

PRINCIPAL FINANCIAL GROUP INC
Form 11-K
June 27, 2014

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, 2013

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 (the Plan) as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. 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 Plan as of December 31, 2013 and 2012, and the changes in its net assets available for benefits for the year ended December 31, 2013, 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) at December 31, 2013 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 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 27, 2014

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

	December 31, 2013	2012
Assets		
Investments at fair value:		
Unallocated investment options:		
Guaranteed interest accounts	\$38,820,839	\$43,353,909
Separate accounts	1,528,671,002	1,229,506,316
Principal Financial Group, Inc. ESOP	103,314,989	68,288,524
Plan interest in Principal Select Savings Stable Value Master Trust	76,889,286	66,306,403
Total invested assets at fair value	1,747,696,116	1,407,455,152
Receivables:		
Contributions receivable from employer	2,013	17,358
Contributions receivable from participants	3,296	29,875
Notes receivable from participants	21,550,942	21,349,940
Other receivables	3,733	-
Total receivables	21,559,984	21,397,173
Net assets reflecting investments at fair value	1,769,256,100	1,428,852,325
Adjustments from fair value to contract value for a fully benefit-responsive investment contract	459,315	(321,843)
Net assets available for benefits	\$1,769,715,415	\$1,428,530,482

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, 2013
Additions	
Investment income:	
Interest	\$468,782
Dividends	2,159,060
Net appreciation of investments	324,881,642
Interest in Principal Select Savings Stable Value Master Trust	638,820
Total investment income	328,148,304
Interest income on notes receivable from participants	1,090,860
Contributions:	
Employer	36,555,462
Participants	72,474,527
Total contributions	109,029,989
Total additions	438,269,153
Deductions	
Benefits paid to participants	94,666,107
Transfers to affiliated and unaffiliated plans, net	2,062,805
Administrative expenses	355,308
Total deductions	97,084,220
Net increase	341,184,933
Net assets available for benefits at beginning of year	1,428,530,482
Net assets available for benefits at end of year	\$1,769,715,415

See accompanying notes.

The Principal Select Savings Plan for Employees
Notes to Financial Statements
Year Ended December 31, 2013

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 (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.

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 accounts 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 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 administrative 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 Contributions 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.

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

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 (GAAP) requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board issued authoritative guidance that clarified and changed fair value measurement and disclosure requirements. This guidance expanded existing disclosure requirements for fair value measurements and made other amendments but did not require additional fair value measurements. This guidance was effective January 1, 2012, and did not have a material effect on 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 and its subsidiaries (the Company).

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

2. Description of the Plan (continued)

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 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 PFG, 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 PFG, Inc. common stock that is in the ESOP is Bankers Trust. Principal Life is the recordkeeper of the Plan.

Contributions

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

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

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.

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

2. Description of the Plan (continued)

Forfeitures

Upon termination of employment, participants forfeit their non-vested balances. Forfeited amounts are used to reduce Company contributions. At December 31, 2013 and 2012, forfeited non-vested account balances totaled \$41,073 and \$78,299, respectively. In 2013 and 2012, employer contributions were reduced by \$945,715 and \$1,137,376, respectively, from forfeited non-vested 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 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 2013 and 2012 was 5.25%.

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.

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

3. Income Tax Status (continued)

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, 2013, 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 concluded examination of the Plan for 2008 in 2013. BPAC believes it is no longer subject to income tax examinations for years prior to 2010.

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 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 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 in 2013 and 2012. Principal Life is a party-in-interest with respect to these investments.

