

PRINCIPAL FINANCIAL GROUP INC  
Form PRE 14A  
March 12, 2013

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)  
[EXECUTIVE COMPENSATION](#)

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**PRINCIPAL FINANCIAL GROUP, INC.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

Table of Contents

April 10, 2013

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders on Tuesday, May 21, 2013, at 9:00 a.m., Central Daylight Time, at 711 High Street, Des Moines, Iowa.

The notice of annual meeting and proxy statement provide an outline of the business to be conducted at the meeting. I will also report on the progress of the Company during the past year and answer shareholder questions.

We encourage you to read this proxy statement and vote your shares. You do not need to attend the annual meeting to vote. You may complete, date and sign a proxy or voting instruction card and return it in the envelope provided (if these materials were received by mail) or vote by using the telephone or the Internet. Thank you for acting promptly.

**Distribution of annual meeting materials**

As we've done in the past, The Principal is taking advantage of the Securities and Exchange Commission's rule that allows companies to furnish proxy materials for the annual meeting via the Internet to registered shareholders. For each shareholder selecting to receive these materials electronically in the future, the Principal Financial Group and the Arbor Day Foundation will plant the same number of trees in a U.S. forest. In 2012, 1,870 trees were planted.

Sincerely,

LARRY D. ZIMPLEMAN  
*Chairman, President and Chief Executive Officer*

2

---

Table of Contents

**PRINCIPAL FINANCIAL GROUP, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**May 21, 2013**

---

The annual meeting of shareholders of Principal Financial Group, Inc. (the "Company") will be held at 711 High Street, Des Moines, Iowa, on Tuesday, May 21, 2013, at 9:00 a.m., Central Daylight Time. Matters to be voted on are:

1. Election of four Class III Directors;
2. A proposal for the annual election of Directors;
3. An advisory vote to approve executive compensation;
4. Ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2013; and
5. Such other matters as may properly come before the meeting.

These items are fully described in the proxy statement, which is part of this notice. The Company has not received notice of other matters that may be properly presented at the annual meeting.

Shareholders of record at the close of business on March 25, 2013, are entitled to vote at the meeting. It is important that your shares be represented and voted at the meeting. Whether or not you plan to attend the meeting, please vote in one of the following ways:

By telephone: call the toll-free telephone number shown on the proxy or voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials;

Through the Internet: visit the website noted below and in the notice of Internet availability of proxy materials shareholders received by mail, or on the proxy or voting instruction card, or in the instructions in the email message that notified you of the availability of the proxy materials; or

Complete, sign and promptly return a proxy or voting instruction card in the postage-paid envelope provided.

Shareholders will need to register at the meeting and present photo identification to attend the meeting. If your shares are not registered in your name (for example, you hold the shares through an account with your stockbroker), you will need to bring proof of your ownership of those shares to the meeting in order to register. You should ask the broker, bank or other institution that holds your shares to provide you with either a copy of an account statement or a letter that shows your ownership of Principal Financial Group, Inc. common stock on March 25, 2013. Please bring that documentation to the meeting to register.

By Order of the Board of Directors

JOYCE N. HOFFMAN

*Senior Vice President and Corporate Secretary*

April 10, 2013

**Important Notice Regarding Availability of Proxy Materials for the Shareholder Meeting to be held on May 21, 2013.** The 2012 Annual Report, 2013 Proxy Statement and other proxy materials are available at [www.investorvote.com](http://www.investorvote.com). Your vote is important! Please take a moment to vote by Internet, telephone or proxy card as explained in the *How Do I Vote* sections of this document.

3

---

Table of Contents

**TABLE OF CONTENTS**

<u>Questions and Answers About the Annual Meeting</u>	<u>5</u>
<u>Proposal One Election of Directors</u>	<u>9</u>
<u>Proposal Two Annual Election of Directors</u>	<u>15</u>
<u>Corporate Governance</u>	<u>16</u>
<u>Board Leadership Structure</u>	<u>16</u>
<u>Role of the Board of Directors in Risk Oversight</u>	<u>16</u>
<u>Majority Voting</u>	<u>17</u>
<u>Director Independence</u>	<u>17</u>
<u>Certain Relationships and Related Transactions</u>	<u>18</u>
<u>Board Meetings</u>	<u>18</u>
<u>Corporate Code of Ethics</u>	<u>19</u>
<u>Board Committees</u>	<u>19</u>
<u>Audit Committee Report</u>	<u>20</u>
<u>Director Qualifications, Process for Identifying and Evaluating Director Candidates and Diversity of the Board</u>	<u>21</u>
<u>Directors Compensation</u>	<u>23</u>
<u>Fees Earned by Directors in 2012</u>	<u>24</u>
<u>Deferral of Cash Compensation</u>	<u>24</u>
<u>Restricted Stock Unit Grants</u>	<u>24</u>
<u>Director Perquisite and Reimbursement of Expenses</u>	<u>25</u>
<u>Directors' Stock Ownership Guidelines</u>	<u>25</u>
<u>Executive Compensation</u>	<u>26</u>
<u>Compensation Discussion and Analysis</u>	<u>26</u>
<u>Summary Compensation Table</u>	<u>42</u>
<u>Grants of Plan-Based Awards for Fiscal Year End December 31, 2012</u>	<u>44</u>
<u>Outstanding Equity Awards at Fiscal Year End December 31, 2012</u>	<u>45</u>
<u>Option Exercises and Stock Vesting</u>	<u>46</u>
<u>Pension Plan Information</u>	<u>47</u>
<u>Pension Benefits</u>	<u>49</u>
<u>Non-Qualified Deferred Compensation</u>	<u>50</u>
<u>Payments Upon Termination</u>	<u>52</u>
<u>Employment Agreement</u>	<u>52</u>
<u>Severance Plans</u>	<u>52</u>
<u>Change of Control Employment Agreements</u>	<u>52</u>
<u>Potential Payments Upon a Termination Related to a Change of Control</u>	<u>55</u>
<u>Proposal Three Advisory Vote to Approve Executive Compensation</u>	<u>56</u>
<u>Proposal Four Ratification of Appointment of Independent Registered Public Accountants</u>	<u>58</u>
<u>Audit Fees</u>	<u>58</u>
<u>Audit Related Fees</u>	<u>58</u>
<u>Tax Fees</u>	<u>58</u>
<u>All Other Fees</u>	<u>58</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	<u>60</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>61</u>
<u>Appendix A Proposed Amended Articles to Implement the Annual Election of Directors</u>	<u>62</u>
<u>Appendix B Executive Compensation Benchmarking Study Participants</u>	<u>64</u>

Table of Contents

**PROXY STATEMENT**

**PRINCIPAL FINANCIAL GROUP, INC.**

**711 HIGH STREET  
DES MOINES, IOWA 50392-0100**

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

**Why didn't I receive a copy of the paper proxy materials?**

The Securities and Exchange Commission ("SEC") rules allow companies to deliver a notice of Internet availability of proxy materials to shareholders and provide Internet access to those proxy materials. Shareholders may obtain paper copies of the proxy materials free of charge by following the instructions provided in the notice of Internet availability of proxy materials.

**Why did I receive notice of and access to this proxy statement?**

The Board of Directors ("Board") of Principal Financial Group, Inc. ("Company") is soliciting proxies to be voted at the annual meeting of shareholders to be held on May 21, 2013, at 9:00 a.m., Central Daylight Time, at 711 High Street, Des Moines, Iowa, and at any adjournment or postponement of the meeting ("Annual Meeting"). When the Board asks for your proxy, it must send or provide you access to proxy materials that contain information required by law. These materials were first made available, sent or given to shareholders on April xx, 2013.

**What is a proxy?**

It is your legal designation of another person to vote the stock you own. The other person is called a proxy. When you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. The Company has designated three of the Company's officers to act as proxies for the 2013 Annual Meeting: Joyce N. Hoffman, Senior Vice President and Corporate Secretary; Terrance J. Lillis, Senior Vice President and Chief Financial Officer; and Karen E. Shaff, Executive Vice President and General Counsel.

**What will the shareholders vote on at the Annual Meeting?**

- Election of four Directors for three year terms;
- A proposal for the annual election of Directors;
- An advisory vote to approve executive compensation; and
- Ratification of the appointment of independent auditors.

**Will there be any other items of business on the agenda?**

The Company does not expect any other items of business because the deadline for shareholder proposals and nominations has passed. However, if any other matter should properly come before the meeting, the people authorized by proxy will vote according to their best judgment.

**Who can vote at the Annual Meeting?**

Shareholders as of the close of business on March 25, 2013 ("Record Date") can vote at the Annual Meeting.

**How many votes do I have?**

You will have one vote for every share of Company common stock ("Common Stock") you owned on the Record Date.

**What constitutes a quorum?**

One-third of the outstanding shares of Common Stock as of the Record Date. On the Record Date, there were xxxxxxxx shares of Common Stock outstanding. A quorum must be present, in person or by proxy, before any action can be taken at the Annual Meeting, except an action to adjourn the meeting.



Table of Contents

**How many votes are required for the approval of each item?**

Each nominee for Director will be elected if there are more votes for the nominee than votes against the nominee. Directors are elected by the majority of votes cast in uncontested Director elections.

The proposal for the annual election of Directors will be approved if at least three-fourths of the outstanding shares of Common Stock that are entitled to vote on the proposal are cast for the proposal.

The advisory vote to approve the Company's executive compensation will be approved if there are more votes for the proposal than against the proposal.

The appointment of the independent auditors will be ratified if there are more votes for the proposal than votes against the proposal.

Abstentions and broker non-votes will be treated as being present at the meeting for the purpose of determining a quorum but will not be counted as votes for the proposals. They have no impact on the Director nominees, the advisory vote to approve executive compensation or ratification of independent auditors, and are the equivalent of an "against" vote on the proposal for the annual election of Directors.

**What are Broker Non-votes?**

If your shares are held in a brokerage account, your broker will ask you how you want your shares to be voted. If you give your broker directions, your shares will be voted as you direct. If you do not give directions, the broker may vote your shares on routine items of business, but not on non-routine items. Proxies that are returned by brokers because they did not receive directions on how to vote on non-routine items are called "broker non-votes."

**How do I vote by proxy?**

Shareholders of record may vote by mail, by telephone or through the Internet. Shareholders may vote "for," "against" or "abstain" from voting for each of the Director nominees, the proposal on the annual election of Directors, the advisory vote to approve executive compensation and the proposal to ratify the appointment of the independent auditors.

**By Mail.** Sign and date each proxy or voting instruction card you receive and return it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you are signing as a representative (for example, as an attorney-in-fact, executor, administrator, guardian, trustee or an officer or agent of a corporation or partnership), indicate your name and your title or capacity. If the stock is held in custody for a minor, the custodian should sign, not the minor. If the stock is held in joint ownership, one owner may sign on behalf of all owners.

**By Telephone.** Follow the instructions on the proxy or voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials. If you vote by telephone, do not return your proxy or voting instruction card. Telephone voting for proxy cards will be available until 1:00 a.m., Central Daylight Time, on May xx, 2013, and until 1:00 a.m., Central Daylight Time, on May xx, 2013, for voting instruction cards.

**Through the Internet.** You may vote on line at [www.investorvote.com](http://www.investorvote.com). Follow the instructions provided in the notice of Internet availability of proxy materials or on the proxy or voting instruction card. If you vote through the Internet, do not return your proxy or voting instruction card. Internet voting for proxy cards will be available until 1:00 a.m., Central Daylight Time, on May xx, 2013, and until 1:00 a.m., Central Daylight Time, on May xx, 2013, for voting instruction cards.

**How do I vote shares that are held by my broker?**

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

If you own shares held by a broker, you may direct your broker or other nominee to vote your shares by following the instructions that your broker provides to you. Most brokers offer voting by mail, telephone and through the Internet.

Table of Contents

**How do I vote in person?**

If you are going to attend the Annual Meeting, you may vote your shares in person. However, we encourage you to vote in advance of the meeting by mail, telephone or through the Internet even if you plan to attend the meeting.

**How do I vote my shares held in the Company's 401(k) plan?**

The trustees of the plan will vote your shares in accordance with the directions you provide by voting on the voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials. Shares for which voting instructions are not received are voted in the discretion of the trustees.

**How are shares held in the Demutualization separate account voted?**

The Company became a public company on October 26, 2001, when Principal Mutual Holding Company converted from a mutual insurance holding company to a stock company (the "Demutualization") and the initial public offering of shares of the Company's Common Stock was completed. The Company issued Common Stock to Principal Life Insurance Company ("Principal Life"), and Principal Life allocated this Common Stock to a separate account that was established to fund policy credits received as Demutualization compensation by certain employee benefit plans that owned group annuity contracts. Although Principal Life will vote these shares, the plans give Principal Life voting directions. A plan may give voting directions by following the instructions on the voting instruction card or the instructions in the message that notified you of the availability of proxy materials. Principal Life will vote the shares as to which it received no direction in the same manner, proportionally, as the shares in the Demutualization separate account for which it has received instructions.

**Who counts the votes?**

Votes will be counted by Computershare Trust Company, N.A.

**What happens if I do not vote on an issue when returning my proxy?**

If no specific instructions are given, proxies that are signed and returned will be voted as the Board of Directors recommends: "For" the election of all Director nominees, "For" the proposal on the annual election of Directors, "For" approval of the Company's executive compensation and "For" the ratification of Ernst & Young LLP as independent auditors.

**How do I revoke my proxy?**

If you hold your shares in street name, you must follow the instructions of your broker or bank to revoke your voting instructions. Otherwise, you can revoke your proxy or voting instructions by voting a new proxy or instruction card or by voting at the meeting.

**What should I do if I want to attend the Annual Meeting?**

Please bring photo identification and, if your stock is held by a broker or bank, evidence of your ownership of Common Stock as of March 25, 2013. The notice of Internet availability of proxy materials you received in the mail, a letter from your broker or bank or a photocopy of a current account statement will be accepted as evidence of ownership.

**How do I contact the Board?**

The Company has a process for shareholders and all other interested parties to send communications to the Board through the Presiding Director. You may contact the Presiding Director of the Board through the Investor Relations section of the Company's website at [www.principal.com](http://www.principal.com), or by writing to:

Presiding Director, c/o Joyce N. Hoffman, Senior Vice President and Corporate Secretary  
Principal Financial Group, Inc.  
Des Moines, Iowa 50392-0300

All emails and letters received will be categorized and processed by the Corporate Secretary and then sent to the Company's Presiding Director.



Table of Contents

**How do I submit a shareholder proposal for the 2014 Annual Meeting?**

The Company's next annual meeting is scheduled for May 20, 2014. Proposals should be sent to the Corporate Secretary. Proposals to be considered for inclusion in next year's proxy statement must be received by December 11, 2013. In addition, the Company's By-Laws provide that any shareholder wishing to propose any other business at the annual meeting must give the Company written notice between January 21, 2014 and February 24, 2014. That notice must provide other information as described in the Company's By-Laws, which are on the Company's website, [www.principal.com](http://www.principal.com).

**What is "householding?"**

We send shareholders of record at the same address one copy of the proxy materials unless we receive instructions from a shareholder requesting receipt of separate copies of these materials.

If you share the same address as multiple shareholders and would like the Company to send only one copy of future proxy materials, please contact Computershare Trust Company, N.A. at 866-781-1368, or P.O. Box 43078, Providence, RI 02940-3078. You can also contact Computershare to receive individual copies of all documents.

**Where can I receive more information about the Company?**

We file reports and other information with the SEC. This information is available on the Company's website at [www.principal.com](http://www.principal.com) and at the Internet site maintained by the SEC at [www.sec.gov](http://www.sec.gov). You may also contact the SEC at 1-800-SEC-0330. The Audit, Finance, Human Resources and Nominating and Governance Committee charters, the Company's Corporate Governance Guidelines, and the Corporate Code of Business Conduct and Ethics are also available on the Company's website, [www.principal.com](http://www.principal.com).

**The Board urges you to exercise your right to vote by using the Internet or telephone or by returning the proxy or voting instruction card.**

Table of Contents

**PROPOSAL ONE ELECTION OF DIRECTORS**

The Board is divided into three classes with each class having a three year term. All of the nominees are currently Directors of the Company.

**Nominees for Class III With Terms Expiring in 2016**

**Michael T. Dan**

**Age: 62**

**Director since: 2006**

**Committees: Human Resources (Chair)**

**Public Directorships/Past 5 Years** The Brink's Company

Mr. Dan was Chairman, President and Chief Executive Officer of The Brink's Company, a global provider of secure transportation and cash management services, from 1999 - 2011. The Brink's Company had 70,000 employees worldwide, operations in over 100 countries and \$3.8 billion in revenue in 2011. Prior to joining Brink's, Mr. Dan served as president of Armored Vehicle Builder, Inc.

**SKILLS AND QUALIFICATIONS:** In addition to leading and being responsible for financial management of Brink's, Mr. Dan has executive-level experience in international operations, risk management, strategic planning, brand management, executive compensation, customer service, marketing and mergers and acquisitions.

He studied business and accounting at Morton College in Cicero, Illinois, and completed the advanced management program at Harvard Business School.

**C. Daniel Gelatt**

**Age: 65**

**Director since: 1988 (Principal Life), 2001 (the Company)**

**Committees: Audit, Strategic Issues (Chair)**

**Public Directorships/Past 5 Years** None

Dr. Gelatt has been President of NMT Corporation since 1987. NMT is an industry leader in mobile mapping and workforce automation software and has been providing graphic imaging services to clients worldwide for more than 40 years. He was an Assistant Professor from 1975-1979 in the Physics Department at Harvard University, where he earned his Ph.D., and was a research manager at the IBM T.J. Watson Research Center before joining the Gelatt companies in 1982.

**SKILLS AND QUALIFICATIONS:** In addition to leading and having financial responsibility for NMT and other Gelatt privately-owned companies, he has an extensive background in software and non-linear optimization and executive-level experience in product development, marketing and strategic planning.

He earned his bachelor's and master's degrees at the University of Wisconsin and his MA and Ph.D. at Harvard University.

Table of Contents

**Sandra L. Helton**

**Age: 63**

**Director since: 2001**

**Committees:** Audit (Chair), Finance, Executive

**Public Directorships/Past 5 Years** Covance, Inc. (current), Lexmark International, Inc. (current)

Ms. Helton was Executive Vice President and Chief Financial Officer Telephone and Data Systems, Inc. ("TDS"), a diversified telecommunications organization that includes United States Cellular Corporation, from 1998 through 2006. As of December 31, 2006, TDS served 7 million customers/units in 36 states with annual revenues of \$4.5 billion. In her role, Ms. Helton had responsibility for the Finance, Information Technology, Strategic Planning, Corporate Communications, and Corporate Secretary functions. Prior to joining TDS, Ms. Helton spent 26 years with Corning Incorporated, where she held engineering, strategy and finance positions, including Senior Vice President and Treasurer from 1991-1997. She also served as Vice President and Corporate Controller of Compaq Computer Corporation from 1997-1998.

**SKILLS AND QUALIFICATIONS:** Ms. Helton has global executive-level experience in corporate strategy, finance, accounting and control, treasury, investments, information technology and other corporate administrative functions, as well as extensive corporate governance experience.

