



Auditor's Information Report

*This document is intended for use by full service Defined Benefit and Defined Contribution Plan Sponsors and their auditors with services provide by Principal[®]. Many of the items also apply to those utilizing a Third Party Administrator (TPA). Any items which do not apply to TPAs are noted as such. Items included in this document may not apply to ESOPs.
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Introduction

Retirement and Income Solutions (RIS) is a business unit of Principal Life Insurance Company (Principal Life), a member company of Principal® that helps businesses and individuals with their retirement and investment goals.

We prepared the annual Auditor's Information Report with both plan sponsors and their auditors in mind. This report serves as a guide to provide information you will need when performing standard plan reporting and audit functions. If Principal provides recordkeeping services, we will also include a list of transactions that affect the plans' financial activity based on information we have on file. Please keep in mind, some of the information listed may not apply to your plan.

At Principal, we help make your audit planning and process easier by making the Form 5500 filing, or information for the filing, and audit information available via the employer website at principal.com. The plan sponsor must grant the plan auditor(s) access to view this information online. See [Chapter 1](#) for further information on this process.

The [5500 Plan Audit Support Team](#) is available to serve as a single point of contact, working with both plan sponsors and their auditors directly for any plans who require a Form 5500 audit. For your convenience, you can submit your question or participant data testing request [online](#). The audit online submission forms and the 5500 Plan Audit Support Team service hours are available via the employer website at principal.com.

There are also many helpful jump links within the guide to help you navigate and find information easily. Please also read the Helpful Tips as they may help you get familiar with some of the frequently asked questions we receive from auditors.

Throughout this guide, "we" is a reference to Principal Life Insurance Company. "You" is a reference to both the plan sponsor and their auditors.

New This Year

CARES ACT

In response to the pandemic, The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the U.S. Congress and signed into law by President Trump on March 27, 2020. The CARES Act contained numerous provisions aimed at alleviating the negative impact of the crisis. Below is a list of provisions which were applicable to retirement plans.

- Required Minimum Distributions (RMDs) for defined contribution plans were waived for 2020, including 2019 first time RMDs due by April 1, 2020 (and not already distributed before 2020).
- Coronavirus related distributions - "Qualified Individuals" could take a withdrawal up to \$100,000 without the 10% early withdrawal penalty, if plan allowed by the plan.
- Loan limits can be increased for "Qualified Individuals" to lesser of present value of nonforfeitable benefit or \$100,000, if plan allowed.
- Additional loan relief was granted for "Qualified Individuals", delaying certain loan payments during 2020.
- Defined benefit plans can use the plan's funded status for the last plan year that ended before January 1, 2020 in determining benefit restrictions for plan years which include calendar year 2020.
- Required contributions for defined benefit plans due during 2020 calendar year may be extended until January 1, 2021. (Note: this was further extended to January 4, 2021.)

Note that a "Qualified Individual" is someone who satisfies one of the following:

- who is diagnosed with, or whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) is diagnosed with, the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act), or
- who experiences, or whose spouse or member of their household (defined as someone who shares the individual's principal residence) experiences, adverse financial consequences as a result of being quarantined, being furloughed or laid off, having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, having a reduction in pay (or self-employment income) due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19, or other such factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

For more information:

<https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers>

<https://www.irs.gov/newsroom/coronavirus-relief-for-retirement-plans-and-iras>

Report Changes

Principal® Stable Value Fund

As of 01/01/2020, the Principal® Stable Value Fund is wholly invested in the Morley Stable Value Fund. With this new structure, there is no look-through to the underlying holdings of the Morley Stable Value Fund for fund reporting. Fair value is now determined using NAV at the fund level. Based on the DOL guidance that a plan's filing should follow the fund's reporting method, we will no longer report an adjustment from contract value to fair value for the Principal® Stable Value Fund.

Form 5558

Starting with Dec. 1, 2019 plan anniversaries (Nov. 30, 2020 plan year-end), Principal will now automatically prepare and file the Form 5558 extension on behalf of our clients, unless they opt out of this service. Form 5558 extends the filing deadline 2½ months past the normal due date. For example: If the normal filing deadline is July 31, a filed Form 5558 would extend that deadline 2½ months after the normal due date to Oct. 15.

How does it work?

- After we've prepared the Form 5558 and it's ready for us to automatically file, clients will receive a Principal Message CenterSM message.
- In the message, we'll provide a link to the filing extension page where they can review the Form 5558 to ensure its accuracy. This information can also be found in the Resource box on the Form 5500 landing page and within the Form 5500 Supporting Info section.
- Directions and timing will be included in the message.
- If clients don't want us to file the Form 5558 automatically, they can complete the steps on the Filing extension page to opt-out of this service. If they take no action, the Form 5558 will be prepared and filed on their behalf.
- Please note: The filing extension page will be available after the Form 5558 is prepared.

Form 5500 Changes to Note Per Form 5500 Instructions

Schedule H Part III - Accountants Opinion

The Auditing Standards Board issued a new auditing standard to improve the Accountant's Opinion, Statement on Auditing Standards (SAS) 136, Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA, that addresses the auditor's responsibility to form an opinion on the financial statements of employee benefit plans subject to ERISA. SAS 136 also addresses the form and content of the auditor's report issued as a result of an audit of an ERISA plan's financial statements. The SAS applies to audits of single employer, multiple employer, and multiemployer plans subject to ERISA. Among other improvements, SAS 136 permits the Independent Qualified Public Accountant (IQPA) to issue a form of an unmodified opinion when the IQPA has performed an audit pursuant to 29 CFR 2520.103-8 and/or 29 CFR 2520.103-12 (an ERISA section 103(a)(3)(C) audit). Schedule H, Line 3b now replaces a "yes"/"no" question with the appropriate check boxes to indicate whether the ERISA section 103(a)(3)(C) audit supporting the Accountant's Opinion was performed pursuant to 29 CFR 2520.103-8 or 29 CFR 2520.103-12, pursuant to both, or not performed pursuant to either of those sections. The instructions for the questions on the Accountant's Opinion have also been revised to reflect SAS 136.

Administrative Penalties

The instructions have been updated to reflect an increase to \$2,233 per day in the maximum civil penalty amount assessable under Employee Retirement Income Security Act section 502(c)(2), as required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The increased penalty under section 502(c)(2) is applicable for civil penalties assessed after Jan. 15, 2020, whose associated violation(s) occurred after Nov. 2, 2015. (85 FR 2292 (January 15, 2020)).

Schedules H/I, Line 4l

The instructions for Line 4l has been revised to increase the required minimum distribution age from 70 ½ to 72 amended by SECURE Act.

Schedule H Part IV – Compliance Questions

Schedule H, Line 5c has been revised to clarify that the "yes" box is the appropriate box to check if the plan was covered by PBGC at any time during the plan year.

Schedule I

Schedule I, Line 5c has been revised to clarify that the "yes" box is the appropriate box to check if the plan was covered by PBGC at any time during the plan year.

Schedule R

Schedule R, Line 14 has been revised to provide multiemployer plans with a choice of three counting methods to count inactive participants and to require that an attachment be provided depending on the counting method chosen. A plan that reports a number on lines 14b or 14c that differs from the corresponding number it reported for the plan year immediately preceding the current plan year also must attach an explanation of the reason for the difference.

Audit Support Virtual Assistant

We've released an Audit Support Virtual Assistant to provide a better client and auditor experience and a faster turnaround for less complex questions/inquiries. This interactive FAQ provides clients and auditors with an alternative to placing a phone call or waiting 3-7 business days for an email response to less complex inquiries.

It is accessible by logging onto the employer website at principal.com.

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Audit Support Virtual Assistant**

Principal Global Investors SOC 1 Report/State Street and Principal Global Investors Gap (Bridge) Letters

If applicable to the plan, these are now accessible in real time by logging onto the employer website at principal.com.

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click applicable links (for the State Street reports, fill out your name, auditing firm name, and select reason for the request)

Chapter 1: Getting Started

Scope of Audit

Full Scope Audit - Definition

An audit of the financial statements of an employee benefit plan in accordance with generally accepted auditing standards (Glossary, American Institute of Certified Public Accounts (AICPA) Audit and Accounting Guide).

Limited-Scope Audit - Definition

An audit in which the Employee Retirement Income Security Act (ERISA) allows the plan administrator to instruct the auditor not to perform any auditing procedures with respect to information prepared and certified by a bank or similar institution or by an insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency.

AICPA Guide on Limited-Scope Audits

The AICPA Audit and Accounting Guide states, ERISA §103(a)(3)(C) allows the plan administrator to instruct the auditor not to perform any auditing procedures with respect to investment information prepared and certified by a bank or similar institution or by an insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency. The qualified certifying institution must certify both the accuracy and completeness of the information submitted.

DOL Regulation §2520.103-8 also gives guidance on allowing a limited-scope audit.

Does a Full or Limited-Scope Audit Apply?

Based on the foregoing descriptions of the full scope and limited-scope audits, it is our opinion that an employee benefit plan invested solely in a group annuity contracts and separate accounts, collective investment trusts, or mutual funds may qualify for a limited-scope audit.

Audit Preparation

Planning

We can help make your audit process easier by making the Form 5500 filing and audit information available on the employer website. You must grant your plan auditor access for them to view the information.

We'll also provide large plan filers and TPAs with a System and Organization Controls (SOC 1) Report. Our SOC 1 Report is a Type II report. It offers information to the plan auditor for situations where a service organization, like Principal Life, maintains a system of controls or quality checks. These controls and quality checks interact with the plan sponsor's controls to measure the efficiency of plan operations.

The auditor may ask for copies or listings of the following documents from the plan management. They may also ask for other information that is not listed. There may be an extra charge if you ask us to reproduce information already provided.

- Latest determination letter for your plan (issued by the IRS)
- Plan and contract documents, trust and service agreements, and amendments
- Participant enrollment forms if Principal does not provide Salary Deferral Service
- Prior year Form 5500 Annual Return/Report, including copies of all applicable schedules and audit reports
- Summary Plan Description (SPD), Summary of Material Modifications (SMM), and Summary Annual Report (SAR)
- Proof of passed Average Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) test results
- Evidence maximum contributions/benefits (IRC Section 415 limits) have not been exceeded
- Top-heavy calculations
- Confirmation received each time contributions/loan payments are submitted
- Fraud (for example, whistle-blower) logs and dispositions
- Listing of members of the board of directors/trustees, audit committee, and internal committee responsible for plan oversight/governance
- Listing of key accounting and management personnel associated with the plan, including contact information
- Minutes from board/committee meetings
- Contact information for legal counsel, third-party administrators and investment custodians
- Investment policy statements
- Payroll records used to determine plan participant eligibility (timecards, personnel records, and employment contracts)
- Tax filings such as Form 1120, Form 990 or other tax forms as applicable to your plan
- Evidence of a fidelity bond for all people handling trust funds and for all plan fiduciaries
- Employee Census

Audit Dates

This applies if comprehensive Form 5500 services are provided. To prepare your Audit Information timely, we ask that you indicate the date you need the Audit Information via the Submit Form 5500 Questionnaire task. For example, if the plan auditor is scheduled in your office on June 1st, we suggest you indicate an audit date **at least 2 weeks prior** to June 1st. Auditors will often begin review of audit data a week or two before they are scheduled to arrive in your office. It is important that this date is provided because we prioritize completion of audit information based upon that date to ensure data is available when needed. Please note, plans that invest in certain Collective Investment Trusts (CITs) require an audited financial statement that may not be available prior to May 1st.

Getting to Know the Website

Since shares of Principal Financial Group, Inc. (PFG) are publicly traded, some of the information needed for the audit is available to the general public. This includes our Annual Report, SEC Filings, audited financial statements, stock activity and other information for investors. This information is located through the following website:

<https://investors.principal.com/investor-relations/investor-toolkit/shareholder-services/annual-meeting-materials/default.aspx>

Other materials may be specific to your plan and contract or service agreement. As a result, documents related to these are found on the plan's employer website at principal.com. Most of the information we will refer to in this document will be found at that location, unless specified otherwise.

Providing Auditor Access

Access to this site is maintained by one person at the plan sponsor's location, referred to as the Primary Security Administrator. Not even Principal Life employees can grant or revoke the access for other users— only the Primary Security Administrator has the authority and ability to do so. Instructions to grant auditors and others access to the employer website at principal.com can be found by that Primary Security Administrator at the following location once logged in,

1. Click **Compliance, Auditing**
2. Click **Providing Access to Auditors**

Location of Information

Note: Not all the items listed below may apply to your plan.

**** Means this item does not apply to Principal TPA EdgeSM plan sponsors and other plans for which we do not provide comprehensive Form 5500 services.**

Information	Where To Find It
1099-R (Distribution) Codes	Click IRS Form 1099-R
5500 Plan Audit Support Team Contact Information	<ol style="list-style-type: none">1. Click Compliance, Auditing2. Click View Current Plan Year Audit
**5500 Revisions – Allowable Changes by Plan Sponsor	Click Allowable Changes by Plan Sponsor
ASC 820 & 715-20 Fair Value Information	<p>To see your ASC 820 & 715-20 results</p> <ol style="list-style-type: none">1. Click Investments, Fair Value Measurement of Investments2. Click the desired report3. Scroll down and click on ASC 820 or 715-20 <p>For general information on ASC 715-20</p> <ol style="list-style-type: none">1. Click Investments, Fair Value Measurement of Investments2. Click Valuing and Reporting of Retirement Plan Assets - ASC 715-20 <p>Note: The plan sponsor should have copies of all investment contract documents needed to assist with fair value validation.</p>

Audit Information <ul style="list-style-type: none"> • Audit List/Transaction Summary • Certification of Financial Information • Fair Market Value Report • Historical Cost Report • Income Payment Summary • Number of Shares/Units Report • Participant 1099R List (Contract Level) • Present Value Report • Allocated Retired Lives • Principal Financial Group® Bond • Principal Life SOC 1 <ul style="list-style-type: none"> ○ 12/31, 3/31, & 6/30 GAP (Bridge) Letters ○ 9/30 GAP Letter is available by request only • Recordkeeping Loan Report.csv • Schedule of Assets Held • Schedule of Reportable Transactions 	<ol style="list-style-type: none"> 1. Click Compliance, Auditing 2. Click View Current Plan Year Audit 3. Click applicable link(s) <p>Note: For prior plan year information click View Previous Plan Year Audit, if applicable.</p> <p>Only available if it applies to the plan.</p> <p>The Fair Market Value for the guaranteed interest account is located within the Employer Fund Statement.</p>
**Compliance Testing <ul style="list-style-type: none"> • 415 Limits Test • ADP/ACP Test • Minimum Coverage Test • Top-Heavy Determination 	<ol style="list-style-type: none"> 1. Click Compliance, Compliance Testing 2. Click Historical (or Pending) Compliance Tests 3. Select the appropriate testing period 4. Click Continue <p>Note: Please contact the plan's Client Service Associate/Manager if the current year tests are unavailable.</p>
Contact Information – Client Service Associate/Manager	<ol style="list-style-type: none"> 1. At the bottom of the page, click on “Contact Us” 2. Under “Need help with plan administration?” locate the person listed as Client Service Associate (CSA) or Client Service Manager (CSM)
Contributions/Loan Information – Participant Level	<p>To obtain a detailed report broken out by specific items such as Pay Period End Date, you will need to run a report accessible by logging onto the employer website at principal.com.</p> <ol style="list-style-type: none"> 1. Click Reports 2. Click on Transactions 3. Find Transaction Detail Report and click View Report 4. Under the Apply Filters tab <ol style="list-style-type: none"> 1. Enter Plan Year Effective Dates 2. Plan Year (if applicable, if not leave blank) 3. Transaction Category (if applicable, if not leave blank) 4. Contribution Source (if applicable, if not leave blank) 5. Participant ID (if applicable, if not leave blank) 6. Pay Period End Dates (if applicable, if not leave blank) 7. Click Save and Continue. You may download the report to excel on the next page <ul style="list-style-type: none"> ▪ Additional Options: Under the Select Columns tab <ul style="list-style-type: none"> ○ Ensure columns you wish to see are selected ○ De-select any columns you do not wish to see ▪ Click View Report tab
Deferral Reports	<ol style="list-style-type: none"> 1. Click Reports 2. Click Contributions 3. Click Historical Contribution Rates
ESOP Audit Package	<ol style="list-style-type: none"> 1. Click Documents, My Documents 2. Click View Allocation Reports (right hand side) 3. Click on link for report you wish to view <p>Note: Directions are for Balanced Forward ESOP plans. Daily Valued ESOP plans audit package is located under the Compliance, Audit links.</p>

Financial Reports (audited and unaudited) <ul style="list-style-type: none"> • US Property Separate Account • Pooled Separate Accounts Unaudited Financial Statements • Separate Account Reconciliation • Separate Account Financial Information spreadsheet • Collective Investment Trust <ul style="list-style-type: none"> ○ Principal® LifeTime Hybrid CITs - Tentative timing for new report is the end of June. ○ Principal® Stable Value Fund 	<ol style="list-style-type: none"> 1. Click Compliance, Auditing 2. Click View Current Plan Year Audit 3. Click Investment Financial Information Reports
Forfeitures	<ol style="list-style-type: none"> 1. Click Reports 2. Click Plan Statements 3. Click the desired report & go to the Employer Holding Report section <p>Note: Use the bookmarks on the far left to go directly to the Employer Holding Accounts section.</p>
Form 5500 and Required Schedules	<ol style="list-style-type: none"> 1. Click Compliance 2. Click Form 5500 3. Click Review and E-File Forms & Attachments 4. Under Step 1 Review & Make Changes to Forms & Schedules 5. Click desired Schedule or "View All Forms at Once"
Form 5500 Reference Guide <ul style="list-style-type: none"> • Additional Information about the Form 5500 and Schedules 	<ol style="list-style-type: none"> 1. Click Help 2. Type 5500 Schedules in the search box 3. Click 5500 Schedules
General Plan Information <ul style="list-style-type: none"> • **Plan Document • **Amendments/Restatements • **Summary Plan Descriptions • **Summary of Material Modifications • **IRS Determination Letter/Opinion Letter 	<ol style="list-style-type: none"> 1. Click Documents, My Documents 2. Click desired report
Investment Information <ul style="list-style-type: none"> • Fact sheets • Account performance • Unit value/share price by date • Portfolio Holdings 	<ol style="list-style-type: none"> 1. Click Investments, Investment Performance 2. Click Investment Name 3. Click Investment Option Profile <p>Note: Alternate instructions if the above does not work,</p> <ol style="list-style-type: none"> 1. Click Investments, Investment Research 2. Click Investment Style Box 3. Select Name of Investment 4. Click Investment Option Profile
Investments – Closed/Transferred	<ol style="list-style-type: none"> 1. Click Investments, Investment Research 2. Click Investments News 3. Click either View All Investment Bulletins or View All Investment Notices 4. Select applicable Bulletin
Loans (Amortization Info) <ul style="list-style-type: none"> • Interest Rates • Number of Payments • 1st Payment Dates (shown as "Effective Date") 	<ol style="list-style-type: none"> 1. Click Reports 2. Click Plan Statements 3. Click the desired report <p>Note: Go to the Loan Summary Section.</p>
Loans (Maturity Date) <ul style="list-style-type: none"> • Active Loans only 	<ol style="list-style-type: none"> 1. Click Reports 2. Click on Loans 3. Find Participant Loans or Loan Information Report 4. Click View Report

