Principal Fixed Income Option
non-401(a)

Overview
The Principal Fixed Income Option non-401(a) is a guaranteed general account-backed group annuity contract. This group annuity contract has been issued by Principal Life Insurance Company (Principal Life) to Principal Trust CompanySM as custodian.

Advantages of a guaranteed contract
The Principal Fixed Income Option can provide the conservative foundation for a retirement program. It offers plan participants three important characteristics:

• Stability of principal – The value does not fluctuate with the stock and bond markets.
• A declared interest rate – Participants know in advance what interest will be earned.
• No transfer charges will apply to participants – No redemption fees, early withdrawal charges or market value adjustments are charged on participant transfers into or out of the Principal Fixed Income Option. An employer-level liquidation may result in a surrender charge. See Surrender charge section for more details.

Crediting rate
A rate of interest contractually guaranteed by Principal Life is credited to participant account balances. This crediting rate is a 1.75 percent effective annual rate until June 30, 2018. The rate will be reset July 1, 2018, and semiannually thereafter.

The crediting rate history is shown based on past interest rates and does not guarantee future rates. For more information, visit our website at principal.com, contact your representative of Principal® or call our Participant Contact Center at 1-800-547-7754.

Competing plan investment options
If the retirement program provides you access to the Principal Fixed Income Option and Competing Plan Investment Options, then participant transfers, either directly or indirectly, to Competing Plan Investment Options will generally be subject to an Equity Wash, which the contract defines.

An Equity Wash generally requires that transfers must be directed to a non-competing investment option under the plan for 90 days before such transferred amounts may be directed to any Competing Plan Investment Option available under the plan. Competing Plan Investment Options include other guaranteed investment options or fixed income, money market or bond funds that ever had an average duration of three years or less.
Benefit payments

Benefit payments described in the contract are made at book value (i.e., no market value adjustments or surrender charge adjustments) for all plan benefit events, including:

- Retirement
- Death
- Disability
- Termination of employment
- Loans
- Withdrawals
- Plan Termination

Surrender charge

An employer-level liquidation or employer-initiated transfer of the plan’s interest in the Principal Fixed Income Option will be subject to either a 12-month irrevocable advance notice or a 5 percent surrender charge, whichever the employer chooses. Participant-initiated transfers from the Principal Fixed Income Option may also be subject to the 5 percent surrender charge when the transfers are requested in anticipation of the employer-level liquidation of the plan’s interest in the contract. If this scenario occurs, the surrender charge will be billed to the employer. Refer to the contract for a full description of the surrender charge.

Guarantee backed by Principal Life

This contract guarantees principal and provides a stated rate of return backed by Principal Life. Nationally recognized statistical rating organizations (NRSROs) publish financial strength ratings of U.S. life insurance companies that are indicators of an insurance company’s ability to meet contract holder and policyholder obligations. Such ratings are not a recommendation to buy, sell or hold an investment; are subject to withdrawal or revision at any time by the assigning NRSRO; and each rating should be evaluated independently of any other rating. The following sets out the financial strength ratings for Principal Life and the assigning NRSRO as of October 2017. Current rating information is available at principal.com.*

- Fitch Rating-Insurer Financial Strength Rating of AA-, Very Strong – fourth highest of 19 rating levels
- Standard & Poor’s Rating Group-Insurer Financial Strength Rating of A+, Strong – fifth highest of 20 rating designations
- A.M. Best-Financial Strength Rating of A+, Superior – second highest of 13 rating levels
- Moody’s Investors Service-Insurance Financial Strength Rating of A1, Good – fifth highest of 21 rating levels

As a guaranteed contract, this is not an investment but is a group annuity contract with a guarantee backed by the assets in the multibillion-dollar general account of Principal Life. The general account consists of more than 7,000 investments, which include corporate bonds, treasuries, commercial real estate mortgages, mortgage-backed securities and short-term cash equivalents. The portfolio composition of the general account is illustrated as follows:

*Third party ratings relate to Principal Life Insurance Company and Principal National Life Insurance Company only, and do not reflect any ratings actions or notices relating to the U.S. life insurance sector generally. Ratings are current as of October 2017. Ratings are subject to revision or withdrawal at any time by the assigning agency, and each rating should be evaluated independently of any other rating. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. Guarantees are based upon the claims-paying ability of the issuing insurance company.

Insurance products from the Principal Financial Group® are issued by Principal National Life Insurance Company (except in New York) and Principal Life Insurance Company. Plan administrative services are provided by Principal Life Insurance Company. Principal National and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

The Principal Fixed Income Option is an insurance product that provides a guaranteed crediting rate for specified periods of time. As an insurance product, this option does not have a fixed investment management fee or expense ratio; those are concepts unique to investment products. Rather, the product provides a guarantee that is backed by the General Account of Principal Life Insurance Company. The calculation of each guarantee includes some amount of expected costs and expenses. While we target a certain level of expense, there are many factors that can change our actual cost of providing the guarantee. This can include factors such as changes in the interest rate environment.

While it is impossible to know the actual expense due to these factors, Principal Life Insurance Company, as a provider of administrative services to the plan, assumes that it will receive 65 basis points (from the expense built into the Principal Fixed Income Option) as part of the overall fee arrangement a plan pays for services from Principal Life.

Principal Fixed Income Option is the Group Annuity Contract - Custodial Guaranteed Fund Contract available through Principal Life Insurance Company, a member of the Principal Financial Group®, Des Moines, Iowa, 50392.

Principal Trust Company is the trade name of Delaware Charter Guarantee & Trust Company.

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