	December 31,	
	2013	2012
Large-Cap Stock Index Separate Account	\$203,854,758	\$154,333,168
Mid-Cap Separate Account	129,597,817	91,328,228
Diversified International Separate Account	126,280,759	102,279,108
U.S. Property Separate Account	125,718,051	101,678,622
Small-Cap Stock Index Separate Account	124,827,278	86,731,215
Principal Financial Group, Inc. ESOP	103,314,989	*
Bond and Mortgage Separate Account	*	102,832,077
International Emerging Markets Separate Account	*	89,325,303

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

During 2013 and 2012, the Plan's investments that are related to Principal Life appreciated in value by \$324,881,642 and \$170,689,089, respectively, as follows (excluding plan interest in the Master Trust):

	For the Year Ended December 31,	
	2013	2012
Guaranteed interest accounts	\$(416,411)\$(70,060
Separate accounts of insurance company	279,123,418	160,331,583
Principal Financial Group, Inc. ESOP	46,174,635	10,427,566
	\$324,881,642	\$170,689,089

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 2013 and 2012.

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 2013.

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, 2013, 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 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, 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

	As of December 31, 2012			
	Assets Measured at Fair Value Hierarchy Level			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Guaranteed interest accounts	\$43,353,909	\$ –	\$ –	\$43,353,909
Separate accounts:				
Fixed-income security	145,209,329	–	145,209,329	–
Lifetime balanced asset allocation	222,678,065	–	222,678,065	–
Large U.S. equity	290,103,858	–	290,103,858	–
Small/mid U.S. equity	269,664,912	–	269,664,912	–
International equity	191,604,411	–	191,604,411	–
U.S. real estate	101,678,622	–	101,678,622	–
Other	8,567,119	–	8,567,119	–
Principal Financial Group, Inc. ESOP	68,288,524	68,288,524	–	–
Total invested assets, excluding plan interest in Master Trust	\$1,341,148,749	\$68,288,524	\$1,229,506,316	\$43,353,909

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, 2013 and 2012, are as follows:

For the year ended December 31, 2013

	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	Changes in Unrealized Gains (Losses) Included in Statements of Net Assets Available for Benefits Relating to Positions Still Held
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)

For the year ended December 31, 2012

	Beginning Asset Balance as of January 1, 2012	Interest*	Purchases**	Sales**	Transfers in (Out) of Level 3	Ending Asset Balance as of December 31, 2012	Changes in Unrealized Gains (Losses) Included in Statements of Net Assets Available for Benefits Relating to Positions Still Held
Assets							
Guaranteed interest accounts	\$47,258,750	\$666,644	\$13,408,315	\$(17,979,800)	\$ –	\$43,353,909	\$(70,060)
Total	\$47,258,750	\$666,644	\$13,408,315	\$(17,979,800)	\$ –	\$43,353,909	\$(70,060)

*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.

Assets	As of December 31, 2013		Unobservable input description	Input/range of inputs
	Assets measured at fair value	Valuation technique(s)		
Guaranteed interest accounts	\$38,820,839	See note (1)	Interest rate on account	0.05% – 4.58%
			Applicable interest rate	0.61% – 2.59%
			Maturity date	12/31/2013 – 12/31/2019

(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, 2013 and 2012, the Plan's interest in the net assets of the Master Trust was approximately 87% and 82%, 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 an 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:	2013	2012	
Based on actual earnings	0.82	%0.54	%
Based on interest rate credited to participants	0.84	%0.46	%

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

	December 31, 2013	2012
STIF	\$3,529,858	\$4,662,240
Bond Fund	84,633,460	77,079,255
Total assets	88,163,318	81,741,495
Payables	(170,647)	(506,630)
Net assets at fair value	87,992,671	81,234,865
Adjustments from fair value to contract value for fully benefit-responsive investment contract	525,643	(394,304)
Total net assets at contract value	\$88,518,314	\$80,840,561
Plan interest in Principal Select Savings Stable Value Master Trust at fair value	\$76,889,286	\$66,306,403
Adjustment from fair value to contract value for a fully benefit-responsive investment contract	459,315	(321,843)
Plan interest in Principal Select Savings Stable Value Master Trust at contract value	\$77,348,601	\$65,984,560

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, 2013
Interest income	\$724,152
Other income	18,040
Total investment income	\$742,192

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, 2013, 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, 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	\$ –

As of December 31, 2012

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Assets				
STIF	\$4,662,240	\$4,662,240	\$ –	\$ –
Bond Fund	77,079,255	–	77,079,255	–
Total invested assets	\$81,741,495	\$4,662,240	\$77,079,255	\$ –

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 2013 and 2012 Plan years.

