### S&P Capital IQ Estimates

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<th>-FQ2 2015-</th>
<th>-FQ3 2015-</th>
<th>-FY 2015-</th>
<th>-FY 2016-</th>
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<td><strong>EPS Normalized</strong></td>
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<td><strong>Revenue (mm)</strong></td>
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<td>3406.80</td>
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Currency: USD
Consensus as of Jul-24-2015 1:03 PM GMT

### Stock Price [USD] vs. Volume [mm] with earnings surprise annotations

#### - EPS NORMALIZED -

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<th>CONSENSUS</th>
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<td>3.81%</td>
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Call Participants

EXECUTIVES

**Daniel J. Houston**
President, Chief Operating Officer and Director

**James Patrick McCaughan**
Chief Executive Officer of Principal Global Investors, President of Principal Global Investors and President of Global Asset Management

**John Egan**

**Larry Donald Zimpleman**
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

**Terrance J. Lillis**
Chief Financial Officer, Chief Accounting Officer and Executive Vice President

ANALYSTS

**Colin W. Devine**
Jefferies LLC, Research Division

**Erik James Bass**
Citigroup Inc, Research Division

**Ryan Krueger**
Keefe, Bruyette, & Woods, Inc., Research Division

**Seth Weiss**
BofA Merrill Lynch, Research Division

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**Steven D. Schwartz**
Raymond James & Associates, Inc., Research Division

**Suneet L. Kamath**
UBS Investment Bank, Research Division
Good morning, and welcome to the Principal Financial Group Second Quarter 2015 Financial Results Conference Call. [Operator Instructions]

I would now like to turn the conference over to John Egan, Vice President of Investor Relations.

John Egan

Thank you, and good morning. Welcome to the Principal Financial Group Second Quarter Earnings Conference Call. As always, our earnings release, financial supplement and slides related to today's call are available on our website at www.principal.com/investor.

Following a reading of the safe harbor provision, CEO Larry Zimpleman and COO Dan Houston and CFO Terry Lillis will deliver some prepared remarks. Then we will open up the call for questions. Others available for the Q&A are Jim McCaughan, Principal Global Investors; and Luis Valdés, Principal International.

Some of the comments made during this conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. The company does not revise or update them to reflect new information, subsequent events or changes in strategy. Risk and uncertainties that could cause actual results to differ materially from those expressed or implied are discussed in the company's most recent annual report on Form 10-K and quarterly report on Form 10-Q filed by the company with the Securities and Exchange Commission.

Before we discuss the quarterly financial results, I want to announce an investor workshop we're holding on November 6 in New York City. Jim McCaughan from Principal Global Investors will discuss the benefits of the consolidation of our retail and institutional investment platforms, which will further enhance our position as a global leader in the retirement investment management. In addition, our CFO, Terry Lillis, will provide information about enhancements to our financial supplement. Reporting changes will go into effect for our fourth quarter 2015 earnings release, which will provide further clarification on the key performance metrics for our evolving and diversified business model.

Now I'll turn the call over to Larry.

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Thanks, John. And welcome to everyone on the call. This morning, I'll comment on 3 areas. First, I'll discuss second quarter and year-to-date results at a high level, followed by more detailed comments from Dan and Terry. Second, I'll provide a strategic update including comments on the environment surrounding our businesses, and I'll close with some comments on our capital management strategy.

If you turn to Slide 4, you'll see the key themes from the quarter. The Principal has shown great consistency in growth of assets under management and operating earnings since the financial crisis. The second quarter was a continuation of these strong results despite macroeconomic headwinds. Operating earnings were $324 million for the quarter, resulting in year-to-date operating earnings of $650 million. This is a 9% increase over the first half of 2014 when you adjust both time periods for normalizing items and foreign exchange rates. For the quarter, total company normalized operating earnings adjusted for foreign exchange rates grew 11% over the year-ago quarter. The strong results this quarter demonstrate the team's outstanding ability to execute on our strategy despite persistent macroeconomic challenges such as the strengthening of the U.S. dollar. Foreign exchange alone suppressed operating earnings by $12 million.
compared to the year-ago quarter.