Participant Activity Report <ul style="list-style-type: none"> Provides a listing of the participant-level activity detail (i.e. Rollover Contribution, Benefit Payments, Withdrawals, Refunds and Forfeitures) 	<ol style="list-style-type: none"> Click Reports Click Audit Find Participant Activity Report and click View Report Enter Transaction Date From (MM/DD/YYYY) Enter Transaction Date To (MM/DD/YYYY) Click Save and Continue <p>Note: Terminated Taxable Loans will not be included in this report. Please refer to the Recordkeeping Loan Report.csv for this detail.</p> <p>Note: If unable to view the report, log back in using the Default location.</p>
Participant Data <ul style="list-style-type: none"> Hire, Term, Birth, Plan entry dates Home address Beneficiary info 	<ol style="list-style-type: none"> Click Reports Click Employees Find Participant Census/Employment/Beneficiary Information or Participant Basic Information Report and click on View Report
Participant Distribution Details <ul style="list-style-type: none"> Provides the participant's distribution election request information (i.e. Distribution request received dates, benefit type, vested balance prior to distribution, payout amount requested, tax withholdings, fee amounts, ACH and check numbers) 	<ol style="list-style-type: none"> Click Compliance, Auditing Click View Current Plan Year Audit Click Participant distribution details <p>Note: Available for Defined Contribution plans 45 days after plan year end.</p>
Participant Tax <ul style="list-style-type: none"> Taxation Information – Documentation for current tax year distributions which do not yet have Form 1099-Rs available 	<ol style="list-style-type: none"> Click Reports Click Plan Report (for Defined Benefit plans only) Click Distributions & Withdrawals Find Distributions and click View Report <p>Note: Some columns appear blank because they were electronic distributions, internal rollovers, etc.</p>
Reports (Defined Benefits) <ul style="list-style-type: none"> Actuarial Valuation Report Fund Statement 	<ol style="list-style-type: none"> Click Reports, Plan Reports Click the desired report (on the right-hand side)
Reports <ul style="list-style-type: none"> Plan Statements (Employer Fund Statement) Display of Accounts *Principal Trust Company® Trust Statement <ul style="list-style-type: none"> Trust Statement Overview Plan-Year End Reconciling Transactions Report (only applies to Defined Contribution plans) Member Loan Taxable Distribution Report (only applies to Defined Contribution plans) <p>*only available if applicable to the plan</p>	<ol style="list-style-type: none"> Click Reports Click the desired report (on the right-hand side)

SOC 1 – State Street	<p>State Street-Kansas City <i>(viewable if the plan had funds in Principal Pooled Separate Accounts)</i></p> <ol style="list-style-type: none"> 1. Click Compliance, Auditing 2. Click View Current Plan Year Audit 3. Click Request State Street SOC 1 reports covering Pooled Separate Accounts 4. Fill out your name, auditing firm name, and select reason for request 5. Click Submit <p>State Street-Global Fund Accounting and Custody <i>(viewable if the plan had funds in the Principal Stable Value Fund and other Collective Investment Trusts (CITs))</i></p> <ol style="list-style-type: none"> 1. Click Compliance, Auditing 2. Click View Current Plan Year Audit 3. Click Request State Street SOC 1 reports covering Collective Investment Trusts 4. Fill out your name, auditing firm name, and select reason for request 5. Click Submit
Submit Form 5500 Questionnaire	<ol style="list-style-type: none"> 1. Click To-Do 2. Click To-Do List 3. Click Submit Form 5500 Questionnaire <p>Note: If Submit Form 5500 Questionnaire has already been submitted, you can modify your information on the Form 5500 or by contacting your Client Service Associate/Manager to request changes.</p>
Transactions <ul style="list-style-type: none"> • Standard Transaction Report (available for Defined Contribution contracts, except plans with location recordkeeping) 	<ol style="list-style-type: none"> 1. Click Reports 2. Click Transaction 3. Click on the Standard Transaction Report *New 4. Customize the report: <ol style="list-style-type: none"> a. Select the Timeframe. b. Under Select Additional Columns – click on and off the data points as needed. <ul style="list-style-type: none"> • Under Additional Transaction Details there are <u>two</u> options. By selecting the Money Source & Activity Type view, you can add more details to the report without adding more rows per participant, while selecting Money Source view you can get a single row as long as you don't add additional details. 5. Preview the report at the bottom of the screen 6. Download the Excel or Order the report

Audit Support Virtual Assistant

We've released an Audit Support Virtual Assistant to provide a better client and auditor experience and a faster turnaround for less complex questions/inquiries. This interactive FAQ provides clients and auditors with an alternative to placing a phone call or waiting 3-7 business days for an email response to less complex inquiries.

It is accessible by logging onto the employer website at principal.com.

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Audit Support Virtual Assistant**

Chapter 2: System and Organization Control (SOC) Reports

Retirement and Income Solutions (RIS) SOC 1

Ernst & Young LLP (EY) has issued Principal Life an unqualified (clean) opinion for Principal Life's report on our retirement plan processing services for the period October 1, 2019 through September 30, 2020.

As in prior years, EY reviewed the retirement plan processing and procedures, as they relate to financial reporting, and confirmed the operating effectiveness of the controls, included in the SOC 1 Report. In addition, Principal Life independently tested and confirmed the operating effectiveness of the controls and included a written Management Assertion Statement attesting to their effectiveness.

The RIS SOC 1 for the period October 1, 2019 through September 30, 2020 may be accessed by large plan filers and TPAs via the employer website at principal.com.

Complementary User Entity Controls

In designing the Retirement Plan Processing Services, Principal Life identified certain complementary controls that we rely upon plan sponsors to have in place to ensure our stated control objectives are fully achieved. While these controls have been found in Section III of the report prior, we moved them into a checklist format for easier use.

I'm a plan sponsor. Isn't it my auditor's responsibility to review the SOC 1, not mine?

This is a very common question! As a plan sponsor, you do want to review the RIS SOC 1 prior to the auditor coming into your office. Here's why:

- Be aware of any deviations that occurred during the audit year and whether they affected your plan.
 - If they directly affected your plan, your auditor will likely conduct additional testing.
 - i. Example: A deviation related to eSignature Loan payouts would not be an issue if you don't use the eSignature Loan service or offer loans on your plan.
- Review the Complementary User Entity Controls to ensure you have them in place.
 - Part of your auditor's job is to review these to ensure you have sufficient controls in place. If there is a deficiency, it will be reported in the audit results.
- Due Diligence bonus.
 - An independent auditing firm has verified we are doing what we said we would do.

We have a small company and do not have the resources to put "controls" in place.

Talking about processes and controls can be scary, but don't let it overwhelm you! Think of your everyday procedures and backup plan. Most companies, no matter what their size, may already have that in place. Here's an example using one of the Principal Life Complementary User Entity Controls:

- The plan sponsor is responsible for submitting the necessary participant enrollment form or submitting the information from the participant enrollment forms via the employer website at principal.com, to Principal Life in a timely manner.

Susie Smith, Administrator at ABC Corp, submits all new participants via the employer website at principal.com each Tuesday. After submitting the information, John Albert double-checks the information for accuracy and submits corrections if necessary. The original enrollment form is then filed in their records for documentation purposes. John Albert serves as a backup in case Susie is out of the office and another office employee double-checks his work.

The process is described above. The first "control" is when John or another office worker double-checks the information for accuracy. In addition, a second "control" is having John as a backup in case Susie is out of the office.

Subservice Organization

Principal Life uses subservice organizations to provide services related to the valuation of our proprietary investments. Complementary subservice organization controls have been developed to support the control objectives that the subservice organization is responsible for and can be found in Section III of the report under Subservice Organizations.

- **Kansas City Insurance Services Department of State Street Corporation (State Street – Kansas City)** - Provides services related to: (1) the recording of investment transaction activity, (2) the collection and recording of investment income, and (3) the valuation of the financial instruments underlying the pooled separate accounts. A link to the State Street – Kansas City SOC 1 report is available on the employer website if Principal® Separate Accounts were an investment option during the report period. If you do not see a State Street – Kansas City link on the employer website

at principal.com, then the report is not applicable to your plan.

- **State Street - Investor Services-Global Fund Accounting & Custody (GFAC)** – Provides services related to the valuation of the Principal® Stable Value Fund and other Collective Investment Trusts (CITs). A link to the State Street - Investor Services-Global Fund Accounting & Custody SOC 1 report is available on the employer website if these investment options were available under your plan during the reporting period. If you do not see a link on the employer website at principal.com, the report is not applicable to your plan.
- **Principal Global Investors, LLC (PGI)** – Provides services related to the valuation of the Principal® Core Plus Bond Separate Account and the Principal® U.S. Property Separate Account. The PGI SOC 1 report is available if your plan offered either investment option during the report period.

Why are there two links for the State Street SOC 1 report? Which do I use?

State Street issues a separate report covering IT General Computer Controls. This report is intended to be reviewed with the Insurance Services and/or Investor Services SOC 1 report(s).

Gap (Bridge) Letters

On a quarterly basis, Principal Life reviews and tests its processes to determine if any significant changes or deficiencies took place from what is stated in the current SOC 1. The findings are reported within the quarterly GAP letter. Each gap letter should take no more than 6 weeks to complete following the end of each quarter.

Retirement and Income Solutions (RIS) SOC 2

Due to continued emphasis on information security measures from both an industry and client perspective, Principal Life engaged EY to independently evaluate our internal systems and procedures related to non-financial topics involving information handling for our retirement plan customers. The key principles evaluated include security, availability and confidentiality.

EY has issued an unqualified (clean) opinion for Principal Life's report on retirement plan processing system for the period October 1, 2019 through September 30, 2020. The RIS SOC 2 report may be accessed via the employer website on principal.com under Reports and then under Other Reports and Statements.

Chapter 3: Understanding the Group Annuity Contract

As an insurance company, Principal Life offers many group annuity contracts for retirement plans. These are not investment options, but an obligation of Principal Life to pay a benefit that is supported by a diversified, multi-billion-dollar general account which is, mostly, everything that Principal Life owns that is not a separate account. Principal Life is regulated by state agencies and we certify both the accuracy and completeness of each plan's activity in our group annuity contracts.

Where do I get a copy of the group annuity contract for the plan?

The plan sponsor should have a copy of their group annuity contract in their files. If the plan sponsor is unable to locate it, please have them contact their Client Service Associate/Manager, here at Principal for assistance obtaining another copy. You can find their contact information on the employer website at principal.com. Click Contact Us at the bottom of the page.

Contract Types

Flexible Investment Annuity Group Contract ("FIA")

Principal Security Builder Retirement ProgramSM

Pension Provider[®]

Principal Comprehensive Retirement Program ("PCRP")

These contract types offer a **guaranteed interest account** that provides a guaranteed interest rate for a specified period of time as determined, or allowed, by the plan sponsor's retirement plan. The rate credited is the rate in effect on the day when each deposit is directed to the account. To simplify reporting to plan participants, all rates credited during the 12-month 'deposit year' are averaged into a single composite rate. The plan sponsor chooses the 12-month period for deposit year, which is often the same as the plan year. Reports, expenses, and guarantee periods are based on deposit years.

Our guaranteed interest accounts promise contract value for a benefit event (termination, death, disability and retirement); however, there is a possible surrender charge when funds are withdrawn prior to their maturity. **Thus, the guaranteed interest accounts are considered non-benefit responsive.**

If the contract holder terminates the contract before a guaranteed interest account matures or transfers funds to other investment managers beyond the limits of the contract, the insurance company will apply an early withdrawal charge to guaranteed interest account balances. The early withdrawal charge is reported on the Schedule H under Expenses. Within the audit information, the early withdrawal charge is reported on the Audit List/Summary of Plan Transactions under Expenses.

Why doesn't the guaranteed interest account ending balance on the Employer Fund Statement agree with the Schedule H value of the funds held in the insurance company general account?

The total contract value is reported on the Employer Fund Statement. The total fair market value (FMV) is shown on the Fair Market Value Report which is reported on the Schedule H. There is also a market value change made and reported on the Schedule H under Other Income. The market value change is only a reporting requirement for the Form 5500 and would not apply unless these investments were liquidated prior to the maturity dates. Difference in market value change reported is due to the asset total in the fund as well as the interest rate in the market on the last day of the plan year.

How is the guaranteed interest account market value change calculated?

Using the Fair Market Value Report, found as part of the annual audit information,

Step 1: Prior plan year Contract Value – Fair Market Value = A

Step 2: Current plan year Contract Value – Fair Market Value = B

Step 3: A – B = Market Value Change on current Form 5500

PFIO, PFIGO, PGO, GFC & GIBC

Principal Fixed Income Option ("PFIO")

Principal Fixed Income Guaranteed Option ("PFIGO")

Principal Guaranteed Option ("PGO")

Principal Guaranteed Fund Contract ("GFC")

Principal Guaranteed Interest Balance Contract ("GIBC")

These are general account-backed, stable value group annuity contracts that can provide a conservative foundation of the retirement program's investment line-up. Benefit payments are made at book value (i.e., no termination or surrender charge

adjustments) for plan benefit events and investment transfers initiated by plan participants. **Thus, these contracts are considered benefit responsive.**

Due to the reporting requirements in the ASU 2015-07 and 2015-12 the disclosures for these investment options are no longer needed. For the most current information on the crediting rate history please review the Fact Sheet for this investment by logging onto the employer website at principal.com.

1. Click **Investments, Investment Performance**
2. Click **Investment Name**
3. Click **Investment Option Profile**
4. Click on **Fact Sheets**

Where do I get a copy of a contract document for the PFIGO, PGO, or PFIO?

The plan sponsor has a copy of the contract documents in their files. If the plan sponsor is unable to locate it, please contact the 5500 Plan Audit Support Team and we will assist you in obtaining another copy.

FPI, IPG & DA

Flexible Pension Investments Group Contract (“FPI”)*

Immediate Participation Guarantee Group Contract (“IPG”)

Deposit Administration Contract (“DA”)

*General Investment Fund only

The **General Investment Fund** is a contract provision that allows a fixed interest account in the Flexible Pension Investments (FPI) Group Contract. The auditor should refer to the plan sponsor’s contract with Principal Life to gain an understanding of the General Investment Fund. The plan owns a promise to pay a benefit which is stated in the contract. The contract is backed by the assets of the general account of Principal Life, and the plan does not own any of the investments in Principal Life’s general account. Some FPI contracts also offer the Guaranteed Interest Fund and the Guaranteed Access Fund.

According to contractual provisions, Principal Life calculates fair values of the general accounts in these contracts based on discounted cash flows to expected maturity, generally representing contract value adjusted to reflect current market interest rates. The contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay plan benefits and administrative expenses.

Specifically, approximated fair value is calculated using a cash-out factor based on an associated pool of general account assets. The values of the assets are determined on a book value basis. When a transaction occurs, the contract provides it must be based on current Investment Value (or market value), an approximation of fair value. The cash-out factor is a ratio of asset investment value to asset book value. The cash-out factor is used to adjust fair value of supported liabilities impacting amounts the plan receives at measurement date. For each category of asset, cash flows are projected. This is done using contractual provisions for the assets, with adjustment for expected prepayments and call provisions. Projected cash flows are discounted to present value for each asset category. Interest rates for discounting are based on current rates on similar new assets in the general account based on asset category.

Guaranteed Fund Contract is the Group Annuity Contract - Guaranteed Fund Contract available through Principal Life Insurance Company. The Guaranteed Interest Balance Contract is the Group Annuity Contract - Guaranteed Interest Balance Contract-Combined available through Principal Life Insurance Company.

Principal Guaranteed Option is the Custodial Guaranteed Option Group Annuity Contract available through Principal Life Insurance Company. Principal Fixed Income Guaranteed Option is the Group Annuity Contract - Custodial Guaranteed Interest Contract available through Principal Life Insurance Company.

Principal Fixed Income Option is either or both 1) Group Annuity Contract - Custodial Guaranteed Fund Contract 2) Group Annuity Contract — Custodial Guaranteed Contract, as applicable to your situation. Both are available through Principal Life Insurance Company.

Principal Comprehensive Retirement Program (PCRP) is offered through the Modular Group Annuity Contract available from Principal Life Insurance Company.

Pension Provider is available through the Accumulation Group Annuity Contract available from Principal Life Insurance Company.

Principal Security Builder Retirement ProgramSM is available through the Accumulation Group Annuity Contract available from Principal Life Insurance Company, Des Moines, Iowa, 50392.

Chapter 4: Investments – Background and Testing Resources

The plan sponsor is responsible for selecting the investment options made available through the plan. Those options may include pooled separate accounts, mutual funds, and collective investment trusts. This chapter provides a description of the more common investment options selected by a plan sponsor and provides testing resources that Principal Life, as recordkeeper, makes available to the plan.

The [Fair Value Measurement Analysis Tool](#), obtained via the employer website on principal.com, is available to assist plan sponsors in meeting their financial reporting requirements when preparing the financial statements in conformity with the Fair Value Measurement standard under Accounting Standard Codification (ASC Topic 820).

ASU 2018-09 Amended Subtopic 962-325, “Plan Accounting - Defined Contribution Plans – Investment – Other”. This update removes the stable value common collective trust fund from the illustrative example in paragraph 962-325-55-17 to avoid the interpretation that such an investment would never have a readily determinable fair value and, therefore, would always use the NAV practical expedient. Rather, a plan should evaluate whether a readily determinable fair value exists to determine whether those investment options may qualify for the practical expedient to measure at NAV in accordance with Topic 820.

We feel this ASU helps clarify the confusion brought on by ASU 2015-10, “*Technical Correction*” which did not define what was meant by “published” when determining “readily determinable fair value”. Many in the industry felt that if the NAV is made available to its current or prospective investors (e.g., NAV available to investors through accessing their online balances or more broadly available through publishing publicly) then it is “published”. ASU 2018-09, by removing the stable value common collective trust fund from this illustration seems to support this interpretation of “published”.

This new guidance has prompted us to change our suggested input level for PSAs and CCTs from NAV as a practical expedient to a level 1 input*. Based on the above, they do have a readily determinable fair value:

- the NAV is available to current investors and
- the NAV is the basis for current transactions.

***Note –** This is only our **suggestion**. You may come up with a different conclusion on determining whether the NAV practical expedient is met. Also, there isn’t anything explicit in the guidance that states specifically that an investment option with a readily determinable fair value would be a level 1 input and some may feel that a level 2 is more appropriate or some may determine that NAV as practical expedient is still applicable. As stated above it is the plan sponsor’s role to ensure plan assets and liabilities are valued appropriately at fair value and related financial statements disclosures are in place as applicable. Our tool is just a reference to be used as a basis for establishing this process. It is up to you, the plan sponsor to come to a final conclusion based on your interpretations of the information available to you. Your interpretation may or may not agree with ours. Contact your plan auditor if you have further questions on determining a final conclusion.

Note: While the ASU changed the reporting for the financial statements, the ASU had no impact on the Form 5500 reporting. The DOL has stated repeatedly that the instructions to Form 5500 have not changed and still require true fair value to be reported for stable value Collective Investment Trust (CITs).

How do I know what investment options the plan has?

The simplest way to confirm the investment options offered by a plan is to review the Employer Fund Statement. This lists all the investment options which were actively record kept during the year at Principal Life. Pooled Separate Accounts state Sep Acct or SA at the end of their names; Mutual Funds typically state Fund or Fd at the end of their names; and other investments are specified.

Pooled Separate Accounts

Principal Life offers separate accounts as investment options for retirement benefit plans through a group annuity contract. The following operational information is pertinent to the non-registered separate accounts made available by Principal Life.

Pooled Separate Accounts are accounts maintained by an insurance company that are used for the collective investment of plan funds from multiple employee benefit plans. Pooling plan funds of all plan sponsors who want to invest in the Pooled Separate Accounts provides greater buying power - stocks of many different companies can be purchased and more efficient investments maintained than by investing each plan’s assets separately.

Pooled Separate Accounts are an accounting entity rather than a legal entity. Iowa law requires domestic life insurance companies to establish one or more separate or segregated accounts to invest and reinvest all or any amounts received in

connection with a variable contract. Separate accounts are credited with the income, gains, or losses resulting from the assets allocated to that specific account only. The return on separate accounts is not guaranteed – the value of an interest in a separate account increases or decreases based on the value of the assets held in the separate account. Each plan that invests in the Pooled Separate Accounts obtains units of participation in the pooled account and through those units of participation share in the gains and losses of all investments in the pooled account.