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

The Bond Fund and the STIF represented 5% or more of the Master Trust's net assets at contract value as of December 31, 2012.

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 \$2,159,060 in dividends from Principal Financial Group, Inc. in 2013.

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, 2013	2012
Net assets available for benefits per the Statements of Net Assets Available for Benefits	\$1,769,715,415	\$1,428,530,482
Adjustments from contract value to fair value for fully benefit-responsive investment contract	(459,315)	321,843
Net assets available for benefits per the Form 5500	\$1,769,256,100	\$1,428,852,325

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, 2013	
Net change from contract value to fair value for fully benefit-responsive investment contracts	\$(781,158)
Master Trust investment income:		
Investment income	638,820	
Other investment expenses	(17,005)	
Total Master Trust investment income	621,815	
Net investment loss from Master Trust investment accounts per the Form 5500	\$(159,343)

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, 2013

Identity of Issue	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in guaranteed interest accounts	\$38,820,839
Principal Life Insurance Company*	Deposits in insurance company Small-Cap Value II Separate Account	24,012,848
Principal Life Insurance Company*	Deposits in insurance company Large Company Growth Separate Account	63,535,448
Principal Life Insurance Company*	Deposits in insurance company U.S. Property Separate Account	125,718,051
Principal Life Insurance Company*	Deposits in insurance company Bond and Mortgage Separate Account	86,826,449
Principal Life Insurance Company*	Deposits in insurance company Diversified International Separate Account	126,280,759
Principal Life Insurance Company*	Deposits in insurance company Large-Cap Stock Index Separate Account	203,854,758
Principal Life Insurance Company*	Deposits in insurance company Government and High Quality Bond Separate Account	20,828,421
Principal Life Insurance Company*	Deposits in insurance company Mid-Cap Separate Account	129,597,817

Identity of Issue	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in insurance company International Emerging Markets Separate Account	\$85,946,746
Principal Life Insurance Company*	Deposits in insurance company Large Company Value Separate Account	28,709,737
Principal Life Insurance Company*	Deposits in insurance company Inflation Protection Separate Account	10,320,706
Principal Life Insurance Company*	Deposits in insurance company Partner Large-Cap Growth I Separate Account	34,498,138
Principal Life Insurance Company*	Deposits in insurance company Lifetime Strategic Income Separate Account	9,219,178
Principal Life Insurance Company*	Deposits in insurance company Partner Mid-Cap Growth Separate Account	47,405,092
Principal Life Insurance Company*	Deposits in insurance company Partner Small-Cap Growth I Separate Account	56,326,573
Principal Life Insurance Company*	Deposits in insurance company Small-Cap Stock Index Separate Account	124,827,278
Principal Life Insurance Company*	Deposits in insurance company Equity Income Separate Account	57,631,568
Principal Life Insurance Company*	Deposits in insurance company Principal Financial Group, Inc. Stock Separate Account	13,608,719

Identity of Issue	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2010 Separate Account	\$12,028,017
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2020 Separate Account	60,037,844
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2030 Separate Account	87,549,254
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2040 Separate Account	71,459,824
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2050 Separate Account	48,447,777
Principal Financial Group, Inc.*	2,095,214 shares of Principal Financial Group, Inc. ESOP	103,314,989
Loans to participants*	Notes receivable from participants with varying maturity dates and interest rates ranging from 5.25% to 10.50%	21,550,942 \$1,692,357,772

*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 27, 2014 By /s/ Elizabeth L. Raymond
Elizabeth L. Raymond
Committee Chair

Exhibit Index

The following exhibit is filed herewith:

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23 Consent of Ernst & Young LLP 26

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Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333-178510) pertaining to The Principal Select Savings Plan for Employees of Principal Financial Group, Inc. of our report dated June 27, 2014, 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, 2013, filed with the Securities and Exchange Commission.

/s/ Ernst & Young, LLP

Des Moines, Iowa
June 27, 2014

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