         47,258,750** | **$                   –** | **$                   –** | **$ 47,258,750** | |
| Separate accounts of insurance company: |  |  |  |  |  |
| Fixed income security | **124,687,109** | – | **124,687,109** |  | – |
| Lifetime balanced asset allocation | **179,567,565** | – | **179,567,565** |  | – |
| Large U.S. equity | **251,562,353** | – | **251,562,353** |  | – |
| Small/Mid U.S. equity | **237,842,809** | – | **237,842,809** |  | – |
| International equity | **162,117,305** | – | **162,117,305** |  | – |
| Short-term fixed income | **67,176,915** | – | **67,176,915** |  | – |
| U.S. real estate | **84,204,454** | – | **84,204,454** |  | – |
| Other | **8,068,369** | – | **8,068,369** |  | – |
| Principal Financial Group, Inc. ESOP | **64,178,110** | **64,178,110** | – |  | – |
| Total invested assets | **$     1,226,663,739** | **$     64,178,110** | **$ 1,115,226,879** | **$ 47,258,750** | |

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| The Principal Select Savings Plan for Employees | | | | | | |
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| Notes to Financial Statements (continued) | | | | | | |
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|  | | | | | | |
| **5. Fair Value of Financial Instruments (continued)** | | |  |  |  |  |
|  | | | | | | |
|  |  |  | **As of December 31, 2010** | |  |  |
|  | **Assets Measured at** |  | **Fair Value Hierarchy Level** | | | |
|  | **Fair Value** |  | **Level 1** | **Level 2** |  | **Level 3** |
| **Assets** |  |  |  |  |  |  |
| Guaranteed interest accounts | $ 49,394,988 | $                – | | $                   – | $ 49,394,988 | |
| Separate accounts of insurance company: |  |  |  |  |  |  |
| Fixed income security | 105,258,341 |  | – | 105,258,341 |  | – |
| Lifetime balanced asset allocation | 169,747,870 |  | – | 169,747,870 |  | – |
| Large U.S. equity | 247,657,740 |  | – | 247,657,740 |  | – |
| Small/Mid U.S. equity | 238,768,265 |  | – | 238,768,265 |  | – |
| International equity | 194,954,877 |  | – | 194,954,877 |  | – |
| Short-term fixed income | 63,699,465 |  | – | 63,699,465 |  | – |
| U.S. real estate | 68,032,089 |  | – | – |  | 68,032,089 |
| Other | 11,590,365 |  | – | 11,590,365 |  | – |
| Principal Financial Group, Inc. ESOP | 75,259,838 |  | 75,259,838 | – |  | – |
| Total invested assets | $ 1,224,363,838 | $ 75,259,838 | | $ 1,031,676,923 | $ 117,427,077 | |

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|  |
| **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, 2011 and 2010, are |
| as follows: |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  |  | For the year ended December 31, 2011 | | | |  | Changes in Unrealized Gains (Losses) Included in Statements of Changes in Net Assets Available for Benefits Relating to Positions Still Held |
|  |  |  |  |  |  |  |  |
|  |  | **Total Realized/** **Unrealized** **Appreciation** **(Depreciation)** |  |  |  |  | **Ending Asset** **Balance as of** **December 31,** **2011** |
|  | **Beginning Asset** **Balance as of** **January 1, 2011** |  |  |  | **Transfers in** **(Out) of** **Level 3** |
|  |  |  |  |
|  | **Purchases\*\*** | **Sales\*\*** |  |
| Assets |  |  |  |  |  |  |  |  |
| Guaranteed interest |  |  |  |  |  |  |  |  |
| accounts | **$         49,394,988** | **$1,157,794** | **$15,425,612** | **$(18,719,644)** | **$**– | | **$  47,258,750** | **$    199,283** |
| U.S. real estate | **68,032,089** | – | – | - |  | **(68,032,089)** | – | – |
| Total | **$       117,427,077** | **$1,157,794** | **$15,425,612** | **$(18,719,644)** |  | **$(68,032,089)** | **$  47,258,750** | **$    199,283** |