Our diversified business model contributes to our overall success and is a differentiator. The second quarter is a great example of that. While we remain focused on growing our less-capital-intensive fee businesses, our annuity and insurance businesses also continue to grow, and they provide a consistent source of earnings that help in times of volatile macroeconomic conditions. We generated strong underlying growth across the businesses in the second quarter, again demonstrating our ability to strike the right balance of profitability and growth. Second quarter net cash flows of $8.2 billion contributed to year-to-date flows of $17.6 billion, driving quarter-end assets under management to a record $540 billion. Assets under management were 4% higher than the year-ago quarter despite a $27 billion negative total company impact from foreign exchange rates. As I have said before, net cash flows and assets under management are leading indicators of future earnings growth.

Next I'll comment on the current operating environment for our businesses and provide some examples of how we continue to position The Principal for long-term growth. Regarding the Department of Labor's proposal to expand the fiduciary rules for the retirement business, as you'll likely know, the comment period has ended. However, the process is far from complete, as regulators, trade organizations and plan providers continue conversations with the Department of Labor with regard to shaping the future of America's retirement savings system. As an industry leader, The Principal shares the Department of Labor's desire to help Americans achieve a secure retirement.

We're particularly concerned that instead of increasing access, the proposed regulation, as presently drafted, would actually diminish participant access to guidance, education and assistance. As I stated last quarter and as many others have noted, the proposed regulation will add significant complication to the U.S. retirement plan industry, making it more difficult for individuals to access the professional help they need to better prepare for retirement. The increased complexity will also challenge smaller plan providers to compete against industry leaders like The Principal. I believe the main intent of this proposed regulation is to encourage more in-plan solutions for job changers and retirees. This could result in an improvement over time of our asset retention rates from what is today an industry-leading percentage of 50%.

I'll now provide a few updates on the execution of our strategy as we continue to build out our global retirement and asset management businesses. Our acquisition of AXA's retirement business in Hong Kong is on track to close September 1. The acquisition will add scale to our current business, making us the fifth largest mandatory pension provider in Hong Kong. Importantly, the deal includes a 15-year exclusive distribution agreement with AXA's network of more than 4,000 agents. This provides additional opportunities to grow our market share as the mandatory and voluntary pension markets grow in Hong Kong. The success of our distribution partnerships with Banco Brasil and HSBC in Mexico are a good proxy for our ability to partner with marquee distributors and grow market share in key emerging markets.

Principal Global Investors will begin to manage larger portions of the assets from the acquired business over time. The breadth of their investment capabilities, along with their strong investment performance and established position in Hong Kong, adds to the long-term value of this acquisition. The Principal remains the #1 provider in Chile for voluntary solutions, and recently, Cuprum achieved the highest market share among Chilean AFPs. Total voluntary assets under management in Chile at the end of the second quarter were 28% higher on a local currency basis compared to the prior year quarter, and year-to-date net cash flows increased 52% over the same period in 2014. This growth speaks to the success of the integration of Cuprum and our competitiveness across the full spectrum of long-term savings products in Chile.

Finally, I'll provide an update on capital management. Our capital management strategy remains balanced and aims to increase long-term value for shareholders. We have already announced plans to deploy more than $800 million of capital in 2015 through common stock dividends, a stock repurchase authorization, our closing on AXA's pension business in Hong Kong and increased ownership positions in PGI investment boutiques. In addition, last night, we announced a $0.38 per share common stock dividend payable in the third quarter. On a year-to-date basis, our common stock dividend is up 19% over 2014, and our current dividend payout ratio percentage is in the upper 30s. Additionally, our acquisition pipeline remains active across our businesses, and we recently began executing on a $150 million stock repurchase authorization. With the strength of our operating earnings and net income in 2015, we expect to be in the
upper end of our $800 million to $1 billion range in 2015.