Ms. Helton graduated from the University of Kentucky in 1971 with a B.S. degree in mathematics, summa cum laude, and earned an S.M. degree from Massachusetts Institute of Technology's Sloan School in 1977 with double majors in Finance and Planning & Control.

**Larry D. Zimpleman**

**Age: 61**

**Director since: 2006**

**Committees:** Executive (Chair)

**Public Directorships/Past 5 Years** None

Mr. Zimpleman has been Chairman, President and Chief Executive Officer of the Company and Principal Life since May 2009, and was President and Chief Executive Officer of the Company and Principal Life from May 2008 - May 2009. He was President and Chief Operating Officer of the Company and Principal Life from June 2006 to May 2008 and President, Retirement and Investor Services of the Company and Principal Life from December 2003 to June 2006. He joined Principal Life in 1971 as an actuarial intern.

**SKILLS AND QUALIFICATIONS:** In addition to leading the Company and Principal Life as Chief Executive Officer since 2008, Mr. Zimpleman is a member of the boards of directors of the American Council of Life Insurers and the Financial Services Roundtable and chairs the board of trustees of Drake University. He is Vice Chair of the Iowa Business Council and formerly chaired the Principal Funds Board of Directors.

He earned a bachelor's degree and master's degree in business administration from Drake University in Des Moines, Iowa.



Table of Contents

**Continuing Class I Directors With Terms Expiring in 2014**

**Betsy J. Bernard**

**Age:** 57

**Director since:** 1999 (Principal Life), 2001 (the Company)

**Committees:** Nominating and Governance (Chair), Human Resources, Executive

**Public Directorships/Past 5 Years** Telular Corporation (Chair) (current), Zimmer Holdings, Inc. (current), BearingPoint, United Technologies Corporation, URS Corporation

Ms. Bernard was President of AT&T from October 2002 until December 2003 where she led more than 50,000 employees with AT&T Business, then a nearly \$27 billion organization serving four million business customers. She was Chief Executive Officer of AT&T Consumer 2001-2002, which served about 40 million consumers and contributed \$11.5 billion to AT&T's normalized revenue in 2002. She was head of the consumer and small-business division as Executive Vice President National Mass Markets at Qwest Communications from 2000-2001, and responsible for all retail markets at U S West as Executive Vice President Retail from 1998 2000.

**SKILLS AND QUALIFICATIONS:** In addition to leading and being responsible for financial management of AT&T, Ms. Bernard has executive-level experience in brand management, marketing to individuals and small businesses, sales, customer care, operations, product management, electronic commerce, executive compensation, strategic planning, technology and mergers and acquisitions.

She earned her bachelor's degree from St. Lawrence University, a master's degree in business administration from Fairleigh Dickinson University, and an MA from Stanford University in the Sloan Fellow Program.

**Jocelyn Carter-Miller**

**Age:** 55

**Director since:** 1999 (Principal Life), 2001 (the Company)

**Committees:** Finance (Chair), Nominating and Governance

**Public Directorships/Past 5 Years** Interpublic Group of Companies, Inc. (current), Netgear, Inc. (current)

Ms. Carter-Miller has been President of TechEd Ventures since 2005, a community and personal empowerment firm that develops and markets educational and community-based programs. She was Executive Vice President and Chief Marketing Officer of Office Depot, Inc. from February 2002 until March 2004, with responsibility for the company's marketing for its 846 superstores, contract, catalog and e-commerce businesses in the United States and Canada and operations in 15 other countries. Before joining Office Depot, she was Corporate Vice President and Chief Marketing Officer of Motorola, Inc. with overall responsibility for marketing across its \$30 billion revenue base and diverse businesses. She also had general management responsibility while at Motorola for network operations in Latin America, Europe, the Middle East and Africa. Prior to joining Motorola, she was Vice President, Marketing and Product Development at Mattel, Inc.

**SKILLS AND QUALIFICATIONS:** In addition to her marketing leadership background, Ms. Carter-Miller has executive-level experience in brand management, advertising, sales, multinational companies, international operations, mergers and acquisitions, product development, project management, strategic planning, technology and leadership development and training. She is also a certified public accountant.

She earned her B.S. in Accounting at the University of Illinois and an MBA in Finance and Marketing at the University of Chicago.

Table of Contents

**Gary E. Costley**

**Age: 69**

**Director since: 2002**

**Committees:** Audit, Finance, Strategic Issues

**Public Directorships/Past 5 Years** Covance, Inc. (current), Prestige Brand Holdings, Inc. (Lead Director) (current), Tiffany & Co. (current), Accelrys, Inc., Pharmacoepia Drug Discovery, Inc.

Dr. Costley was Chairman and Chief Executive Officer of International Multifoods Corporation, a manufacturer and marketer of branded consumer food and food service products, from November 1997 until June 2004. Following his retirement from International Multifoods, which had just under \$1 billion in sales in 2003, he was a co-founder and managing director of C & G Capital Management which provided capital and management to health, medical and nutritional products and services companies until May 2009. He was Dean of the Babcock Graduate School of Management at Wake Forest University in Winston-Salem, North Carolina, from 1995-1997 and taught business ethics during his tenure as a professor of management. Dr. Costley also had 24 years with Kellogg Company from 1970-1994 where he most recently was President of Kellogg North America.

**SKILLS AND QUALIFICATIONS:** In addition to leading and being responsible for financial management of International Multifoods and Kellogg North America, Dr. Costley has executive-level experience in brand management, marketing, sales, distribution, international operations, public affairs, corporate development, strategic planning, technology, quality management, executive compensation and mergers and acquisitions, and has taught business ethics.

He attended Oregon State University where he earned his bachelor's and master's degrees and a Ph.D.

**Dennis H. Ferro**

**Age: 67**

**Director since: 2010**

**Committees:** Audit, Finance, Strategic Issues

**Public Directorships/Past 5 Years** NYMAGIC, Inc.

Mr. Ferro served as President and Chief Executive Officer of Evergreen Investment Management Company, an asset management firm, from 2003 to 2008. Evergreen had assets under management of \$175 billion on December 31, 2008, served more than four million individual and institutional investors through management of a broad range of investment products including institutional portfolios, mutual funds, variable annuities and other investments, and was led by 300 investment professionals. Mr. Ferro was the Chief Investment Officer of Evergreen from 1999 to 2003. From 1994-1999, he was Executive Vice President of Zurich Investment Management Ltd. and Head of International Equity Investments, and from 1991-1994 was Senior Managing Director of CIGNA International Investments. Prior to 1991, he held positions with Bankers Trust Company in Japan, as President and Managing Director, and in Florida and New York. Mr. Ferro is a member of the Investment Committee of the American Bankers Association. During 2009 - 2012, Mr. Ferro served as a corporate Director and Chairman of the Investment Committee of the New York Marine and General Insurance Company, a subsidiary of NYMAGIC, Inc.

**SKILLS AND QUALIFICATIONS:** In addition to leading and being responsible for financial management of Evergreen Investment Management Company, Mr. Ferro has executive-level experience in asset management, investment portfolio management, financial services, international operations, product development, marketing and distribution, strategic planning, executive compensation, risk management and mergers and acquisitions.

He earned a bachelor's degree from Villanova University and an MBA in finance from St. John's University. Mr. Ferro is a Chartered Financial Analyst ("CFA").



Table of Contents

**Continuing Class II Directors With Terms Expiring in 2015**

**Richard L. Keyser**

**Age: 70**

**Director since:** 2002

**Committees:** Human Resources, Nominating and Governance

**Public Directorships/Past 5 Years** Zebra Technologies Corporation (current), W.W. Grainger, Inc., Rohm and Haas Company

Mr. Keyser was Chairman Emeritus of W.W. Grainger, Inc., an international distributor of products used by businesses to maintain, repair and operate their facilities, from April 2009 – April 2010. He had been Chairman of the Board of Grainger since September 1997 and served as Grainger's Chief Executive Officer from March 1995 – May 2008. Previously he was President and Chief Executive Officer from March 1995 – September 1997, as well as President and Chief Operating Officer from March 1994 – March 1995. Mr. Keyser was honored as the National Association of Corporate Directors 2010 Public Company Director of the Year.

**SKILLS AND QUALIFICATIONS:** In addition to leading and being responsible for financial management of Grainger, which had sales of \$6.4 billion in 2007, Mr. Keyser gained executive-level experience at Grainger in international operations, notably China and Mexico, operational excellence, customer service, integrated distribution networks, marketing to individuals, businesses and institutions, electronic commerce, executive compensation, strategic planning, and mergers and acquisitions.

He earned his bachelor's degree in nuclear science at the U.S. Naval Academy and a master's degree in business administration at Harvard University.

**Luca Maestri**

**Age: 49**

**Director since:** February 1, 2012

**Committees:** Audit, Finance

**Public Directorships/Past 5 Years** None

Mr. Maestri has been Corporate Controller of Apple Inc., which designs and markets mobile communication and media devices and personal computers, since March 2013.

He was Chief Financial Officer and an Executive Vice President of Xerox Corporation from February 2011 – February 2013 and Chief Financial Officer of Nokia Siemens Networks from 2008 – February 2011. Before joining Nokia, he held senior executive finance positions with General Motors Corporation. A 20-year employee of GM, he served as CFO of GM Europe and GM Brazil, and was executive-in-charge of the Fiat Alliance for GM Europe in Switzerland. Earlier in his career, Mr. Maestri was CFO of GM Thailand, director of operations analysis for GM Asia Pacific, and CFO of GM Ireland.

**SKILLS AND QUALIFICATIONS:** Mr. Maestri has financial management experience, currently serving as the Corporate Controller of Apple, which had \$156.5 billion in revenues for fiscal year 2012.

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

He was the Chief Financial Officer of Xerox until February 28, 2013, which had \$22.4 billion in revenues in 2012. He was responsible for all finance, treasury, investor relations, risk management, mergers and acquisitions, tax, and audit operations at Xerox. In addition to also serving as a chief financial officer at Nokia Siemens Networks and in various other financial management roles at General Motors, Mr. Maestri has extensive international and general management experience.

Mr. Maestri received a bachelor's degree in economics from LUISS University in Rome in 1988, and a master's degree in science of management from Boston University in 1991.

Table of Contents

**Elizabeth E. Tallett**

**Age: 63**

**Director since:** 1992 (Principal Life), 2001 (the Company)

**Committees:** Human Resources, Nominating and Governance, Executive

**Public Directorships/Past 5 Years** Coventry Health Care, Inc. (current), Meredith Corporation (current), Qiagen, N. V., (current), Immunicon, Inc., IntegraMed America, Inc., Varian, Inc. and Varian Semiconductor Equipment Associates, Inc.

Ms. Tallett has been Presiding Director since 2007 and has also served as Alternate Presiding Director.

Ms. Tallett has been a Principal of Hunter Partners, LLC, a management company for early to mid-stage pharmaceutical, biotech and medical device companies, since July 2002. She has more than 30 years' experience in the biopharmaceutical and consumer industries.

**SKILLS AND QUALIFICATIONS:** Ms. Tallett's senior management experience includes President and Chief Executive Officer of Transcell Technologies, Inc., President of Centocor Pharmaceuticals, member of the Parke-Davis Executive Committee, and Director of Worldwide Strategic Planning for Warner-Lambert. In addition to her leadership and financial management in pharmaceutical and biotechnology firms, she has executive-level experience in multinational companies, international operations, economics, strategic planning, marketing, product development, technology, executive compensation and mergers and acquisitions.

She received a bachelor's degree with honors in mathematics and economics from the University of Nottingham in England.

**The Board of Directors recommends that shareholders vote "For" all of the nominees for election at the Annual Meeting.**

Table of Contents

**PROPOSAL TWO ANNUAL ELECTION OF DIRECTORS**

The Board of Directors is recommending that shareholders vote "For" the proposal to implement the annual election of Directors, on a phased-in basis, as set forth below.

The Certificate of Incorporation is the governing document that describes how the Company is organized under Delaware law. The Certificate of Incorporation requires that the Directors be divided into three classes of approximately equal size, and that the classes of Directors be elected to serve staggered three-year terms. This is commonly referred to as a "classified board" structure, with only a portion of the full board standing for election each year.

The Company adopted a classified board structure as part of our Demutualization and initial public offering in 2001. The Board of Directors recognized the advantages of a classified board structure in promoting continuity and stability in board membership. This continuity and stability allows the Company to pursue its strategy and the Board to focus on long term growth for the benefit of all shareholders. If only a portion of the Directors can be replaced in a single year's election, the Board's negotiating leverage is increased when dealing with a potential acquirer of the Company that may have a short term focus.

The Nominating and Governance Committee and the Board regularly look at the Company's corporate governance practices for continued effectiveness in the current environment. The Committee and the Board undertook a careful review of the classified board structure, including the often cited disadvantage that it does not afford shareholders the opportunity to evaluate and hold directors accountable on an annual basis. The Nominating and Governance Committee and the Board recognized that there are both advantages and disadvantages to a classified board structure, that corporate governance trends indicate companies are moving away from classified boards and that the Principal Financial Group is committed to good corporate governance.

The Board of Directors submitted a proposal for the annual election of Directors to be voted on at the 2011 Annual Meeting. The proposal did not receive the required approval of at least three-fourths of the outstanding shares, as required by the Certificate of Incorporation, and was not adopted. The Board's 2011 proposal provided that all current Directors would serve one more three-year term, then all Directors would be elected annually thereafter. If it had been approved by shareholders, the 2011 proposal would have resulted in all Directors being elected annually by 2016. Now, the Board is submitting a new proposal for the annual election of Directors which, if approved by shareholders, would also result in the annual election of all Directors by 2016. In addition, if the proposal is approved, a majority of the positions on the Board of Directors would be subject to election to one year terms at the 2015 Annual Meeting.

The Board of Directors recommends the amendments to the Company's Certificate of Incorporation set forth in Appendix A to fully implement the annual election of Directors by 2016. If these amendments are approved at the Annual Meeting, the declassified Board structure would be phased-in as follows: The Class III Directors elected at this Annual Meeting will be elected for three-year terms, the Class II Directors elected at the 2012 Annual Meeting will complete their current three-year terms, and the Class I Directors elected in 2014 and all Directors elected thereafter will be elected for one-year terms. This results in the annual election of all Directors by 2016. In addition, in accordance with Delaware law and once the annual election of Directors is fully implemented under the Board's proposal, Directors may be removed by the vote of shareholders with or without cause.

Delaware law provides that the shareholders must approve this recommendation of the Board of Directors to amend the Certificate of Incorporation before the amendments and these changes can be effective. The Certificate of Incorporation requires that at least three-fourths of the outstanding shares entitled to vote on this proposal approve the proposal for it to be adopted. If approved by the shareholders, the amendments to the Certificate of Incorporation will be effective upon filing with the Delaware Secretary of State, the Board of Directors will make conforming changes to the Company's By-Laws and the annual election of Directors will be implemented on a phased-in basis as described in this proposal.

**The Board of Directors recommends that the shareholders vote "For" this resolution: RESOLVED, that the Company's Certificate of Incorporation be amended as set forth in Appendix A.**



Table of Contents

## **CORPORATE GOVERNANCE**

The Principal Financial Group® is a global investment management leader offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement services, insurance solutions and asset management. The business of the Company is managed under the direction of the Board. The Board selects, and provides advice and counsel to, the Chief Executive Officer ("CEO") and generally oversees management. The Board reviews and discusses the strategic direction of the Company, oversees risk and monitors the Company's performance against goals the Board and management establish.

### **Board Leadership Structure**

The Board currently has a combined position of Chairman of the Board and CEO, held by Larry D. Zimpleman, and a Presiding Director, Elizabeth E. Tallett. Betsy J. Bernard is the Alternate Presiding Director. The Presiding Director is selected by the other independent Directors and the position does not automatically rotate. The Nominating and Governance Committee reviews the assignments as Presiding Director and Alternate Presiding Director annually. The Board regularly reviews its leadership model and is flexible about whether the positions of CEO and Chairman should be separate or combined. The decision is based on the tenure and experience of the CEO and the broader economic and operating environment of the Company. The Company has followed a pattern of separating the roles of Chairman of the Board and CEO during periods of management transition, with the prior Chairman retaining that position for a period of time as the newly-appointed CEO assumes new responsibilities as the Company's chief executive. In the Company's experience, a flexible approach is preferable to an approach that either requires or disallows a combined Chairman/CEO.

The Presiding Director and the Chairman jointly make the decisions on the Board's agenda for each regular quarterly meeting, and the Presiding Director seeks input from the other independent Directors. The Presiding Director and Chairman share the duties of presiding at each Board meeting. The Chairman presides when the Board is meeting as a full Board. The Presiding Director:

Presides when the Chairman is not present and during executive sessions of independent Directors ("Executive Sessions"). Executive Sessions generally occur at the start and end of each regular Board meeting, and were held in conjunction with each regularly scheduled Board meeting during 2012.

Plans and leads the Executive Sessions and provides feedback to the CEO based on these discussions.

Leads the Board's annual self-evaluation of its performance.

Calls special Board meetings if the Chairman and CEO is unable to act for any reason.

### **Role of the Board in Risk Oversight**

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

The Board believes that risk oversight is a responsibility of the full Board. The Board weighs risk versus return in the context of the organization's key risks and risk philosophy when approving corporate strategy and major business decisions, setting executive compensation and monitoring the Company's progress. Like all financial services companies, we are exposed to financial, accounting, operational and other business and industry risks. The Board uses its committees for some of its risk oversight responsibilities and the committees report to the Board on these issues:

### The Audit Committee:

Assists the Board in oversight of risks related to financial controls, legal, regulatory, compliance and operational risks including the Company's major risk exposures in these areas and the steps management has taken to monitor and control such exposures; and

Reviews the Company's framework and policies with respect to enterprise risk assessment and management ("ERM Program").

Table of Contents

The Finance Committee:

Assists the Board in its oversight of liquidity, credit, market, tax planning and insurance risks;

Reviews and provides guidance to the Board on the organization's capital adequacy and structure based on the organization's strategies, plans and risk exposures; and

Assists the Board in overseeing the Company's financial risk, investment and capital management policies.

The Human Resources Committee reviews all incentive compensation arrangements to confirm that they do not encourage inappropriate risk-taking and are appropriately designed to limit or mitigate risk. The Human Resources Committee also oversees succession planning for senior management.

In selecting candidates for the Board, the Nominating and Governance Committee takes into account the need for the Board to have the collective skills and experience necessary to monitor the risks facing the Company.

Risk management has long been an essential component of the Company's culture and operations. The Company has had a Chief Risk Officer since 2005, who oversees and coordinates the ERM Program, serves on many key management committees and operates independently of the businesses. The Chief Risk Officer regularly attends Audit and Finance Committee meetings and regularly meets in executive session with the Audit Committee along with selected other members of management and without other members of management present at least once a year.

