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| 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, 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.  |
|   |
|   |
|   |
| /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**  |
|   |
| **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**  |
|   |
| 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**  |
|   |
| 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.  |

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|  |  |  |
|   | **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)**  |
|   |
| 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 |
|   |
|   |
| Notes to Financial Statements (continued) |
|   |
|   |
|   |
|   |
| **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:  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|   |   |   | For the year ended December 31, 2011  |   | Changes inUnrealizedGains (Losses)Included inStatements ofChanges in NetAssetsAvailable forBenefitsRelating toPositions StillHeld |
|   |   |   |   |   |   |   |   |
|   |   | **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 |

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| --- | --- | --- |
|  |  |  |
| **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** |
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| The following exhibit is filed herewith:  |   |
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|   |   | 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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