Before turning the call over to Dan, I'd like to call your attention to Slide 5, which shows third-party recognitions received during the second quarter. I'll point out a few. Attracting and retaining top talent to drive innovation, particularly in technology, is critical in our focus to make it easier for advisers and customers to do business with us. The Principal is recognized by 2 different publications for our ability to do just that. For the 14th year in a row, Computerworld named The Principal as one of the 100 Best Places to Work in IT. Additionally, for the 18th time, we placed on InformationWeek's Elite 100, a list of the top business technology innovators in the U.S. And finally, The Principal moved up to #282 on the Fortune 500 list for 2015.

In closing, I remain confident in our ability to deliver sustainable profitable growth in the second half of 2015 and beyond despite the challenging macroeconomic environment. We continue to focus on executing our strategy and positioning ourselves for growth to generate long-term value for our customers and shareholders. Dan?

Daniel J. Houston
President, Chief Operating Officer and Director

Thanks, Larry. Teams drove strong underlying growth across our businesses as we continued to successfully meet the evolving needs of our customers. Following are some examples of strong results from the quarter. I'll comment first on our global retirement and long-term saving businesses.

Full Service Accumulation continued to drive profitable growth. Second quarter sales of $1.6 billion were 14% higher than the year-ago quarter. The underlying growth metrics in the business remained strong, with growth in reoccurring deposits, plan count and active participants all up for the quarter. This reflects improving employment trends as well as our efforts to continue expanding participation and deferral rates through better plan design.

Principal International continues to drive strong growth, with reported assets under management increasing 21% on a local currency basis over the prior year quarter to $118 billion. Including China, total assets under management in Principal International reached a record $152 billion. Strong sales in Brazil, Chile and Southeast Asia contributed to quarterly net cash flows of $3.6 billion, a 9% increase over second quarter 2014 on a local currency basis. With 27 consecutive quarters of positive net cash flows, Principal International's growth has been remarkable since launching some 25 years ago.

Next I'll comment on our global investment management businesses. In the U.S., Principal Funds remains the 15th largest adviser-sold fund family at quarter end with a record $129 billion in account values across the retirement and retail markets. Strong sales of $5.4 billion contributed to Principal Funds' 22nd consecutive quarter of positive net cash flows. This growth is coming from multiple distribution channels, including the DCIO channel where investments are placed on other record-keeping platforms. In addition, 47,000 advisers sold a principal fund in the first half of 2015, a 23% increase over the first half of 2014.

Principal Global Investors ended the second quarter with a record total assets under management of $328 billion and record unaffiliated assets under management of $121 billion. Success across multiple asset classes has helped drive total Principal Global Investors' year-to-date net cash flow to $9.5 billion. Underlying this growth are 2 key components: competitive investment performance and product innovation. 69% of our rated mutual funds have a 4- or 5-star Morningstar rating.

As Slide 6 shows, at quarter end, 87% of Principal's investment options were in the top 2 quartiles of the Morningstar rankings on a 1- and 3-year basis, and 91% were in the top 2 quartiles on a 5-year basis. In April, Lipper rated Principal Global Real Estate Securities Fund as the best global real estate fund over the 5-year period. Target-date funds remain an important strategy for retirement savings and are a key competitive differentiator for us. 100% of our target-date funds were once again in the top 2 quartiles of Morningstar rankings across all time periods at quarter end. Offering a variety of innovative retirement income solutions is critical, as investors needs change and they seek outcome-based solutions.
Earlier this month, Principal Funds launched the first in a series of actively managed ETFs, the Principal EDGE Active Income ETF, which is traded under the ticker symbol YLD. Seeks to provide investors with income through changing market environments and over market cycles by actively managing risk. This ETF adds to the breadth of our successful income-generating solutions that The Principal offers across a diversified base of outcome-oriented multi-asset strategies. Through Principal Funds and Principal Global Investors, retirement and retail and institutional investors have access to investment options across a variety of platforms such as the new ETF, collective investment trust, separate accounts, UCITS and 40 Act funds.