The Chief Risk Officer and other members of senior management make periodic reports to and have discussions with the Board and its committees on the ERM Program, and how strategy and operational initiatives integrate with the Company's risk objectives. These reports and discussions provide the Board with a greater understanding of the material risks the organization faces, whether management is responding appropriately, how certain risks relate to other risks, and the level of risk in actions presented for Board approval.

Capital adequacy and structure are an important focus of the ERM Program. For each regular Board meeting, management reports on sources and uses of capital, satisfaction of regulatory and rating agency capital requirements, excess capital position, capital management and liquidity.

**Majority Voting**

Directors are elected by the majority of votes cast in uncontested Director elections. If an incumbent Director is not elected, and no successor is elected, the Board of Directors will decide whether to accept the resignation tendered by that incumbent Director. The Board's decision and reasons for its decision will be publicly disclosed within 90 days of certification of the election results.

**Director Independence**

The Board determines at least annually whether each Director is independent, using its independence standards in these determinations. These independence standards include the New York Stock Exchange requirements for independence and are on the Company's website, *www.principal.com*. The Board considers all commercial, banking, consulting, legal, accounting, charitable, family and other relationships (as a partner, shareholder or officer of an organization) a Director may have with the Company and its subsidiaries. The Board most recently made these determinations for each Director in February 2013, based on:

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

A review of relationships and transactions between Directors, their immediate family members or other organizations and the Company, its subsidiaries or executive officers;

Questionnaires completed by each current Director regarding any relationships or transactions that could affect the Director's independence;

The Company's review of its purchasing, investment, charitable giving and customer records; and

Recommendations of the Nominating and Governance Committee.

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

### Table of Contents

The Board affirmatively determined that the following Directors (and Arjun Mathrani who served on the Board during 2012) have no material relationship with the Company and are independent: Ms. Bernard, Ms. Carter-Miller, Dr. Costley, Mr. Dan, Mr. Ferro, Dr. Gelatt, Ms. Helton, Mr. Keyser, Mr. Maestri and Ms. Tallett. The Board also determined that all current members (and Directors who were members in 2012) of the Audit, Finance, Human Resources and Nominating and Governance Committees are independent.

In applying the Board's independence standards, the Nominating and Governance Committee and the Board considered the following relationships and transactions to be categorically immaterial to the determination of a Director's independence due to the nature of the transaction and the amount involved (in each of the transactions described below, the annual payments made or received by the Company did not exceed the greater of \$1 million or 2 percent of the recipient's gross revenues):

Ms. Bernard, Ms. Carter-Miller, Dr. Gelatt, Ms. Helton, Mr. Keyser and Ms. Tallett are customers of the Company's subsidiaries. Directors who were in office before the Demutualization were required to personally own an insurance policy or annuity contract issued by Principal Life. All insurance policies, annuity contracts, agreements for trust services and bank accounts held by Directors are on the same terms and conditions offered to the public.

The Gelatt family companies (of which Dr. Gelatt is the CEO) own insurance products issued by Principal Life. The Company purchases or leases document equipment, supplies and software from Xerox Corporation (of which Mr. Maestri was an executive officer until February 28, 2013) in ordinary commercial transactions, and Xerox made payments to Principal Life on a payout annuity covering five retirees.

Mr. Ferro and Ms. Tallett are directors of for-profit entities with which the Company's subsidiaries conducted ordinary commercial transactions.

### **Certain Relationships and Related Transactions**

Nippon Life Insurance Company ("Nippon Life"), which held approximately 6% of the Company's Common Stock at the end of 2012, is the parent company of Nippon Life Insurance Company of America ("NLICA"). Nippon Life, NLICA and Principal Life have had an ongoing business relationship for more than 20 years. Principal Life assisted Nippon Life in the start up activities of NLICA, which began business in 1991. Nippon Life and NLICA purchase retirement and financial services offered by Principal Life and its subsidiaries. NLICA paid Principal Life approximately \$10 million for third party administration services related to its group welfare benefit plans and approximately \$3,242 for wellness services during 2012. Nippon Life and NLICA also paid Principal Global Investors, LLC and its subsidiaries approximately \$920,597 for investment services in 2012, and paid Principal Life approximately \$206,114 for service related to its retirement plans in 2012. The Company owns approximately three percent of the common stock of NLICA and Principal Life purchased public bonds with a market value of \$52,814,150 during Nippon Life's \$2 billion public issuance in October of 2012.

The Nominating and Governance Committee or Chair of the Committee must approve or ratify all transactions with Related Parties that are not pre-approved under the Company's Related Party Transaction Policy. At each quarterly meeting, the Committee reviews a report of any non-material transactions with Directors or the firms of which they are an executive officer or director, and any other Related Party transactions, including those involving executive officers and shareholders who own more than five percent of the Company's Common Stock. The Committee ratifies these transactions if it determines they are appropriate. Transactions involving employment of a relative of an executive officer or Director must be approved by the Human Resources Committee. The Company's Related Party Transaction Policy may be found at [www.principal.com](http://www.principal.com).

### **Board Meetings**

The Board held 11 meetings in 2012, five of which were two day, in person meetings. Each of the Directors then in office attended more than 75 percent in the aggregate of the meetings of the Board and the committees of which the Director was a member. All of the Directors then in office attended the 2012 Annual Meeting, with the exception of Arjun Mathrani whose retirement from the Board was effective at the time of the Annual Meeting. The Company sets the date and place of Annual Meetings to coincide with a regular Board meeting so that all Directors can attend.

Table of Contents**Corporate Code of Business Conduct and Ethics**

Each Director and officer of the Company has certified compliance with the Corporate Code of Business Conduct and Ethics.

**Board Committees**

Only independent Directors may serve on the Audit, Human Resources and Nominating and Governance Committees. Committee members and Committee chairs are recommended to the Board by the Nominating and Governance Committee. The Committees review their charters and evaluate their performance annually. Committee charters of the Audit, Finance, Human Resources and Nominating and Governance Committees are available on the Company's website, [www.principal.com](http://www.principal.com).

*The following table shows the current membership and responsibilities of each of the Board Committees.*

<b>Committee</b>	<b>Members (*Committee Chair)</b>	<b>Meetings Held in 2012</b>	<b>Responsibilities</b>
<b>Audit</b>	Gary E. Costley Dennis H. Ferro C. Daniel Gelatt Sandra L. Helton* Luca Maestri	10	Appointing, terminating, compensating and overseeing the Company's independent auditor; reviewing and reporting to the Board on the independent auditor's activities; approving all audit engagement fees and pre-approving compensation of the independent auditor for non-audit engagements, consistent with the Company's Auditor Independence Policy; reviewing audit plans and results; reviewing and reporting to the Board on accounting policies and legal and regulatory compliance; and reviewing the Company's policies on risk assessment and management.
<b>Human Resources</b>	Betsy J. Bernard Michael T. Dan* Richard L. Keyser Elizabeth E. Tallett	5	Evaluating the performance of the CEO and determining his compensation in light of the goals and objectives approved by the Committee; reviewing and approving compensation for all other officers of the Company and Principal Life at the level of Senior Vice President and above ("Executives"); reviewing and approving any employment, severance or change of control agreements and perquisites for Executives; overseeing Executive development and succession planning; acting on management's recommendations for salary and employee compensation policies for all other employees; administering the Company's Annual Incentive Plan, Incentive Pay Plan ("PrinPay Plan"), Stock Incentive Plan, and any other compensation plans that provide compensation to Executives; acting on management's recommendations that require Director action for broad based employee pension and welfare benefit plans; and reviewing the Company's compensation programs to confirm that these programs

encourage management to take appropriate risks, and to discourage inappropriate risk and behaviors that are inconsistent with the Company's business plan, policies and risk tolerance.



Table of Contents

<b>Committee</b>	<b>Members (*Committee Chair)</b>	<b>Meetings Held in 2012</b>	<b>Responsibilities</b>
<b>Nominating and Governance</b>	Betsy J. Bernard* Jocelyn Carter-Miller Richard L. Keyser Elizabeth E. Tallett	5	Recommends to the Board candidates for Director, Board Committee assignments and service as Presiding Director and Alternate Presiding Director; reviews and reports to the Board on Director independence, performance of individual Directors, process for the annual self-evaluations of the Board and its Committees, content of the Company's Corporate Code of Business Conduct and Ethics, Director compensation, and the Corporate Governance Guidelines; reviews environmental and corporate social responsibility matters of significance to the Company. Assists the Board with the organization's financial, investment and capital management policies; reviews the organization's capital structure and capital plan, significant financial transactions, financial policies, credit ratings, matters of corporate finance including issuance of debt and equity, shareholder dividends, and proposed mergers, acquisitions and divestitures;
<b>Finance</b>	Jocelyn Carter-Miller* Gary E. Costley Dennis H. Ferro Sandra L. Helton Luca Maestri	10	reviews and provides guidance to the Human Resources Committee and the Board on financial goals for the upcoming year; oversees the organization's investment policies, strategies and programs, and reviews the policies and procedures governing the use of financial instruments including derivatives; and assists the Board in overseeing and reviewing information regarding the organization's enterprise financial risk management, including the significant policies, procedures and practices used to manage liquidity risk, credit risk, market risk, tax planning and insurance risk.
<b>Strategic Issues</b>	Gary E. Costley Dennis H. Ferro C. Daniel Gelatt*	4	Primarily responsible for planning the Board of Directors annual strategic retreat.
<b>Executive</b>	Betsy J. Bernard Sandra Helton Elizabeth E. Tallett Larry D. Zimpleman*	None	Generally acts only on matters delegated to it by the Board, and any actions must be approved by its independent members. Has all of the authority of the Board between Board meetings, unless the Board has directed otherwise, except it has no authority for certain matters set forth by law and in the Company's By-Laws.

**Audit Committee Report**

The Audit Committee oversees the Company's financial reporting process. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Committee reviewed with management the audited financial statements for the fiscal year ended December 31, 2012, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Committee discussed with Ernst & Young LLP, the Company's independent auditor, the matters required to be discussed by Statement on Auditing Standards ("SAS") 114, *The Auditor's Communication with*



Table of Contents

*those Charged with Governance*, as adopted by the Public Company Accounting Oversight Board (United States) ("PCAOB") in Rule 3200T. SAS 114 requires the independent auditor to communicate (i) the auditor's responsibility under standards of the PCAOB; (ii) an overview of the planned scope and timing of the audit; and (iii) significant findings from the audit, including the qualitative aspects of the entity's significant accounting practices; significant difficulties, if any, encountered in performing the audit; uncorrected misstatements identified during the audit, other than those the auditor believes are trivial, if any; any disagreements with management; and any other issues arising from the audit that are significant or relevant to those charged with governance.

The Committee received from Ernst & Young LLP the written disclosures and letter required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Committee concerning independence. The Committee has discussed with Ernst & Young LLP its independence and Ernst & Young LLP has confirmed in its letter that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board (and the Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the SEC. The Committee has also approved, subject to shareholder ratification, the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2013.

The Committee does not have the responsibility to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. That is the responsibility of the Company's independent auditor and management. In giving our recommendation to the Board, the Committee has relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, and (ii) the report of the Company's independent auditor with respect to such financial statements.

Sandra L. Helton, Chair  
Gary E. Costley  
Dennis H. Ferro  
C. Daniel Gelatt  
Luca Maestri

**Director Qualifications, Process for Identifying and Evaluating Director Candidates and Diversity of the Board**

The Committee regularly assesses the appropriate mix of skills and characteristics of Directors in light of the current make up of the Board and the Company's needs. The Committee periodically uses an outside consultant to help the Committee evaluate the expertise, backgrounds and competencies of the Directors in view of the current strategic initiatives and risk factors of the Company. The results of these assessments provide direction in searches for Board candidates.

Individual performance reviews are conducted for Directors who are eligible for re-nomination at the next annual meeting. These reviews assess Directors' contributions, present occupation and other commitments. The Committee has used outside firms to assist the Committee with these Director evaluations.

In Director and candidate evaluations, the Committee assesses personal and professional ethics, integrity, values, expertise and ability to contribute to the Board. The Board values experience as a current or former CEO or other senior executive, in financial services, in international business and with financial management or accounting responsibilities. The following competencies are also sought: strategic orientation,

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

### Table of Contents

results-orientation and comprehensive decision-making. Directors' terms must end prior to the annual meeting following their 72nd birthday.

All Board members have:

Backgrounds and experiences which support the Company's core value of integrity;

Training or experience which is useful to the Company in light of its strategy, initiatives and risk factors; and

A demonstrated willingness to prepare for, attend and participate effectively in Board and Committee meetings.

Several Directors have led businesses or major business divisions as CEO or President (Ms. Bernard, Dr. Costley, Mr. Dan, Mr. Ferro, Dr. Gelatt, Mr. Keyser, Mr. Maestri and Ms. Tallett). The following chart shows areas central to the Company's strategy, initiatives and operations for which Directors have specific training and executive-level experience that assists them in their responsibilities.

Diversity of the Board is a valued objective. The Nominating and Governance Committee reviews the Board's needs and diversity in terms of race, gender, national origin, backgrounds, experiences and areas of expertise. The Board recognizes that diversity is an important factor in Board effectiveness, which is apparent by the Board's selection of Directors. The Board does not have a formal diversity policy. The Company's culture and commitment to diversity has been recognized by organizations such as the National Association of Female Executives, the Human Rights Campaign Corporate Equality Index, 2020 Women on Boards campaign and *LATINA Style* magazine. The Board's effectiveness benefits from Directors who have the skills, backgrounds and qualifications needed by the Board and who also increase the Board's diversity.

The Committee will consider shareholder recommendations for Director candidates sent to the Nominating and Governance Committee, c/o the Corporate Secretary. Director candidates nominated by shareholders are evaluated in the same manner as Director candidates identified by the Committee and search firms it retains.



Table of Contents**DIRECTORS' COMPENSATION**

Directors serve on the Boards of the Company, Principal Life and Principal Financial Services, Inc. Directors who are also employees do not receive any compensation for their service as Directors. The Company provides competitive compensation to attract and retain high-quality Directors. A substantial proportion of Director compensation is provided in the form of equity to help align Directors' interests with the interests of shareholders.

The Director compensation program is reviewed annually. The Nominating and Governance Committee uses the Board's independent compensation consultant, Frederic W. Cook & Co., Inc. ("Cook") to conduct a comprehensive review and assessment of Director compensation. Cook reviewed Director compensation in August of 2012. As a result of that review and the Committee's discussion, the Committee recommended to the Board that no changes be made to the program at that time. The Board last changed the Director compensation program in November of 2011. The Company targets Director compensation at approximately the median of the Peer Group (see page 33), which aligns with its Executive compensation philosophy.

The following chart shows the Director fees effective January 1, 2012 which remain in effect:

<b>Annual Cash Retainers (1)</b>	
- Board	\$90,000
- Audit Committee Chair	\$20,000
- Human Resources Committee Chair	\$17,500
- Finance Committee Chair	\$15,000
- Nominating & Governance Committee Chair	\$15,000
- Other Committee Chairs	\$5,000
- Presiding Director	\$25,000
<b>Annual Restricted Stock Unit Retainer (2)</b>	
- Board	\$115,000
<b>Meeting Attendance Fees</b>	
- Regularly Scheduled Board Meeting	No Meeting fees
- Non-regularly Scheduled Board Meetings (in person)	\$2,500 per day
- Non-regularly Scheduled Board Meetings (Telephonic)	\$1,000
- Committee Meeting	\$1,500
- Telephonic Committee Meeting	\$1,000

(1) *Annual cash retainers are paid in two semi-annual payments, in May and November, on a forward-looking basis.*

(2) *Annual RSU retainers are granted at the time of the annual meeting.*

Table of Contents**Fees Earned by Directors in 2012**

The following table summarizes the compensation earned by Directors in 2012.

<b>Director Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards (1)</b>	<b>Total</b>
Betsy J. Bernard	\$126,000	\$114,992	\$240,992
Jocelyn Carter-Miller	\$131,000	\$114,992	\$245,992
Gary E. Costley	\$118,000	\$114,992	\$232,992
Michael T. Dan	\$120,500	\$114,992	\$235,492
Dennis H. Ferro	\$124,000	\$114,992	\$238,992
C. Daniel Gelatt	\$113,500	\$114,992	\$228,492
Sandra L. Helton	\$139,000	\$114,992	\$253,992
Richard L. Keyser	\$108,000	\$114,992	\$222,992
Luca Maestri (2)	\$145,000	\$143,489	\$288,489
Arjun Mathrani (3)	\$6,000	\$0	\$6,000
Elizabeth E. Tallett	\$134,000	\$114,992	\$248,992

- (1) *The amounts shown in this column reflect the grant date fair value of awards made in 2012, determined in accordance with FASB Accounting Standards Codification ("ASC") Topic 718. These awards do not reflect actual amounts realized or that may be realized by the recipients.*
- (2) *Mr. Maestri joined the Board on February 1, 2012 and was awarded a pro-rated grant of restricted stock units and cash retainer for his service as a Board member during the period of 2/1/2012 - 5/21/2012 in addition to his other fees and stock award during the year.*
- (3) *Mr. Mathrani retired from the Board on May 22, 2012.*

**Deferral of Cash Compensation**

Directors may defer the receipt of their cash compensation under the Deferred Compensation Plan for Non-Employee Directors of Principal Financial Group, Inc. This Plan has four investment options:

Phantom units tied to the Company's Common Stock;

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

The Principal LargeCap S&P 500 Institutional Index Fund;

The Principal Real Estate Securities Institutional Fund; and

The Principal Bond & Mortgage Securities Institutional Fund.

All of these funds are available to participants in Principal Life's Excess Plan. The returns realized on these funds during 2012 are listed in the table, "Qualified 401(k) Plan and Excess Plan," on pages 50-51.

### **Restricted Stock Unit Grants**

Directors receive an annual grant of restricted stock units ("RSUs") pursuant to the Principal Financial Group, Inc. 2005 Directors Stock Plan. RSUs are granted at the time of the annual meeting, vest at the next annual meeting and are deferred until at least the date the Director leaves the Board. At payout, the RSUs are converted to shares of Common Stock. Dividend equivalents become additional RSUs, which vest and are converted to Common Stock at the same time and to the same extent as the underlying RSU. The Nominating and Governance Committee has the discretion to make a prorated grant of RSUs to Directors who join the Board other than at the annual meeting.



Table of Contents

As of December 31, 2012, each Director had the following aggregate number of outstanding stock options and restricted stock units as a result of Director compensation in 2012 and prior years, including additional RSUs as the result of dividend equivalents:

<b>Director Name</b>	<b>Total Stock Options Outstanding Fiscal year End 2012 (shares)(1)</b>	<b>Total RSUs outstanding Fiscal Year End 2012 (shares)</b>
Betsy J. Bernard	3,820	23,944
Jocelyn Carter-Miller	3,820	25,765
Gary E. Costley	3,820	23,944
Michael T. Dan	0	21,673
Dennis H. Ferro	0	10,117
C. Daniel Gelatt	3,820	28,344
Sandra L. Helton	3,820	23,944
Richard L. Keyser	3,820	27,894
Luca Maestri	0	5,896
Arjun Mathrani	3,820	0
Elizabeth E. Tallett	3,820	27,894

(1)

*Prior to May 2005, Directors received grants of stock options rather than RSUs.*

**Director Perquisites and Reimbursement of Expenses**

Directors are reimbursed for travel and other business expenses they incur while performing services for the Company.

