

PRINCIPAL FINANCIAL GROUP INC  
Form 11-K  
June 24, 2015

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

FORM 11-K

(Mark One)

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

For the fiscal year ended: December 31, 2014

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, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. 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 the 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 Principal Select Savings Plan for Employees at December 31, 2014 and 2013, and the changes in its net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) at December 31, 2014, for the year then ended, has been subject to audit procedures performed in conjunction with the audit of the Principal Select Savings Plan for Employee's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming an opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

Des Moines, Iowa

June 23, 2015

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

	December 31, 2014	2013
Assets		
Investments at fair value:		
Unallocated investment options:		
Guaranteed interest accounts	\$35,395,260	\$38,820,839
Separate accounts	1,673,821,228	1,528,671,002
Principal Financial Group, Inc. ESOP	105,742,348	103,314,989
Plan interest in Principal Select Savings Stable Value Master Trust	74,876,505	76,889,286
Total invested assets at fair value	1,889,835,341	1,747,696,116
Receivables:		
Contributions receivable from employer	1,891	2,013
Contributions receivable from participants	25	3,296
Notes receivable from participants	22,454,302	21,550,942
Other receivables	2,851	3,733
Total receivables	22,459,069	21,559,984
Net assets reflecting investments at fair value	1,912,294,410	1,769,256,100
Adjustments from fair value to contract value for a fully benefit-responsive investment contract	(20,421)	459,315
Net assets available for benefits	\$1,912,273,989	\$1,769,715,415

See accompanying notes.

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

	For the Year Ended December 31, 2014
Additions	
Investment income:	
Interest	\$384,157
Dividends	2,690,784
Net appreciation of investments	119,935,527
Interest in Principal Select Savings Stable Value Master Trust	783,421
Total investment income	123,793,889
Interest income on notes receivable from participants	1,095,266
Contributions:	
Employer	38,149,117
Participants	74,997,602
Total contributions	113,146,719
Total additions	238,035,874
Deductions	
Benefits paid to participants	94,282,578
Transfers to affiliated and unaffiliated plans, net	828,998
Administrative expenses	365,724
Total deductions	95,477,300
Net increase	142,558,574
Net assets available for benefits at beginning of year	1,769,715,415
Net assets available for benefits at end of year	\$1,912,273,989

See accompanying notes.

The Principal Select Savings Plan for Employees  
Notes to Financial Statements  
Year Ended December 31, 2014

1. Significant Accounting Policies

Basis of Accounting

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

Valuation of Investments and Income Recognition

The unallocated investment options consist of guaranteed interest accounts under a guaranteed benefit policy (as defined in section 401(b) of the Employee Retirement Income Security Act of 1974, as amended (ERISA)) and separate accounts (as defined in ERISA section 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.

These unallocated investment options are non-benefit-responsive. The guaranteed interest account's 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 Principal Life's administrative expenses. The separate account assets include, but are not limited to, contributions invested in domestic and international common stocks, high-quality short-term debt securities, real estate, private market bonds and mortgages, and high-yield fixed-income securities that are slightly below investment grade, all of which are valued at fair value. The 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 its stock on the last business day of the Plan year.

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

1. Significant Accounting Policies (continued)

The Principal Select Savings Stable Value Master Trust (Master Trust) invests in a Short Term Investment Fund (STIF) and the Morley Stable Income Bond Fund (Bond Fund), which is a collective investment trust that invests in investment-grade fixed-income securities. The Bond Fund is maintained by Union Bond & Trust Company, an affiliate of Principal Life. The Master Trust has also entered into a fully benefit-responsive synthetic guaranteed investment contract (synthetic GIC) with Principal Life (the Contract). The STIF, Bond Fund, and Contract together are the holdings of the Stable Value Fund (Fund). The Fund is valued at contract value as reported to the Plan by Morley Financial Services, the investment manager of the Bond Fund and an affiliate of Principal Life.

Because the Contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the Contract. The contract value represents contributions plus earnings, less participant withdrawals and Contract expenses.

The Contract provides a crediting rate that amortizes portfolio gains and losses over time and accounts for benefit payments to Plan participants at contract value. Under the Contract, Principal Life agrees to pay any deficiency if the investments in the Bond Fund have been exhausted for benefit payments and the contract value is greater than zero.

The objective of the Fund is to preserve capital and smooth the returns credited to Plan participants.