The American Institute of Certified Public Accountants (AICPA) Guide on Audits of Employee Benefit Plans defines Pooled Separate Accounts as an investment where each plan shares in a pooled fund on a participation unit basis. The plan's interest in the account is the cumulative record of the number of participation units credited to the account and the number of units allocated or withdrawn from the account. The participation unit value is adjusted periodically to reflect investment results under the separate account.

Most of Principal Life Pooled Separate Accounts are not registered with the U.S. Securities and Exchange Commission (SEC) as they meet exemptions under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940. The Principal® Pooled Separate Accounts are subject to the requirements imposed by ERISA including those imposed on plan fiduciaries.

Separate Account Financial Statements

Principal® U.S. Property Separate Account

The only non-registered Principal Life separate account for which an audited financial statement is available is the Principal® U.S. Property Separate Account. Refer to the Principal® [U.S. Property Separate Account Annual Report](#) via the employer website at principal.com for additional information about the valuation of this separate account.

All Other Principal Life Non-Registered Separate Accounts

While the other Principal Life non-registered separate accounts are not individually audited, those accounts are collectively audited as a part of the audited financial statements of Principal. [Principal Life Pooled Separate Account Reconciliation](#) traces the Pooled Separate Account net assets shown by Principal on the December 31 [U.S. Securities and Exchange Commission \(SEC\) Form 10-K](#) to the December 31 [Pooled Separate Account Unaudited Financial Statements](#) available via the employer website at principal.com.

Separate Account Valuation Process

Assets allocated to the separate accounts can include, but are not limited to, stocks (both domestic and foreign), bonds, mortgages, real estate, mutual funds, other separate accounts, and cash or cash equivalents as specified in the separate account's investment policy. Principal Life owns the underlying investments in the separate accounts. The plan only owns units of participation.

The value of a separate account is the market value of the underlying assets of the separate account plus income accrued but not yet received less operating expenses accrued but not deducted, if any. If there is no readily available market for a particular asset, then the fair value is determined by Principal Life using generally accepted accounting practices and applicable law.

Operating expenses are those charges which must be paid in order to operate a separate account or obtain investments for a separate account. Operating expenses include, but are not limited to, custodial fees, transfer taxes, brokerage fees, processing fees, and other taxes and fees associated with the operation of the separate account. Operating expenses will be deducted from the separate account associated with a particular charge on the next valuation date after the operating expense has been paid or is immediately payable.

The management fee is a charge consisting of the investment management fee and the contract expense charge applicable to a class of contracts referred to as rate levels. The management fee is a percentage of the value of assets held in the separate account. A pro rata management fee charge will be deducted from the separate accounts on each valuation date for the number of calendar days within the valuation period. The management fee (or rate level) for each individual participating contract is chosen by the plan sponsor and is reflected on the Notice of Management Fees.

Principal Life uses a unit value system of recordkeeping to track its obligations regarding the Pooled Separate Accounts. Unit value means the dollar value for one unit. Contributions and transfers to the separate account increase the separate account's outstanding units. Payments, deducted expenses, and transfers from the separate account decrease the separate account's outstanding units. Please see the detailed [Principal Separate Account Unit Value Calculation](#) for more details.

Unit Value Calculation

Principal Life calculates the unit value for each class of contracts (or rate level) within a separate account by dividing the portion of the market value of the separate account allocated to that rate level less the management fee for that rate level by the total number of units outstanding for contracts in that rate level, or

Total Number of Units for contracts in Rate Level

The valuation process is explained further in the Principal Life Insurance Company Separate Account Unit Value Calculation, found in the [Appendix A](#) of the Auditor's Information Report.

Principal® Pooled Separate Accounts are not audited, except for the U.S. Property Separate Account. The financial information can be accessed by logging onto the employer website at principal.com.

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Investment Financial Information Reports**

Here's a summary of those columns found on the Principal® Pooled Separate Account Spreadsheet.

Column A - Rate Class

Column B - Overall Separate Account assets (broken out by Rate Class)

Column C - Market Value is converted to NAV

Column D - Previous value less deducted expenses

Column E - Total units held by plans within this rate level

Column F - Column D / Column E = Rate Level Unit Value

Plans investing in the separate account hold units of participation in the account. Contributions and transfers to the separate account for the plan increase the plan's total units of participation. Disbursements, deducted expenses, and transfers from the separate account for the plan decrease the plan's total units of participation in the separate account. The plan shares in the appreciation/depreciation of the separate account through the separate account's unit value. The plan's separate account market value at any given date is equal to the plan's units of participation multiplied by the unit value for the Rate Level chosen by the Plan Administrator and disclosed in the Notice of Management Fees.

The separate accounts made available by Principal Life are categorized as separate accounts which:

1. invest in a single mutual fund
2. contain multiple securities
3. invest in other separate accounts and other pooled investment vehicles balanced at a predefined target allocation

The [Pooled Separate Account Financial Information](#) accessible via the employer website at principal.com contains the following information:

1. List of the separate accounts and the separate account's category – Single Mutual Fund, Multiple Securities, or Other Separate Accounts.
2. Spreadsheet for each separate account reflecting:
 - the market value of the portfolio holdings totaled by ASC 820 Input Level
 - the market value of the portfolio holdings totaled by Price Source
 - the portfolio holdings of the separate account
 - the Rate Level Unit Value determination for the separate account

This information is available for each calendar quarter end. Please contact the 5500 Plan Audit Support Team if the information is needed for the other months.

Asset Valuation

Principal Life, as the named Investment Manager, is responsible for valuation of the assets in the separate accounts. Principal Life has adopted valuation policies and procedures for each separate account to ensure the separate account's assets are appropriately valued. Those policies and procedures including naming a primary valuation agent for each separate account. The valuation agent:

- Executes the asset valuation process
- Determine an appropriate price when market quotations are not readily available
- Periodically review and update valuation policies as appropriate
- Perform certain control procedures

Principal Life serves as the valuation agent for the separate accounts that indirectly invest in financial instruments through other investment vehicles. Our controls are described in the Principal Life SOC1, which may be obtained via the employer website at principal.com.

Principal Life has engaged Principal Real Estate Investors, an affiliated party, to be the primary valuation agent for the assets held in the U.S. Property Separate Account.

Principal Life has engaged State Street Bank and Trust Company's Kansas City Insurance Division (State Street – Kansas City), a non-affiliated party, to be the valuation agent for the separate accounts that directly invest in financial instruments. The State Street – Kansas City SOC1 may be obtained by request via the employer website at principal.com. Our controls over State Street – Kansas City are reflected in the Principal Life SOC1.

Direct Filing Entity

ERISA Section 103(b) requires plans which hold investments in Pooled Separate Accounts maintained by an insurance carrier attach a copy of the Annual Statement of Assets and Liabilities of each Pooled Separate Account to the Form 5500. However, ERISA Regulation 2520.103-4 provides an exemption to this requirement if the sponsoring insurance carrier of the Pooled Separate Account files the Annual Statement of Assets and Liabilities directly with the Department of Labor (DOL) on a Form 5500. This is referred to as a Direct Filing Entity (DFE).

In addition, if the separate account files as a DFE, the participating plans may report the value of their plan's assets in the separate accounts in total on Schedule H, Line 1(c)(10) – Value of Interest in Pooled Separate Accounts.

Since Principal Life files the Annual Statement of Assets and Liabilities for each Pooled Separate Account directly with the DOL as a DFE, the plan's separate account assets should be reported as such on the Form 5500.

Principal Life Pooled Separate Account DFE Certification ([Appendix C](#))

The Pooled Separate Account Unaudited Financial Statements which reflect the separate accounts' assets and liabilities are available to plan sponsors via the employer website at principal.com within the 1st calendar quarter.

Net Investment Gain (Loss) and Realized/Unrealized Gain (Loss)

Since the underlying investments in the separate accounts are owned by Principal Life and not the participating plans, the allocation of the net investment gain/loss or the determination of the realized/unrealized gains/losses are not required by the Employee Retirement Income Security Act (ERISA) or Generally Accepted Accounting Principles (GAAP) for financial reporting.

AICPA Guide on Auditing Employee Benefit Plans

We find several references in the AICPA Guide discussing investment gain/loss; however, no references on required reporting for Pooled Separate Account other than net investment gain/loss.

Chapter 5.69, *Changes in Net Assets Available for Benefits*, states net appreciation or depreciation includes realized gains and losses on investments that were both purchased and sold during the period as well as unrealized appreciation or depreciation of the investments held at year end. Also see chapter 8 of the AICPA guide for further guidance on fair value disclosures.

Chapter 8, *Investments*, discusses the auditing procedures applied to investments held in Pooled Separate Accounts with insurance companies. It states the plan audit should include the individual investment transactions and documents that provide support for those transactions. The auditor has two options.

1. If the separate account's financial statements have been audited by an independent auditor, the plan auditor should obtain and read the separate account's financial statements and the auditor's report.
2. If the separate account's financial statements have not been audited by an independent auditor, the plan auditor should review or follow the additional guidance and procedures provided in Interpretation No. 1 of AU section 328 and the AICPA Practice Aid Alternative Investments – Audit Considerations. This guidance reflects the plan auditor should refer to the insurance company's System Organization Control (SOC) Report.

Discussions with the Department of Labor

According to the Office of Chief Accountant at the Employee Benefits Security Administration (EBSA) a detailed breakdown of the net investment gain/loss into realized/unrealized gains and interest/dividends is not required by ERISA or by GAAP for financial reporting. If auditors feel it's necessary to report the breakdown, they can arrive at these amounts by calculating a percentage of the plan's funds in the pooled separate account to the total pooled separate account. This can be done using the detail found on our Pooled Separate Account Unaudited Financial Statements.

Schedule H (Form 5500)

The Income/Expense section of Form 5500, Schedule H only asks for net investment gain (loss) from Pooled Separate Accounts. There is no requirement to break down the net investment gain into realized and unrealized gains.

Liens, Pledges and Securities Lending

As purchases and sales are made, the plan accumulates units of participation in the separate account. The plan owns the units of participation while Principal Life owns the investments in the separate account portfolios. Even though the separate account may offer security lending and participate in derivative trading which may involve liens and pledges, these are investments owned by Principal Life. Therefore, in relation to the separate accounts, the plan does not have any security lending, liens or pledges.

Where is the information needed to determine related party disclosures?

The Financial Accounting Standard No. 57 states any related party transactions must be disclosed in the financial statement to comply with GAAP. The gross purchases and sales transaction are in the [Audit List/Summary of Plan Transactions](#). The units for the separate accounts are located on the [Number of Shares/Units Report](#). Both documents are available via the employer website at principal.com.

Collective Investment Trusts (CITs)

Investments held by a collective investment trust are required to be reported at fair value. However, contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the underlying defined-contribution plans. The audited financial statements with the accompanying portfolio of investments reflects the fair value and the adjustment of the fully benefit responsive investment contracts from fair value to contract value. For details on the objective and valuation of the funds, please refer to the audited financial statements.

CITs maintained by Principal Global Investors Trust Company

The Principal® Stable Value Fund (PSVF), Morley Stable Value Fund (MSVF), Principal® Diversified Real Asset (PDRA), Principal® LifeTime, and Principal® LifeTime Hybrid are collective investment trusts held by Principal Global Investors Trust Company (PGI Trust Co.), as Trustee. The PSVF and MSVF are governed by their respective Trust Agreement. PGI Trust Co files the PSVF and MSVF as a Direct Filing Entity on Form 5500 prior to the reporting deadline of October 15, which is nine and a half months after the fiscal year of the Fund.

PSVF CIT DFE Certification ([Appendix D](#))

MSVF CIT DFE Certification ([Appendix E](#))

Principal Diversified Real Asset Fund DFE Certification ([Appendix F](#))

Principal LifeTime Collective Investment Trust Funds DFE Certification ([Appendix H](#))

Moreover, PGI Trust Co files other PGI Trust Co CITs as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

Background: On September 1, 2007, Union Bond & Trust Company along with its parent company Morley Financial Services, Inc. was acquired and became a wholly-owned subsidiary of Principal. Effective March 1, 2016 Union Bond and Trust Company changed its name to Principal Global Investors Trust Company. Principal Global Investors Trust Company holds omnibus accounts in the name of Principal Life for the collective investment of retirement benefit plan assets from participating trusts.

Principal Life maintains the records on participating trusts and their plan participants' interest in the omnibus accounts in the PSVF, MSVF and other CITs for which Principal Global Investors Trust Company is trustee. Principal Global Investors Trust Company grants Principal Life the authority to certify to the accuracy and completeness of the financial information relating to a participating trust and its plan participants' interests in certain CITs pursuant to 29 CFR 2520.103-5(c) on behalf of Principal Global Investors Trust Company, Trustee.

There are multiple rate levels in the PSVF, MSVF and other CITs for which PGI Trust Co is trustee. The rate level refers to the various levels of management fees. The 'Fee Schedule' reflects the appropriate fee level. There is only one Direct Filing Entity Form 5500 filed for the PSVF and MSVF and other PGI CITs even though multiple rate levels exist.

The [Annual Report](#) for the Principal® Stable Value Fund and other PGI CITs may be accessed via the employer website at principal.com. For the Morley Stable Value Fund's annual report, large plan filers may contact the 5500 Plan Audit Support Team. Small plan filers may contact their Client Service Associate/Manager for assistance.

Custodial and accounting agent roles for the PSVF and MSVF are outsourced to State Street – Global Fund Accounting and Custody. The SOC 1 for [State Street – Global Fund Accounting and Custody](#) is available via the employer website at principal.com.

Principal® LifeTime Hybrid CITs

Principal® LifeTime Hybrid CITs may invest in various types of investments, including underlying Principal Funds, and each is managed toward a particular target (retirement) date, or the approximate date an investor starts withdrawing money. As each Principal® LifeTime Hybrid CIT approaches its target date, the investment mix becomes more conservative by increasing exposure to generally more conservative investment options and reducing exposure to typically more aggressive investment options. The asset allocation for each Principal® LifeTime Hybrid CIT is regularly re-adjusted within a time frame that extends 15 years beyond the target date, at which point it reaches its most conservative allocation. Principal® LifeTime Hybrid CITs assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal® LifeTime Hybrid CITs are guaranteed at any time, including the target date. Investment risk remains at all times. The Principal® LifeTime Hybrid CITs are audited annually by an independent qualified accounting firm. The [Annual Report](#) may be obtained via the employer website at principal.com. Tentative timing for new report is the end of June.

The Principal® LifeTime Hybrid CITs are collective investment trusts maintained by Principal Global Investors Trust Company, (the Trust Company). The Trust Company has retained Principal Global Investors, LLC, doing business as Principal Global Asset Allocation (the Advisor), to serve as investment adviser with respect to the CITs, subject to the Trust Company's supervision and review. The Advisor is an indirect wholly owned subsidiary of Principal Financial Group, Inc., and is under common control with the Trust Company. The Advisor also manages portfolios which may be included as underlying investments in the CITs. The Advisor receives management fees from these portfolios. The Advisor or other affiliates of the Trust Company may provide services to the CITs and may receive fees for such services. The CITs are available only to certain qualified retirement plans and governmental 457(b) plans. Participation in the Principal® LifeTime Hybrid CITs is governed by the terms of the Trust and a Participation Agreement, the form signed by the retirement plan's fiduciary at the time the plan invests in the Principal® LifeTime Hybrid CITs. The Participation Agreement may be obtained from the plan sponsor. Principal Life, on behalf of Principal Global Investors Trust Company under the Agency Service Agreement, processes the plan transactions on the LifeTime Hybrid CITs through the automated electronic linked trading platform.

Principal Global Investors files the Principal® LifeTime Hybrid CITs as Direct Filing Entities on Form 5500 prior to reporting deadlines.

The Principal® LifeTime Hybrid CIT DFE Certification is in [Appendix G](#).

Fair Market Value Adjustment Calculation

Please refer to the fair market value report. The fair market value adjustment is calculated as follows:

1. Plan Year Begin Contract Value minus Plan Year Begin Fair Value = BEGIN VALUE
2. Plan Year End Contract Value minus Plan Year End Fair Value = END VALUE
3. BEGIN VALUE minus END VALUE = FAIR MARKET VALUE ADJUSTMENT

Example:	Plan Year Begin Contract Value	Plan Year Begin Fair Value	Plan Year End Contract Value	Plan Year End Fair Value
Stable Value Fund	4,500,000.00	4,600,000.00	5,000,000.00	5,200,000.00

4,500,000.00 - 4,600,000.00 = -100,000.00 (BEGIN VALUE)

5,000,000.00 - 5,200,000.00 = minus -200,000.00 (END VALUE)

Fair Market Value Adjustment = 100,000.00

Please Note: The Fair Market Value Adjustment is included on the Audit List/Transaction Summary and line item 2b(6) of the 5500 Form Schedule H.

Please also note that as of 01/01/2020, the Principal® Stable Value Fund is wholly invested in the Morley Stable Value Fund. With this new structure, there is no look-through to the underlying holdings of the Morley Stable Value Fund for fund reporting. Fair value is now determined using NAV at the fund level. Based on the DOL guidance that a plan's filing should follow the fund's reporting method, we will no longer report an adjustment from contract value to fair value for Principal® Stable Value Fund.

Principal® Self-Directed Brokerage Account

This account is a self-directed option that allows participants to develop their own portfolios of individual stocks, bonds, mutual funds and other investment options. Principal Life provides recordkeeping services for this account as one investment

under the plan.

Plans that provide participant-directed brokerage accounts as an investment alternative may report the investments in this account either:

1. As individual investments on the applicable asset and liability categories and the income and expense categories, or
2. By including the total aggregate value of the assets and the total aggregate investment income (loss) before expenses.

Principal Life is reporting the Principal® Self-Directed Brokerage Account under option 2.

Principal Trust Company® serves as trustee for the Principal® Self-Directed Brokerage Account. Principal Life uses Fidelity Clearing & Custody SolutionsSM. Clearing, custody, or other brokerage services are provided through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC.

Fidelity Investments® and Fidelity Clearing & Custody SolutionsSM are independent companies, unaffiliated with Principal Securities. Fidelity is a service provider to Principal Securities. There is no form of legal partnership, agency affiliation, or similar relationship between Principal Securities, Envestnet and Fidelity Investments, nor is such a relationship created or implied by the information herein.

Contact the plan sponsor to obtain copies of reports received from Fidelity Clearing & Custody SolutionsSM if more detail is needed.

Mutual Funds

Mutual funds are offered as a service to our plan sponsors to provide investment options for participants in select name-brand mutual funds. The mutual funds are made available by Principal Funds Inc. and other established fund families. Principal Securities, Inc. is the broker/dealer. Principal Trust acts as custodian for the mutual funds according to the Electronic Linkage Group Custodial Agreement or an individual custodial agreement between the plan trustee and Principal Trust.

Mutual funds are traded on our automated trading platform through omnibus accounts in the name of Principal Life or Principal Trust for the benefit of retirement plan sponsors. Principal Life SOC 1 provides additional information about the automated trading platform and controls surrounding the processes in the Income Collection and Asset Valuation section. Principal Trust is regulated by state agencies, and they certify both the accuracy and completeness of the financial information provided to the plan administrator.

Where is the information needed to determine related party disclosures?

The Financial Accounting Standard No. 57 states any related party transactions must be disclosed in the financial statement to comply with GAAP. The gross purchases and sales transaction are in the Audit List/Summary of Plan Transactions. The shares for the mutual funds are located on the Number of Shares/Units Report. Both documents are available via the employer website at principal.com.

Participant Loans

Loans to plan participants must be issued according to specific loan provisions spelled out in the plan document. When a participant takes a loan from the assets of the plan, it remains an asset held by the trustee of the plan. The trustee holds the executed note and pledge of security. When loan payments are made, the outstanding loan balance decreases by the amount of the principal payment made.