Principal Life matches charitable gifts up to an annual amount of \$6,000 per non-employee Director, and Directors' contributions to the United Way are also matched up to \$10,000 per year. These matching contributions are available during a Director's term and the following three years. Principal Life receives the charitable contribution tax deductions for the matching gifts.

Directors' spouses/partners may accompany them to the annual Board strategic retreat. The Company pays for some of the travel expenses and amenities for Directors and their spouses/partners, such as meals and social events. In 2012, the Company paid for one non-employee Director's hotel expense for attending the Principal Charity Classic, a golf tournament sponsored by the Company that donates to children's charities. The Company supplied iPads to some Directors as part of moving to electronic delivery of Board materials and the value was reported to those Directors as income. Directors are also covered under the Company's Business Travel Accident Insurance Policy and Directors' and Officers' insurance coverage.

In 2012, the total amount of perquisites provided to non-employee Directors was less than \$10,000 in all cases.

**Directors' Stock Ownership Guidelines**

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

To encourage Directors to accumulate a meaningful ownership level of Company stock, the Board has had a "hold until retirement" stock ownership requirement since 2005. All RSU grants must be held through a Director's service on the Board, and may only be converted to common shares when the Director's Board service ends. The Board has a guideline that Directors own interests in Common Stock equal to five times the annual Board cash retainer within five years of joining the Board. Directors have been able to achieve this level of ownership through the RSU "hold until retirement" requirement. Once this guideline is met, Directors will not need to make additional share purchases if the guideline is no longer met due to a reduction in stock price, as long as the Director's ownership level is not reduced as a result of share sales.

Current Directors have met the ownership requirement except Mr. Maestri who was elected to the Board in February of 2012.

Table of Contents

**EXECUTIVE COMPENSATION**

**Contents:**

	<b>Page</b>
<u>Compensation Discussion &amp; Analysis (CD&amp;A)</u>	<u>26</u>
.	
<u>Our Performance in 2012</u>	<u>27</u>
.	
<u>2012 Compensation Highlights</u>	<u>28</u>
.	
<u>Compensation Program Philosophy and Policies</u>	<u>28</u>
.	
<u>Summary of Compensation Elements</u>	<u>30</u>
.	
<u>How we make compensation Decisions</u>	<u>31</u>
.	
<u>2012 Executive Compensation Decisions</u>	<u>33</u>
.	
<u>Base Salary</u>	<u>34</u>
.	
<u>Annual Incentive Pay</u>	<u>34</u>
.	
<u>Long-term Incentive Compensation</u>	<u>37</u>
.	
<u>Timing of Stock Option Awards and Other Equity Incentives</u>	<u>38</u>
.	
<u>Benefits</u>	<u>39</u>
.	
<u>Change of Control &amp; Separation Pay</u>	<u>39</u> <u>40</u>
.	

Perquisites

Stock Ownership Guidelines 40

Claw Back Policy 41

Trading Policy 41

Succession Planning 41

Human Resources Committee Report 41

Risk Assessment 42  
Compensation Tables

Summary Compensation Table 42

Grants of Plan Based Awards Table 44

Outstanding Equity Awards Table 45

Option Exercises and Stock Vesting Table 46

Pension Benefits 49

Potential Payments Upon Termination Related to Change of Control 55

**Compensation Discussion and Analysis (CD&A)**

The CD&A describes Principal Financial Group's executive compensation objectives, and philosophy. It also describes our 2012 compensation program and reviews the outcomes, including the Company's financial performance in 2012. Management prepared the CD&A on behalf of the Human Resources Committee ("Committee"). The Committee then reviewed it and provided its approval. Our Named Executive Officers in 2012 were:

**Larry D. Zimpleman, Chairman, President and Chief Executive Officer.** Mr. Zimpleman is responsible for the overall management of the Company. He has been an employee of the Company since 1971, and has held his current title since May 2009. He was President and Chief Executive Officer of the Company from May 2008 to May 2009. Previously, he was

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

President and Chief Operating Officer of the Company from 2006 to May 2008 and President, Retirement and Investor Services of the Company from December 2003 through May 2006.

**Terrance J. Lillis, Chief Financial Officer.** Mr. Lillis joined the Company in 1982 and has been Senior Vice President and Chief Financial Officer of the Company and Principal Life since August 2008 and was Senior Vice President of the Company and Principal Life from May August 2008. Prior to that time, he was Chief Financial Officer Retirement and Investor Services division of Principal Life since December 2001.

Table of Contents

**Daniel J. Houston, President Retirement, Insurance and Financial Services.** Mr. Houston joined the Company in 1984 and currently heads the Retirement and Investor Services and U.S. Insurance Solutions segments of our operations. He has held his current title since January 1, 2010. He was President, Retirement and Investor Services from February 2008 until January 2010, and was Executive Vice President, Retirement and Investor Services of the Company from June 2006 to February 2008.

**James P. McCaughan, President Global Asset Management.** Mr. McCaughan joined the Company in 2002 and heads the Principal Global Investors segment of our operations. He oversees all global asset management activities, including developing global strategies and identifying and analyzing market opportunities. He served as Executive Vice President and global head of asset management for the Company since April 2002. From 2000 to 2002, he was Chief Executive Officer of the Americas division of Credit Suisse Asset Management in New York, New York.

**Luis Valdes, President International Asset Management & Accumulation.** Mr. Valdes has been the head of the Principal International segment of our operations since March 2012 and is responsible for managing the Company's business operations outside of the United States in the Company's international asset management and accumulation segment. He joined the Company in 1995, and has been President, Principal International since March 2011. Prior to his current position, he was Senior Vice President and President Principal Financial Group Latin America since March 2010, and was Vice President Principal International of Principal Life from 2000 until March 2010.

**Our performance in 2012**

Corporate highlights include:

Record AUM of \$403 billion, up 20% compared to year-end 2011

Reported total Company operating earnings of \$808 million (which were negatively impacted by a \$90.7 million charge from the third quarter actuarial assumption review, predominantly due to lowering our long term interest rate assumption by 50 basis points). This is an increase of 4% compared to 2011. Adjusted 2012 operating earnings of \$899 million are up 7% compared to 2011.

Net income available to shareholders of \$772.9 million, an increase of 25% over 2011.

Record total company net cash flow of \$29.8 billion.

Record book value per share excluding AOCI was \$29.20, up 7% over 2011 despite the write-downs due to the change in actuarial assumptions in the third quarter.

Four quarterly dividends to common stockholders in 2012 totaling \$0.78 cents per share, up 11% over 2011.

Divisional highlights include:

**Retirement and Investor Services** achieved record assets under management of \$212 billion, an increase of 18% from 2011. This is a reflection of asset appreciation and strong net cash flows from Full Service Accumulation and Principal Funds.

**Principal Global Investors** reached record unaffiliated assets under management of \$98.2 billion as a result of strong net cash flows and strong investment performance.

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

**Principal International** also achieved record assets under management of \$69.3 billion, up 17% from 2011. This includes a record \$9.3 billion net cash flow in 2012.

**US Insurance Solutions** had operating revenues of \$779.7 million, an increase of 6% from 2011.

The Company maintains a strong capital position and finished 2012 with \$2.5 billion of excess capital (\$1.5 billion was earmarked for Cuprum which closed in February 2013). In 2012, the Company allocated more than \$2 billion to common stock dividends, strategic acquisitions, and share repurchase. As evidence of further implementing our strategy, we announced two significant acquisitions in Latin America (Claritas and Cuprum), solidifying our position as a retirement leader in the fast-growing emerging markets in this region.

Table of Contents

In 2012, the Company's total shareholder return was lower than the average of our peer group used for compensation purposes (19% vs. 28%). However, our 3-year total shareholder return continues to be higher, with a 3-year total shareholder return of 27%, compared to an average total shareholder return of 14% for companies in the peer group.

**2012 Compensation Highlights**

In 2012, the Company's shareholders voted to approve the Company's executive compensation program. Of the votes cast, 94% supported the Executive compensation program. The Company considered the shareholders' approval of the compensation program to be approval of the Company's compensation philosophy, which has not changed since that vote. The compensation program has also not changed in the past year, and any changes to compensation have been consistent with the Company's philosophy.

2012 Annual incentive payout 95% of target

The 2010-2012 PSU's vested on December 31, 2012 and paid out at 109% in February 2013, according to the established performance scale, and approved by the Human Resources Committee.

**Compensation Program Philosophy and Policies**



*Compensation Philosophy* our compensation programs are designed to:

Attract and retain talented Executives and motivate them to perform at the highest level and contribute significantly to the Company's long term success;

Align the interests of Executives and shareholders by having a significant portion of the Executives' compensation in stock and requiring Executives to hold stock;

Reinforce the Company's pay for performance culture by making a significant portion of total compensation variable and by differentiating awards based on Company and individual performance in achieving short and long term financial and strategic objectives;

Cause a greater percentage of compensation to be at risk for Executives who bear higher levels of responsibility for the Company's performance; and

Support important corporate governance principles and established best practices.

Table of Contents

**Compensation Policies** Principal's executive compensation program incorporates the following best practices:

The Human Resources Committee's independent compensation consultant is retained by the Committee to advise on Executive and Director compensation. The Human Resources Committee regularly reviews an analysis of the Company's incentive compensation plans to ensure they are designed to create and maintain shareholder value and do not encourage excessive risk.

Much of our Executive compensation is variable and linked to meeting our short term and long term financial and strategic goals and to the performance of the Company's stock price over time. 87% of our CEO's 2012 compensation and an average of 81% of our other named Executive Officer's total compensation was variable and tied to performance.

Executives receive a significant portion of their compensation in stock and are required to own stock in the Company.

The Company prohibits all employees, including Executive Officers, from purchasing any Company securities on margin (except for the exercise of stock options), engaging in short sales or trading in any put or call options.

The Company has a claw back policy to recover incentive compensation paid to Executive Officers if the compensation was based on achieving financial results that were subsequently restated, if the Committee decides that the Executive Officer engaged in fraud or intentional misconduct that caused the restatement, and that the amount of the Executive Officer's incentive compensation would have been lower had the financial results been properly reported.

Our change of control agreements with Executives provide market based severance protection and do not contain excise tax gross ups.

We do not provide perquisites to Executives that are not offered to all employees, except one physical examination per year.

Our programs are designed to be financially efficient from tax, accounting, cash flow and share dilution perspectives. We make efforts to ensure tax deductibility of all compensation to the extent practicable. The Committee may provide compensation that is not tax deductible if it determines such action is appropriate.

Executives do not receive any income tax gross ups.

Table of Contents**Summary of Compensation Elements:**

<b>Compensation Component</b>	<b>Objective</b>	<b>Description and 2012 Highlights</b>
Base Salary	Provides fixed income based on the size, scope and complexity of the Executive's role, Executive's historical performance and relative position compared to market pay information	<p>Base salaries are generally targeted at market median, but may vary from median based on the Executive's performance, work experience, role and the difficulty of replacing the Executive.</p> <p>In 2012, the Committee increased the Executives' base salaries, as detailed on page 34.</p> <p>A range of earnings opportunity, expressed as percentages of base salary and corresponding to three levels of performance (threshold, target and maximum), is established for each executive. Actual bonuses depend on achievement relative to the several key financial measures, corporate and divisional goals, as outlined on pages 34-37.</p>
Annual Incentive Compensation	Motivates and rewards annual corporate performance as well as the Executive's contribution to achieving our annual objectives.	<p>Based on the Committee's assessment of performance, actual bonuses for 2012 were at/above/below target as detailed on page 37.</p> <p>Each year, the Committee establishes the long-term award opportunity for each Named Executive Officer. One-half of the award is granted in stock options and one-half in performance based RSUs ("PSUs"). Having half of the award in PSUs and half in options creates a balance between achieving operating performance objectives and increases in shareholder value.</p> <p>The PSUs vest based on both continued service and meeting financial objectives over a three-year period (with each three-year period treated as a "Performance Cycle").</p>
Long Term Incentive Compensation	Motivates and rewards long-term corporate performance as well as the Executive's contribution to achieving our long term objectives. Reinforces the link between the interests of the Executives and shareholders. Encourages retention.	<p>The PSUs granted in 2012 for the 2012-2014 Performance Cycle will vest if the Company attains an average return on equity ("ROE") of 5% or cumulative operating income ("OI") of \$1 billion for the three calendar years during the performance period. If neither the ROE nor the OI objective is met, no performance based PSUs will be earned or paid out. If either the ROE or OI objective is met or exceeded, the number of units earned is determined using performance scales based on average ROE and average Book Value per Share ("BV/Share") over the performance period. See pages 37-38.</p> <p>The PSUs granted in 2010 and 2011 for the 2010-2012 and 2011-2013 Performance Cycles followed the same design as described above for 2012-2014. For the 2010 - 2012 Performance Cycle, the awards vested and paid out at 109% based on our ROE performance of 11.9% and book value per share of \$29.98.<sup>1</sup></p>

<sup>1</sup> Adjusted for the third quarter assumption review and costs related to the Cuprum transaction.



Table of Contents

Compensation Component	Objective	Description and 2012 Highlights
Benefits	Protect against catastrophic expenses and provide retirement savings opportunities.	Named Executive Officers participate in most of the same benefit plans as the Company's other U. S. based employees. These include: health, life, disability income, vision and dental insurance, an employee stock purchase plan, 401(k) plan and pension plan. Executives (except investment professionals) also participate in non-qualified retirement plans (defined benefit and defined contribution).
Perquisites	Modest amount of additional benefits to help attract and retain Executive talent and enable Executives to focus on Company business with minimal disruption.	Executives are eligible for one physical examination per year.
Termination Benefits	Provide temporary income following an Executive's involuntary termination of employment, and, in the case of a change of control, to help ensure the continuity of management through the transition.	In 2010, we reduced the benefits payable under our change of control agreements and eliminated excise tax gross ups.

**How We Make Compensation Decisions**

We use a formal decision-making and review process that incorporates proper oversight, benchmarking against peers, independent advice, an annual decision-making cycle and the use of board discretion when appropriate.

***Human Resources Committee Involvement***

The Human Resources Committee oversees the development and administration of the Company's compensation and benefits policies and programs, approves of all aspects of the compensation program and compensation for Executives, and makes the compensation decisions for the CEO. In addition, the Human Resources Committee:

- Reviews and approves corporate incentive goals and objectives relevant to compensation;
- Evaluates Executives' performance results;
- Evaluates the competitiveness of each Executive's total compensation; and
- Approves changes to the total compensation package.

Each year the CEO, with input from the Human Resources Department and Cook, recommends the amount of base salary increase (if any), annual incentive award and the long term incentive award for Executives (other than himself). These recommendations are based on the Executive's performance, the performance of the business areas for which the Executive is responsible (if applicable) and considerations such as retention. The Human Resources Committee reviews these recommendations and approves compensation decisions.

The CEO takes no part in determining his own compensation. The Human Resources Committee consults with the other independent Directors regarding the CEO's performance and then determines the compensation earned by the CEO for the current year and the CEO's compensation opportunity for the following year.



Table of Contents

***The role of the Independent Compensation Consultant & Interaction with Management***

The Committee has the sole authority to hire, approve the compensation and terminate the engagement of the compensation consultant.

The Committee engaged the consulting firm of Frederic W. Cook & Co., Inc. ("Cook") to advise it on the Company's Executive compensation program. Cook also advises the Nominating and Governance Committee on compensation for non-employee Directors. Cook receives compensation from the Company only for its work in advising these Committees. Cook does not and would not be allowed to perform services for management. The Committee assessed the independence factors in applicable SEC rules and NYSE Listing Standards and other facts and circumstances and concluded that the services performed by Cook did not raise any conflicts of interest.

Cook reviews the Company's Executive compensation program every other year. In the years in which Cook does not conduct a compensation study, the Committee makes compensation decisions, in part, on survey data provided by the Human Resources Department and input provided by Cook.

A comprehensive study was undertaken by Cook in 2011 which influenced the Committee's decisions for the 2012 Executive compensation program. The study reviewed the design and structure of the Company's total Executive compensation program, including:

- Base pay;
- Annual incentive design and targets;
- Long term incentive design and targets;
- Non-qualified benefits;
- Perquisites;
- Stock ownership guidelines;
- Severance; and
- Change of control policies.

The most recent review process included:

Interviews with Executives and Committee members to discuss business strategy and the implications for human resources and compensation policy;

A competitive review of compensation opportunities for each of the Named Executive Officers compared to the pay opportunities of similarly-situated executives at the Peer Group companies (see page 33);

An analysis to ensure that total share dilution and the economic costs of long term incentives are reasonable and affordable for the Company; and

A review of Executive compensation plans against potential risks. Cook determined that the Company's Executive compensation programs are well designed, support the Company's business strategy, and do not provide incentives to Executives to take inappropriate risks.

The goals of the review are to assist the Committee in:

Determining whether the Company's Executive compensation program is appropriately designed to support the Company's strategic and human resources objectives;

Determining whether the target Executive compensation levels are competitive with the market and whether actual compensation levels are reasonable given the Company's performance relative to peers;

Designing changes to Executive compensation plans or programs, as appropriate; and

Setting pay opportunities, benefits and perquisites.

Cook also:

Attended three meetings of the Committee in 2012, as requested by the Committee Chair; and

Reviewed and commented on drafts of the Compensation Discussion & Analysis and related compensation tables for the proxy statement.



Table of Contents

*Use of Compensation Data*

The Committee reviews the group of companies it uses to compare Executive compensation (the "Peer Group") every other year as part of Cook's study. Cook recommends an appropriate Peer Group of public, similarly-sized, diversified financial services, insurance and asset management companies. Cook's recommendations take into account the Company's and the competitors' strategy, mix of business and size, as measured primarily by annual revenues, market capitalization and total assets. These companies are the major competitors in one or more of the Company's businesses, but none represent the exact business mix of the Company. Some of these companies have higher or lower market capitalization and revenue than the Company. The Company targets compensation for the Named Executive Officers at the median of the compensation of the named executive officers at the Peer Group companies. The companies in the Peer Group used in Cook's 2011 analyses to assist in decisions on 2012 compensation were:

Affiliated Managers Group	Invesco	MetLife
Ameriprise Financial	Janus Capital Group	Prudential Financial
Eaton Vance	Legg Mason	StanCorp Financial
Franklin Resources	Lincoln National	Sun Life Financial
Hartford Financial Services	ManuLife	T. Rowe Price

The Committee uses annual data from third party industry surveys for additional context for its compensation decisions<sup>2</sup>. Further, every two to three years, the Company's non-cash benefit programs are compared with those of more than 100 diversified financial services companies. This is a larger group than the Peer Group because the information is used in designing and evaluating our broad-based employee benefit programs. Benefit programs are also compared against those of local employers in Des Moines, Iowa, due to the Company's significant employee population there.