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|  | The Principal Select Savings Plan for Employees | | | | |  |  |
|  | | | | | | | |
|  | | | | | | | |
|  | Notes to Financial Statements (continued) | | | | |  |  |
|  | | | | | | | |
|  | | | | | | | |
|  | | | | | | | |
|  | | | | | | | |
| **5. Fair Value of Financial Instruments (continued)** | | | |  |  |  |  |
|  | | | | | | | |
|  | | | | | | | |
|  |  | **For the year ended December 31, 2010** | | | |  | **Changes in** **Unrealized** **Gains (Losses)** **Included in** **Statements of** **Changes in Net** **Assets Available** **for Benefits** **Relating to** **Positions Still** **Held** |
|  |  | **Total Realized/** **Unrealized** **Appreciation** **(Depreciation)** |  |  |  | **Ending Asset** **Balance as of** **December 31,** **2010** |
|  | **Beginning Asset** **Balance as of** **January 1, 2010** |  |  | **Transfers** **in (Out) of** **Level 3** |
|  |  |  |
|  | **Purchases\*\*** | **Sales\*\*** |
| **Assets** |  |  |  |  |  |  |  |
| Guaranteed interest |  |  |  |  |  |  |  |
| accounts | $       51,968,974 | $          1,288,052 | $  17,582,015 | $  (21,444,053) | $  – | $   49,394,988 | $           94,260 |
| U.S. real estate | 70,014,680 | 10,084,871 | 10,962,867 | (23,030,329) | – | 68,032,089 | 9,717,904 |
| Total | $      121,983,654 | $        11,372,923 | $  28,544,882 | $  (44,474,382) | $  – | $  117,427,077 | $       9,812,164 |

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| --- |
|  |
| \*\*Includes interest, contributions, transfers from affiliated and unaffiliated plans, transfers to other investments via participant direction, |
| benefits paid to participants, and administrative expenses. |
|  |
| **6. Contingencies** |
|  |
| Until March 25, 2011, the real estate separate account had a temporary withdrawal limitation |
| related to past turmoil in the credit markets that resulted in a sharp slowdown in the sale of |
| commercial real estate assets over the last several years. 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 for the real estate separate account. Certain |
| high need payments, such as death, disability, certain eligible retirements, and hardship |
| withdrawals, were not subject to the withdrawal limitation. Other withdrawal requests were |
| subject to the limitation until certain liquidity levels were achieved, mainly via proceeds from |
| sales of underlying properties, rents from tenants and new investor contributions. With the |
| inception of the withdrawal limitation, all sources of cash were 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 were paid in |
| multiple payments. Except for certain de minimis payments, payments were 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. The restriction |
| had been in place since September 26, 2008 and ended on March 25, 2011. |

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

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|  |
| **6. Contingencies (continued)** |
|  |
| While the outcome of any future litigation or regulatory matter cannot be predicted, management |
| does not believe that any future litigation or regulatory matter will have a material adverse effect |
| on our net assets available for benefits. The outcome of such matters is always uncertain, and |
| unforeseen results can occur. It is possible that such outcomes could materially affect net assets |
| available for benefits in a particular year. |
|  |
| **7. Related Party Transactions** |
|  |
| In addition to the transactions with parties-in-interest discussed in Notes 2, 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. These transactions are exempt from |
| the prohibited transactions rules of ERISA. 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 2011 and 2010 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, 2011 |
| and 2010. |

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| The Principal Select Savings Plan for Employees | |
|  |  |
| EIN: 42-0127290 | Plan Number: 003 |
|  |  |
| Schedule H, Line 4i – Schedule of Assets | |
| (Held at End of Year) | |
|  | |
| December 31, 2011 | |

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Identity of Issue** | **Description of Investment** | **Current Value** |
|  | | |
| Principal Life Insurance |  |  |
| Company\* | Deposits in guaranteed interest accounts | $ 47,258,750 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Small-Cap Value II | |  |
| Company\* | Separate Account | 15,170,635 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Large Company | |  |
| Company\* | Growth Separate Account | 40,450,681 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Money Market | |  |
| Company\* | Separate Account | 67,176,915 |
|  | | |
| Principal Life Insurance          Deposits in insurance company U.S. Property | |  |
| Company\* | Separate Account | 84,204,454 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Bond and Mortgage | |  |
| Company\* | Separate Account | 93,377,684 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Diversified | |  |
| Company\* | International Separate Account | 87,900,476 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Large-Cap Stock | |  |
| Company\* | Index Separate Account | 137,100,940 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Government and High | |  |
| Company\* | Quality Bond Separate Account | 20,878,593 |
|  | | |
| Principal Life Insurance          Deposits in insurance company Medium Company | |  |
| Company\* | Blend Separate Account | 75,486,540 |