If the plan holds participant loans for which we maintained records, a Plan Year Recordkeeping Loan Report.csv is provided. It reflects all participants with plan loans and financial information relating to those loans.

If an actively employed participant has stopped making payments on a loan and the loan is defaulted/deemed distributed (as determined by the plan sponsor), the loan is still considered outstanding and not treated as an actual distribution for certain purposes. Deemed distributions continue to show as plan assets on the Employer Plan Statements, including the Loan Activity Summary and Account Activity Summary totals; however, those amounts are not to be reported as an ending asset value on the Form 5500.

In the year they are declared deemed distributed, the balances are reported on line 2g of the Form 5500 Schedule H - Certain Deemed Distributions of Participant Loans - and are shown on the Recordkeeping Loan Report.csv with an ending balance of \$0. In subsequent years, the loan is no longer considered a plan asset for purposes of the Form 5500 nor is it shown on the Recordkeeping Loan Report.csv unless the participant resumes making payments on the deemed loan. If the plan issued participant loans outside Principal Life's records, contact the plan sponsor for additional information.

Loan documents should be kept on file with the plan trustee. Participants also receive copies of the loan documents if they obtain their loans via the personal login on principal.com (see [Principal Life SOC 1](#) for additional details.) If the plan is set up to receive loan amortization schedules, those schedules are mailed directly to the plan sponsor. Contact the plan sponsor for copies if needed.

The loan maturity date as of the end of the plan year can be calculated using the information found within the [Loan Summary](#). The "Effective Date" noted on this report is the date of the first payment.

The maturity dates for all loans still active as of the current date can be obtained from the [Loan Information Report](#). These documents are all located via the employer website at principal.com.

Unpaid Accrued Interest

Unpaid accrued interest is included in the participant loan entries shown on Form 5500. Additional information on unpaid accrued loan interest can be found in:

- The Form 5500, Schedule H instructions, and
- ASU 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*

The Recordkeeping Loan Report.csv file includes a column for the Unpaid Accrued Interest and the Terminated Taxable Accrued Interest. This document is accessible via the employer website at principal.com.

The Unpaid Accrued Interest is calculated as follows:

$((\text{Principal} \times \text{loan interest rate}) / 365 \text{ days}) \times \# \text{ of days since last loan payment to the end of the year.}$

The unpaid accrued loan interest change is calculated as follows:

Step 1: 2019 Plan Year

Principal at end of plan year = \$10,000 Interest rate = 5%
Last loan payment was made on 12/27/2019. There are 4 days to 12/31/2019.

$\$10,000 \times 0.05 = \$500 / 365 = \$1.37 \text{ per day}$
 $4 \text{ (days to 12/31/2019)} \times \$1.37 = \$5.48 \text{ accrued unpaid interest on the loan}$
Principal + interest is \$10,005.48.

Step 2: 2020 Plan Year

Principal at end of plan year = \$8,800 Interest rate = 5%
Last loan payment was made on 12/26/2020. There are 5 days to 12/31/2020.

$\$8,800 \times 0.05 = \$440 / 365 = \$1.21 \text{ per day}$
 $5 \text{ (days to 12/31/2020)} \times \$1.21 = \$6.05 \text{ accrued unpaid interest on the loan}$
Principal + interest is \$8,806.05.

Step 3: Unpaid Accrued Interest Adjustment

This is the change in unpaid accrued loan interest from the prior year to the current year.

\$6.05 (-2020 unpaid accrued loan interest)
- \$5.48 (-2019 unpaid accrued loan interest)
= \$0.57

Please Note: The Unpaid Accrued Interest Adjustment is included on the Audit List/Transaction Summary and line item 2b(1)(E) of the Form 5500 Schedule H.

Accrued Interest

Loan Payoffs

Accrued interest is included on early loan payoffs, calculated from the effective date of the prior payment until the date of the final payment.

Taxable Distributions

The accrued interest becomes taxable either due to loan default or taxable distribution due to benefit event. The taxable amount equals the principal loan balance plus the accrued unpaid interest. This entire taxable amount will be reported on the participant's Form 1099-R.

Repayment of Defaulted Loan

For defaulted loans, daily accrued interest will accrue from the effective date of the default until the loan is paid off. After the default date, the additional accrued interest is not included on the tax record but must be remitted for the loan to be paid off. As loan payments are made, the interest will be allocated on a pro rata basis to: Loan Interest, Taxable Accrued Interest and Non-Taxable Accrued Interest.

The Recordkeeping loan report reflects the taxable and non-taxable accrued interest payments for defaulted loans.

- Taxable Accrued Int Column
 - Reflects the Taxable Accrued Int due on the year the member starts repaying the loan
 - Reflects the taxed accrued interest paid beginning the year after the member starts repaying the loan
- Non-Tax Accrued Int Column
 - Reflects the non-taxable accrued interest due on the year the member starts repaying the loan
 - Reflects the non-taxable accrued interest paid beginning the year after the member starts repaying the loan

Where does the unpaid accrued loan interest appear on the Schedule H?

The accrued unpaid loan interest is reflected on the Form 5500 Schedule H under both the asset section and the income section.

- Asset section, line item 1c(8) Participant Loans - the accrued unpaid loan interest is included in the beginning and ending values
- Income section, line item 2b(1)(E), Participant Loan Interest - the unpaid accrued loan interest change and the terminated accrued interest are included on this line

Where does the change in unpaid accrued loan interest and the terminated loan interest show in the Audit List Transaction Summary?

These items are included in the Other Income section of the Audit List, but are combined with the Participant Loan earnings and reported as Participant Loan Interest on the Schedule H.

What is the difference between terminated taxable loans and deemed distributed/defaulted loans?

Participants with terminated taxable loans have terminated employment with the plan sponsor. The loan balance goes to \$0 on both the Recordkeeping Loan Report and the Loan Activity Summary and the participant receives a Form 1099-R for the current plan year.

Participants with deemed distributed/defaulted loans (as determined by the plan sponsor) have decided to no longer make payments on their outstanding loans, but they are still actively employed with the plan sponsor. A Form 1099-R is issued and the retirement plan's outstanding loan balance for the participant is reduced to \$0 on the Recordkeeping Loan Report in the year the loan is deemed distributed. However, the outstanding loan balance will continue to be reported as a plan asset on the Loan Activity Summary and Employer Fund Statement until the participant terminates employment or repays the loan.

Redemption Requirements - Notice/Frequency/Unfunded Commitments

Pooled Separate Accounts / PSVF/ Registered Investments/ Collective Investment Trusts (CIT)

Information on redemption fees, transfer restrictions is available by logging onto the employer website at principal.com.

1. Click **Investments, Research**
2. Click **Investment Fees and Transfer Restrictions**

Unfunded commitments typically are found in private equity funds and therefore are not applicable to PSAs, mutual funds or CITs.

Guaranteed Interest Account

On FIA contracts the money can be withdrawn prior to maturity at market value. The payment will be made within 7 days, but we reserve the right to defer payment up to 270 days. Unfunded commitments would not apply for general account type products.

PFIO/PFIGO/PGO

These items do not apply to Principal® Fixed Income Option/Principal® Fixed Income Guaranteed Option/Principal® Guaranteed Option investments. Participants are able to transfer money from Principal Fixed Income Option/Principal Fixed Income Guaranteed Option/Principal® Guaranteed Option on a daily basis. The transfer will be made within 3 business days after the date payment or transfer has been requested and notice received by Principal Life Insurance Company. In the event that market conditions do not allow the orderly transfer or sale of financial instruments we may delay payment/transfer up to an additional 30 days. This additional delay does not apply to payments to the beneficiary of a participant, purchase of annuity premium, or annuity payments. Please review Article IV and V for complete details.

Principal® Self-Directed Brokerage Account

The investment options selected through the Principal® Self-Directed Brokerage Account are reflected on the financial statements of the plan. Therefore, an input level will have to be determined for each investment option elected. All of the investment options selected through the Principal® Self-Directed Brokerage Account are required to be publicly traded securities so they would be considered input level 1. The ASC 820 booklet addressed the Principal® Self-Directed Brokerage Account. It is found by logging onto the employer website at principal.com.

1. Click **Investments, Fair Value Measurement of Investments**
2. Select **desired year**
3. Click on **ASC 820**

Unfunded commitments and redemption restrictions typically do not apply to the Principal® Self-Directed Brokerage Account because participants purchase stocks, etc. through it. Unfunded commitments and Redemption Restrictions would more likely apply to private equity funds such as limited partnerships, etc. which they are not invested in.

Confirmation Questions

Please refer to the below for Principal Life's response to the most common confirmation questions:

1. **State whether your records on behalf of the plan are maintained on the accrual or cash basis of accounting.**
 - Our records are maintained on the cash basis of accounting. Most plans use the modified cash basis for purpose of contribution reporting on the Form 5500, though.
2. **Are you aware of any existing or potential commitments or contingencies related to the plan?**
 - Please refer to the plan sponsor for the answer to this question. Principal Life Insurance Company is not in a position to answer this question.
3. **Are gains and losses on investments calculated based on historical cost or current value cost basis?**
 - Gains/Losses on the Form 5500 are calculated on a current value basis.
4. **Confirm whether you are aware of any loans made by the plan other than participant loans.**
 - Please refer to the plan sponsor for the answer to this question. Principal Life Insurance Company is not in a position to answer this question.
5. **State whether gains/losses on investments are calculated on a moving average, specific identification or other basis.**
 - For information on how the Pooled Separate Accounts are calculated/valued, please refer to Chapter 4 of this report.

Registered Investments (i.e. Mutual Funds) are valued at NAV. For further details, please refer to the Income Collection and Asset Valuation section of Principal Life SOC 1.

6. **Have there been any manual adjustments to participant accounts, including adjustments to investment allocations?**
 - As described within the Principal Life Insurance Company SOC 1, all plan and participant-level transactions are maintained within recordkeeping and accounting. At the end of each day, these transactions also post journal entries to Principal general ledger; however, these journal entries are consolidated by activity, not individual plan, and thus are not applicable to plan-level audits. These journal entries are tested within the scope of the Sarbanes-Oxley (SOX) audit, rather than the SOC 1 audit, the results of which are found within the most recent annual report for Principal located on www.principal.com.

Any manual adjustments are made 1) to ensure the plan sponsor's original intent is maintained, or 2) at the direction and approval is received from the plan sponsor prior to Principal Life performing the adjustment within our recordkeeping system. The audit package, specifically the Audit List/Transaction Summary, details the transactions which occurred during the plan year in recordkeeping. Please review those transactions to help determine if there is anything out of the ordinary which could potentially signify fraudulent activity. The plan sponsor should then be able to provide you with copies of documentation related to those events within their records. If the plan sponsor is unable to locate the information in their records, please have them reach out to their Client Service Associate/Manager for assistance in gathering the documentation. Please be sure to provide them with the date(s) in question.

7. **Confirm whether you are aware of any loans made by the plan other than participant loans or Confirm there were no obligations in default.**
 - Please refer to the plan sponsor for the answer to this question. Principal Life Insurance Company is not in a position to answer this question.
8. **Aware of any ongoing DOL or IRS investigations or inquiries?**
 - Please refer to your Client Service Associate/Manager. You can find their contact information on the employer website at principal.com. Click Contact Us at the bottom of the page.
9. **Confirm there are no pledges, liens or other security interests owned by the plan.**
 - Please refer to Chapter 4: Investments – Background and Testing Resources within this report for more information on the Pooled Separate Accounts. The Pooled Separate Accounts section details the topic of Liens, Pledges, and Securities Lending.

- If the plan has mutual funds, the plan has no pledges, liens or other security interests against the Registered Investments owned by the Plan as of plan year end that we are aware of or that we exercised, so it is not referenced within the report.

10. Please furnish the following information for securities lending or derivatives activities exercised on behalf of the plan:

- 1. A listing of securities on loan, including dollar amount by type of investment of securities on loan and the nature and amount of collateral held;**
- 2. The income earned for securities lending activities; and**
- 3. A listing of investments purchased with cash collateral received for securities on loan.**

Or please confirm that there have been no securities lending activities.

- The plan does not participate in securities lending activities.

Chapter 5: Form 5500 Information

At Principal Life, we strive to help make the Form 5500 filing process easier for you. To assist you with your preparation of your filing, we pre-populated your Form 5500 Annual Report using information provided by you via Submit Form 5500 Questionnaire or previously reported to us and stored in our records. Since we rely solely on your data, once the initial work is complete, it's important that the plan sponsor carefully review that filing to confirm all of the information is complete and accurate prior to you completing your filing and submitting it to the DOL.

You will receive a notification when your Form 5500 filing is available for review, and if approved, filing with the DOL.

If changes to the Form 5500 are needed, plan sponsors may update changes by editing the Form 5500 or by contacting the plan's Client Service Associate/Manager.

Form 5500 and Related Schedules

The Form 5500 and Required Schedules are available via the employer website at principal.com.

Principal Life will provide only those documents related to the Form 5500 which are applicable to each specific plan's:

- Contract Document (e.g., Investments)
- Service Agreement (e.g., only required schedules will be provided to TPAs when the plan sponsor is utilizing a TPA for Form 5500 preparation)

Form 5500 Multiple Employer Pension Plans

Multiple employer pension plans (and multiple employer welfare plans) required to file a Form 5500 or a Form 5500-SF must include an attachment that (1) lists each participating employer in the plan during the plan year, identified by name and employer identification number (EIN), and (2) includes a good faith estimate of each employer's percentage of the total contributions (including employer and participant contributions) made by all participating employers during the year.

The attachment must be properly identified at the top with the label "Multiple Employer Plan Participating Employer Information" and the name of the plan, EIN, and plan number (PN) as found on the plan's Form 5500/5500-SF.

The plan sponsor must gather the participating employer information, prepare the attachment, and upload the attachment to file with their Form 5500/Form 5500-SF.

A multiple employer filing submitted without the attachment will be considered an incomplete Form 5500 filing

Accounting Method for Reporting Plan Assets and Liabilities

According to the Instructions for Form 5500, the cash, modified cash, or accrual basis of accounting can be used for the recognition of transactions. One method should be consistently used.

Principal Life pre-populates the Form 5500 Financial Schedules based on the cash basis accounting method modified with respect to contributions.

What is the Cash Basis Accounting Method?

The cash basis accounting method recognizes revenue and expense when cash is received or disbursed. Under this accounting method, plan liabilities don't need to be reported. Principal Life provides the employer with fund statements prepared on a cash basis annually.

Employer Fund Statement and Principal Trust Company Trust Statement Reconciliation Statement Notice

Effective January 2020, Principal Trust Company® adopted a new statement format and Trust Statement Overview. While the content will largely remain the same, the format and where information is found on the statement will be different, with new, but similar schedules and investment groupings.

Employer Fund Statement

The Financial Information-Schedule H is populated utilizing the certified Employer Fund Statement. If the plan has participant loans, the Schedule H is populated utilizing the Recordkeeping Loan Report.csv file.

How do I reconcile the plan statement to the Schedule H?

The assets reported on the plan year-end plan statement are reflected on a cash basis with the guaranteed interest accounts shown at contract value. The Financial Information Schedule H or I is reflected on a modified cash basis for contributions for the reporting year received by Principal Life after the end of the applicable plan year. All assets reflected on the Form 5500 financial schedules are reported at Fair Market Value as required by the Employee Retirement Income Security Act of 1974 (ERISA), including the guaranteed interest accounts – with the exception of fully benefit responsive insurance contracts.

Principal Trust Company Trust Statement

Those plans which utilize Principal Trust CompanySM as trustee or custodian for at least one portion of their plan will receive a certified **Principal Trust Company Trust Statement** and Plan Year-End Reconciling Transactions Report (if applicable) in addition to the certified Employer Fund Statement.

Both the Employer Fund Statement and the Trust Statement are generally covered under the certification by Principal Life and Principal Trust CompanySM, respectively. The Certification of Financial Information lists the investments which are covered by each entity. The Employer Fund Statement provides the same information as the Principal Trust Company Trust Statement, but provides it in a format which ties back directly to the audit information documentation and Form 5500 itself. The Principal Trust Company Trust Statement is created using independent third-party software, which creates some inherent differences between the two statements primarily in categorization, terminology and rounding.

Here are some Common Oversights to avoid when reviewing the Principal Trust Company Trust Statement:

- Prior to gathering the Trust Statement, it is important that you read the **Trust Statement Overview** resource document which explains the differences between the Employer Fund Statement and Trust Statement reporting to the Form 5500.
- When gathering the Trust Statement, be sure to include the Plan Year-End Reconciling Transactions Report (if applicable) when performing your audit as this report may contain transactions that must be combined with the Trust Statement.
- When reviewing the Trust Statement, it is important that you reference Other Receipts, Disbursements and Expenses and Free Receipts, Deliveries and Adjustments section for activity (including corrections/adjustments, etc.) that may be causing differences with your financials.
- The ending loan balance for the loans will not include unpaid loan accrued interest. Please refer to the **Recordkeeping Loan Report.csv** file. In addition, the ending balance may include defaulted loans that were reported on a previous 5500 filing. Defaulted loans will be found in the Plan Year-End Reconciling Transactions Report (if applicable).
- When reconciling benefit payments that include taxable loan distributions on the Trust Statement to the 5500, be sure to gather the Member Loan Taxable Distribution Report as it may include defaulted loans (as noted above) that can cause your difference. See additional note in the "Participant Loans (Ending Balance) section of the Trust Statement Overview resource document.

Changes to your Form 5500

If you determine changes to your Form 5500 filing are required, the following options are available:

- 1) Edit the applicable schedule via Review and E-File Forms & Attachments on the employer website at principal.com.
 1. Click **Compliance, Form 5500**
 2. Click **Review and E-File Forms & Attachments**
 3. Under **Step 1 Review & Make Changes to Forms & Schedules**
 4. Beside the Schedule, Click **Edit**
 5. Select **Save & Continue**

The following table outlines the allowable changes the client may apply to a specific Form or Schedule.