Each year, the Committee reviews the total compensation paid to the Executives by reviewing tally sheets, which include:

- The dollar value of base salary;
- Annual and long term incentive awards earned;
- Deferred compensation;
- Outstanding equity awards;
- Benefits;
- Perquisites; and
- Potential payments for termination scenarios.

The Committee uses this information to analyze the value of compensation actually delivered versus the compensation opportunities established by the Committee, and it is also used in making compensation and compensation plan design decisions. The Committee made no compensation adjustments as a result of the analysis in 2012 because the program continues to meet the Company's objectives.

**2012 Executive Compensation Decisions**

The Committee made compensation decisions for the Named Executive Officers based on the following factors:

The Company's strategic and human resources objectives;

Competitive data for the Peer Group (discussed above) and for a broader group of diversified financial services companies (see Appendix B for a list of companies participating in these surveys);

Corporate and individual performance on key initiatives;

Economic conditions;

The CEO's compensation recommendations for other Executives;

Advice of the Committee's consultant; and

How the elements of compensation contribute to and interrelate to total compensation.

---

*2 The surveys used were the McLagan Investment Management survey, Towers Watson U.S. Financial Services Studies Executive Database, the Towers Watson Diversified Insurance Study of Executive Compensation. The names of the companies participating in these surveys are included in Appendix B.*

Table of Contents

The Committee also considers the tax and accounting consequences of each element of compensation, and tries to maximize the tax deductibility of compensation under Section 162(m) of the Internal Revenue Code ("Tax Code"). This Tax Code section limits the Company from deducting annual compensation exceeding \$1,000,000 for our CEO and the three other most highly paid Named Executive Officers (other than our CFO) who are in office on the last day of the fiscal year ("Covered Employees"). There is an exception to this rule for performance-based compensation. The Committee may provide compensation to Covered Employees that is not deductible if it determines, in its discretion, that it is appropriate to do so. For 2012, Messrs. Zimpleman, Houston, McCaughan and Valdés were Covered Employees.

The chart below shows the 2012 pay mix for our Named Executive Officers as well as the proportion of their compensation tied to the Common Share price. The majority of compensation paid to our Named Executive Officer's is variable and at risk as reflected in the chart below.

**Base Salary**

When determining base salary for each Executive, the Committee considers the Peer Group median for comparable executive positions as well as the survey data referenced above, the Executive's performance, work experience, the importance of the position to the Company and how difficult it would be to replace the Executive. The table below provides the historical base salaries<sup>1</sup> of the Named Executive Officers.

Named Executive Officer	Percent Increase			
	2010	2011	2012	2011 to 2012
Zimpleman	\$800,000	\$900,000	\$900,000	0.0%
Lillis	\$400,000	\$436,000	\$475,000	8.9%
Houston	\$400,000	\$525,000	\$550,000	4.8%
McCaughan	\$548,500	\$570,500	\$600,000	5.2%
Valdés			\$525,000	

(1)

*Salaries displayed in the table are as of December 31 of the year noted. This information differs from salary information in the Summary Compensation Table as the table includes salary earned and paid in the year noted. Changes in base salary are effective in March of each year.*

**Annual Incentive Pay**

The Named Executive Officers may earn annual cash bonuses under the Principal Financial Group, Inc. Annual Incentive Plan. This plan was approved by shareholders in 2004, and complies with Section 162(m) of the Tax Code so that these incentives to Named Executive Officers are considered performance based and are therefore fully tax deductible.

Table of Contents

The maximum aggregate bonus amount for the Named Executive Officers is 2% of annual operating income ("Bonus Pool"). For 2012, the maximum bonuses were:

Named Executive Officer	Maximum Award as Percentage of the Annual Incentive Pool	Maximum Potential Award Payment
CEO (Zimpleman)	35%	\$5.6 million
Second highest Paid Covered Employee (McCaughan)	30%	\$4.8 million
Third highest Paid Covered Employee (Houston)	15%	\$2.4 million
Fourth highest Paid Covered Employee (Valdés)	10%	\$1.6 million
CFO (Lillis)	10%	\$1.6 million

The Committee sets the target and maximum annual incentive awards for each Named Executive Officer. The Committee then uses its negative discretion to reduce the awards actually payable. After this reduction, maximum annual incentive opportunities are generally 200% of the target annual incentive opportunity. The Committee approved the following target awards for Named Executive Officers in each of the past three years:

**Annual Incentive Targets (as a percentage of base salary)**

Named Executive Officer	2010	2011	2012
Zimpleman	150%	150%	150%
McCaughan	250%	250%	300%
Houston	125%	125%	125%
Valdés			75%
Lillis	75%	75%	100%

Mr. Zimpleman's target award opportunity is greater than that of the other Named Executive Officers (except Mr. McCaughan's) because Mr. Zimpleman has overall responsibility for the Company and greater responsibilities than the other Named Executive Officers. The award opportunity for Mr. McCaughan was established by the Committee to be competitive with award opportunities of senior executives within asset management firms. In establishing the target bonus for Messrs. Houston, Valdés and Lillis, the Committee considered the median incentive targets for comparable executive positions in the Peer Group companies, as well as the survey data referenced above.

***Performance Goal Setting and Measurement Process***

The Board meets each September to review the Company's long-term strategy. In November, the CEO, CFO and Division Presidents recommend preliminary financial goals for the Company and business units and strategic initiatives for the next year. The Finance Committee reviews the proposed goals, underlying assumptions of the goals and initiatives, key drivers of financial performance, trends and business opportunities and advises the Board and Human Resources Committee on the appropriateness of the financial goals. The Human Resources Committee reviews and approves the final goals for the Company, the CEO and the other Executives with input from the Finance Committee and Board based on year-end financial results. All employees develop individual performance goals with their leaders that support the Company's goals.

The Committee reviewed performance on several key financial measures and on corporate and divisional goals to determine the annual bonus for Named Executive Officers. The Committee does not use any particular weighting for these goals; these measures are used as guideposts when the Committee exercises its discretion in its subjective evaluation of these factors.

Table of Contents

In determining corporate performance for 2012, the Committee reviewed Company achievements on these key financial goals:

Goal	2012 Assessment		
1. <i>Achieve appropriate operating earnings and earnings per share.</i>	One of management's responsibilities is to lead the Company in achieving its goals for operating earnings and earnings per diluted share. For 2012, the target for operating earnings was \$925 million and the target for earnings per diluted share was \$3.07. For incentive compensation purposes, operating earnings were adjusted to \$905 million and EPS to \$3.01. In addition, Messrs. Houston, McCaughan and Valdés had operating earnings goals specific to the business units they oversee:		
	<b>Named Executive Officer</b>	<b>Operating Earnings Goal</b>	<b>Operating Earnings Result</b>
	<b><i>Houston</i></b>		
	Retirement & Investor Services	\$570 million	\$575 million
	US Insurance Solutions	\$225 million	\$138.2 million
	<b><i>McCaughan - Principal Global Investors</i></b>	\$90 million	\$81.2 million
	<b><i>Valdés- Principal International</i></b>	\$170 million	\$153 million
2. <i>Capital maintain a targeted National Association of Insurance Commissioners ("NAIC") risk based capital ratio above 350%.</i>	At year-end, the NAIC risk based capital ratio was 415%.		
3. <i>Minimize credit loss</i>	A metric was established to measure whether the Company's invested assets (Principal Life's General Account) are appropriately managed. Ranges were established for after-tax credit losses for bond credit losses (20 - 30 basis points) and commercial mortgage loans (5 - 15 basis points). Actual 2012 after-tax credit losses for bond credit losses were 19 basis points and for mortgage loans, 9 basis points.		
4. <i>Achieve identified sales growth targets</i>	<b>Business Unit</b>	<b>Target</b>	<b>Result</b>
	<b><i>Houston</i></b>		
	Retirement & Investor Services Sales	\$23.4 billion	\$27.8 billion
	Life Sales	\$233.0 million	\$227.1 million
	Specialty Benefits premium and fees	\$1.48 billion	\$1.44 billion
	<b><i>McCaughan</i></b>		
	Principal Global Investors % growth in non-affiliated management fees	15%	15%

*Valdés*

Principal International net cash flow	\$8.46 billion	\$13.5 billion
---------------------------------------	----------------	----------------

Table of Contents**Final Annual Incentive Pay Award Determination**

The following table shows the annual incentive award for each of the Named Executive Officers. The column "Reduction from Maximum Award" shows the amount the Committee reduced the maximum bonuses to the awards paid.

Named Executive Officer	2012 Salary Earned	2012 Target	Final Award	% of Target	Reduction from Maximum Award
Zimpleman	\$900,000	150%	\$1,282,500	95%	\$4,317,500
Lillis	\$466,000	100%	\$443,000	95%	\$1,157,000
Houston	\$544,231	125%	\$612,000	90%	\$1,788,000
McCaughan	\$593,192	300%	\$1,602,000	90%	\$3,198,000
Valdés	\$519,231	75%	\$370,000	95%	\$1,230,000

Executives may defer annual awards into a nonqualified supplemental savings plan ("Excess Plan"), as illustrated in the footnote to the Non Equity Incentive Compensation column of the Summary Compensation Table, on pages 42-43.

**Long-term Incentive Compensation**

The long term incentive compensation program is designed to align the interests of Executives and shareholders. The compensation the Executives receive reflects the degree to which multi-year financial objectives are achieved and shareholder value is increased. The long term focus of the compensation programs supports the Company's businesses in which long term performance is critical, such as retirement products, life insurance and asset management. The long term incentive compensation program also encourages collaboration among Executives in pursuing corporate-wide goals.

The Committee establishes a target long term incentive award opportunity for each Named Executive Officer stated as a percentage of each Executive's base salary based on Peer Group and survey data, and on the advice of its independent compensation consultant. The Committee uses the following factors to adjust the target award and determine the actual award to be awarded to each Named Executive Officer ("Award Granted"):

Current competitive market data;

The Executive's past performance;

The Executive's current compensation;

Retention concerns;

The importance of the Executive to the Company over the long term;

The potential impact the Executive could have on the Company's results; and

The Executive's performance relative to the Executive's peers within the Company.

The compensation ultimately received by Executives may vary considerably from the grant-date fair value of the Award Granted, due to the Company's performance and changes in share price that occur after the grant.

**Long-Term Incentive Target & Grant (as % of base salary)**

Named Executive Officer	Target %	Award Granted
Zimpleman	500%	500%



Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

Lillis	275%	275%
McCaughan	350%	325%
Houston	350%	375%
Valdés	225%	200%

The long term incentive targets were established by the Committee to be market competitive with award opportunities for comparable positions in Peer Group companies. Mr. Zimpleman's award opportunity is greater than those of the other Named Executive Officers because he has overall responsibility for the Company.

Table of Contents

Executives' long term compensation is awarded in the form of non-qualified stock options and performance based restricted stock units ("PSUs"), which each represent 50% of the total long-term incentive award. PSUs entitle the executive to earn shares of Principal Financial Group Common Stock if certain levels of performance are achieved. The Committee uses stock options as part of the long-term incentive program because options are an effective way to link an Executive's compensation to changes in shareholder value. The weighting is not based on a specific formula or algorithm, but rather is intended to create a balance between the achievement of specific operating objectives and changes in shareholder value based on the Committee's judgment, which may change from time to time.

**Stock options** have a ten-year term and an exercise price equal to the closing price on the date of grant. Stock options vest in three equal annual installments starting on the first anniversary of the grant date.

**PSUs** vest based on continued service and achieving financial objectives over a three-year period (with each three-year period treated as a "Performance Cycle"). Executives may defer the receipt of PSUs.

For the 2012 PSUs, the performance threshold is met if either of the following goals is met:

Three year average pre-tax operating income ROE of 5%, or

\$1 billion cumulative pre-tax operating income

If either the ROE or OI objectives is met or exceeded, the number of units earned is determined using two performance measures, each weighted at 50%, to determine the funding level.

*Average pre-tax operating ROE*: this measure was selected because it reflects the efficient use of Company capital in generating profits.

*Average Book Value per Share ("BV/Share")*: this measure was selected because it focuses on long term growth in equity needed to support the Company's growth.

In combination, the two measures selected provide an appropriate balance to maintain a sufficient level of equity over the long term while also making sure that capital is being used effectively.

#### 2012-2014 PSU Performance Scale

<b>Performance Level</b>	<b>Threshold Award</b>	<b>Target Award</b>	<b>Maximum Award (150% of Target)</b>
Payout (% of Target) (1)	50%	100%	150%
Average ROE	7.5%	15%	19.5%
Average BV/Share	\$24.65	\$29.00	\$37.70

*If neither the ROE nor the OI objective is met, **no PSUs** will be earned or paid out.*

(1)

*Straight line interpolation is used to determine awards for performance between threshold and target and between target and maximum.*

**Timing of Stock Option Awards and Other Equity Incentives**

Annual grants of stock options and PSUs for the Company's Executives are determined by the Committee at its February meeting, which occurs following the release of prior year firm results and during an open-window period. The Committee formalized its long-standing practices by adopting a policy regarding granting stock options and other equity awards. Under this policy, the grant date for all stock options and other stock-based awards shall never be the earlier than the date of approval, and shall be:

For all annual awards to Executives, the date of approval by the Committee;

For new employees and promotions, the later of the date of approval or the employee's hire/promotion date;

In the event of an award connected with an established stock program for non-Executives, the later of the date of approval or the grant date established by the stock program; and

For any other awards, the date of approval.

Table of Contents

**Authority of the Chairman, President & CEO to Grant Equity Awards:**

Under the 2010 Stock Incentive Plan, the Committee has delegated authority to the Chairman, President & CEO to make certain equity awards to sales agents and non-Executive employees for new hires, promotions, retention and recognizing superior performance. The Committee receives a report on these grants at the next regular Committee meeting. The total awards granted by the Chairman, President & CEO may not exceed 250,000 shares per year.

**Benefits**

The Named Executive Officers participate in Principal Life's broad-based employee benefits program, including:

- A qualified pension plan (except Mr. McCaughan<sup>3</sup>);
- A 401(k) plan;
- Group health, dental, vision and disability coverage and life insurance;
- A discounted employee stock purchase plan.
- Paid time off; and
- Flexible spending account plans.

Principal Life also offers all Named Executive Officers (except Mr. McCaughan) defined benefit and defined contribution non-qualified retirement plans (the "NQDB" and the "Excess Plan"). These benefits are offered to attract and retain talent and provide long term financial security to employees. The NQDB helps the Company attract mid-career Executives and retain Executives by providing competitive retirement benefits. The NQDB is coordinated with the qualified pension plan and is designed to restore benefits that otherwise would accrue to Executives in the absence of Tax Code limitations on the qualified pension plan. The narrative to the Pension Benefits Table on pages 47-49 provides additional information about the NQDB and the qualified pension plan. Principal Life maintains the Excess Plan to help attract and retain Executives by allowing Executives to save for retirement and to provide matching contributions on those savings, without regard to the limitations imposed by the Tax Code on 401(k) plans. The narrative to the Non-Qualified Deferred Compensation Table on pages 50-51 provides additional information about the Excess Plan.

The value of the retirement and savings plans is targeted to be, in the aggregate, slightly above the median of diversified financial services companies because a large portion of the Company's business centers on the sale of retirement products. The traditional pension plan benefit for Grandfathered Choice Participants (see page 47) has a market value above the median and the 401(k) plan match for Grandfathered Choice Participants is below market median. These benefits were also designed to be slightly above market median to attract and retain employees. As retirement plans evolved in the marketplace, their value has changed, leading to the realignment with market in 2006.

All other benefits are targeted at market median in the aggregate, which supports the Company's benefit strategy and aids in attracting and retaining talent.

**Change of Control and Separation Pay**

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

The Committee believes it is in the best interests of the Company and its shareholders to:

Assure that the Company will have the continued service of its Executives;

Reduce the distraction of these Executives that would result from the personal uncertainties caused by a pending or threatened Change of Control;

Encourage the Executives' full attention and dedication to the Company; and

---

*3 Effective January 1, 2010, Mr. McCaughan no longer participates in the qualified pension plan, NQDB Plan or Excess Plan. This change was the result of a compensation and benefit review of asset management companies that showed that these are not common benefits for executives in the asset management industry. This change also applied to other investment professionals who work with Principal Global Investors.*

Table of Contents

Provide the Executives with compensation and benefits upon a termination related to Change of Control that are competitive with those of similar businesses.

For these reasons, the Company has entered into "Change of Control" employment agreements with each of the Executives. These agreements would help the Executives more fairly evaluate a potential acquisition of the Company, particularly when the acquisition would result in termination of the Executive's employment. These Change of Control employment agreements are based on market practice and do not affect other components of the Named Executive Officers' compensation. When entering into these agreements, the Committee reviewed survey data and practices of other public insurance and financial services companies. The Committee continues to review market practices in this area for potential changes in these agreements.

All benefits provided to the Executives upon a Change of Control are paid after both a Change of Control and qualifying termination of employment have occurred (sometimes referred to as a "double-trigger"), except that the then current value of the Executive's Excess Plan and NQDB will be paid upon a Change of Control to ensure that the value of those plans is not reduced if the Company is sold. The Company entered into new Change of Control Employment Agreements with Executives in 2010 that generally reduced severance amounts as multiples of cash compensation and eliminated excise tax gross-ups. See pages 52-55 for details.

The Company has a severance plan to provide benefits to employees whose employment is terminated by the Company due to a reorganization or reduction in the workforce. Additional payments may be permitted in some circumstances as a result of negotiations with Executives, particularly when the Company requests additional covenants from the Executives. The Company has an employment agreement with Mr. Zimpleman for his services as the Company's CEO. See page 52 for details.

**Perquisites**

The only perquisite for Executives that is not offered to all employees is one physical examination per year. We provide this perquisite to protect the health of our Executives and the Company's investment in its leadership.

**Stock Ownership Guidelines**

Executives are required to own stock in the Company to ensure their interests are aligned with the shareholders' interests and with the long term performance of the Company. Once the Executive achieves the required stock ownership level based on market value, the ownership requirement remains at the number of shares owned at that time, regardless of subsequent changes in stock price or salary. Upon promotion, the Executive is required to meet the next level of stock ownership.

Until the ownership guideline is met, Executives are required to retain a portion of the "net profit shares" resulting from equity based long term incentive plan grants. Net profit shares are the shares remaining after payment of the option exercise price and taxes owed at time of exercise, vesting of restricted stock units or earn out of performance shares. The percentage of net profit shares that must be retained until the multiple of salary guidelines are met are shown below:

<b>Executive Level</b>	<b>Retention Ratio</b>	<b>Multiple of Base Salary</b>
CEO (Zimpleman)	75%	5 times
Division Presidents & Executive Vice Presidents (Houston, McCaughan & Valdés)	50%	3 times
Senior Vice Presidents (Lillis)	50%	2 times

All Named Executive Officers comply with these guidelines.

Table of Contents

**Claw Back Policy**

The Committee has also adopted a compensation recovery policy that applies to Executive Officers. The Company can recover incentive compensation if the amount of the compensation was based on achievement of financial results that were subsequently restated if the Committee decides that the Executive Officer engaged in fraud or intentional misconduct that caused the restatement of the Company's financial statements, and that the amount of the Executive Officer's incentive compensation or equity award would have been lower had the financial results been properly reported.