Next I’ll provide a few performance highlights from our U.S. spread and protection businesses which not only provide diversification for our company but more importantly provide additional retirement savings and protection options that our customers seek. Full Service Payout had $700 million of sales in the second quarter. The sales pipeline is active, yet we remain optimistic and look for business that will drive expected returns in the mid-teens. Our ability to handle more complex plan design makes The Principal a key competitor in this market. Specialty Benefits had strong premium and fee growth of 9% on a trailing 12-month basis compared to the same period a year ago. The loss ratio improved from the prior year quarter and remains at low end of our target range.

Employee benefits are a priority for businesses. And our diversified portfolio continues to resonate in the market, as reflected by above-market growth and excellent retention. This, along with our strong financial performance, makes The Principal a key player in this business. Individual Life grew premium and fees 5% on a trailing 12-month basis. The business market drove 56% of year-to-date sales, as we remain disciplined and execute on our target market segment strategy.

In closing, I’m exceptionally pleased with the team’s ability to consistently meet our customers’ needs and drive growth across our businesses. Terry?

Terrance J. Lillis  
Chief Financial Officer, Chief Accounting Officer and Executive Vice President

Thanks, Dan. Second quarter earnings were strong despite ongoing macroeconomic challenges, providing momentum going into the second half of the year. This morning, I’ll focus my comments on operating earnings for the quarter; net income, including performance of the investment portfolio; and I’ll close with an update on capital deployment.

Total company operating earnings in the second quarter were $324 million, flat compared to reported earnings in the year-ago quarter. The strengthening U.S. dollar and the added expenses to redeem our preferred shares masked the strength of the second quarter 2015 earnings. Net revenues increased 6% over the year-ago quarter despite the headwinds. At the end of the second quarter, return on equity, excluding AOCI, improved 50 basis points from the year ago to 13.8%. When we adjust the average equity for exchange rate movements, the return on equity was 14.7%, up 100 basis points from a year ago.

Moving to Slide 7. We normalized reported second quarter 2015 earnings per share of $1.09 up $0.01 to $1.10. The following items impacted earnings per share in the quarter. Higher-than-expected variable investment income benefited Individual Annuities by $0.01. And the Corporate segment was negatively impacted by an additional $10 million of expenses related to the redemption of our preferred stock during the quarter. This was partially offset by the timing of certain expenses. The net impact to Corporate was a negative $0.02. Lower-than-expected encaje returns in Principal International were partially offset by higher-than-expected inflation. The net result did not impact total company earnings per share for the quarter. After normalizing both periods, earnings per share increased 7% over the year-ago quarter despite the negative impact from foreign exchange rates. If we adjust for the impact of foreign exchange, earnings per share increased 11%.

Now I’ll discuss some of the business unit results, starting on Slide 8. The accumulation businesses within Retirement and Investor Services reported record operating earnings of $190 million. Normalizing both quarters, operating earnings increased 6%. Trailing 12-month pretax return on net revenue of 33% continues to be at the high end of the stated range
Our capital deployment strategy is flexible with multiple options, including dividends, acquisition opportunities and share外商直接投资国家的企业可享受的税收优惠和政策支持。
repurchases, all aimed at increasing the long-term shareholder value. As shown on Slide 14, in the second quarter, we paid a $0.38 common stock dividend, and we announced last night a $0.38 dividend payable in the third quarter. On a trailing 12-month basis, the common stock dividend is 22% higher than the same period a year ago.

Our 2015 expected capital deployment's range includes $335 million already announced for the AXA Hong Kong pension business acquisition, which should close on September 1. Additionally, we increased our ownership in PGI boutiques for a total investment of $20 million. And as previously announced, our Board of Directors authorized a $150 million share repurchase program in first quarter 2015. Although we did not execute on this program during the second quarter, as we focused on debt refinancing, we are now repurchasing shares. In closing, we're extremely pleased with the continued momentum driven by our team's proven ability to execute, positioning us for future growth in various economic environments.

This concludes our prepared remarks. Operator, please open the call for questions.
Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Ryan Krueger with KBW.

Ryan Krueger  
Keefe, Bruyette, & Woods, Inc., Research Division

Terry, can you give a bit more detail on the expected amount of AXA closing costs and the timing of when those will hit?

Larry Donald Zimpleman  
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Ryan, I'll just have that go to Terry.