Form or Schedule	Allowable Changes
Form 5500	<p>Part II – Basic Plan Information</p> <p>2a: Plan sponsor's address</p> <p>2c: Sponsor's telephone number</p> <p>2d: Business Code</p> <p>3a: Plan administrator's name and address</p> <p>3c: Administrator's telephone number</p> <p>5: Total number of participants at the beginning of the plan year</p> <p>6: Number of participants at the end of the plan year</p> <p>6a(1): Active participants at the beginning of the plan year</p> <p>6a(2): Active participants at the end of the plan year</p> <p>6b: Retired or separated participants receiving benefits</p> <p>6c: Other retired or separated participants entitled to future benefits</p> <p>6e: Deceased participants whose beneficiaries are receiving or are entitled to receive benefits</p> <p>6g: Number of participants with account balances as of the end of the plan year</p> <p>6h: Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested</p> <p>Note: #6 – Number of participants as of the end of the plan year is the sum of 6a(2), 6b, 6c, and 6e.</p> <p>Note: Life Count changes will not update in our system unless you work with your Client Service Associate/Manager to update member-level records.</p>
Form 5500 –SF	<p>Part I – Annual Report Identification Information</p> <p>Item C – Check box if filing under:</p> <ul style="list-style-type: none"> • Form 5558 • Automatic extension • The DFVC program • Special extension (enter description) <p>Part II – Basic Plan Information</p> <p>2a: Plan sponsor's address</p> <p>2c: Plan sponsor's telephone number</p> <p>2d: Business Code</p> <p>3a: Plan administrator's address</p> <p>3c: Plan administrator's telephone number</p> <p>5a: Total number of participants at the beginning of the plan year</p> <p>5b: Total number of participants at the end of the plan year</p> <p>5c: Total number of participants with account balances as of the end of the year</p> <p>5d(1): Total number of active participants at plan year begin</p> <p>5d(2): Total number of active participants at plan year end</p> <p>5e: Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested</p> <p>Part V – Compliance Questions</p> <p>10c: Was the plan covered by a fidelity bond?</p> <p>10d: Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond that was caused by fraud or dishonesty?</p> <p>10f: Has the plan failed to provide any benefit when due under the plan?</p> <p>10h: If this is an individual account plan, was there a blackout period?</p> <p>10i: If 10h answered "Yes", check the box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3</p> <p>Note: If 10c answered yes, the user will be allowed to enter an amount.</p>

	Part VI – Pension Funding Compliance 11a: Enter the unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 11b: If the plan is covered by PBGC and the amount reported on Line 11a is greater than \$0, has the PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)?		
Form 5500 & Form 5500 – SF Rules for edits	80-120 Rule:		
	If...	And...	Then...
	Large Plan Filer	1 st year filer or 2 nd year filer	Client is allowed to change total beginning life count number to any amount greater than 100. If they try to enter less, an error message will generate to contact Principal or help as this may change their filing type.
	Small Plan Filer	1 st year filer	Client is allowed to change the total beginning life count number to any amount less than 99. If they try to enter higher than 99, an error message will generate to contact Principal for help as this may change their filing type.
	Small Plan Filer	2 nd and subsequent years	Client is allowed to change the total beginning life count number to any amount less than 119. If they try to enter higher than 119, an error message will generate to contact Principal for helps as this may change their filing type.
Schedule A	Part I – Information Concerning Insurance Contract Coverage, Fees and Commissions 1e: Approx. number of persons covered at end of policy or contract year Note: Because there could be multiple Schedule A's, the editable page will identify all contract numbers and the client will need to indicate which Schedule A is being updated.		
Schedule C	Part III – Termination of Information on Accountants and Enrolled Actuaries A: Name B: EIN C: Position D: Address E: Telephone		
Schedule H	Part I and Part II – Assets: Note: We do not make rounding changes on the Form 5500 for amounts between \$1.00 - \$5.00. It is our position that amounts within this range are immaterial and the Department of Labor does not have a specific edit check on rounding. Note: Outside Asset funds and/or outside life insurance need to be updated by the client in the Submit Form 5500 Questionnaire section of the employer website at principal.com.		
	Part III – Accountant's Opinion: Note: The client or auditor need to update these line items via the employer website at principal.com 3a: The attached opinion of an independent qualified public accountant for this plan is: <ul style="list-style-type: none"> • Unmodified • Qualified • Disclaimer • Adverse 3b: Did the accountant perform a limited scope audit pursuant to 29- CFR 2520.1038 and/or 103-12(d) 3c: Enter the name and EIN of the accountant <ul style="list-style-type: none"> • Name • EIN 3d: The opinion of an independent qualified accountant is not attached because <ul style="list-style-type: none"> • This form is filed for a CCT, PSA or MTIA • It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50 Note: If 3d #2 is checked an explanation is required to be added as an attachment. Note: If 3b is selected as Yes, Disclaimer should be selected for 3a.		

	<p>Part IV – Compliance Questions:</p> <p>4b: Were any loans by the plan or fixed income obligations due to the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance.</p> <p>4c: Were any leases to which the plan was a party in default or classified during the year as uncollectible?</p> <p>4d: Were there any nonexempt transactions with any party-in-interest?</p> <p>4e: Was the plan covered by a fidelity bond?</p> <p>4f: Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond that was caused by fraud or dishonesty?</p> <p>4g: Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third-party appraiser?</p> <p>4h: Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third-party appraiser?</p> <p>4i: Has the plan failed to provide any benefit when due under the plan?</p> <p>4m: If this is an individual account plan, was there a blackout period?</p> <p>4n: If 4m answered "Yes", check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.</p> <p>Note: If 4b, 4c, and/or 4d are answered 'yes' the user is required to attach a Schedule G. If 4e, 4f, 4g and/or 4h are answered "yes" the user is required to enter an amount.</p>
Schedule I	<p>Part I – Assets:</p> <p>Note: We do not make rounding changes on the Form 5500 for amounts between \$1.00 - \$5.00. It is our position that amounts within this range are immaterial and the Department of Labor does not have a specific edit check on rounding.</p> <p>Note: Outside Asset funds and/or outside life insurance need to be updated by the client in the Submit Form 5500 Questionnaire section of the employer website at principal.com.</p> <p>Part II – Compliance Questions:</p> <p>4b: Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance.</p> <p>4c: Were any leases to which the plan was a party in default or classified during the year as uncollectible?</p> <p>4d: Were there any nonexempt transactions with any party-in-interest?</p> <p>4e: Was the plan covered by a fidelity bond?</p> <p>4f: Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond that was caused by fraud or dishonesty?</p> <p>4g: Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?</p> <p>4h: Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?</p> <p>4i: Has the plan failed to provide any benefit when due under the plan?</p> <p>4m: If this is an individual account was there a blackout period?</p> <p>Note: If 4m answered "Yes", check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.</p> <p>Note: If 4b, 4c, 4d, 4e, 4f, 4g and/or 4h are answered "yes" the user is required to enter amount.</p>
Schedule R	<p>Part I – Distributions</p> <p>1: Total value of distributions paid in property other than in cash or the forms of property specified in the Instructions.</p> <p>2: Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, entered EINs of the two payors who paid the greatest dollar amounts of benefits)</p> <p>Part II – Funding Information</p> <p>8: If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?</p> <ul style="list-style-type: none"> • Yes • No • Not Applicable

Part III – Amendments

- 9:** If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, choose the appropriate answer. If no, choose “No”.
- Increase
 - Decrease
 - Both
 - No

Part VI – Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 20a:** Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero?
- 20b:** If line 20a is “Yes,” has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

2) Click the Requesting a Correction link via Review and E-File Forms & Attachments, *Step 3, Available Options* on the employer website at principal.com.

1. Click **Compliance, Form 5500**
2. Click **Review and E-File Forms & Attachments**
3. Click **Requesting a Correction link**
4. Detail the changes you want made. Please indicate the Schedule(s) that will be affected.

Option 2 does not have attachment capabilities. Marked up copies of the Form 5500 and Schedules will need to be submitted to the plan’s Client Service Associate/Manager for assistance



PLEASE NOTE THAT IF YOU HAVE AN ATTACHMENT WITH CHANGES, PLEASE DO NOT HIGHLIGHT THE CHANGES ON THE SCHEDULES AS THIS MAKES THE LINE ITEMS HARD TO READ UPON SUBMISSION.



ONCE YOU HAVE REQUESTED A CORRECTION VIA THE EMPLOYER WEBSITE, YOUR ABILITY TO ACCESS AND/OR SUBMIT YOUR FORM 5500 TO THE DEPARTMENT OF LABOR (DOL) WILL BE SUSPENDED UNTIL THE REVISED FORM 5500 IS AVAILABLE.

Changes to the untimely contribution total

Please contact your [Client Service Associate/Manager](#) to make changes to the untimely contribution amount on the Form 5500, Schedule H/I. See [Timeliness of Contributions](#) for more information on untimely contributions.

Form 5500 Changes

The employees working directly on your Form 5500 changes will send back questions or comments regarding those changes, to the plan’s Primary Contact’s Message Center. Messages are typically sent in the following instances:

- Request creates a financial information imbalance (i.e., financials do not add through)
- Request is related to rounding changes less than \$5
- Request is submitted to change value due to inappropriate auditor or plan sponsor calculation. Examples include:
 - Trying to report contract value when fair market value should be reported (or vice versa)
 - Not taking into account Fair Market Value Adjustments
 - Trying to change loan balance due to misunderstanding of accrued, unpaid interest
- Request is submitted to add the Accountant’s Opinion information Schedule H



UPDATING OF SCH H, PART III CAN ONLY BE DONE BY THE PLAN SPONSOR OR THEIR AUDITOR VIA THE EMPLOYER WEBSITE AT PRINCIPAL.COM.



WHEN UPDATING LINE ITEMS 3A AND 3B OF SCH H, PART III AND THE ACCOUNTANT’S OPINION IS INCLUDED WITH THE FORM 5500, YOU SHOULD ONLY CHECK “DISCLAIMER” WHEN A LIMITED SCOPE AUDIT IS PERFORMED. FAILURE TO DO SO WILL CAUSE YOUR FILING TO ERROR OUT.

If in doubt on whether a line value is accurate, large plan filers may contact the 5500 Plan Audit Support Team to confirm the values prior to submitting a request for a Form 5500 change.

Why will adjustments under \$5 not be made?

Per the [Allowable Client Changes](#) table noted above, adjustments to values on the Schedule H under \$5 will not generally be made. That is due to the following:

The amount entered on Schedule H is obtained from values for each of the applicable investment. These values are dollar/cent specific and the grand total for all is rounded one time to the nearest dollar. For the Schedule D, each applicable investment balance must be provided separately, and in whole dollar amounts. Whether the Schedule D amount is truncated or rounded up/down, the total of these amounts will potentially differ from the total of all applicable investments. These schedules can be filed to the Department of Labor (DOL) as-is because no edit check is performed by the DOL to determine if these amounts match.

How do I add Attachments and Schedules to my Form 5500?

Large plan filers are required to add at least one attachment or schedule prior to E-Filing the Form 5500. Examples of these attachments include the Accountant's Opinion, Schedule of Delinquent Participant Contributions, and Schedule SB. Schedules themselves must be in .xml format; whereas attachments can be in either .pdf or .txt format.

To add an attachment, follow the steps below. Once logged onto the employer website at principal.com,

1. Click **Compliance, Form 5500**
2. Click **Review and E-File Forms & Attachments**
3. Under Step 2, Attachments & Accountant's Opinion, Click **Add Attachments**
4. Click **Browse**
5. Find the file you wish to attach and click **Open**
6. Click **Upload File**
7. Verify the attachment type shows correctly based on what you are attaching. For instance, if you are attaching your accountant's opinion you want to ensure the type reflects that. Failure to do so will result in being unable to submit the filing to the DOL as our system will not recognize all the necessary attachments are there.
8. Click **Add Attachment**

The accountant's opinion **MUST BE** submitted by logging onto the employer website at principal.com.

1. Click **Compliance, Form 5500**
2. Click **Review and E-File Forms & Attachments**
3. Under Step 1, **Review & Make Changes to Forms & Schedules**, Click **Edit** beside Schedule H
4. Enter **Accountant's Info**
5. Click **Save & Continue**

What is generally included in the Accountant's Opinion report that is attached with your Form 5500 filing?

- Accountant's Opinion
- Financial Statements
- Notes to the Financial Statements
- and Supplemental Schedules

Why won't my Accountant's Opinion upload?

The Department of Labor (DOL) will automatically reject filings with attachments not meeting their security (i.e. encrypted or password protected) or size requirements (typically as a result of colored graphics). Principal Form 5500 system was built with these DOL edit checks already in mind. When plan sponsors or auditors upload documents to our website, we check them against these edits. If everything is fine to go forward, they will appear with your Form 5500.

Documents that do not appear on the website after being uploaded are not meeting one or more of the DOL's edit checks. Follow these steps to troubleshoot the issue:

1. Print the document
2. Scan it
3. Reduce and Optimize it. These are typically File, "Save As" features in Adobe
4. Upload the document again



ATTACHMENTS SHOULD NOT HAVE ANY OF THE FOLLOWING. IF INCLUDED, THE DOL MAY REJECT YOUR FILING OR DISPLAY THE PRIVATE INFORMATION ON THEIR WEBSITE:

- **SOCIAL SECURITY NUMBERS OR PERSONAL INFORMATION**
- **SECURITY OR PASSWORD REQUIREMENTS TO OPEN THE ATTACHMENT**

If you are still unable to upload your document after following these steps, contact the plan's Client Service Associate/Manager for assistance.

Why do I need to check my filing status the day after I submit my Form 5500?

Once you are able to submit your Form 5500 through the "Review and E-file Forms & Attachments" page, you have made it past the initial edit checks; however, there are some additional edit checks necessary by the Department of Labor (DOL). These could include invalid PIN and Signer ID errors or attachment errors. The DOL may reject your filing and this will require a revised filing and resubmission to the Department of Labor. Therefore, it is very important that plan sponsors check their filing status the next day to insure the filing was accepted.

Additional **FAQ** is available if needed.



FORM 8955-SSA REMINDER: YOU MAY OR MAY NOT HAVE A FORM 8955-SSA TO REVIEW AND SUBMIT TO THE SOCIAL SECURITY ADMINISTRATION. FORM 8955-SSA PROVIDES INFORMATION TO THE SOCIAL SECURITY ADMINISTRATION ABOUT PLAN PARTICIPANTS NO LONGER EMPLOYED BY YOUR COMPANY AND WITH VESTED BENEFITS IN THE COMPANY'S PLAN. THE FORM 8955-SSA FILING DEADLINE IS THE SAME AS THE FORM 5500 FILING DEADLINE. THE SAME FILING DEADLINE EXTENSIONS APPLY.

- **YOU MAY NOT NEED TO FILE THIS FORM EVERY YEAR. WE ONLY POPULATE IT FOR THE YEARS WHEN THERE ARE PARTICIPANTS TO REPORT.**
- **YOU'LL RECEIVE A TASK IN YOUR TO-DO LIST ON PRINCIPAL.COM, EMPLOYER LOGIN WHEN IT IS READY FOR YOUR REVIEW AND APPROVAL.**

Summary Annual Report

The values reported on the Summary Annual Report (SAR) are pulling directly from the Form 5500, and are reported based upon formatting / reporting instructions from the Department of Labor. As such, we cannot make changes to the SAR without first making changes to the Form 5500 values. To see an example of how the Department of Labor instructed us to complete the SAR, feel free to visit:

http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=3d894f9618c0d25ddd886e122c4fa0c5&ty=HTML&h=L&n=sp29.9.2520.f&r=SUBPART#se29.9.2520_1104b_610

Chapter 6: Audit Information

We provide comprehensive audit information annually for plans with more than 100 participants in their beginning year life count. The information is put together with your auditor in mind and should answer any questions they have about the plan's financial activity. The annual comprehensive audit information is prioritized based on the audit date reported by the plan sponsor via the [Submit Form 5500 Questionnaire](#) on plans where we provide comprehensive Form 5500 services to ensure they are available when you need them. If the plan auditor is scheduled in your office on June 1st, we suggest you indicate an audit date **at least 2 weeks prior** to June 1st. Auditors will often begin a review of audit data a week or two before they are scheduled to arrive in your office. It is important that this date is provided because we prioritize completion of audit information based upon that date to help ensure data is available when needed. **Please note**, plans that invest in certain Collective Investment Trust (CIT) funds require audited financial statements that may not be available prior to May 1st. You will need to work with the Client Service Associate/Manager for rush timing. To access their contact information, logon to the employer website at principal.com. At the bottom of the page click on "Contact Us".



NOTE: FOR PLANS WHERE WE DO NOT PROVIDE COMPREHENSIVE FORM 5500 SERVICES, THEY SHOULD COMMUNICATE THEIR AUDIT DATE TO THE PLAN'S CSA/M.

Comprehensive Audit Information

The Comprehensive Audit Information on the employer website at principal.com is broken out into the following sections:

Request Assistance / Find Answers

- Used to Request Additional Participant Data or Ask the Audit Support Team a question during a plan audit.

Plan Audit Information

Here are some of the more commonly found items:

- Participant Distribution Details – provides the participant's distribution election request information (i.e. Distribution request received dates, benefit type, vested balance prior to distribution, payout amount requested, tax withholdings, fee amounts, ACH and check numbers)
- Participant Activity Report – participant-level activity detail (i.e. Rollover Contribution, Benefit Payments, Withdrawals, Refunds and Forfeitures) Note: Terminated – Taxable Loans will not be included in this report. Please refer to the Recordkeeping Loan Report for this detail.



NOTE: PLEASE UTILIZE THE PARTICIPANT ACTIVITY REPORT TO RECONCILE BENEFIT PAYMENTS REPORTED ON THE SCHEDULE H. DO NOT USE THE ONLINE DISTRIBUTION REPORT, AS IT WAS NOT INTENDED FOR THAT PURPOSE.

- Audit List / Transaction Summary – plan-level activity detail (i.e. Contributions, Earnings, Benefit Payments, Expenses, Loan Payments and Investment Transfers). In addition, this report should be utilized for the following:
 - Evaluate and perform timeliness testing of contributions and loan payments (if applicable) received during the plan year as compared to the plan sponsor's payroll records.
 - This report ties to the information we report on the Income and Expense Statement (Part II) section of the 5500 Form Schedule H.
 - This report provides a detailed breakout of the expenses deducted from the plan's assets.
- Recordkeeping Loan Report .csv format (if applicable) – loan activity detail (i.e. will also include unpaid loan accrued interest, taxable accrued interest and non-taxed accrued interest)
- Certificate of Financial Information
- Employer Fund Statement
- Schedule of Assets held
- Number of Shares/Units Report
- Fair Market Value Report (if applicable)



IF YOU ARE CONDUCTING A FIRST YEAR AUDIT, UPON REQUEST PRINCIPAL LIFE INSURANCE COMPANY AND/OR PRINCIPAL TRUST COMPANYSM WILL ISSUE AN OPEN BALANCE CERTIFICATION. THIS INFORMATION WILL BE LOCATED IN THE PREVIOUS PLAN YEAR AUDIT SECTION

Supplemental Information

Here are some of the more commonly found items:

- Participant 1099-R
- Untimely Contribution Information (if applicable)
- Principal Life SOC 1
- Principal Life SOC 1 GAP Letters
- State Street SOC 1 (if applicable)
- State Street SOC 1 GAP Letters (if applicable)
- Principal Financial Group Bond (i.e. click on Previous Plan Year Audit to obtain the bond information covering the prior period).
- Investment Financial Information Reports (will also include audited financial statements for certain investments, if applicable).

I'm a TPA. Can I request an Audit Package for a Short Form or Small Plan filer? Yes. Here are the steps to request or order the Audit Package:

1. Login to the TPA website at principal.com using the TPA login type
2. Click on the plan name in the Client list on the **Your Plans Summary landing page**
3. Click on the **Access the Sponsor Site** link located in the right navigation
4. Once linked to the plan sponsor site, click **Compliance, Auditing**
5. Click on **View Current Plan Year Audit**
6. Click on **Order Audit Package** in the Plan Audit Information box

Historical Cost of Plan Assets

Historical cost is defined as the original amount of a transaction without adjusting for market value.

When does Principal Life provide the Historical Cost Report?

The Historical Cost Report is provided to plans when at least one of the following criteria is met:

- Employer (rather than participant) has control over investment direction for some money types
- Plan holds employer securities
- Full scope audits
- Corporate audits

Note: A supplemental service fee may apply if at least one of the following criteria listed above is not met.

When applicable, detail on Historical Cost can be found via the employer website on principal.com.

How does Principal Life determine historical cost?

General Account

For assets invested in the Principal general account: cost = contract value. The contract guarantees interest on the money as the money is invested. The value of the account on any day is:

$$\text{Initial Investment} + \text{Accumulated Interest} = \text{Contract Value}$$

Interest credited to the account at the end of the year increases the cost basis for the next year. This account value is the basis for calculating interest the next year. Market changes do not affect current assets in the general account.

Other Investments

Historical cost on other plan investments is calculated using the average cost method. Under this method, the unit prices of all purchases are tracked using the actual price on the day of purchase. These prices are then averaged together to determine the plan's daily average unit price for historical cost purposes.

Participant Directed Investments

Department of Labor Regulation 2520.103-11(d) allows the exclusion of participant directed transactions from the historical cost entry on the Schedule of Assets Held for investment purposes. The exclusion of these types of transactions is optional. Our historical cost sheet excludes participant directed transactions. We will provide historical costs sheets only for employer directed investments.

Department of Labor Regulation 2520.103-6(f) provides an exemption from including participant or beneficiary directed transactions under an individual account plan on the Schedule of Reportable Transactions. The exclusion of these types of transactions is required. The schedule of reportable transactions excludes participant directed investments, but will include any transactions for employer directed investments.