**Trading Policy**

The Company prohibits Directors and employees, including Executive Officers, from purchasing any Company securities on margin (except to the extent incident to the exercise of stock options), engaging in short sales or trading in any put or call options.

**Succession Planning**

The Human Resources Committee, the CEO and the Senior Vice President Human Resources maintain an ongoing focus on executive development and succession planning to prepare the Company for future success. In addition to preparing for CEO succession, the succession planning process has included all key executive positions. A comprehensive review of executive talent, including assessments by an independent consulting firm, has determined participants' readiness to take on additional leadership roles and identified the developmental and coaching opportunities needed to prepare them for greater responsibilities. The CEO makes a formal succession planning presentation to the Board of Directors annually. Succession planning is a responsibility of the entire Board and all members participate. In addition, the Company has an emergency succession plan for the CEO that is reviewed by the Board annually.

**Human Resources Committee Report**

The Human Resources Committee of the Company has reviewed and discussed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Michael T. Dan, Chair  
Betsy J. Bernard  
Richard L. Keyser  
Elizabeth E. Tallett





Table of Contents**Risk Assessment**

Members of the Human Resources Department reviewed all of the Company's incentive compensation plans for employees to determine whether any compensation policies or practices are reasonably likely to have a materially adverse effect on the Company, and reviewed its processes and conclusions with the Chief Risk Officer. The following factors, among others, were reviewed:

Plan design;

Potential risks created by the plans;

Risk mitigation factors within plans;

The mix of pay received by the participating employees (fixed vs. variable, cash vs. equity, short term vs. long term);

Whether historical payments were in line with the intended results; and

Governance practices regarding plan design and revisions.

Other factors that mitigate risks of the Company's incentive plans are the Company's stock ownership guidelines for Executives and the compensation recovery policy. The Company also prohibits all employees from purchasing any Company securities on margin (except for the exercise of stock options), engaging in short sales or trading in any put or call options. A summary of this information was reviewed with the Human Resources Committee. Based on this analysis, the Company has determined that the Company's compensation plans are designed to encourage behaviors that create and maintain shareholder value, do not encourage excessive risk, and are not reasonably likely to have a material adverse effect on the Company.

**Summary Compensation Table**

The following table sets forth the compensation paid to the Named Executive Officers for services provided to the Company and its subsidiaries during 2010, 2011 and 2012.

Name	Year	Salary (1)	Bonus	Stock Awards (2)(3)	Option Awards (2)	Non Equity Incentive Compensation (4)	Change in Pension Value and	All Other Compensation (6)	T
							Non-qualified Deferred Compensation Earnings (5)		
man	2012	\$900,000	\$0	\$2,249,990	\$2,491,679	\$1,282,500	\$3,605,227	\$80,329	\$10,0
an,	2011	\$876,923	\$0	\$1,799,986	\$1,993,320	\$1,302,000	\$3,160,566	\$72,732	\$9,2
nt & CEO	2010	\$781,538	\$0	\$1,999,988	\$1,661,156	\$1,547,446	\$2,200,038	\$56,816	\$8,2
	2012	\$466,000	\$0	\$653,136	\$723,308	\$443,000	\$1,412,152	\$24,571	\$3,7

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

Vice	2011	\$427,692	\$0	\$435,993	\$482,827	\$276,000	\$974,268	\$22,927	\$2,6
nt & CFO	2010	\$373,946	\$0	\$415,016	\$387,622	\$336,552	\$599,034	\$17,428	\$2,1
n	2012	\$544,231	\$0	\$1,031,260	\$1,142,017	\$612,000	\$846,704	\$88,603	\$4,2
retirement,	2011	\$519,231	\$0	\$853,108	\$944,764	\$526,000	\$507,677	\$74,386	\$3,4
Financial Svs	2010	\$480,362	\$0	\$750,009	\$830,578	\$720,542	\$307,042	\$54,460	\$3,1
ghan	2012	\$593,192	\$0	\$974,995	\$1,079,730	\$1,602,000	\$76,897	\$13,673	\$4,3
lobal	2011	\$565,423	\$0	\$855,746	\$947,681	\$1,272,000	\$73,235	\$6,329	\$3,7
Management	2010	\$539,269	\$0	\$1,076,741	\$911,110	\$1,617,807	\$69,748	\$5,867	\$4,2
nt'l Asset & Accum	2012	\$519,231	\$0	\$525,008	\$581,366	\$370,000	\$35,446	\$67,530	\$2,0

- (1) *Includes 2012 salary deferred into the qualified 401(k) plan and the Excess Plan, as shown below (information detailing deferrals for 2011 was included in last year's proxy statement):*

<b>Named Executive Officer</b>	<b>401(k) Employee Contribution</b>	<b>Excess Plan Employee Contributions</b>	<b>Total Employee Contributions</b>
Zimpleman	\$19,346	\$72,692	\$92,038
Lillis	\$13,885	\$22,929	\$36,814
Houston	\$20,644	\$35,462	\$56,106
McCaughan	\$17,000	\$0	\$17,000
Valdés	\$8,791	\$24,561	\$33,352

Table of Contents

(2)

Amounts represent the aggregate grant date fair value amounts for awards and options granted in the year noted. The assumptions for the valuation of stock and option awards under the ASC Topic 718 for awards are included in the Summary Compensation Table as follows:

Grant Date	Exercise Price	Volatility	Expected Term	Dividend Yield	Risk-Free Interest Rate
February 23, 2010	\$22.21	66.60%	6 years	2.251%	2.75%
February 28, 2011	\$34.26	67.88%	6 years	1.605%	2.48%
February 27, 2012	\$27.46	70.03%	6 years	2.550%	1.10%

The grant date fair value per share of each RSU or PSU granted on the same date as an option listed in the above table was equal to the exercise price reported for options granted on such date.

PSUs will be earned and paid in shares of Common Stock only if performance requirements are met or exceeded. The PSUs are eligible for dividend equivalents, and the dividend equivalents are subject to the same performance requirements as the corresponding PSUs and are only earned if the performance measures are met or exceeded. The maximum payout for the 2010, 2011, and 2012 PSUs is 150% of the target number of PSUs. If the PSUs granted in 2012 are earned at the maximum payout, the grant date value of such PSUs would be as shown in the following table, and the amounts reported in the Stock Awards column, above, would be increased by the amount shown in the column to the far right of the following table.

Named Executive Officer	Grant Date Value of 2012 PSUs at Maximum Payout	Amount by Which Aggregate Grant Date Values Reported Would be Increased
Zimpleman	\$3,374,985	\$1,124,995
Lillis	\$979,704	\$326,568
Houston	\$1,546,890	\$515,630
McCaughan	\$1,462,492	\$487,497
Valdés	\$787,512	\$262,504

(4)

The amounts shown represent annual incentive compensation awards earned in 2012 and paid in 2013 and include the following amounts deferred into the qualified 401(k) Plan and Excess Plan:

Named Executive Officer	Employee Contributions
-------------------------	------------------------

	<b>on Incentive Pay</b>
Zimpleman	\$127,552
Lillis	\$30,226
Houston	\$53,678
McCaughan	\$0
Valdés	\$24,771

(5)

*Assumptions underlying the determination of the amount of increase in actuarial value for both the qualified and non-qualified pension plans are illustrated on page 50. Changes in these assumptions and compensation changes will impact this value annually. There are no above market earnings on deferred compensation.*

(6)

*All Other Compensation for the Named Executive Officers consists of the following:*

<b>Named Executive Officer</b>	<b>Perquisites and Other Personal Benefits (a)</b>	<b>Principal Life Contributions to Defined Contribution Plans (b)</b>	<b>Total</b>
Zimpleman	\$14,269	\$66,060	\$80,329
Lillis	\$2,311	\$22,260	\$24,571
Houston	\$24,389	\$64,214	\$88,603
McCaughan	\$923	\$12,750	\$13,673
Valdés	\$36,359	\$31,171	\$67,530

(a)

*Represents the incremental aggregate cost to the Company for all perquisites provided during the year. Amounts include the value of an annual physical examination and for Mr. Valdes, relocation benefits paid in 2012 in connection with his relocation from Chile to the United States.*

(b)

*The amounts shown below are Principal Life's matching contributions to the 401(k) Plan and the Excess Plan. The Excess Plan's matching contributions are also included in Principal Life's Contributions in the Non-Qualified Deferred Compensation table on page 50.*

<b>Named Executive Officer</b>	<b>401(k) Matching Contribution Made by Principal Life</b>	<b>Excess Plan Matching Contribution Made by Principal Life</b>	<b>Total</b>
Zimpleman	\$6,375	\$59,685	\$66,060
Lillis	\$5,100	\$17,160	\$22,260
Houston	\$6,800	\$57,414	\$64,214
McCaughan	\$12,750	\$0	\$12,750
Valdés	\$12,750	\$18,421	\$31,171

(7)

*Sum of the total dollar value of the other columns in this table.*



Table of Contents**Grants of Plan Based Awards for Fiscal Year End December 31, 2012**

Grant Date	Estimated Future Payouts Under Non Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares (3)	All Other Option Awards: Number of Securities (4)	Exercise or Base Price (5)
	Threshold	Target	Maximum (1)	Threshold	Target	Maximum (1)	of Stock or Units (3)	Underlying Options (4)	Option Award (5)
/27/2012	N/A	\$1,282,500	\$5,600,000						
/27/2012				40,969	81,937	122,906		178,615	\$27.40
/27/2012	N/A	\$442,700	\$1,600,000						
/27/2012				11,893	23,785	35,678			
/27/2012								51,850	\$27.40
/27/2012	N/A	\$646,274	\$2,400,000						
/27/2012				18,778	37,555	56,333			
/27/2012								81,865	\$27.40
/27/2012	N/A	\$1,690,598	\$4,800,000						
/27/2012				17,753	35,506	53,259			
/27/2012								77,400	\$27.40
/27/2012	N/A	\$369,952	\$1,600,000						
/27/2012				9,560	19,119	28,679			
/27/2012								41,675	\$27.40

(1)

The maximum award shown is the maximum aggregate award payable under the Annual Incentive Pay Plan for the Named Executive Officers, based on the Bonus Pool. In determining the actual annual incentive award payable, the Human Resources Committee exercises negative discretion to reduce the amount payable from the maximum award determined under the Annual Incentive Pay Plan as described on pages 34-37.

(2)

These columns reflect PSUs granted on February 27, 2012. These PSUs will vest, if at all, according to the 2012-2014 PSU performance scale outlined on page 38. The maximum payout for the 2012 PSUs is 150% of the target number of PSUs.

(3)

There were no other stock awards granted in 2012.

(4)

*The options vest in three equal annual installments beginning on the first anniversary of the grant date. The options are not eligible for dividend equivalents. The number of stock options awarded to each Named Executive Officer in a given year is calculated by dividing the grant date fair value of one option into the portion of the Adjusted Target Award Opportunity (50%) to be delivered in options, using the Black-Scholes model (but adjusting for the possibility that some options may be forfeited because Executives may terminate their employment prior to the options vesting).*

- (5) *The per-share option exercise price is the closing price of the Common Stock on the date of grant.*
- (6) *Represents the grant date fair value of the award at target.*



Table of Contents**Outstanding Equity Awards at Fiscal Year End December 31, 2012**

	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (1)	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (2)	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (3)	Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
man (5)	48,353	0	\$27.57	02/25/2013				
	77,790	0	\$36.30	02/24/2014				
	108,185	0	\$39.02	02/28/2015				
	82,885	0	\$49.25	02/27/2016				
	1,120	0	\$54.45	06/01/2016				
	74,935	0	\$62.63	02/26/2017				
	142,985	0	\$60.10	02/26/2018				
	368,615	0	\$11.07	02/24/2019				
	96,466	48,234	\$22.21	02/23/2020	24,263	\$691,976	80,068	\$2,283,000
	35,305	70,610	\$34.26	02/28/2021			55,595	\$1,585,000
	0	178,615	\$27.46	02/27/2022			84,275	\$2,403,000
5)	7,380	0	\$60.10	02/26/2018				
	13,505	0	\$56.42	05/19/2018				
	22,510	11,255	\$22.21	02/23/2020	3,155	\$89,970	18,683	\$532,800
	8,551	17,104	\$34.26	02/28/2021			13,466	\$384,000
	0	51,850	\$27.46	02/27/2022			24,464	\$697,700
n	37,080	0	\$60.10	02/26/2018				
	129,810	0	\$11.07	02/24/2019				
	48,233	24,117	\$22.21	02/23/2020			40,035	\$1,141,000
	16,733	33,467	\$34.26	02/28/2021			26,349	\$751,400
	0	81,865	\$27.46	02/27/2022			38,627	\$1,101,000
ghan	40,475	0	\$27.57	02/25/2013				
	74,960	0	\$36.30	02/24/2014				
	91,955	0	\$39.02	02/28/2015				
	63,760	0	\$49.25	02/27/2016				
	48,990	0	\$62.63	02/26/2017				
	60,590	0	\$60.10	02/26/2018				
	173,555	0	\$11.07	02/24/2019				

52,910	26,455	\$22.21	02/23/2020	12,325	\$351,521	43,918	\$1,252,8
16,785	33,570	\$34.26	02/28/2021			26,431	\$753,8
0	77,400	\$27.46	02/27/2022			36,519	\$1,041,
0	41,675	\$27.46	02/27/2022			19,665	\$560,8

- (1) *All options vest in three equal installments on the first, second and third anniversaries of the grant date. Each of these options is also subject to accelerated vesting in certain events, such as the Executive's death, disability or retirement, or upon the occurrence of a Change of Control.*
- (2) *All RSUs vest on the third anniversary of the grant date.*
- (3) *Assumes a stock price of \$28.52 per share, the closing price of a share of Common Stock on the last trading day of the year, December 31, 2012, reported for the New York Stock Exchange-Composite Transactions.*
- (4) *The PSUs granted in 2010 vested on December 31, 2012 are disclosed at 110% in accordance with ASC Topic 718. The PSUs granted in 2011 will vest on December 31, 2013 and will pay out if either the ROE or operating income threshold performance measure is met as approved by the Human Resources Committee. PSUs granted in 2012 will vest on December 31, 2014 and will pay out if either the ROE or operating income threshold is met as approved by the Human Resources Committee.*
- (5) *Mr. Zimpleman received additional options on June 1, 2006, when he was promoted to President and Chief Operating Officer.*
- (6) *Mr. Lillis received additional options on May 19, 2008, in connection with his promotion to CFO.*

Executives may defer PSUs that are earned and would otherwise be paid shortly after the performance period. Annual cash incentive awards, as shown in the Non-Equity Incentive Compensation column of the Summary Compensation Table, may also be deferred into the Excess Plan.

Table of Contents**Option Exercises and Stock Vesting**

The following table provides information concerning the exercise of stock options and the vesting of RSUs and PSUs during calendar year 2012 for each Named Executive Officer on an aggregated basis.

Named Executive Officer	OPTION AWARDS		STOCK AWARDS	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting	Value Realized on Vesting (2)
Zimpleman	41,095	\$100,683	79,340	\$2,435,745
Lillis	44,895	\$693,268	18,513	\$568,326
Houston	13,515	\$5,811	84,214	\$2,458,419
McCaughan	66,817	\$20,186	98,111	\$2,856,409
Valdés	0	\$0	10,049	\$308,509

- (1) *Represents the difference between the market price of the underlying shares of Common Stock on the date of exercise and the exercise price of the exercised option.*
- (2) *Represents the market value of PSUs granted in 2010 that settled on February 25, 2013 at \$30.70 upon Committee approval of the final performance modifier of 109%. The actual payout was determined applying negative discretion, which took into account various factors including changes in accounting guidance and extraordinary items. As described in the 10k, these extraordinary items include a 3Q12 actuarial assumption review and Principal Financial Group Foundation contributions arising from Catalyst Health Solutions gains.*
- (3) *Although vested, Mr. Lillis elected to defer settlement of his PSUs to the earlier of January 3, 2017 or termination of his employment.*
- (4) *In addition to the PSUs, Mr. Houston and Mr. McCaughan had RSUs granted in 2009 that settled on February 24, 2012 at \$27.85.*

Table of Contents**Pension Plan Information**

Participant Group	Pension Benefit Formula
<b>GRANDFATHERED CHOICE</b>	<b><u>Defined Benefit Plan (Traditional Formula)</u></b> 39.2% of Average Compensation (The highest five consecutive years' total Pay out of the past ten years of Pay. "Pay" is the Named Executive Officer's base salary and annual incentive bonus up to the Tax Code limits) below the Integration Level (1) plus 61.25% of Average Compensation above the Integration Level.
<i>Grandfathered Choice Employees are employees who were age 47 or older with at least ten years of service on December 31, 2005, and elected to retain the prior benefit provisions under the DB Plan and the NQDB Plan and to forego receipt of the additional matching contributions offered under the 401(k) and Excess Plans.</i>	<b><u>Cash Balance Plan</u></b> - The Annual Pay Credits are calculated using the table below

Age + Service	Annual Pay Credit	
Years (Points)	Contribution on all Pay	Contribution on Pay above Taxable Wage Base(2)
< 40	4.00%	2.00%
40 - 49	5.50%	2.75%
50 - 59	7.00%	3.50%
60 - 69	9.00%	4.50%
70 - 79	11.50%	5.75%
80 or more	14.00%	7.00%

**Messrs. Zimpleman and Lillis** are Grandfathered Choice participants and their benefit at retirement will be the greater of

**NO Defined Benefit**

The NQDB benefit formula for employees hired before January 1, 2002, who are also Grandfathered Choice Participants is the greater of:

65% of the employee's Average Compensation, offset by Social Security and DB Plan benefits; or

The traditional or cash balance DB Plan benefit for Grandfathered Choice Participants (whichever is greater) without regard to Tax Code limits, offset by the benefit that can be provided under the DB Plan.

the benefit provided  
under the Traditional  
or Cash Balance  
Formulas.

**Reduction if payments start earlier than Normal Retirement Age (Traditional Benefit Formula only):**

The Company subsidizes early retirement if the Executive remains employed until Early Retirement Age (age 57 with 10 years of service), which is the earliest date an employee may begin receiving retirement benefits.

If the Executive retires after Early Retirement Age but before Normal Retirement Age (age 65), those benefits received by the Executive prior to age 62 are reduced to reflect payments are beginning at an earlier age. The early retirement benefits range from 75% at age 57 to 95% at age 61.

If the Executive terminates employment before reaching Early Retirement Age, Principal Life does not subsidize early retirement. The early retirement benefits range from 58.6% at age 57 to 92.8% at age 64.

Benefits receive a Cost of Living<sup>(3)</sup> adjustment after retirement benefits commence.