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| The Principal Select Savings Plan for Employees | | | |
|  |  |  |  |
|  | EIN: 42-0127290 | Plan Number: 003 |  |
|  | | | |
| Schedule H, Line 4i – Schedule of Assets | | | |
| (Held at End of Year) (continued) | | | |
|  | | | |
| **Identity of Issue** | **Description of Investment** | | **Current Value** |
|  | | | |
| Principal Life Insurance       Deposits in insurance company International | | |  |
| Company\* | Emerging Markets Separate Account | | $ 74,216,829 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Large Company | | |  |
| Company\* | Value Separate Account | | 16,739,528 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Inflation Protection | | |  |
| Company\* | Separate Account |  | 10,430,832 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Partner Large-Cap | | |  |
| Company\* | Growth I Separate Account | | 20,119,304 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Lifetime Strategic | | |  |
| Company\* | Income Separate Account | | 7,535,449 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Partner Mid-Cap | | |  |
| Company\* | Growth Separate Account | | 36,057,323 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Partner Small-Cap | | |  |
| Company\* | Growth I Separate Account | | 34,805,575 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Small-Cap Stock | | |  |
| Company\* | Index Separate Account | | 76,322,736 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Equity Income | | |  |
| Company\* | Separate Account |  | 37,151,900 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Principal Financial | | |  |
| Company\* | Group, Inc. Stock Separate Account | | 8,068,369 |

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|  |  |  |  |
| The Principal Select Savings Plan for Employees | | | |
|  | EIN: 42-0127290 | Plan Number: 003 |  |
|  | | | |
| Schedule H, Line 4i – Schedule of Assets | | | |
| (Held at End of Year) (continued) | | | |
|  | | | |
| **Identity of Issue** | **Description of Investment** | | **Current Value** |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Lifetime 2010 | | |  |
| Company\* | Separate Account |  | $ 10,462,959 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Lifetime 2020 | | |  |
| Company\* | Separate Account |  | 43,325,854 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Lifetime 2030 | | |  |
| Company\* | Separate Account |  | 51,828,956 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Lifetime 2040 | | |  |
| Company\* | Separate Account |  | 40,623,253 |
|  | | | |
| Principal Life Insurance       Deposits in insurance company Lifetime 2050 | | |  |
| Company\* | Separate Account |  | 25,791,094 |
|  | | | |
| Principal Financial | 2,608,866 shares of Principal Financial Group, Inc. | |  |
| Group, Inc.\* | ESOP |  | 64,178,110 |
|  | | | |
| Loans to participants\* | Notes receivable from participants with interest rates | |  |
|  | ranging from 5.25% to 10.50% | | 21,503,214 |
|  |  |  | $1,248,166,953 |
|  | | | |
| \*Indicates party in interest to the Plan. | |  |  |

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| SIGNATURE | |
|  | |
| Pursuant to the requirements of the Securities Exchange Act of 1934, the administrator of The | |
| Principal Select Savings Plan for Employees has duly caused this annual report to be signed on | |
| its behalf by the undersigned hereunto duly authorized. | |
|  | |
|  | THE PRINCIPAL SELECT SAVINGS PLAN FOR |
|  | EMPLOYEES |
|  | by Benefit Plans Administration Committee |
|  | |
|  | |
|  | |
| Date: June 28, 2012 | By /s/ Tammy DeHaai |
|  | Tammy DeHaai |
|  | Committee Member |
|  | |
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| **Exhibit Index** | | |
|  | |  |
| The following exhibit is filed herewith: | |  |
|  |  |  |
|  |  | Page |
|  |  |  |
| 23 | Consent of Ernst & Young LLP | 22 |
|  | | |
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|  |
| Exhibit 23 |
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|  |
| Consent of Independent Registered Public Accounting Firm |
|  |
| We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333- |
| 178510) pertaining to The Principal Select Savings Plan for Employees of Principal Financial |
| Group, Inc. of our report dated June 28, 2012, with respect to the financial statements and |
| supplemental schedule of The Principal Select Savings Plan for Employees included in this |
| Annual Report (Form 11-K) for the year ended December 31, 2011, filed with the Securities and |
| Exchange Commission. |
|  |
|  |
| /s/ Ernst & Young, LLP |
|  |
| Des Moines, Iowa |
| June 28, 2012 |
|  |
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