PASS-THROUGH ACCOUNT TRANSACTIONS ARE NOT REQUIRED TO BE INCLUDED ON THE SCHEDULE OF REPORTABLE TRANSACTIONS IF THE PLAN HAD NO CONTROL OVER INVESTMENT DIRECTION (E.G., PARTICIPANT DIRECTED).

When applicable, detail on the Reportable Transactions can be found via the employer website on principal.com

Reportable Transactions

Reportable Transactions under ERISA

Reportable transactions are defined under Department of Labor Regulation 2520.103-6. A transaction is reportable if an individual transaction or series of transactions involving the same person or security exceeds 5% of the current value of plan assets. The current value of plan assets is defined as the value of the plan assets at the beginning of the plan year. (Reg 2520.103-6(b))

How is the 5% Threshold determined in the plan's first reporting year?

For the initial plan year, the 5% threshold is based on the current value of the plan assets at the end of the year. (Reg 2520.103-6(b)(ii)).

What is a series of transactions?

The series of transactions can occur when:

1. entered into with the same person, or
2. entered into involving the same security (e.g. the same Pooled Separate Account)



WHEN AN INDIVIDUAL TRANSACTION EXCEEDS 5% OF THE CURRENT VALUE, ALL TRANSACTIONS WITHIN THE SAME SECURITY AUTOMATICALLY BECOME REPORTABLE AS A SERIES OF TRANSACTIONS THAT EXCEED 5%.

Chapter 7: Plan and Participant Testing

The 5500 Plan Audit Support Team is here to assist by providing large form filers (those with over 100 participants at the beginning of the plan year) a dedicated team that can be contacted for questions and requests.

We will work directly with plan auditors who have been set up by the plan sponsor with access to the employer website at principal.com.

- Who can grant access?
 - Only the Primary Security Administrator at the plan sponsor's office
- How to provide access?
 - Instructions on how to do so are in the [Providing Access](#) section

5500 Plan Audit Support Team

There are two online submission forms available, each with a different purpose which is handled by a different processing team.



PLEASE SUBMIT YOUR REQUEST USING THE CORRECT USEFORM. USING THE INCORRECT ONE WILL OFTEN DELAY YOUR REQUEST!

1. Request Additional Participant Data— use for requesting documentation regarding your testing (e.g., copies of canceled checks, investment election changes, etc.).

Please note that for plan year end dates starting December 2, 2019 and onward, Principal will be directing requests for participant distribution paper forms and screenshots for Defined Contribution plans to a new online report. The information is now in an excel-based file.

In order to download the report, log onto the employer website at principal.com and follow these steps:

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Participant distribution details**

Background: We continue to receive clients and auditors' feedback for quicker turnaround timing and to be able to self-serve participant data support directly. We value the feedback because it helps us build a better client experience. One of the better client experiences we are making is to deliver the Defined Contribution distribution support in an excel report in lieu of paper confirmation and support documents.

As a result, Principal implemented the excel-based report that captures the participants' payout requests. Some additional data points on the excel file are:

- Date the request was made (if applicable, some situations such as Small Amount Force Outs (SAFO) or Required Minimum Distribution (RMD) would not have a date as these are auto-processed based on the plan's SAFO/RMD requirements).
- Type of Benefit (Hardship, Termination, etc.)
- Vested balance
- Payout Type (Cash, Rollover, etc.)
- Amount requested
- Fee information
- ACH Routing numbers
- Check numbers

This type of data was not previously captured in one single report on any online distribution confirmations or paper documents. The new excel file encompasses this data for auditors. Also, in today's world, many requests are submitted by the participant online, therefore leaving no paper trail. The excel-based file pulls the data from Principal systems and puts the information in the hands of the auditors to help them streamline their testing.

Please also note Principal Life SOC 1 has checks and procedures in place regarding the proper payouts whether it be online or paper submission. For more information on the distribution process, refer to the Benefit Payments and Description of Processing Environment sections of the Principal Life SOC 1.

We're confident this report should meet your participant data – distribution testing needs.

The report will be made available approximately 45 days after the plan year end and it is an immediate download versus having to wait 5-7 business days.

Best practices and fyi's for the Request Additional Participant Data submission forms:

- Submit sample size selection using the participant's name and last 4 digits of their Social Security Number.
- For conformity with applicable privacy requirements, responses will be sent to the secure login credential person's Principal Message CenterSM. This will appear with a subject line of "Audit Support Participant Data Request". Click on the item, scroll to the bottom, and click on the PDF document, to access the requested data.
 - After 60 days, the data is no longer available on Principal Message CenterSM
 - Save the data to a different location if you need to reference it later
- Additional fees of **\$150 PER HOUR** may apply if
 - The sample size of the request is unreasonable
 - The data requested is more than 2 audit years in the past – NOTE: you will be notified ahead of time if a fee is applicable.

2. Ask the Audit Support Team a question – use for any question that needs a written response (plan audit questions).

- The response is sent via requestor's email address.
- If you prefer to speak with someone directly, be sure to have the contract number and the name of the client available when you call.

Standard Timing for all 5500 Plan Audit Support Team questions and participant data

June through September: 5-7 business days

October through May: 3-5 business days

Note: Defined Benefit Payment Calculation request has a 10 business days timing.

- If you do not receive a response within that time frame, please follow-up with the 5500 Plan Audit Support Team at the number listed on principal.com.

How do I request audit support rushes?

Once you have submitted this use form and you'd like to include additional information or need rush timing, please call the Form 5500 Plan Audit Support Team. Please be prepared to provide a reason for your rush request.

How is participant data sent to me?

For conformity with applicable privacy requirements, responses will be sent to the secure login credential person's Principal Message CenterSM. This will appear with a subject line of "Audit Support Participant Data Request". Click on the item, scroll to the bottom, and click on the PDF document, to access the requested data.

Online Reports

There are many reports which are available online via the employer website at principal.com. These include (among others):

- [Contributions/Loan Information](#)
- [Deferral Report](#)
- [Display of Account](#)
- [Participant Data](#)

An additional fee applies on any customized reports not currently available on the website. No charge would be applied without notification to the plan sponsor first.

Subsequent Events - Were there any outstanding distributions requested at the end of the plan year, but not paid until the following year?

Information on distributions requested during the current year under audit but not paid until the next plan year is available by logging into the employer website at principal.com and following these directions.

1. Click **Reports**
2. Click **Distributions & Withdrawals**
3. Find **Distributions** and click **View Report**
4. Click on the **Select Columns** tab
5. Select **Benefit Event Process Date** (the date the distribution was processed)
6. Select **Check Mailed Date**
7. Select **Option Election Received Date** (the date Principal received the distribution request either paper or electronically)
8. Click **Save and Continue**
9. Arrange columns as you want to see them
10. Click **Save and Continue**
11. Scroll to the right and click on the download to excel link.
12. Compare the **Benefit Event Process Date** to the **Option Election Received date**

Participant Statements

- May be available (if the plan sponsor has requested it in their service agreement) via the employer website at principal.com along with the Employer Fund Statement.
- Depending upon the frequency which the plan sponsor has requested statements to be provided, quarterly participant statements may also be available by accessing participant accounts using the Participants section of the employer website at principal.com

If you are unable to view any of the information mentioned above, the plan sponsor's primary security administrator will need to first grant you access to those sections of the website, or provide you with the requested information.

Participant Investment Direction Allocation

Principal Life provides the Participant Investment Direction Allocation for Defined Contribution plans in excel format. The report captures investment allocation by participant level for the plan.

It can be requested by logging onto the employer website at principal.com.

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Request Additional Participant Data**

Defined Benefit (DB) Payment Calculation Support

Principal Life provides the following items to support the benefit payment testing:

- **Current plan year** necessary inputs and participant data to help you audit the benefit payment calculations
- Historical participant distribution data, as needed, for **one prior plan year**

An additional fee may apply:

- When more than two plan years of historical distribution detail is requested
- When the actual calculations for individual participant's benefit payments are requested

For example, if you are auditing the 2019 plan year, an additional fee may apply if detail is requested on distributions that happened prior to the 2018 plan year.

In order for Principal Life to support you in the most efficient and effective way with benefit payment testing, we ask you to:

- Refer to the list of participants who had distribution activity within two plan years on the [Income Payment Summary](#). The list can be accessed via the employer website at principal.com and used to help select your sample distributions to audit for DB Payments.
- Review the 5500 Plan Audit Support Team section above related:
 - to reasonable sample size,
 - location of audit request online submission forms,
 - response time.



WITH THE COMPLEXITIES ASSOCIATED WITH THE DB PLAN, IT TAKES EXTENSIVE TIME TO GATHER INPUT AND OUR GOAL IS TO DELIVER THE SUPPORTING DOCUMENTATION (INPUTS) IN 10 BUSINESS DAYS. PLEASE PLAN ACCORDINGLY.

Many of the below plan instruments can be utilized to help you re-compute the benefit calculations.

- Plan Document
- Amendments
- Restatements
- Summary Plan Description
- Income Payment Summary
- Display of Benefits (e.g. Census Data)

The AICPA's Employee Benefit Plans Audit and Accounting guide – Chapter 6 provides Defined Benefit pension plan audit objectives. Section 6.183(vi) states:

Re-computing benefit payments based on the plan document and related documents, option elected, and pertinent service or

salary history. For complex benefit calculations, such as lump sum benefit payments or conversion of an account balance to an annuity, consider using the assistance of an actuary in testing the inputs used in the benefit calculation.

Participant Data Testing FAQs

Why isn't a DB participant on the Form 1099-R contract listing?

Participant tax withholding information for Defined Benefit (DB) plans is presented in two different ways.

1. A contract-level Form [1099-R](#) Listing shows any lump-sum payments that were paid during the calendar year. If applicable, it is posted on our employer website at principal.com.
 - If the Participant 1099-R List link is missing from the website (for a DB plan only), there were no lump sum distributions from the plan during that calendar year.
 - Terminated or Retired lump-sum payments are available on the transaction listing at the end of the Employer Fund Statement.
2. Please refer to the Income Payment Summary to make the selection of participants with periodic (i.e. annuity) payouts that will be tested. That listing of participants can be submitted to the 5500 Plan Audit Support Team via the Request Participant Data link (also found under the View Current Plan Year Audit link). We will be happy to provide you with copies of their individual Form 1099-R reports for a reasonable sample size.

The Income Payment Summary is provided to the plan sponsor following the plan year end – please refer to it for this information.

Why does the Form 1099-R contract total not match to the Participant Activity Report and/or Employer Fund Statement?

The Form 1099-R listing is provided in order to show taxes withheld on distributions, and should only be used for this purpose. It should not be used to tie back directly to the total distribution amounts reported on the Form 5500, Employer Fund Statement or audit information. Form 1099-Rs are populated on a Social Security Number basis, so it may contain activity which occurred under a different plan number during the same tax year or not pull into the contract-level listing you are auditing because the participant was first established under a different plan. In addition, if the plan has loans, keep in mind that **total** distributions on the Form 5500 include those reported on the Employer Fund Statement and the Terminated Taxable Amount found on the Recordkeeping Loan Report.csv file.

Why doesn't the Participant Distribution Report (found under the Reports section) match the Form 5500?

Note: Applies to plans for which we provide comprehensive Form 5500 and compliance services.

The Form 5500 distributions are detailed by participant on the [Participant Activity Report](#) and [Recordkeeping Loan Report.csv](#) file (if applicable). These reports are available on the employer website at principal.com.

The [Participant Distribution Report](#) shows distributions that were actually paid out during the plan year. In addition, it may include some terminated taxable loan distributions if the participant happened to have an outstanding loan balance when they took their final payout since taxes on that amount would be withheld. However, for the most part, terminated taxable and deemed loan balances do not pull into the Participant Distribution Report because the balances – while reportable on the Form 5500 and Form 1099-R - did not actually get issued to the participant via check during the plan year.

Why doesn't the participant and contract (or investment) rate of return match?

A participant's rate of return will likely not match a plan level's rate of return due to all the other participants' contribution, transfers, and fees activity, etc., taking place at the plan level. It will not be exact. In order for a participant's rate of return to exactly match either to the plan or investment's rate of return, the timing and amount of deposits, withdrawals and other transactions during the period must exactly match. Any difference will create a perceived discrepancy. If a participant has a perceived discrepancy, please review the participant's account for the following:

- Has the participant been paid out during the time frame?
- Did the participant begin contributions after the beginning of the time frame being tested?
- Were assets transferred in or out during the time frame? (This includes rebalancing)

If the answer to any of these questions were yes, the participant's rate of return will differ from the plan and investment level rate of return. The amount and length of time funds were out of the account (and accompanying earnings) will affect the amount of perceived discrepancy.

Chapter 8: Recordkeeping and Reporting Requirements

Standard Transaction Report:

The transactions section has been redesigned to help with some of the need for custom reports. The best part? Most plan sponsors won't have to wait for the report—it will produce immediately!

For larger plans with more participants, these reports take longer to generate. These clients can still create and preview reports on the secure plan sponsor site, but they won't receive an immediate download. Instead, they can order the report and go on with their day, and they'll receive an email with a link to their report when it's ready. They'll be able to find ordered reports on the Reports history page.

In order to download the report, log onto the employer website at principal.com and follow these steps:

1. Click **Reports**
2. Click **Transaction**
3. Click on the **Standard Transaction Report *New**
4. Customize the report:
 - a. Select the Timeframe.
 - b. Under Select Additional Columns – click on and off the data points as needed.
 - Under Additional Transaction Details there are two options. By selecting the **Money Source & Activity Type** view, you can add more details to the report without adding more rows per participant, while selecting **Money Source** view you can get a single row as long as you don't add additional details
5. Preview the report at the bottom of the screen
6. Download the Excel

Notes:

- For our larger plans, some contracts will see a selection titled "Order report" instead of "Download Excel". Order Report steps include:
 1. Completing a dialogue box to Name the report; select order.
 2. Message at the top of the screen if successful will read:
 - Success! You will receive an email when your report is ready to download. You can check the status on the Report History page.
 - Email will provide a link taking the Plan Sponsor to their SSC login screen. After securely logging in, they will be taken to the report they ordered.
 - Click on the Report Name saved, report will open in Excel.
 3. Report will be in the Reports History on the Reports tab and available for 90 days.
- Clients with location record keeping will not have access to this new Transaction Report.

Pay Period End Date Contributions by Participant Level

To obtain a detailed report broken out by specific items such as Pay Period End Date, you will need to run a report accessible by logging onto the employer website at principal.com.

1. Click **Reports**
2. Click on **Transactions**
3. Find Transaction Detail Report and click View Report
4. Under the **Apply Filters** tab
 1. Enter Plan Year Effective Dates
 2. Plan Year (if applicable, if not leave blank)
 3. Transaction Category (if applicable, if not leave blank)
 4. Contribution Source (if applicable, if not leave blank)
 5. Participant ID (if applicable, if not leave blank)
 6. Pay Period End Dates(if applicable, if not leave blank)
 7. Click Save and Continue. You may download the report to excel on the next page
 - Additional Options: Under the **Select Columns** tab
 - Ensure columns you wish to see are selected
 - De-select any columns you do not wish to see
 - Click **View Report** tab

Timeliness of Contributions

The Department of Labor (DOL) requires employers to transfer participant contributions and/or loan payments to the retirement plan by:

The earliest date these amounts can reasonably be segregated from the employer's general business assets, but in no event later than the 15th business day of the month following the month in which the amounts were withheld or received by the employer.

The DOL warns that the 15th business day requirement is an outer limit and not a safe harbor. In audit situations, the DOL has always enforced the 'earliest date' requirement of the regulations, using the plan sponsor's history of segregating assets in the past to establish a standard for timeliness of contributions.

Principal will report on the Schedule H/I only contributions and/or loan payments on our records that appear to have been received outside of this outer limit. The plan sponsor may report additional untimely contributions and/or loan payments to be added to the Schedule H/I. If our records do not reflect any contributions received outside of this outer limit, this does not necessarily mean all contributions were made to the retirement plan on a timely basis. Contributions that did not meet the 'earliest date' requirement need to be reported to us so they can be included on Schedule H/I.

For plans with fewer than 100 participants, employee contributions and loan payments deposited with the plan no later than the 7th business day following withholding or receipt by the employer will be considered contributed in compliance with the law.

For all contributions, employee and employer (if any), the plan must designate a fiduciary, typically the trustee, to make sure that contributions due to the plan are collected. If the plan and other documents are silent or ambiguous, the trustee generally has this responsibility.

Per the instructions for the Form 5500, late contributions should be reported for the year in which they were delinquent and should be carried over and reported for each subsequent year until the year after the violation has been fully corrected, which includes payment of the late contributions and reimbursement for lost earnings.

For detail of the untimely contribution amount reported on the Form 5500, please refer to the Untimely Contribution report found by logging onto the employer website at principal.com.

1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Untimely Contribution Information**

If the amount reported as untimely contributions/loan payments needs to be increased or decreased, the following information is necessary for **each** transaction that must be added, deleted, or changed:

- **Transaction Type** - indicate whether the transaction was an employee contribution or a loan payment
- **Pay Date** - this is the date the contribution/loan payment was withheld from employee paycheck or was delivered to the plan sponsor by the employee
- **Effective Date** - this is the date the plan sponsor, or a payroll or other service provider acting on their behalf, remitted the contribution/loan payment to the plan
- **Amount** - this is the amount of the contribution(s) / loan payment(s). This should not include the amount of lost earnings if the violation was corrected
- **Corrected Date** - if the violation has already been corrected, this is the date the lost earnings were remitted to the plan



PLEASE CONTACT YOUR CLIENT SERVICE ASSOCIATE/MANAGER TO MAKE CHANGES TO THE UNTIMELY CONTRIBUTION AMOUNT.

Forfeitures

Forfeitures, 20XX

The non-vested portion of a participant's accrued benefit as a result of the participant terminating employment.

Uses:

- To offset employer contributions
- Reallocate to participants
- Reduce plan expenses

Excess Amt Forfeitures, 20XX

Match associated with 401(k) or excess deferral refunds.

Uses:

- To offset employer contributions
- Reallocate to participants
- Reduce plan expenses

Suspense Holding, 20XX

Applying the employer match formula incorrectly (for example, matching 100% up to 4% when document states 50% up to 4%) or employer match associated with deferrals that exceed a plan limit (for example, the plan limits deferrals to 10% of pay, but a participant defers 12%), or exceeding the 415 limits with employer funds.

Uses:

- Offset employer contributions only



PLEASE REVIEW THE PLAN DOCUMENT TO VERIFY WHICH FORFEITURE ACCOUNT THE PLAN ALLOWS.

Where can I find the forfeiture account balance?

The forfeiture account balance and activity is detailed in the Development of Holding Accounts section of the Employer Fund Statement. The [Employer Fund Statement](#) can be obtained via the employer website on principal.com.

Employer Discretionary Contributions

Internal Revenue Service (IRS) regulations for qualified profit sharing plans require a predetermined formula, stated or determined by the plan sponsor prior to the start of the plan year, to allocate employer discretionary contributions to each participant.

Review the plan document to verify the allocation formula and contributions requirements the plan uses. If the plan sponsor funded an employer discretionary contribution, request a copy of the allocation from the employer.

408(b)(2) Disclosure

The Department of Labor (DOL) issued regulation that requires covered service providers to disclose fee and service information to assist plan fiduciaries in fulfilling their obligations under Section 408(b)(2) of ERISA.

The Services and Fees information can be found on the employer website at principal.com.

For Fees

1. Click **Administrative, Fees**
2. Click the **Fee Summary** for applicable time period

For Service

1. Click **Administrative, Services** to view a listing of the plan services being provided.

For Investment

1. Click **Investments, Investment Research**
2. Click **Investment Fees and Transfer Restrictions**

In addition, there are agreements (for example the Service Agreement and other possible applicable agreements around the Principal® Self-Directed Brokerage Account and Managed Account) that contain additional information about fees and services.