As required by Accounting Standards Codification (ASC) 962, Plan Accounting – Defined Contribution Pension Plans, the Statements of Net Assets Available for Benefits present the fair value of the investment in the Master Trust, as well as the adjustment of the investment in the Master Trust from fair value to contract value relating to the synthetic GICs. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

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

Notes Receivable From Participants

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

Payment of Benefits

Benefits are recorded when paid.

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

1. Significant Accounting Policies (continued)

Risks and Uncertainties

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

Use of Estimates

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

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 and its subsidiaries (the Company).

Information about the Plan, including eligibility, and benefit provisions is contained in the Summary Plan Description. Copies of the Summary Plan Description are available from the Company's Benefit Administration Department or the Company's Intranet. The Plan is subject to the provisions of ERISA.

The Plan Administrator is responsible for the control and administration of the Plan. The Plan Administrator is the Benefit Plans Administration Committee (BPAC). For the purposes of investment and protection of Plan assets, the named fiduciary of the Plan is the Benefit Plans Investment Committee. The Plan is funded through a trust fund which holds group annuity contracts issued by Principal Life. A separate trust holds Principal Financial Group, Inc. common stock that is in the ESOP. The Trustees of the Trust that hold the group annuity contracts are employees of Principal Life. The Trustee of the Trust that holds Principal Financial Group, Inc. common stock that is in the ESOP is Bankers Trust. Principal Life is the recordkeeper of the Plan.



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

2. Description of the Plan (continued)

Contributions

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

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

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 document governing (the Plan Document). The federal and state income taxes of the participant are deferred (except in the case of Roth deferrals) on the contributions until the funds are withdrawn from the Plan.

Forfeitures

Upon termination of employment, participants forfeit their non-vested balances. Forfeited amounts are used to reduce Company contributions. At December 31, 2014 and 2013, forfeited non-vested account balances totaled \$16,718 and \$41,073, respectively. In 2014 and 2013, employer contributions were reduced by \$1,676,131 and \$945,715, respectively, from forfeited non-vested accounts.

Participant Loans

The Plan provides for loans to active participants, which are considered a participant-directed investment of his/her account. The loan is a Plan asset, but only the borrowing participant's account shares in the interest paid on the loan or bears any expense or loss incurred because of the loan. The rate of interest is 2% higher than the Federal Reserve "Bank Prime Loan" rate at the time of the loan. The rate is set the day a loan is approved. The rate for the loans issued in 2014 and 2013 was 5.25%.

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

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, affected 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 July 9, 2012, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended and restated. The Plan is required to operate in conformity with the terms of the Plan Document and the Code to maintain its qualification. BPAC and the Company intend to operate the Plan in conformity with the provisions of the Plan Document and the Code. BPAC and the Company acknowledge that inadvertent errors may occur in the operation of the Plan. If such inadvertent errors occur, BPAC and the Company 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.

Plan management is required to evaluate uncertain tax positions taken by the Plan. The financial statement effects of an uncertain tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. BPAC has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2014, 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. BPAC believes it is no longer subject to income tax examinations for years prior to 2011.

4. Investments (excluding interest in Master Trust)

Contributions are invested in unallocated guaranteed interest accounts supported by the general account of Principal Life (a pooled account invested primarily in fixed income securities having a range of maturities); in separate accounts of Principal Life, 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 that are slightly below investment grade, as appropriate for each separate account; and the ESOP. Participants elect the investment(s) in which to have their contributions and match invested.

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

4. Investments (excluding interest in Master Trust) (continued)

The following presents individual investments that represent 5% or more of the Plan's net assets available for benefits as of the end of the Plan year 2014 and 2013. Principal Life is a party-in-interest with respect to these investments.

	December 31,	
	2014	2013
Large-Cap Stock Index Separate Account	\$236,253,828	\$203,854,758
U.S. Property Separate Account	152,603,679	125,718,051
Mid-Cap Separate Account	150,871,028	129,597,817
Small-Cap Stock Index Separate Account	123,671,967	124,827,278
Diversified International Separate Account	122,800,022	126,280,759
Lifetime 2030 Separate Account	120,914,092	*
Principal Financial Group, Inc. ESOP	105,742,348	103,314,989

\*Less than 5% of the fair value of net assets available for benefits at respective date.