Terrance J. Lillis  
Chief Financial Officer, Chief Accounting Officer and Executive Vice President

Yes. Ryan, what we talk about in terms of the closing costs or any expenses that run through the Corporate segment, we look at a long-term basis. And we think that, for the year, we stated that $130 million to $150 million was going to be that number. Now to date, we have looked at a little higher costs, and that includes the acquisition costs associated with AXA or any other business. It also included the costs associated with the preferred shares that we called this year, so we think that the run rate in the subsequent quarter will be about the same as what would have been that $32 million, $37 million range. Now that being said, the AXA costs will probably come in, in the fourth -- excuse me, in the third quarter. We expect that to close on September 1, but we are going to have savings from the preferred share calls as well. So we think that, that run rate will be about the same for Corporate in the third quarter, as it has been in the past. We haven't really called out any AXA acquisition costs per se. That help?

Ryan Krueger  
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. Yes, it does. And then shifting to PGI, could you just -- could you talk a little bit more about the underlying drivers of the strong flows and as well as how does the pipeline look at this point?

Larry Donald Zimpleman  
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Sure, Ryan. I'll have Jim comment. What I would say is it's great to see what it is across multiple asset classes and multiple boutiques, which it frankly has been and continues to be. And we certainly saw it in the second quarter, but I'll have Jim give you a little more detail.

James Patrick McCaughan  
Chief Executive Officer of Principal Global Investors, President of Principal Global Investors and President of Global Asset Management

Yes. Thanks, Ryan. If you look at the flows, as Larry said, they've been quite diversified. We've seen strong institutional flows actually around the world in fixed income, into investment-grade credit, into high yields both at Post and Principal Global Fixed Income and into preferred securities, so there's been quite a strong development of the fixed-income assets in the institutional market, which is an interesting contrast actually to the U.S. retail platform where actually the
movement has been towards -- more towards equities into real assets. So that would be part of it. We've seen very strong interest in our real estate, both private real estate where, I think it was public, but [indiscernible], one of the biggest investors in Australia is using us as their private real estate people in the U.S. And other clients have been pretty good to us in private real estate. And we are stepping up our game there actually and doing much bigger deals in gateway cities, which are actually doing, in economic terms, relatively better than a lot of the country. Also, in real estate, REITs have been a very successful capability. And over the last 6 or 7 years, we've developed into a leader in global REITs. Equities, the net flows have been much less because the market has had less appetite to grow equities in the institutional market, but on balance, we've been doing some quite good, positive things there. So it's across-the-board, and that actually is a very important objective of ours because you really want to be guarded against any kind of rotation. And in the institutional market, we feel we're very well guarded against that.

Ryan Krueger
Keefe, Bruyette, & Woods, Inc., Research Division

And can you just comment on the pipeline for the -- as you look to the rest of the year?

James Patrick McCaughan
Chief Executive Officer of Principal Global Investors, President of Principal Global Investors and President of Global Asset Management

We'll -- yes, sorry, Ryan. We do see -- we do monitor the pipeline in real terms. I -- and I see all the large ones because we put them through a fee committee if they're asking for a discount on our ADV skills. That means senior management tends to have a pretty good finger on the pulse of the large mandates. And I can tell you we've been busier than ever in the last few months there. It doesn't mean that there's any billion-dollar mandates coming in, but there's plenty of $200 million and $300 million mandates. Sales year-to-date have been well up on last year. And the current activity in the institutional market makes us feel very confident about the second half.

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

And just as one additional data point, Ryan. I think, if you look at PGI's institutional sales, and of course again, sometimes there's sort of a lag coming in, I think there's a little over $2 billion in their sales pipeline that has not yet come in, so we expect that will come in over the next few quarters.

Operator

Your next question comes from the line of Erik Bass with Citigroup.

Erik James Bass
Citigroup Inc, Research Division

This quarter, you had about $200 million or a little bit more of net debt issuance. Is this something that we should think of as potentially deployable capital that could take you above the $800 million to $1 billion target you have for 2015?