---

- (1) *The Covered Compensation Table in the Tax Code.*
- (2) *The Social Security Taxable Wage Base.*
- (3) *Seventy-five percent of increase in the Consumer Price Index. An average is taken for October through September and applied to the following year.*

Table of Contents

Participant Group	Pension Benefit Formula
<b>NON-GRANDFATHERED CHOICE</b>	<b><u>Defined Benefit Plan (Traditional Formula)</u></b> 35% of Average Compensation below the Integration Level plus 55% of Average Compensation above the Integration Level.
<i>Non-Grandfathered Choice Employees are employees who were eligible for the plan prior to January 1, 2006 and will receive the greater of the benefit provided under the Traditional Benefit Formula or the Cash Balance Formula. Any employees hired or that reenter the plan after December 31, 2001 are only eligible for the Cash balance Formula.</i>	<b><u>Cash Balance Plan</u></b> - The Annual Pay Credits are calculated using the table below

Age + Service	Annual Pay Credit	
Years (Points)	Contribution on all Pay	Contribution on Pay above Taxable Wage Base
< 40	3.00%	1.50%
40 59	4.00%	2.00%
60 79	5.50%	2.75%
80 or more	7.00%	3.5%

**Mr. Houston's** retirement benefit will be the greater of the Traditional or Cash Balance Formulas.

**Mr. Valdés's** retirement benefit will be - the Cash Balance Formula. Mr. Valdés will also have a small benefit under the Traditional Formula due to service prior to January 1, 2006.

**Mr. McCaughan's** retirement benefit will be determined under the - Cash Balance Formula. As of January 1, 2010, he no longer accrues benefits under this plan.

**NQ Defined Benefit**

The NQDB benefit formula for employees hired before January 1, 2002, who are Non-Grandfathered Choice Participants is:

The traditional or cash balance pension plan benefit for Non-Grandfathered Choice Participants (whichever is greater) without regard to Tax Code limits, offset by the benefit that can be provided under the DB Plan.

A different benefit formula was in effect until January 1, 2006, for the DB Plan and NQDB. For employees that were active participants of the plan on December 31, 2005, their accrued benefit on any date will not be less than their accrued benefit determined as of December 31, 2005.

**Reduction if payments start earlier than Normal Retirement Age (Traditional Benefit Formula only):**

The Company subsidizes early retirement if the Executive remains employed until Early Retirement Age (age 57 with 10 years of service), which is the earliest date an employee may begin receiving retirement benefits.

The subsidy is less for benefits accrued after December 31, 2005. If the Executive retires after Early Retirement Age but before Normal Retirement Age (age 65), those benefits received by the Executive prior to age 62 are reduced to reflect payments are beginning at an earlier age. The early retirement benefits range from 75% at age 57 to 95% at age 61 (and 97% at age 64 for benefits earned after

December 31, 2005).

If the Executive terminates employment before reaching Early Retirement Age, Principal Life does not subsidize early retirement. The early retirement benefits range from 58.6% at age 57 to 92.8% at age 64.

Benefits accrued as of December 31, 2005 receive a Cost of Living adjustment after retirement benefits commence.

Table of Contents**Pension Distributions**

Participants receive an annuity under the traditional benefit formula in the DB Plan. The earliest this benefit may be received is at age 57 with ten years of service. The qualified cash balance benefit formula in the DB Plan allows for benefits in the form of an annuity or as a lump sum (payable immediately upon termination/retirement or deferred to a later date).

NQDB benefits may be paid as a lump sum at termination/retirement, or as an annuity at the later of age 57 or termination/retirement. All benefit payments for specified employees, including the Named Executive Officers, will be made no earlier than six months after termination, as required by Section 409A of the Tax Code. Distributions may also be allowed at death or a change of control. For participants in the plan prior to January 1, 2010, a mandatory payment occurs at age 65, and these participants could elect for benefits to be paid to them on a date they specified between age 60 and 65.

**Pension Benefits**

Named Executive Officer	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit at Normal Retirement Age	Payments During Last Fiscal Year
		(1)	(2)	
Zimpleman	Qualified Pension	39	\$1,963,080	\$0
	NQDB		\$14,519,969	\$0
Lillis	Qualified Pension	30	\$1,748,751	\$0
	NQDB		\$2,783,060	\$0
Houston	Qualified Pension	28	\$635,589	\$0
	NQDB		\$1,901,586	\$0
McCaughan	Qualified pension	7	\$174,338	\$0
	NQDB		\$1,440,493	\$0
Valdés	Qualified pension	2	\$49,683	\$0
	NQDB		\$28,174	\$0

(1)

*As of December 31, 2012.*

(2)

*Benefit calculations have been made using the following assumptions:**Discount Rate: 5.15% for December 31, 2011 and 4% for December 31, 2012 benefits;**Mortality: 2011 IRS Prescribed Mortality Static Annuitant, Male & Female for December 31, 2011 benefits and 2012 IRS Prescribed Mortality Static Annuitant, Male & Female for December 31, 2012 benefits;**Cost of living increase: 1.875% for December 31, 2011 benefits and 1.6875% for December 31, 2012*



*benefits;*

*No disability;*

*Retirement age of 62 for Messrs. Zimpleman and Lillis, who could retire at that age and receive unreduced benefits under the terms of the plans. Retirement age of 65 for Houston, as he will not have unreduced benefits prior to that point. Retirement age of 65 for Valdes frozen traditional benefit plus current cash balance account. Current cash balance account for Mr. McCaughan;*

*A spouse 3 years younger; and*

*Cash balance interest crediting rate of 5.5% for December 31, 2011 and for December 31, 2012.*

Table of Contents**Non-Qualified Deferred Compensation**

<b>Named Executive Officer</b>	<b>Executive Contributions in Last Fiscal year (1)</b>	<b>Principal Life Contributions in Last Fiscal Year (2)</b>	<b>Aggregate Earnings in Last Fiscal Year</b>	<b>Aggregate Withdrawals / Distributions</b>	<b>Aggregate Balance at Last Fiscal Year End (3)</b>
Zimpleman	\$198,950	\$59,685	\$296,295	\$0	\$2,386,118
Lillis	\$34,320	\$17,160	\$49,977	\$0	\$365,845
Houston	\$76,552	\$57,414	\$156,985	\$0	\$1,193,513
McCaughan	\$0	\$0	\$330,299	\$0	\$2,106,907
Valdés	\$24,561	\$18,421	1,955	\$0	\$44,937

- (1) *The amounts shown as "Executive Contributions" have either been included in the Salary column of the Summary Compensation Table on page 42 or represent annual incentive payment deferrals earned in 2011 and credited to the Executives' accounts during 2012.*
- (2) *The amounts shown as "Principal Life Contributions" are included in the "All Other Compensation Column" of the Summary Compensation table on page 42.*
- (3) *The end of year 2012 aggregate balances includes the following deferrals and matching contributions from years prior to 2012:*

<b>Named Executive Officer</b>	<b>Employee Deferral Prior to 1/1/2012</b>	<b>Principal Life Match Prior to 1/1/2012</b>	<b>Total</b>
Zimpleman	\$1,417,002	\$351,349	\$1,768,351
Lillis	\$147,066	\$68,899	\$215,965
Houston	\$477,030	\$276,603	\$753,633
McCaughan	\$998,343	\$581,568	\$1,579,911
Valdés	\$0	\$0	\$0

**Qualified 401(k) Plan and Excess Plan**

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

The qualified 401(k) plan allows employees to defer one to 15% of base salary (one to 100% if not contributing to the Excess Plan) and one to 100% of awards under the Annual Incentive Plan or PrinPay Plan up to the limits imposed by the Tax Code. Principal Life provides matching cash contributions of (i) 50% of deferrals, up to a maximum deferral of six percent of the employee's pay (base salary and annual bonus) for Grandfathered Choice Participants and (ii) 75% of deferrals, up to a maximum of eight percent of the employee's pay (base salary and annual bonus) for all other participants.

The qualified 401(k) plan offers 20 investment options (including the Company's Common Stock) and investment return is based on the participant's investment direction. Distributions from the plan are allowed at various times including at termination of employment, death and disability. Vesting in the qualified plan is a three-year cliff schedule.

The Excess Plan allows for deferral of one to 15% of base salary and deferral of one to 100% of awards under the Annual Incentive Plan or PrinPay Plan. Principal Life provides matching cash contributions identical to those in the 401(k) Plan, without regard to the limitations on such contributions imposed under the Tax Code. Plan participants can direct their investments and the participants' investment returns are based on their investment selections. Deferrals and matching contributions in the Excess Plan are immediately vested. Distributions from the Excess Plan are allowed at various times, including termination of employment, death, specified date, change of control, mandatory distribution at age 65 and in the event of an unforeseeable emergency.

Table of Contents

The following funds are the investment options available to all participants in the Excess Plan:

<b>Investment Option</b>	<b>1 Year Rate Of Return (12/31/2012)</b>
Principal Equity Income Institutional Fund	12.95%
Principal LargeCap Value Institutional Fund	18.82%
Principal LargeCap S&P 500 Index Institutional Fund	15.73%
Principal LargeCap Growth Institutional Fund	16.48%
Principal LargeCap Growth I Institutional Fund	16.52%
Principal MidCap Blend Institutional Fund	19.15%
Principal MidCap Growth III Institutional Fund	9.40%
Principal SmallCap Value II Institutional Fund	17.70%
Principal SmallCap S&P 600 Index Institutional Fund	16.10%
Principal Small Cap Growth I Institutional Fund	14.63%
Principal Real Estate Securities Institutional Fund	17.15%
Principal International Emerging Markets Institutional Fund	20.80%
Principal Diversified International Institutional Fund	18.19%
Principal LifeTime Strategic Income Institutional Fund	9.46%
Principal LifeTime 2010 Institutional Fund	12.04%
Principal LifeTime 2020 Institutional Fund	14.71%
Principal LifeTime 2030 Institutional Fund	15.66%
Principal LifeTime 2040 Institutional Fund	16.66%
Principal LifeTime 2050 Institutional Fund	17.42%
Principal Money Market Institutional Fund	0%
Principal Bond & Mortgage Securities Institutional Fund	7.35%
Principal Inflation Protection Institutional Fund	7.07%
Principal Government & High Quality Bond Institutional Fund	4.37%
Principal Financial Group, Inc. Employer Stock Fund	19.11%

Table of Contents**PAYMENTS UPON TERMINATION****Employment Agreement**

The Company has an employment agreement dated May 1, 2008, with Mr. Zimpleman for his service as the Company's CEO. The employment agreement had an initial term through May 1, 2011, and the term of the agreement automatically extends to create a new one-year term unless either Mr. Zimpleman or the Company notifies the other of the intention not to extend the agreement. Mr. Zimpleman is entitled to benefits if his employment involuntarily terminates under certain circumstances other than upon a Change of Control. The severance provisions were based on market practice, and did not impact the decisions made regarding other components of his compensation.

**Severance Plans**

Messrs. Houston Lillis and Valdés are eligible for severance under the Company's severance plan if they are terminated as a result of lay-offs, position elimination or similar reasons. Executives do not receive severance benefits if they take a comparable job with Principal Life, fail to sign a release of claims against Principal Life, and/or other specified reasons. The benefit payable under the severance plan is the greater of one week of base salary for each year of service with Principal Life or two weeks of base salary for each \$10,000 of annual base salary (rounded to the nearest \$10,000). The severance plan has a minimum benefit of six weeks and a maximum benefit of 52 weeks of base pay, and also provides for three months of reimbursement of premium for continuation of medical, dental and vision insurance under the Retiree plan if the Executive is eligible to retire or COBRA if the Executive is not eligible to retire. In circumstances in which the severance plan does not apply, the Human Resources Committee would determine whether any severance benefits would be paid to Messrs. Houston, Lillis and Valdés.

An agreement made with Mr. McCaughan when he was hired provides that if he is terminated without "Cause", as that term is defined in the Change of Control Employment Agreements (see below), he will be paid (i) one year's base compensation and one year's annual bonus at target, and (ii) all other accrued entitlements, in accordance with the terms of the relevant plan.

Pursuant to Mr. Zimpleman's employment agreement, the lump sum severance amount is two times the sum of his annual base salary and target annual bonus.

The following table illustrates the severance or contractual benefits that the Named Executive Officers would have received had they qualified for such benefits on December 31, 2012.

Named Executive Officer	Outplacement		COBRA	Total
	Severance	Services	Reimbursement	
Zimpleman	\$4,500,000	\$10,000	\$3,038	\$4,513,038
Lillis	\$475,000	\$10,500	\$1,691	\$487,191
Houston	\$550,000	\$10,500	\$4,389	\$564,889
McCaughan	\$2,400,000	\$10,500	\$5,122	\$2,415,622
Valdés	\$525,000	\$10,500	\$4,240	\$539,740

**Change of Control Employment Agreements**

The Company entered into Change of Control Employment Agreements in 2010 with each of the Named Executive Officers, which replaced prior agreements. These Agreements have a term of two years and will automatically renew for successive one-year periods unless the Company provides a notice electing not to extend the term. If during the term of these agreements a "Pre-Change of Control Event" or a "Change of Control"

## Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

### Table of Contents

occurs, the term of the agreements will extend until the second anniversary of a Change of Control. These agreements provide that if payments upon termination of employment related to a Change of Control would be subjected to the excise tax imposed by Section 4999 of the Code, and if reducing the amount of the payments would result in greater benefits to the Executive (after taking into consideration the payment of all income and excise taxes that would be owed as a result of the Change of Control payments), the Company will reduce the Change in Control payments by the amount necessary to maximize the benefits received by the Executive Officer, determined on an after tax basis. In addition to the benefit of having to make fewer payments, if the benefits payable to any of the Named Executive Officers are reduced, all of the payments will be eligible to be deducted by the Company for federal income tax purposes.

The severance and other benefits provided under these agreements will be available to covered Executives upon a Change of Control if their employment is terminated following or in connection with a Pre-Change of Control Event, or if any third party ends or adversely changes the terms and conditions of the Executive's employment. For an Executive termination prior to a Change of Control, such termination or change in employment is deemed to have occurred immediately following the date on which a Change of Control occurs, rather than at the time the termination or change in employment actually occurs.

Under these Agreements, a "Pre-Change of Control Event" means:

- An offer that would result in a third party owning 40% or more of the Company's voting securities;
- A proxy solicitation or contest for the election of one or more members of the Company's Board; or
- An agreement that would result in a Change of Control.

Under these Agreements, a Change of Control means:

- Any person becoming an owner of 40% or more of the Company's Common Stock;
- Directors on the Board on the date of the Agreements (or those thereafter nominated for election, or elected to replace such Directors by certain incumbent Directors) are no longer a majority of the Board;
- A merger, reorganization, consolidation or similar transaction in which the shareholders of the Company do not continue to own more than 60% of the voting securities of the surviving corporation or its ultimate parent corporation; or
- Approval by the shareholders of the Company of a sale of its assets or a plan of liquidation.

These Agreements also provide:

That the Executives receive specified salary, annual incentive compensation and benefits for two years following a Change of Control if the Executive's employment continues after the Change of Control;

That if the successor to the Company agrees to issue equity to replace the equity awards the Executives received from the Company, the Executive's outstanding equity awards will continue or will become equity related to the common stock of the successor company ("Successor"). Any outstanding performance-based equity awards will be converted into time-vesting restricted stock or RSUs for Company stock (or the stock of the Successor). If the Successor does not or cannot agree to such substitution, then any such awards that are not converted will become fully vested, exercisable and/or distributable upon the Change of Control. In addition, the Agreements and equity award agreements specify that the Human Resources Committee (as made up immediately prior to the Change of Control) determines whether awards will be settled in cash;

For severance and other benefits if the Executive's employment is terminated without "Cause" or by the Executive voluntarily for "Good Reason." Termination without cause or by the Executive for good reason is referred to as a "qualifying termination;" and

That the Executive will vest in all benefits previously accrued under the NQDB and Excess Plans, and these benefits will be paid in accordance with these plans.

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

The benefits the Executive receives upon a Change of Control without termination of employment include the current vested account balance in the Excess Plan and the current vested benefit in the NQDB, according to change of control distribution elections on file for these plans.



Table of Contents

For purposes of the Agreements, "Good Reason" means negative changes in the terms and conditions of the Executive's employment, consisting of:

- Failure to pay base salary or any required increase in salary;
- Failure to pay the annual bonus or a reduction in annual bonus opportunity;
- Material adverse change in position, authority or duties;
- Material reduction in the aggregate compensation and benefits;
- Relocation to any office or location other than where the Executive worked before the Change of Control;
- Any material breach of the Change of Control Employment Agreement;
- Any purported termination the Company claims is for Cause, but fails to satisfy the requirements for a Cause termination; or
- The failure of the successor to be bound by the Agreements.

"Cause" means any one or more of the following:

- Commission of certain crimes;
- The Executive's misconduct or habitual neglect of duties; or
- The Executive's willful or intentional breach of the Executive's Change of Control Agreement.

The benefits to be paid or provided under the Agreements if termination occurs for Good Reason or without Cause consist of:

- Lump-sum severance benefits equal to two times the sum of the annual base salary and target annual bonus;
- Immediate vesting of all stock options, stock appreciation rights, shares of restricted stock, PSAs, PSUs, performance units, RSUs and deferred stock units;
- A pro-rated annual bonus for the year of termination minus the amount paid for the bonus at the time of the Change of Control; and
- The reimbursement for legal fees and other related expenses to enforce the Agreements.

In addition, until the third anniversary of the date of the Executive's termination (the second anniversary for Mr. Lillis), the Executive and his eligible family members will receive medical, prescription drug, dental, vision, group term life insurance, and accidental death and dismemberment coverages comparable to those received by Executives whose employment continues.

Pursuant to these Agreements, Mr. Zimpleman has agreed that for 18 months, and the other Named Executive Officers for one year, following a termination of employment that results in the Executive receiving the severance benefits described above, the Executive will not work for a competing business, solicit employees or customers, or interfere with the relationships of the Company, its affiliates and subsidiaries with their employees or customers.

Table of Contents**Potential Payments Upon Termination Related to a Change of Control**

The following table describes the potential payments upon involuntary termination without Cause or voluntary termination for Good Reason following a Change of Control. The calculations provided in the table assume:

termination occurred on December 31, 2012;

per share price of the Company's Common Stock was \$28.52, the closing price as of December 31, 2012, the last trading day of the year.

Named Executive Officer	Cash Severance (1)	Spread on Previously Unvested Options	Value of Previously Unvested Restricted Stock & Performance Shares (2)	Benefits Continuation (3)	Accelerated Pension Benefit (4)	Total Termination Benefits (before taxes)
Zimpleman	\$4,500,000	\$493,688	\$4,477,298	\$41,446	\$0	\$9,512,432
Lillis	\$1,900,000	\$125,980	\$1,124,772	\$24,386	\$0	\$3,175,138
Houston	\$2,475,000	\$238,955	\$1,781,245	\$55,921	\$0	\$4,551,121
McCaughan	\$4,800,000	\$248,975	\$2,051,158	\$51,042	\$0	\$7,151,175
Valdés	\$1,837,500	\$102,000	\$856,769	\$55,921	\$0	\$2,852,190

- (1) *Cash severance equals two times the sum of base salary and target annual bonus. In addition, the Executives would be entitled to a pro-rata bonus for the year of termination.*
- (2) *Equals the full value of unvested restricted shares and unearned performance shares as of December 31, 2012, where vesting would be accelerated, at a stock price of \$28.52. Performance shares granted in 2011 and 2012 are valued at target, based on our performance-to-date as of December 31, 2012.*
- (3) *Includes the estimated cost of continued medical, dental, vision, and life insurance coverage for three years after the Executive's termination and outplacement services, except for Mr. Lillis, who would receive these benefits for two years.*
- (4) *Represents the lump-sum present value of the accelerated vesting of unvested retirement benefits.*

Table of Contents

**PROPOSAL THREE ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

Say on pay votes will be held annually until the next vote on the frequency of this advisory vote is conducted in 2017, or until the Board determines that a different frequency would be in the best interests of the Company's shareholders.