During 2014 and 2013, the Plan's investments that are related to Principal Life appreciated in value by \$119,935,527 and \$324,881,642, respectively, as follows:

	For the Year Ended December 31,	
	2014	2013
Guaranteed interest accounts	\$56,226	\$(416,411 )
Separate accounts of insurance company	113,888,024	279,123,418
Principal Financial Group, Inc. ESOP	5,991,277	46,174,635
	\$119,935,527	\$324,881,642

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

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

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 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.

Transfers between fair value hierarchy levels are recognized at the beginning of the reporting period. There were no transfers between levels during 2014 and 2013.

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 2014.

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

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

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 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, 2014, all separate accounts are reflected in Level 2. Several of the separate accounts invest in publicly quoted mutual funds or exchange-traded equity securities. Some of the separate accounts also invest in fixed income securities. The fair value of the underlying funds and securities is used to determine the NAV of the separate account, which is not publicly quoted. The fair value of the underlying mutual funds and equity securities are based on quoted prices of identical assets. The fair value of the underlying fixed income securities are based on third-party pricing vendors that utilize observable market information.

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

There are currently no redemption restrictions on these investments.

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

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

## Principal Financial Group, Inc. ESOP

The ESOP is reported at the quoted closing market price of the common stock of Principal Financial Group, Inc. 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, 2014			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Guaranteed interest accounts	\$35,395,260	\$—	\$—	\$35,395,260
Separate accounts:				
Fixed-income security	130,534,389	—	130,534,389	—
Lifetime balanced asset allocation	373,590,128	—	373,590,128	—
Large U.S. equity	447,946,064	—	447,946,064	—
Small/mid U.S. equity	350,376,605	—	350,376,605	—
International equity	205,252,576	—	205,252,576	—
U.S. real estate	152,603,679	—	152,603,679	—
Other	13,517,787	—	13,517,787	—
Principal Financial Group, Inc. ESOP	105,742,348	105,742,348	—	—
Total invested assets, excluding Plan interest in Master Trust	\$1,814,958,836	\$105,742,348	\$1,673,821,228	\$35,395,260
	As of December 31, 2013			
	Assets Measured at Fair Value Hierarchy Level			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Guaranteed interest accounts	\$38,820,839	\$—	\$—	\$38,820,839
Separate accounts:				
Fixed-income security	117,975,576	—	117,975,576	—
Lifetime balanced asset allocation	288,741,894	—	288,741,894	—
Large U.S. equity	388,229,649	—	388,229,649	—
Small/mid U.S. equity	382,169,608	—	382,169,608	—
International equity	212,227,505	—	212,227,505	—
U.S. real estate	125,718,051	—	125,718,051	—
Other	13,608,719	—	13,608,719	—
Principal Financial Group, Inc. ESOP	103,314,989	103,314,989	—	—
Total invested assets, excluding Plan interest in Master Trust	\$1,670,806,830	\$103,314,989	\$1,528,671,002	\$38,820,839

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

## 5. Fair Value of Financial Instruments (excluding interest in Master Trust) (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, 2014 and 2013, are as follows:

	For the year ended December 31, 2014						Changes in Unrealized Gains (Losses) Included in Statements of Changes in Net Assets Available for Benefits Relating to Positions Still Held
	Beginning Asset Balance as of January 1, 2014	Interest*	Purchases**	Sales**	Transfers in (Out) of Level 3	Ending Asset Balance as of December 31, 2014	
Assets							
Guaranteed interest accounts	\$38,820,839	\$440,363	\$10,000,638	\$(13,866,580)	\$ –	\$35,395,260	\$56,226
Total	\$38,820,839	\$440,363	\$10,000,638	\$(13,866,580)	\$ –	\$35,395,260	\$56,226
	For the year ended December 31, 2013						Changes in Unrealized Gains (Losses) Included in Statements of Changes in Net Assets Available for Benefits Relating to Positions Still Held
	Beginning Asset Balance as of January 1, 2013	Interest*	Purchases**	Sales**	Transfers in (Out) of Level 3	Ending Asset Balance as of December 31, 2013	
Assets							
Guaranteed interest accounts	\$43,353,909	\$51,906	\$14,374,126	\$(18,959,102)	\$ –	\$38,820,839	\$(416,411)
Total	\$43,353,909	\$51,906	\$14,374,126	\$(18,959,102)	\$ –	\$38,820,839	\$(416,411)

\*Includes interest and unrealized gains or losses.