ERISA Budgets**What is an ERISA Budget?**

An ERISA Budget is a legal agreement between the plan sponsor and Principal Life to make available an agreed amount which can be used to pay for legitimate retirement plan expenses, such as fees for services provided by a financial professional or third-party administrator, plan audits and legal fees. The budget arrangement can be based on a flat percentage (basis point) or flat dollar amount of plan assets.

ERISA Budgets have become more typical in the employee benefits industry over the last few years. However, there is no regulatory guidance that addresses these types of arrangements specifically. General fiduciary standards of conduct should always be considered when making decisions about what investment options will be made available to plan participants.

How do I obtain a copy of the ERISA Budget arrangement?

The ERISA Budget arrangement is documented in the Plan Expense Agreement. Please contact the plan sponsor for a copy of the Plan Expense Agreement. If the plan sponsor is unable to locate it, please contact the plan's Client Service Associate/Manager to assist in obtaining another copy. Please be aware the plan sponsor may be charged for this service.

FPI and PCRP-DB Benefit Index Option

The Benefit Index Option is an alternative benefit option for funding benefits available under the Flexible Pension Investment (FPI) and the Defined Benefit Principal Comprehensive Retirement ProgramSM (PCRP-DB) Contracts. Under the Benefit Index Option, Principal Life guarantees a specific benefit will be paid to all certificate holders. The certificate holders, the retirees, have a legally enforceable right against Principal Life for their benefit. The Benefit Index Option allows Principal Life to provide a retiree with the guarantees associated with a purchased annuity, while not requiring the immediate pricing of an annuity benefit.

The Benefit Index is the amount needed to guarantee that the sum required to provide the promised benefit for each retired participant is maintained in the plan fund. The plan funds supporting the Benefit Index, for the most part, are not invested or "allocated" separately from the rest of the plan assets held under the contract. The amount set aside to pay for the guarantee is held in separate accounts of Principal Life as selected by the Contractholder. The plan realizes the investment return on the Benefit Index as a part of the total fund.

The guarantee to pay the plan benefit to the participant is irrevocable, and Principal Life is contractually entitled to the amount designated under the Benefit Index to guarantee the benefit. Principal Life monitors the value of the Benefit Index to ensure enough is held within the fund to provide benefits promised to retirees.

Monitoring the Benefit Index

The Benefit Index is the present value of the amount necessary to provide the guaranteed retirement benefits based on current market conditions with additional consideration given to the investment mix of the plan's assets. The present value calculation fluctuates due to changes in current purchase rates and the value of the Separate Investment Funds. Principal Life re-determines the Benefit Index amount frequently to ensure the retirees' unconditional guarantees are supported by the plan funds.

If total plan funds become equal to or less than the Benefit Index, the guaranteed benefits to the retirees may immediately be priced and a purchase finalized. In this situation, the Contractholder has the discretion to contribute additional funds or adjust the investment allocation so the fund value exceeds the value of the Benefit Index.

Form 5500 Reporting Requirements

The Form 5500 Instructions state under Limited Pension Plan Reporting "A pension benefit plan that has insurance contracts of the types described in 29 CFR 2520.104-44 as well as other assets must complete all requirements for a pension benefit plan, except the value of the plan's allocated contracts (see below) should not be reported in Part I of Schedule H or Schedule I. ...".

The instructions go on to say that for purposes of the annual return/report and the alternative method of compliance with 29 CFR 2520.104-44 a contract is to be considered allocated only if:

- the insurance company or organization that issued the contract unconditionally guarantees, upon receipt of required premium or consideration, to provide a benefit of a specified amount
- the amount must be provided to each participant without adjustment for fluctuations in the market value of the underlying assets of the company or organization, each participant must have a legal right to such benefits, which is legally enforceable directly against the insurance company or organization

Form 5500 Preparation

The Benefit Index amount meets the above requirements for consideration as allocated assets. The Benefit Index:

- Is comprised of plan funds derived from contributions/premiums made by the Contractholder.
- Is held contractually to pay for the benefit payments of those retirees for whom Principal Life has a legal obligation.
- Supports benefit payments which do not fluctuate based on market performance.

Thus, the portion of plan funds held under the Benefit Index within the FPI Contract is excluded from Form 5500 Reporting.

The following is specific information relating to the preparation of Form 5500 Schedules:

- Schedule SB/MB (Form 5500)

Per the Pension Protection Act of 2006, the actuarial valuation includes the allocated retiree assets and liabilities. The allocated retiree assets are included on lines 2a and 2b of the Schedule SB and the allocated retiree liabilities are included on line 3a. On the Schedule MB, the allocated retiree assets are included on line 2a and the allocated retiree liabilities are included on line 2b.

- Schedule H or I (Form 5500)

Even though the Benefit Index assets are not reported in the beginning and ending of year assets on the Schedule H or I, benefit payments made to the retirees are coming from the unallocated fund, and not the Benefit Index. As a result, the actual experience of the entire fund is reflected on Schedule H or I and may include interest earnings, benefit payments (including retiree payments), mortality changes, and changes in the purchase price of the annuities. The change in present value of the Benefit Index assets between the beginning and end of year is reported as Other Income/Expense on the Schedule H or I.

For Generally Accepted Accounting Principles (GAAP) purposes, Statement of Financial Accounting Standards (FAS) No. 88 (35) provides guidance on how allocated assets should be reported on the financial statements and supplemental schedules. Since the reporting of the financial information on Form 5500 is not according to GAAP, it may or may not be consistent with the financial statements of the employer or the plan.

Appendix A: Principal Separate Account Unit Value Calculation

Principal Life uses a proprietary system referred to as the RIS Pricing System to calculate daily unit values for the Principal Life Separate Accounts. Each separate account may have one to many rate levels. The distinguishing factor between rate levels is the level of fees charged. The following table outlines the high-level steps necessary to calculate a daily unit value.

Step	Action
1	<p>Calculate the net asset value of the separate account.</p> <ul style="list-style-type: none"> For separate accounts that hold a portfolio of securities, Principal Life Insurance Company has hired State Street– Kansas City to perform valuation services. <p>For the US Property Separate Account, Principal Real Estate Investors, LLC values the properties held in the separate account</p> <ul style="list-style-type: none"> For separate accounts that own shares or units of other investment companies' mutual funds, collective investment trusts, or separate accounts the RIS Pricing System calculates the net asset value of the separate account.
2	<p>Calculate the separate account beginning balance</p> <ul style="list-style-type: none"> The beginning balance of each rate level is the number of outstanding units multiplied by the prior day ending unit value. The value of each rate level is summed to arrive at the separate account beginning balance.
3	<p>Calculate the Investment Performance Percent (IPP) for the separate account</p> <ul style="list-style-type: none"> The IPP represents the change in net assets due to market performance. Functionally, the IPP is used to pro-rate the investment performance across all the rate levels. IPP is calculated by dividing the current day net asset value (step 1) by the separate account beginning balance (step 2)
4	<p>Calculate the Portion Market Value Assets (PMVA) for each rate level</p> <ul style="list-style-type: none"> The PMVA is a rate level's balance adjusted of the current day market performance. PMVA is calculated by multiplying the beginning balance of each rate level (step 2) by the IPP (step 3)
5	<p>Calculate the Daily Expenses Amount for each rate level</p> <ul style="list-style-type: none"> Each rate level has a stated fee, expressed in annual bps. A daily expense factor can be calculated by dividing the annual bps by 365 (or 366 for a leap year). The Daily Expense Amount is calculated by multiplying PMVA (step 4) by the daily expense factor. For wrapped separate accounts, the Daily Expense Amount is calculated by first multiplying the daily expense factor times the number of days since the last valuation and then multiplying that result times the PMVA (step 4)
6	<p>Calculate the Expense Adjusted Assets for each rate level</p> <ul style="list-style-type: none"> The Expense Adjusted Assets are calculated by subtracting the Daily Expense Amount (step 5) from the PMVA (Step 4)
7	<p>Calculate the Daily Unit Value for each rate level</p> <ul style="list-style-type: none"> The Daily Unit Value is calculated by dividing the Expense Adjusted Assets (step 6) by the beginning units (step 1)

Appendix B: Transaction and Pricing Overview

Transaction Overview

The Retirement and Income Solutions (RIS) retirement plan platform maintains two separate processing platforms: the recordkeeping platform and the accounting platform. The recordkeeping platform is primarily used for DC products that require participant-level recordkeeping and is a source system for the accounting platform. The accounting platform is used to record plan level activity for all products, not just those that require participant records. The accounting platform is used to support

financial reporting and is the official book of record for driving cash flow within the plan.

Transactions typically start in the recordkeeping system with a plan event (contribution, benefit payment, transfer, etc.) under the customer contract. The recordkeeping system uses investment attributes (investment type, auto trade flag, trade platform, etc.) to determine how to process the transaction. The recordkeeping system processes the transactions when the information received from the client/participant is in “good order”. We process the transaction using the unit value next calculated after we accept the transaction. For deposits and transfers, transactions accepted prior to 3:00 PM CST, or the relevant market close, if earlier, will receive that day’s unit value. Transactions accepted after 3:00 PM CST will receive the next business day’s unit value. Benefit Events that qualify as an eligible rollover distribution, a direct rollover distribution, a qualified disaster distribution, plan loans, and withdrawal services will be processed no later than the next business day that all relevant markets are open and assuming the request is in good working order.

The recordkeeping transaction generates an accounting transaction on the customer contract to record the plan event. This transaction referred to as plan accounting, either increases or decreases the contract’s unit position in the separate account. The accounting transaction updates multiple databases, which among others include:

- **Pricing Database:** The transaction units are accumulated in the pricing database. We refer to these units as cycle units. The pricing database tracks unit accumulations at the investment and rate class level; it does not track units by contract.
- **Contract Position Database:** The transaction units are accumulated in a mainframe table referred to as Contract Position. This table tracks contract positions by investment and by rate class.
- **Financial Reporting Database:** Transactions and their associated ledger impact are accumulated in a financial reporting

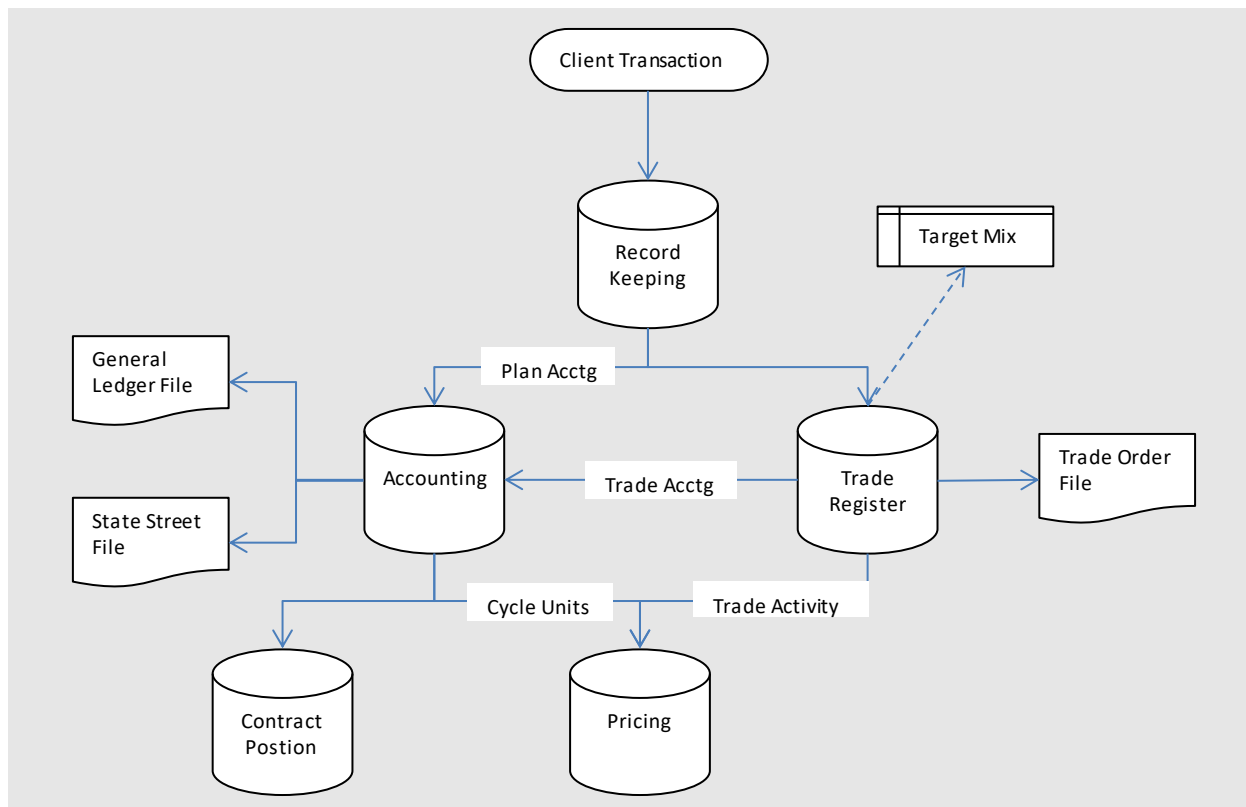
database. This database is used to generate a file to the corporate ledger as well as files to State Street. State Street tracks the cost basis of the underlying mutual fund.

Wrapped Separate Accounts

For wrapped separate accounts, the recordkeeping transaction writes a trade order into the RIS Trade Register under the customer contract. The trade register is an internally built system for accumulating trade activity for “auto-traded” investments. Auto-traded investments are investments that can be traded via the National Securities Clearing Corporation, or NSCC. The trade order writes as either a purchase or redemption of the wrapped separate account. The trade register uses investment attributes to determine how to process the requested activity. The trade register uses a pre-defined target mix to identify the appropriate underlying mutual fund associated with the wrapped separate account. Once all the customer trades are processed, the trade register nets all activity and produces either a net purchase or net redemption trade for the underlying investment companies of the wrapped separate account. The net trade is placed under a companion “contract”, which is a separate contract specifically created to track the trade activity in the underlying mutual funds of the wrapped separate accounts. The trade register actions include:

- Sending a trade order file to the Broker Dealer Services Trade Platform. The Broker Dealer Services Trade Platform generates the trade file sent to the NSCC, which is then sent onto the appropriate fund house.
- Generating accounting transaction on the companion contracts to record the activity in the underlying mutual funds. This accounting activity, referred to as trade accounting, updates the contract position for the companion contract and updates the financial reporting database.
- Updating the pricing database with trade activity for the wrapped separate account (trade units) and the underlying mutual funds (trade shares). Trade units are the accumulated units that have gone through the trade register and are ultimately used as the denominator in the unit value calculation. The accumulated trade shares are used to calculate the net assets of the wrapped separate account, part of the numerator in the unit value calculation.

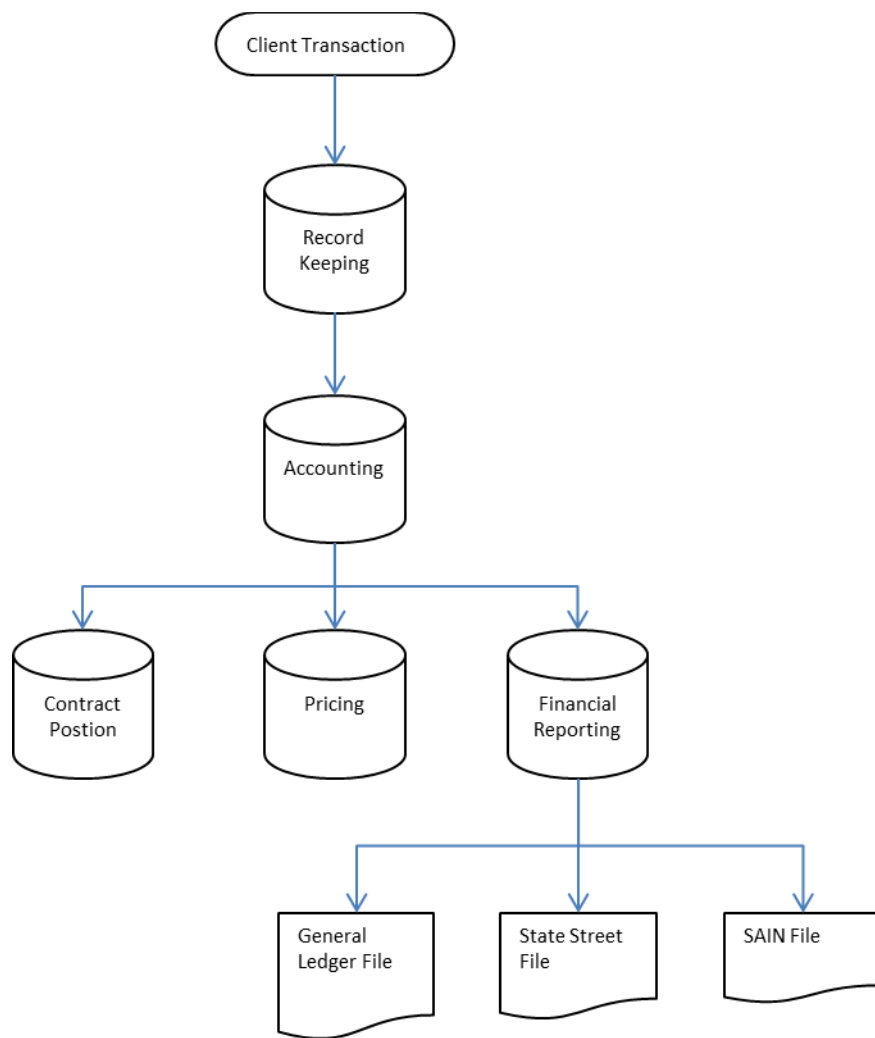
The following diagram provides a high-level overview of the typical transaction flow for a wrapped separate account.



Multiple Security Separate Accounts

The plan accounting transactions processed on the customer contracts record either a debit (purchase) or credit (redemption) to the separate accounts' general ledger bank account in the financial reporting database. This information is then summarized in an automated file which is transmitted to both the valuation agent (State Street) and to Corporate Treasury. The valuation agent will use the data in the valuation of the separate account portfolio. Corporate Treasury's system uses the file to initiate the physical transfer of cash into or out of the separate account bank account. If the net activity for the day was a purchase, then this transfer will be from Principal Life general account to the separate account's bank accounts. If the net activity for the day was a net redemption, then this transfer will be from the separate account's bank account to Principal Life general account.