The Company's Executive compensation program is designed to reward Executives who contribute to the achievement of the Company's business objectives and to attract, retain and motivate talented Executives to perform at the highest level and contribute significantly to the Company's success. The program is designed to tie the delivery of Executive compensation to the achievement of the Company's long and short term financial and strategic goals and to align the interests of Executives and shareholders. The purposes and objectives of, and the rationale behind, the Company's compensation program are described in significant detail in the Compensation Discussion and Analysis, starting on page 26. Of particular note are the following policies and practices aligned with recognized corporate governance best practice:

Our executive compensation is, in large measure, highly variable and directly linked to our short term and long term financial and strategic goals and the performance of the Company's stock price over time.

Executives receive a significant portion of total compensation opportunity in the form of equity based long term incentives and are required to own stock in the Company to ensure their interests are aligned with the shareholders' interests and long term performance of the Company.

The Company prohibits all employees, including Executive Officers, from purchasing any Company securities on margin (except for the exercise of stock options), engaging in short sales or trading in any put or call options.

The Company has a compensation recovery policy to recover incentive compensation paid to Executive Officers if the amount of the compensation was based on achievement of financial results that were subsequently restated, if, in the opinion of the Committee, the Executive Officer engaged in fraud or intentional misconduct that caused the restatement of the Company's financial statements, and that the amount of the Executive Officer's incentive compensation or equity award would have been lower had the financial results been properly reported.

In 2010, we entered into new Change of Control Agreements with Executives, with reduced benefits, including elimination of excise tax gross ups.

We do not provide perquisites to Executives that are not offered to all employees, with the exception of one physical examination per year.

Our programs are designed to be financially efficient from tax, accounting, cash flow and share dilution perspectives. We make efforts to ensure tax deductibility of all compensation to the extent practicable.

Shareholders are being asked to vote on the Company's compensation policies and procedures for the Named Executive Officers, as described in the Compensation Discussion and Analysis and the compensation tables and the accompanying narratives in this Proxy Statement.

This vote is not intended to address any specific item of compensation, but the Company's overall compensation related to our Named Executive Officers. Because your vote is advisory, it will not be binding on the Board and will not overrule any decision by the Board or require the Board to take any action. However, the Human Resources Committee, which is responsible for designing and administering the Company's executive compensation program, values shareholder opinions and will consider the outcome of the vote when making future compensation

decisions for the Named Executive Officers.

Table of Contents

This proposal, commonly known as a "say on pay" proposal, gives shareholders the opportunity to vote on an advisory, non-binding basis to approve the compensation of our Named Executive Officers as disclosed in this proxy statement pursuant to SEC rules through the following resolution:

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby approved.

**The Board of Directors recommends that shareholders vote "For" this resolution.**

Table of Contents

**PROPOSAL FOUR RATIFICATION OF APPOINTMENT OF INDEPENDENT  
PUBLIC REGISTERED ACCOUNTANTS**

Subject to shareholder ratification, the Audit Committee has appointed the firm of Ernst & Young LLP to audit the consolidated financial statements of the Company for the fiscal year ending December 31, 2013. The Company or Principal Life has used Ernst & Young LLP as its independent registered public accountants for several years. Ratification of the appointment of the independent registered public accountants requires the affirmative vote of a majority of the shares represented at the meeting and voting on the matter. If the shareholders do not ratify this appointment, the Audit Committee will consider the matter of the appointment of the independent registered public accountants.

RESOLVED, that the appointment of Ernst & Young, LLP to audit the consolidated financial statements of the Company for the fiscal year ending December 31, 2013 be ratified.

**The Board of Directors recommends that shareholders vote "For" this resolution.**

Representatives of Ernst & Young LLP will be present at the Annual Meeting, will be given an opportunity to make a statement if they so desire and will be available to respond to appropriate questions relating to the audit of the Company's 2012 consolidated financial statements.

**Audit Fees**

The aggregate fees billed by the Company's independent registered public accounting firm in 2012 and 2011 for professional services rendered in connection with regulatory audits in accordance with US GAAP, statutory, or foreign accounting principles; consultation on matters addressed during these audits; review of documents filed with regulators including the SEC; other engagements required by statute; or engagements that generally only the Company's independent registered public accounting firm can reasonably provide, such as comfort letters or consents, were approximately \$7,464,000 in 2012 and \$7,362,000 in 2011.

**Audit-Related Fees**

The aggregate fees billed by the Company's independent registered public accounting firm in 2012 and 2011 for professional services rendered in connection with audit-related services such as financial statement audits of employee benefit plans, financial statement audits not required by statute or regulation, accounting consultations in connection with proposed transactions or emerging accounting standards, and other attest and related advisory services not required by statute or regulation, were approximately \$1,083,000 in 2012 and \$1,185,000 in 2011.

**Tax Fees**

The aggregate fees billed by the Company's independent registered public accounting firm for professional services rendered in connection with tax services consisting primarily of tax consultations related to the Foreign Account Tax Compliance Act and other compliance totaled approximately \$1,911,000 in 2012 and \$409,000 in 2011. Tax compliance generally involves preparation, assistance or attestation related to tax filings in various domestic and non-domestic jurisdictions. Tax consultation generally involves assistance in connection with tax audits, filing appeals, and compliance with new tax-related regulations.

**All Other Fees**

The aggregate fees billed by the Company's independent registered public accounting firm for professional services rendered in connection other services primarily consisted of a construction cost evaluation,

Table of Contents

software licensing and an enterprise risk management evaluation (only in 2011), totaled approximately \$27,500 in 2012 and \$275,800 in 2011.

The Audit Committee has adopted a policy on auditor independence that calls for the Committee to preapprove any service the Company's independent registered public accountant proposes to provide to the Company, its majority-owned subsidiaries, employee benefit plans or affiliates. The policy also calls for the Committee to preapprove any audit service any independent auditor proposes to provide to these entities. The purpose of the policy is to assure that the provision of such services does not impair any auditor's independence. The policy provides for the general preapproval of specific types of Audit and Audit-Related services and fees up to an established individual engagement and annual threshold. The policy requires specific preapproval of all other services. Pursuant to the policy, each quarter Company management presents to the Committee a detailed description of each particular service that meets the definition of services that have been generally approved and each service for which specific preapproval is sought, and an estimate of fees for each service. The policy accords the Audit Committee Chair authority to preapprove services and fees for those services that arise between regularly scheduled meetings of the Audit Committee. In considering whether to preapprove the provision of non-audit services by the independent registered public accountant, the Audit Committee will consider whether the services are compatible with the maintenance of the independent registered public accountant's independence. The Audit Committee does not delegate its responsibilities to preapprove services performed by an independent auditor to management.

The Audit Committee did not approve the services described above under the captions "Audit-Related Fees," "Tax Fees" and "All Other Fees" by utilizing the *de minimis* exception of SEC Rule 2-01(c)(7)(i)(C).



Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Except as otherwise indicated below, the following table shows, as of March 18, 2013, beneficial ownership of shares of Common Stock by (i) the only shareholder known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each Director, (iii) each Named Executive Officer and (iv) all current Directors and executive officers as a group. Except as otherwise indicated below, each of the individuals named in the table has sole voting and investment power, or shares such powers with his or her spouse, for the shares set forth opposite his or her name.

Name	Number of Shares Beneficially Owned(1)	Percent of Common Stock Outstanding
The Bank of New York Mellon Corporation (2) One Wall Street, 31 <sup>st</sup> Floor New York, New York 10286	18,742,133	6.38
Nippon Life Insurance Company(3) 3-5-12 Imabashi Chuo-ku Osaka, 541-8501, Japan	18,137,000	6.18
Capital Research Global Investors (4) 333 South Hope Street Los Angeles, California 90071	17,405,962	5.93
The Vanguard Group (5) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	16,960,533	5.77
Betsy J. Bernard		*
Jocelyn Carter-Miller		*
Gary E. Costley		*
Michael T. Dan		*
Dennis H. Ferro		*
C. Daniel Gelatt (6)		*
Sandra L. Helton		*
Richard L. Keyser		*
Luca Maestri		*
Arjun K. Mathrani		*
Elizabeth E. Tallett		*
Daniel J. Houston (7)		*
Terrance J. Lillis (7)		*
James P. McCaughan		*
Larry D. Zimpleman		*
All Directors and Executive Officers as a group (XX persons)		*

\*

*The number of shares represents less than one percent of the number of shares of Common Stock outstanding.*

(1)

*Includes beneficial ownership of shares which each person named in this table has the right to acquire on or before May x, 2013 pursuant to previously awarded stock options, RSUs, and performance units that, although scheduled to be paid in shares in more than 60 days, would be paid immediately upon termination of service, as follows: Ms. Bernard, xxxx; Ms. Carter-Miller, xxxx; Dr. Costley, xxxx;; Mr. Dan, xxxx;Mr. Ferro, xxxx; Dr. Gelatt, xxxx; Ms. Helton, xxxx; Mr. Keyser, xxxx; Mr. Maestri, xxxx; Mr. Mathrani, xxxx; Ms. Tallett, xxxx; Mr. Houston, xxxx; Mr. Lillis, xxxx; Mr. McCaughan, xxxx; Mr. Zimpleman, xxxx; and all other executive officers as a group, xxxx.*

(2)

*The information regarding beneficial ownership by The Bank of New York Mellon Corporation is based solely on a Schedule 13G filed by it with the SEC on February 4, 2013, which provided information as of December 31, 2012. According to the Schedule 13G,*

Table of Contents

*Bank of New York Mellon has sole voting power with respect to 14,711,297 shares; shared voting power with respect to 571,568 shares; sole investment power with respect to 18,636,013 shares; and shared investment power with respect to 2,245 shares.*

(3)

*The information regarding beneficial ownership by Nippon Life Insurance Company is based solely on a Schedule 13G filed by it with the SEC on February 28, 2008, which provided information as of February 21, 2008. According to the Schedule 13G, Nippon Life has sole voting power with respect to 18,137,000 shares; shared voting power with respect to 0 shares; sole investment power with respect to 18,137,000 shares; and shared investment power with respect to 0 shares.*

(4)

*The information regarding beneficial ownership by Capital Research Global Investors is based solely on a Schedule 13G filed by it with the SEC on February 13, 2013, which provided information as of December 31, 2012. According to the Schedule 13G, Capital Research Global Investors has sole voting power with respect to 17,405,962 shares; shared voting power with respect to 0 shares; sole investment power with respect to 17,405,962 shares; and shared investment power with respect to 0 shares.*

(5)

*The information regarding beneficial ownership by The Vanguard Group is based solely on a Schedule 13G filed by it with the SEC on February 13, 2013, which provided information as of December 31, 2012. According to the Schedule 13G, Vanguard has sole voting power with respect to 493,238 shares; shared voting power with respect to 0 shares; sole investment power with respect to 16,497,754 shares; and shared investment power with respect to 462,779 shares.*

(6)

*Includes 301,506 shares held by Gingko LLC of which Dr. Gelatt is a controlling shareholder, director and executive officer.*

(7)

*Includes the following shares held in the Demutualization separate account for the benefit of each person indicated, as to which none of such persons has voting power: Mr. Houston, 386; and Mr. Lillis, 38.*

In addition to beneficial ownership of Common Stock, the Company's Directors and executive officers also hold different forms of "stock units" that are not reported in the security ownership table but represent additional financial interests that are subject to the same market risk as Common Stock. These units include shares that may be acquired after May xx, 2013 pursuant to previously awarded stock options, RSUs, performance share units and non-transferable accounting-entry units such as phantom stock units issued pursuant to Company stock-based compensation and benefit plans. The value of such units is the same as the value of the corresponding number of shares of Common Stock.

See "Directors' Compensation" on pages 23-25 for a discussion of the options and RSUs granted to Directors under the Principal Financial Group, Inc. 2005 Directors Stock Plan and the phantom stock units credited to Directors who participate in the Deferred Compensation Plan for Non-Employee Directors of Principal Financial Group, Inc. See "Compensation Discussion and Analysis" beginning on page 26 for a discussion of the performance units credited to officers who defer receipt of awards under a long term performance plan, the options and RSUs granted under the 2010 Stock Incentive Plan, and phantom stock units credited to officers that defer salary into an employer stock fund available under the Excess Plan.

As of March xx, 2013, the Directors and Executive Officers named in the security ownership table hold a pecuniary interest in the following number of units: Ms. Bernard, xxxx; Ms. Carter-Miller, xxxx; Dr. Costley, xxx; Mr. Dan, xxxx; Mr. Ferro, xxxx; Dr. Gelatt, xxx; Ms. Helton, xxx; Mr. Keyser, xxx; Mr. Maestri, xxxx; Mr. Mathrani, xxxx; Ms. Tallett, xxxx; Mr. Houston, xxxx; Mr. Lillis, xxxx; Mr. McCaughan, xxx;; and Mr. Zimpleman, xxx.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors, Executive Officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC and the New York Stock Exchange reports of ownership of the Company's securities and changes in reported ownership. Directors, Executive Officers and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on a review of the reports furnished to the Company, or written representations from reporting persons that all reportable transactions were reported, the Company believes that during the fiscal year ended December 31, 2012, the Company's Directors, Executive Officers and greater than ten percent owners timely filed all reports they were required to file under Section 16(a), except for one report for each of two Directors. The Company discovered that a report for each of two Directors was inadvertently not timely filed to disclose fee deferrals into an account that tracks the performance of the Company's Common Stock in the Deferred Compensation Plan for Non-Employee Directors. The Directors involved were Dennis H. Ferro and Elizabeth E. Tallett.

Mr. Ferro and Ms. Tallett regularly defer fees into the Deferred Compensation Plan for Non-Employee Directors. The Company undertakes to prepare Section 16(a) reports on behalf of its Directors and Executive Officers. A transition of duties and associated lack of communication within the Company caused the reports to be inadvertently filed two days after the two-day filing requirement for Section 16(a) reports.

Table of Contents

**APPENDIX A**

**PROPOSED AMENDED ARTICLE V OF THE COMPANY'S AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION TO IMPLEMENT THE ANNUAL ELECTION OF  
DIRECTORS, AS EXPLAINED IN PROPOSAL TWO**

(new language is underlined; language to be deleted is stricken)

ARTICLE V

BOARD OF DIRECTORS;  
MANAGEMENT OF THE CORPORATION

Section 1. Classified Board. The Directors of the Corporation, subject to the rights of the holders of shares of any class or series of Preferred Stock, shall be classified with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-laws of the Corporation, one class ("Class I") whose initial term expires at the 2002 annual meeting of stockholders, another class ("Class II") whose initial term expires at the 2003 annual meeting of stockholders, and another class ("Class III") whose initial term expires at the 2004 annual meeting of stockholders, with each class to hold office until its successors are elected and qualified. At each annual meeting of stockholders of the Corporation, the date of which will be fixed pursuant to the By-Laws of the Corporation, and subject to the rights of the holders of shares of any class or series of Preferred Stock, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Directors elected to succeed those whose terms expired at the annual meetings of the Corporation's stockholders held in 2012 and 2013 shall hold office for a term expiring at the third annual meeting of stockholders following their respective elections. Directors elected at the annual meetings of the Corporation's stockholders in 2014 and 2015 shall each be elected at such meetings for one-year terms expiring at the respective next annual meeting of stockholders following their election.

Section 2. Elimination of Classified Board. Commencing with the annual meeting of the Corporation's stockholders in 2016, the classification of the Board of Directors, as set forth in Article V, Section 1 of this Amended and Restated Certificate of Incorporation, shall cease. At the annual meeting of the Corporation's stockholders in 2016 and at each annual meeting of the Corporation's stockholders thereafter, each nominee for Director shall stand for election to a one-year term expiring at the next annual meeting of stockholders and until their respective successors shall have been duly elected and qualified, subject to prior death, resignation, retirement, disqualification or removal from office.

Section ~~2~~ 3. Director Discretion. In determining what he or she reasonably believes to be in the best interests of the Corporation in the performance of his or her duties as a director, a Director may consider, to the extent permitted by law, both in the consideration of tender and exchange offers, mergers, consolidations and sales of all or substantially all of the Corporation's assets and otherwise, such factors as the Board of Directors determines to be relevant, including without limitation:

- (a) the interests of the policyholders of the Corporation's subsidiaries;
- (b)

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form PRE 14A

the long term and short-term interests of the Corporation and its stockholders, including the possibility that the interests may be best served by the continued independence of the Corporation;

(c)

whether the proposed transaction might violate state or federal laws;

(d)

if applicable, not only the consideration being offered in a proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a

Table of Contents

whole or in part through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; and

- (e) the interests of the Corporation's employees, suppliers, creditors and customers, the economy of the state, region and nation, and community and societal considerations.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

Section ~~3~~ 4. Management of Business. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating the powers of the Corporation and its Directors and stockholders:

- (a) Subject to the rights of any holders of any series of Preferred Stock, if any, to elect additional Directors under specified circumstances, the holders of a majority of the combined voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of Directors may remove any Director or the entire Board of Directors, but only for cause; provided that Directors elected at annual meetings of the Corporation's stockholders in 2016 and later may be so removed with or without cause.
- (b) Vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause and newly created Directorships resulting from any increase in the authorized number of Directors shall be filled in the manner provided in the By-Laws of the Corporation.
- (c) Advance notice of nominations for the election of Directors shall be given in the manner and to the extent provided in the By-Laws of the Corporation.
- (d) The election of Directors may be conducted in any manner approved by the Board of Directors at the time when the election is held and need not be by written ballot.
- (e) All corporate powers and authority of the Corporation (except as at the time otherwise provided by law, by this Amended and Restated Certificate of Incorporation or by the By-Laws) shall be vested in and exercised by the Board of Directors.
- (f) The Board of Directors shall have the power without the assent or vote of the stockholders to adopt, amend, alter or repeal the By-Laws of the Corporation, except to the extent that the By-Laws or this Amended and Restated Certificate of Incorporation otherwise provide. In addition to any requirements of law and any other provision of this Amended and Restated Certificate of Incorporation, the stockholders of the Corporation may adopt, amend, alter or repeal any provision of the By-Laws upon the affirmative vote of the holders of three-fourths (<sup>3</sup>/<sub>4</sub>) or more of the combined voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of Directors.

Table of Contents

**APPENDIX B**

2012 McLagan Investment Management Survey Participants

2012 Towers Watson Diversified Insurance Study of Executive Compensation Participants

2012 Towers Watson U.S. Financial Services Study of Executive Compensation Participants

EE-9039-11

