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





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

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

Quantitative Information about Level 3 Fair Value Measurements

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

	As of December 31, 2014		Unobservable input description	Input/range of inputs
	Assets measured at fair value	Valuation technique(s)		
Assets				
Guaranteed interest accounts	\$35,395,260	See note (1)	Interest rate on account	0.05% – 4.58%
			Applicable interest rate	0.72% – 2.31%
			Maturity date	12/31/2014 – 12/31/2020

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

If the applicable interest rate is greater than the interest rate on the account, the fair market value 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.

6. Interest in Principal Select Savings Stable Value Master Trust

A portion of the Plan's investments are in the Master Trust, which was established for the investment of assets of the Plan and the Company's other defined contribution plan, The Principal Select Savings Plan for Individual Field. Each participating retirement plan has an undivided interest in the Master Trust. The value of the Plan's interest in the Master Trust is based on the STIF balance, Bond Fund balance, principal balance of the Contract, plus accrued interest at the stated contract rate, less payments received and contract changes by Principal Life. At December 31, 2014 and 2013, the Plan's interest in the net assets of the Master Trust was approximately 88% and 87%, respectively.

Investment income and administrative expenses relating to the Master Trust are allocated to the individual plans based upon the Plan's interest in the Master Trust.

The crediting interest rate is based on a formula agreed upon with Principal Life, but it may not be less than 0%. Such interest rates are reviewed on a monthly basis for resetting.

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

6. Interest in Principal Select Savings Stable Value Master Trust (continued)

Certain events limit the ability of the Plan to transact at contract value with Principal Life when material events withdrawals are greater than 25% of the Contract as of the start of each contract year. These events include (1) certain termination of employment of a group of participants (including through layoffs or early retirement incentive programs instituted by the Company), (2) a certain spin-off or sale of the Company's business entity or location, (3) certain adoptions of amendments to the Plan, any change in practice, or any change in participant withdrawal rights under the Plan. BPAC does not believe that the occurrence of any such material event, which would limit the Plan's ability to transact at contract value, is probable.

The annual average yields earned by the guaranteed investment contract are as follows:

Average yields:	2014	2013	
Based on actual earnings	1.05	%0.82	%
Based on interest rate credited to participants	1.06	%0.84	%

The net assets, including investments, of the Master Trust are as follows:

	December 31, 2014	2013
STIF	\$4,750,918	\$3,529,858
Bond Fund	80,076,002	84,633,460
Total assets	84,826,920	88,163,318
Payables	(64,748)	(170,647)
Net assets at fair value	84,762,172	87,992,671
Adjustments from fair value to contract value for fully benefit-responsive investment contract	(23,117)	525,643
Total net assets at contract value	\$84,739,055	\$88,518,314
Plan interest in Principal Select Savings Stable Value Master Trust at fair value	\$74,876,505	\$76,889,286
Adjustment from fair value to contract value for a fully benefit-responsive investment contract	(20,421)	459,315
Plan interest in Principal Select Savings Stable Value Master Trust at contract value	\$74,856,084	\$77,348,601

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

## 6. Interest in Principal Select Savings Stable Value Master Trust (continued)

Investment income for the Master Trust is as follows:

	For the year ended December 31, 2014
Interest income	\$893,782
Other income	481
Total investment income	\$894,263

The NAV of each of the investments is calculated in a manner consistent with GAAP for investment companies and is determinative of their fair value. As of December, 31, 2014, the Bond Fund is reflected as Level 2 and the STIF is reflected as Level 1. The Bond Fund generally invests in fixed income securities. When available, the fair value of the fixed income securities is based on quoted prices of identical assets in active markets. When quoted prices are not available, the first priority is to obtain prices from third-party pricing methodologies and to confirm they are utilizing observable market information. The STIF is a money market fund valued using public quotations.

Master Trust assets measured at fair value on a recurring basis are summarized below.

As of December 31, 2014

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Assets				
STIF	\$4,750,918	\$4,750,918	\$—	\$—
Bond Fund	80,076,002	—	80,076,002	—
Total invested assets	\$84,826,920	\$4,750,918	\$80,076,002	\$—

As of December 31, 2013

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Assets				
STIF	\$3,529,858	\$3,529,858	\$—	\$—
Bond Fund	84,633,460	—	84,633,460	—
Total invested assets	\$88,163,318	\$3,529,858	\$84,633,460	\$—

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

6. Interest in Principal Select Savings Stable Value Master Trust (continued)

Within the Master Trust, the Plan holds a wrap contract with an inconsequential fair value for the 2014 and 2013 Plan years.