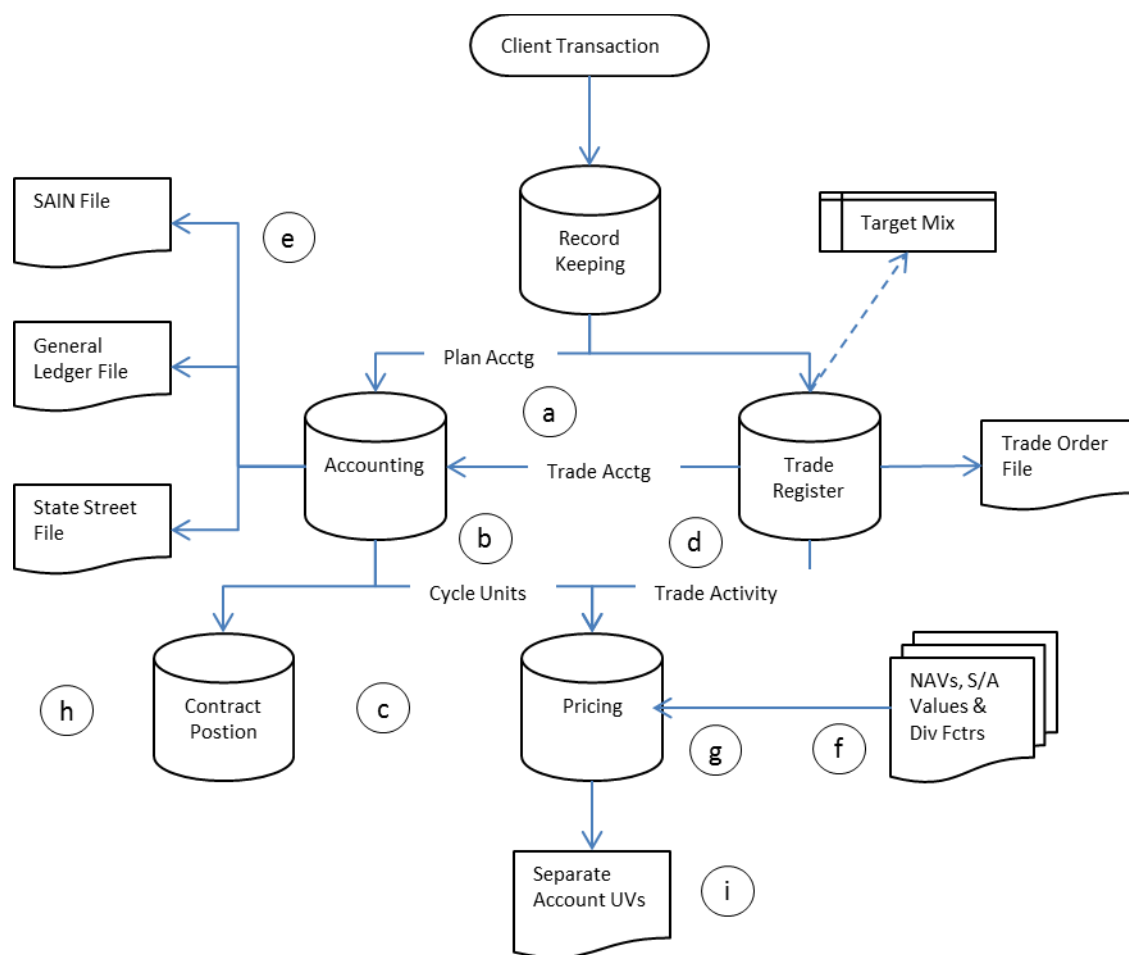
The following diagram provides a high-level overview of the transaction flow for multiple security separate accounts



Separate Account Unit Value Controls

RIS uses a combination of preventative and detective controls designed to minimize pricing errors and their associated impact. Most, but not all, of the key controls are automated. The primary team responsible for separate account pricing rotates the pricing function between team members and assigns one employee as “pricer” for each valuation date. The assigned pricer is responsible for reviewing the key controls and taking action, as necessary, to prevent errors from occurring. In addition, peer review is expected for any manual intervention into the pricing system. At the conclusion of each valuation date, the assigned pricer completes a pricing packet which documents the outcome of the key controls performed that day. This packet is then reviewed by a second, more senior pricer.

Internal controls are performed throughout the day. Throughout the morning, RIS performs controls that ensure data integrity exists between the various data base tables. During the late afternoon hours, RIS performs controls that ensure unit values are complete and accurate. The following diagram provides a high-level visual of the internal control environment related to the separate account unit value calculation. Please note that this diagram and the table following focus on the key controls performed within RIS, and exclude those controls performed by third party vendors.



Preventative Controls

Ref	Control	Control Description
C	Morning Fund of Funds Check – Underlying Investments	Morning Control that compares the accumulated position in pricing by underlying investment to the contract position on the companion contract.
D	Trade Trans to Pricing Check – Underlying Investments' Shares	Morning control that compares the trade register trade activity to the activity accumulated in pricing for the underlying investments.
D	Trade Trans to Pricing Check – Trade Units	Morning control that compares the trade register trade activity to the trade unit activity accumulated in pricing for the fund of funds investment.
D	Trade Trans to Pricing Check – Underlying Investments' Shares	Morning control that compares the trade register trade activity to the activity accumulated in pricing for the underlying investments.
E	SAIN Check	Morning control that compares dollar value of activity per SAIN to the transaction dollars accumulated in Pricing.
F	Dividend Calendar Check	Evening control that detects mismatches between a dividend calendar and dividend accruals. Exceptions generate if (a) we accrue a dividend when it was not expected or (b) we do not accrue a dividend when it was expected.
F	Dividend Amount Check	Evening control that compares a manually computed expected dividend amount to the actual dividend amount included in the valuation for investments with an expected dividend.
F	Missing NAV Check	Evening control to ensure that all investments have a price.
F	Price Tolerance Check	Evening control for prices received via the NSCC that identifies any investments that have greater than a 5% change in price from prior day.
F	Stale Family Check	Evening control identifies any fund company prices where 75% or more of the funds from that company are "stale" from the prior day.
F	Daily Dividend Accrual Check	Evening control to ensure that daily accrual factors are received from VMS on funds identified as daily accrual.
G	Wrapped Asset/Liability Check	Morning control that compares the value of trade units in the pricing database to the value of shares held in the pricing database. May detect processing issues with dividends, management fees, or trading.
G	Asset Check	Evening control that compares the sum of the Portion Market Value Assets (PMVA) to the reported portfolio value.

G	Expense Check	Evening control that compares the calculated expense amount to a control expense amount. The control expense amount is calculated by taking the change in assets times the prior day expense amount.
G	Unit Value Check	Evening control that compares the calculated unit value to a control unit value. The control unit value is calculated by multiplying the prior day unit value by the current day Investment Performance Percent less the daily expense factor.
I	Investment Performance Check (IPP)	Evening control that compares the pricing calculated IPP to the IPP supplied by the valuation agent for multiple securities separate account, and compares the weighted change in underlying NAVs to the calculated IPP for wrapped separate accounts.
N/A	Peer Review	A second employee reviews any manual interactions with the pricing database.

Detective Controls

Ref	Control	Control Description
A	Trade vs. Cycle Units	Position balancing between trade units and cycle units. Trade units represent the unit transactions that have gone through the trade register. Cycle units represent the unit transactions related to plan activity recorded in accounting.
A	Wrapped Suspense Account Validation	Based on the accounting defined for fund of funds, any mismatch between trade and plan activity will result in an outstanding balance in a suspense ledger account.
B	Contract Position vs. Pricing	Position balancing between cycle units in pricing and contract position data base. The contract position data base stores the unit positions by contract, investment, and rate class
F	Trade Confirmation Exception Report	Daily report that details any discrepancies between the RIS NAV and the fund partner confirmed NAV on processed trades.
F	Dividend Reinvest File	File from Broker Dealer related to the allocation of periodic paying dividends. If dividend reinvest file is received with no record keeping transactions, it is indicative of a missed dividend and further review is completed.
F	Dividend Large True-Up Review	Review of the dividend true-up between the RIS record keeping system and the custodial allocation; if the majority of the contracts associated with a fund exceed \$50, it is indicative of a dividend factor error and further review is completed.
sH	Principal Life vs. Principal Securities, Inc. B/D Position Balancing	Position balancing between the position held on the companion contract to the broker dealer position (broker dealer position is reconciled to the fund house).

System and Organization Controls (SOC) 1

The RIS Pricing System and related internal controls are included in Principal Life SOC 1. In particular, the following control objectives are relevant to the valuation of the Principal Life Separate Accounts.

Investment Services – Principal Life's Pooled Separate Accounts

- **Control Objective #9:** Controls provide reasonable assurance that Principal Life monitors the investment services activities performed by State Street – Kansas City relating to: (1) the recording and monitoring of investment transaction activity, (2) the collection and recording of investment income, and (3) the valuation of the investments underlying certain pooled separate accounts.
- **Control Objective #10:** Controls provide reasonable assurance that separate account unit values are calculated in accordance with contract terms.
- **Control Objective #11:** Controls provide reasonable assurance that transactions submitted to Principal Life are processed using the date when all the information necessary to process the transaction is received and does not negatively impact the applicable investment and its share/unit holders.

Appendix C: Principal Life Insurance Company Pooled Separate Account DFE Certification

A list of the DFE filer is found by logging onto the employer website at principal.com.

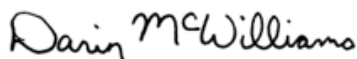
1. Click **Compliance, Auditing**
2. Click **View Current Plan Year Audit**
3. Click **Investment Financial Information Reports**
4. Click **MM/DD Separate Account Financial information** (select the period you need)

Certification of 5500 Information

Direct Filing Entity Information

“United States Department of Labor Regulations under the Employee Retirement Income Security Act of 1974” require a copy of the asset and liability statements of pooled separate accounts to be filed as part of the Form 5500 Annual Report/Return for each pension, profit sharing or other tax-qualified plan that participates in the pooled separate accounts. However, as an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of pooled separate accounts files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Life Insurance Company will submit the required information to the DOL by the Direct Filing Entities deadline. The Employer Identification Number reported for the pooled separate accounts is 42-0127290.

Asset and liability statements for each Principal Life Insurance Company pooled separate account can be viewed online through the employer login at principal.com. Principal Life Insurance Company certifies this information is complete and accurate.



Darin McWilliams
Director- Plan Reporting Services
Retirement and Income Solutions
Principal Life Insurance Company

Appendix D: Principal Stable Value Fund CIT DFE Certification

Principal Global Investors Trust Company
1300 SW Fifth Avenue, Suite 3300
Portland, OR 97201
T 800 548 4806 / F 866 317 1985
PGITC@PGITrustCo.com



March 31, 2021

Dear Participant in the Principal Stable Value Fund:

United States Department of Labor Regulations under the “Employee Retirement Income Security Act of 1974” require a copy of the asset and liability statements of the Principal Stable Value Fund to be filed as part of the Form 5500 Annual Return/Report of Employee Benefit Plan for each pension, profit-sharing or other tax-qualified plan which participates in the Principal Stable Value Fund. As an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of the Principal Stable Value Fund files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Global Investors Trust Company files the Principal Stable Value Fund as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

For purposes of referring to this annual report, the Employer Identification Number is 93-6274328 and the Plan Number is 001.

I certify, as an authorized representative of Principal Global Investors Trust Company, that the assets and liabilities listed on the Financial Statements for the Principal Stable Value Fund as of December 31, 2020 are complete and accurate.

Sincerely,

A handwritten signature in black ink that reads 'Sharon Hoppel'.

Sharon Hoppel
President

Appendix E: Morley Stable Value Fund CIT DFE Certification

Principal Global Investors Trust Company
1300 SW Fifth Avenue, Suite 3300
Portland, OR 97201
T 800 548 4806 / F 866 317 1985
PGITC@PGITrustCo.com



March 31, 2021

Dear Participant in the Morley Stable Value Fund:

United States Department of Labor Regulations under the “Employee Retirement Income Security Act of 1974” require a copy of the asset and liability statements of the Morley Stable Value Fund to be filed as part of the Form 5500 Annual Return/Report of Employee Benefit Plan for each pension, profit-sharing or other tax-qualified plan which participates in the Morley Stable Value Fund. As an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of the Morley Stable Value Fund files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Global Investors Trust Company files the Morley Stable Value Fund as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

For purposes of referring to this annual report, the Employer Identification Number is 93-6274329 and the Plan Number is 001.

I certify, as an authorized representative of Principal Global Investors Trust Company, that the assets and liabilities listed on the Financial Statements for the Morley Stable Value Fund as of December 31, 2020 are complete and accurate.

Sincerely,

A handwritten signature in black ink that reads 'Sharon Hoppel'.

Sharon Hoppel
President

Appendix F: Principal Diversified Real Asset Fund DFE Certification

Principal Global Investors Trust Company
1300 SW Fifth Avenue, Suite 3300
Portland, OR 97201
T 800 548 4806 / F 866 317 1985
PGITC@PGITrustCo.com



November 30, 2020

Dear Participant in the Principal Diversified Real Asset CIT:

United States Department of Labor Regulations under the “Employee Retirement Income Security Act of 1974” require a copy of the asset and liability statements of the Principal Diversified Real Asset CIT to be filed as part of the Form 5500 Annual Return/Report of Employee Benefit Plan for each pension, profit-sharing or other tax-qualified plan which participates in the Principal Diversified Real Asset CIT. As an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of the Principal Diversified Real Asset CIT files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Global Investors Trust Company files the Principal Diversified Real Asset CIT as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

For purposes of referring to this annual report, the Employer Identification Number is 46-0743367 and the Plan Number is 001.

I certify, as an authorized representative of Principal Global Investors Trust Company, that the assets and liabilities listed on the Financial Statements for the Principal Diversified Real Asset CIT as of August 31, 2020 are complete and accurate.

Sincerely,

A handwritten signature in black ink that reads 'Sharon Hoppel'.

Sharon Hoppel
Director - Operations

Appendix G: Principal Lifetime Hybrid CIT DFE Certification

Principal Global Investors Trust Company
1300 SW Fifth Avenue, Suite 3300
Portland, OR 97201
T 800 548 4806 / F 866 317 1985
PGITC@PGITrustCo.com



March 31, 2021

Dear Participant in the Principal LifeTime Hybrid Collective Investment Funds:

United States Department of Labor Regulations under the "Employee Retirement Income Security Act of 1974" require a copy of the assets and liability statement of the Principal LifeTime Hybrid Collective Investment Funds to be filed as part of the Form 5500 Annual Return/Report of Employee Benefit Plan for each pension, profit-sharing or other tax-qualified plan which participates in the Principal LifeTime Hybrid Collective Investment Funds. As an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of the Principal LifeTime Hybrid Collective Investment Funds files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Global Investors Trust Company files the Principal LifeTime Hybrid Collective Investment Funds as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

For purposes of referring to this annual report, the Employer Identification Numbers and Plan Numbers are provided in the table below.

Fund Name	Employer Identification Number (EIN)	Plan Number	Fiscal Year End
Principal LifeTime Hybrid Income CIT	26-6447574	011	2/28
Principal LifeTime Hybrid 2010 CIT	26-6447574	001	2/28
Principal LifeTime Hybrid 2015 CIT	26-6447574	002	2/28
Principal LifeTime Hybrid 2020 CIT	26-6447574	003	2/28
Principal LifeTime Hybrid 2025 CIT	26-6447574	004	2/28
Principal LifeTime Hybrid 2030 CIT	26-6447574	005	2/28
Principal LifeTime Hybrid 2035 CIT	26-6447574	006	2/28
Principal LifeTime Hybrid 2040 CIT	26-6447574	007	2/28
Principal LifeTime Hybrid 2045 CIT	26-6447574	008	2/28
Principal LifeTime Hybrid 2050 CIT	26-6447574	009	2/28
Principal LifeTime Hybrid 2055 CIT	26-6447574	010	2/28
Principal LifeTime Hybrid 2060 CIT	26-6447574	012	2/28
Principal LifeTime Hybrid 2065 CIT	26-6447574	013	2/28

I certify, as an authorized representative of Principal Global Investors Trust Company, that the assets and liabilities listed on the Financial Statements and Supplementary Information for the Principal LifeTime Hybrid Collective Investment Funds as of February 28, 2021 are complete and accurate.

Sincerely,

A handwritten signature in black ink that reads 'Sharon Hoppel'.

Sharon Hoppel
President

Appendix H: Principal Lifetime CIT DFE Certification

Principal Global Investors Trust Company
1300 SW Fifth Avenue, Suite 3300
Portland, OR 97201
T 800 548 4806 / F 866 317 1985
PGITC@PGITrustCo.com



March 31, 2021

Dear Participant in the Principal LifeTime Collective Investment Trust Funds:

United States Department of Labor Regulations under the "Employee Retirement Income Security Act of 1974" require a copy of the asset and liability statements of the Principal LifeTime Collective Investment Trust Funds to be filed as part of the Form 5500 Annual Return/Report of Employee Benefit Plan for each pension, profit-sharing or other tax-qualified plan which participates in the Principal LifeTime Collective Investment Trust Funds. As an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of the Principal LifeTime Collective Investment Trust Funds files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Global Investors Trust Company files the Principal LifeTime Collective Investment Trust Funds as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

For purposes of referring to this annual report, the Employer Identification Numbers and Plan Numbers are provided in the table below.

Fund Name	Employer Identification Number (EIN)	Plan Number	Fiscal Year End
Principal LifeTime 2010 Collective Investment Trust	27-5280363	001	12/31
Principal LifeTime 2015 Collective Investment Trust	27-5280363	008	12/31
Principal LifeTime 2020 Collective Investment Trust	27-5280363	002	12/31
Principal LifeTime 2025 Collective Investment Trust	27-5280363	009	12/31
Principal LifeTime 2030 Collective Investment Trust	27-5280363	003	12/31
Principal LifeTime 2035 Collective Investment Trust	27-5280363	010	12/31
Principal LifeTime 2040 Collective Investment Trust	27-5280363	004	12/31
Principal LifeTime 2045 Collective Investment Trust	27-5280363	011	12/31
Principal LifeTime 2050 Collective Investment Trust	27-5280363	005	12/31
Principal LifeTime 2055 Collective Investment Trust	27-5280363	012	12/31
Principal LifeTime 2060 Collective Investment Trust	27-5280363	007	12/31
Principal LifeTime 2065 Collective Investment Trust	27-5280363	013	12/31
Principal LifeTime Strategic Income Collective Investment Trust	27-5280363	006	12/31

I certify, as an authorized representative of Principal Global Investors Trust Company, that the assets and liabilities listed on the Financial Statements for the Principal LifeTime Collective Investment Trust Funds as of December 31, 2020 are complete and accurate.

Sincerely,

A handwritten signature in cursive script that reads 'Sharon Hoppel'.

Sharon Hoppel
President

Appendix I: Principal Global Investors Trust Company CIT DFE Certification

Principal Global Investors Trust Company
1300 SW Fifth Avenue, Suite 3300
Portland, OR 97201
T 800 548 4806 / F 866 317 1985
PGITC@PGITrustCo.com



March 31, 2021

Dear Participant in the Principal Global Investors Collective Investment Trusts:

United States Department of Labor Regulations under the "Employee Retirement Income Security Act of 1974" require a copy of the asset and liability statements of the Principal Global Investors Collective Investment Trusts to be filed as part of the Form 5500 Annual Return/Report of Employee Benefit Plan for each pension, profit-sharing or other tax-qualified plan which participates in the Principal Global Investors Trust Company's Collective Investment Trusts. As an alternative to filing a copy of these statements with your individual 5500 Forms, a plan administrator is granted relief from this filing provided the sponsor of the Principal Global Investors Trust Company's Collective Investment Trusts files information as outlined in CFR 2520.103-9 directly with the Department of Labor (DOL). Principal Global Investors Trust Company files the Principal Global Investors Trust Company's Collective Investment Trusts as a Direct Filing Entity (DFE) on Form 5500 prior to the reporting deadline which is nine and a half months after the fiscal year of the Fund.

For purposes of referring to this annual report, the Employer Identification Numbers and Plan Numbers are provided in the table below.

Fund Name	Employer Identification Number (EIN)	Plan Number	Fiscal Year End	
Blue Chip Equity Fund	81-2446596	001	12/31	
Core Fixed Income Fund (1/3/2020 name changed from Core Plus Bond Fund)	27-5280064	001	12/31	
Diversified International Equity Fund	26-6746540	001	12/31	
Equity Income Fund	85-0572066	001	12/31	**
Global Real Estate Securities Fund	27-5279909	001	12/31	
International Growth Equity Fund	83-1868933	001	12/31	
International Small Cap Equity Fund	81-3934776	001	12/31	
International Strategic Equity Fund	85-0913974	001	12/31	**
Mid-Cap Equity Fund	45-5114041	001	12/31	
SMID Cap Value Equity Fund	27-5279473	001	12/31	
U.S. REIT Fund	82-2725212	001	12/31	

**First filing

I certify, as an authorized representative of Principal Global Investors Trust Company, that the assets and liabilities listed on the Financial Statements for the Principal Global Investors Collective Investment Trusts as of December 31, 2020 are complete and accurate.

Sincerely,

A handwritten signature in cursive script that reads 'Sharon Hoppel'.

Sharon Hoppel
President

This document is intended to be educational in nature and is not intended to be taken as a recommendation.

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