The Bond Fund and the STIF represented 5% or more of the Master Trust's net assets at contract value as of December 31, 2014. The Bond Fund represented 5% or more of the Master Trust's net assets at contract value as of December 31, 2013.

7. Related Party Transactions

In addition to the transactions with parties-in-interest discussed herein, 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. The Company may pay other Plan expenses from time to time. As part of the Principal Select Savings Stable Value Fund investment, the Plan purchases a wrap contract from Principal Life. The ESOP received \$2,690,784 in dividends from Principal Financial Group, Inc. in 2014.

8. Form 5500

The following table reconciles net assets available for benefits per the Statements of Net Assets Available for Benefits to the Form 5500:

	December 31, 2014	2013
Net assets available for benefits per the Statements of Net Assets Available for Benefits	\$1,912,273,989	\$1,769,715,415
Adjustments from contract value to fair value for fully benefit-responsive investment contract	20,421	(459,315)
Net assets available for benefits per the Form 5500	\$1,912,294,410	\$1,769,256,100

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

8. Form 5500 (continued)

The following table reconciles the Statement of Changes in Net Assets Available for Benefits to the Form 5500:

	December 31, 2014
Net change from contract value to fair value for fully benefit-responsive investment contracts	\$479,736
Master Trust investment income	783,421
Net investment loss from Master Trust investment accounts per the Form 5500	\$1,263,157

GAAP requires that the Plan reports interest in fully benefit-responsive contracts at contract value, while the Form 5500 is required to report these investments at fair value.

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, 2014

Identity of Issue	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in guaranteed interest accounts	\$35,395,260
Principal Life Insurance Company*	Deposits in insurance company Small-Cap Value II Separate Account	23,748,725
Principal Life Insurance Company*	Deposits in insurance company Large Company Growth Separate Account	72,948,747
Principal Life Insurance Company*	Deposits in insurance company U.S. Property Separate Account	152,603,679
Principal Life Insurance Company*	Deposits in insurance company Bond and Mortgage Separate Account	93,340,953
Principal Life Insurance Company*	Deposits in insurance company Diversified International Separate Account	122,800,022
Principal Life Insurance Company*	Deposits in insurance company Large-Cap Stock Index Separate Account	236,253,828
Principal Life Insurance Company*	Deposits in insurance company Government and High Quality Bond Separate Account	23,792,658
Principal Life Insurance Company*	Deposits in insurance company Mid-Cap Separate Account	150,871,028

Identity of Issue	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in insurance company International Emerging Markets Separate Account	\$82,452,554
Principal Life Insurance Company*	Deposits in insurance company Large Company Value Separate Account	33,330,992
Principal Life Insurance Company*	Deposits in insurance company Inflation Protection Separate Account	13,400,778
Principal Life Insurance Company*	Deposits in insurance company Partner Large-Cap Growth I Separate Account	36,043,731
Principal Life Insurance Company*	Deposits in insurance company Lifetime Strategic Income Separate Account	11,882,945
Principal Life Insurance Company*	Deposits in insurance company Principal Financial Group, Inc. Stock Separate Account	13,517,787
Principal Life Insurance Company*	Deposits in insurance company Partner Small-Cap Growth I Separate Account	52,084,885
Principal Life Insurance Company*	Deposits in insurance company Small-Cap Stock Index Separate Account	123,671,967
Principal Life Insurance Company*	Deposits in insurance company Equity Income Separate Account	69,368,766
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2010 Separate Account	11,577,088

Identity of Issue	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2020 Separate Account	\$72,431,147
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2030 Separate Account	120,914,092
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2040 Separate Account	95,284,560
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2050 Separate Account	58,130,579
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2060 Separate Account	3,369,717
Principal Financial Group, Inc.*	2,035,856 shares of Principal Financial Group, Inc. ESOP	105,742,348
Loans to participants*	Notes receivable from participants with varying maturity dates and interest rates ranging from 4.25% to 11.50%	22,454,302
		\$1,837,413,138

\*Indicates party-in-interest to the Plan.



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 23, 2015

By /s/ Tammy DeHaai  
Tammy DeHaai  
Committee Member

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Exhibit Index

The following exhibit is filed herewith:

EXHIBIT

23 - Consent of Ernst & Young LLP

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