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Yes, Erik, this is Larry. First of all, of course, we're excited to have the opportunity to lower our overall cost of interest through the kind of restructuring with the senior debt and the junior subordinateds and then taking out the preferred. As you noted, the net there was about $250 million. And really, there wasn't -- I mean the primary thinking there was simply that the market opportunity was very great. There was tremendous demand for each of those 2 tranches, and it just seems like a very good time to be in the market. We don't necessarily have a plan, as we sit here today, for that $250 million, but as I said in my comments, there is a kind of a steady flow of opportunities that come along. So while I don't
forecast or expect that we'll be deploying that in the near, near term, I do think, over time, if we can find an interesting opportunity, it obviously gives us just a little more cushion. So we feel good about that.

Erik James Bass  
_Citigroup Inc, Research Division_

Got it, that's helpful. And then, Larry, if you can maybe go into a little bit more detail on your comments around the DOL rules potentially leading to higher asset retention rates over time, just maybe why you think this could be the case.

Larry Donald Zimpleman  
_Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life_

Yes, yes. Well, first of all, again, I've been around a very long time, as you know, Erik. And I've seen about 40 different legislative or regulatory changes, although I would be the first to say this one is of more significance than most. But it seems to me that the primary area here that the DOL seems to have some concern about is with respect to what happens with retirement assets when a benefit event occurs. And while Principal has been a bit of an exception to the industry, when you look at the industry, a very high percentage of those assets at benefit events -- so if a person terminates or retires, at benefit event, those assets go into a rollover IRA. Now I think there's plenty of very logical reasons why that happens because usually, at that point, that person at benefit event wants to move into a more individualized or a retail relationship and a rollover IRA is a great fit. But what the DOL proposal would do is clearly put up what I've referred to as sort of some flashing yellow lights around that. In other words a significant amount of transparency and disclosure, a signing of some additional forms, et cetera, et cetera. So I think if Principal can continue to be creative with our in-plan solutions, I think the easier path for benefit event going forward, the easier path could well be to find a way to keep those assets inside the plan but in enough of a separate mode, if you will, that individuals who terminate or retire will feel comfortable doing that. And we've got a team that's working really hard on that, and I'm sure they're going to come up with some great ideas. So I think that's what is going to potentially lead to improved asset retention over time, is simply that the balance changes and it isn't so automatic that the money goes into a rollover IRA. There'll now be more equivalents between moving to rollover IRA or staying inside the plan, and I think that's a big opportunity for us.

Operator

Your next question is from the line of Steven Schwartz with Raymond James.

Steven D. Schwartz  
_Raymond James & Associates, Inc., Research Division_

Terry, quick numbers question for you. Talking last night with Brenda about the FSA tax rate being so low. And you noticed -- you noted it was lower than you expected because of the DRD. I don't expect dividends for corporate America to go down anytime soon. Is it possible that the tax rate of FSA stays lower for longer than you would have ever expected?

Terrance J. Lillis  
_Chief Financial Officer, Chief Accounting Officer and Executive Vice President_

Thanks, Steven. One of the things that I think is pretty important is to look at the effective tax rate at the total company level rather than any individual business units. I'll be -- I'll answer your question in a second here, but I do think that you'll see distortions that could occur in any particular period, so we do take a longer look at this. And so one of the things that we believe that the effective tax rate for Principal in the total is probably in that 20% to 22% range. Now that takes into consideration the DRD that you mentioned; also foreign tax credits, that we get from our international operation; and also some accounting noises that we're getting here. But one of the things associated with the DRD is that, right now, we see that we're getting a bigger benefit than we would have normally seen and because, as you mentioned, companies are paying more dividends now than they were. Now is that trend going to reverse in the future? We all have our opinion about that, and I don't think that, that's really going to be the case. But I think another thing
that’s probably maybe as significant for us is the investments that we have and what we’re seeing. Those investments that are selected by advisers or individuals are moving more towards Principal-branded funds because of the strong performance that we’ve had, as well the target date which is a solution for them. So that being said, it could be sustainable in the near future. However, long term, I don’t think that, that should be the case because I think our pretax earnings will grow faster than the dividends that are being paid. I think we’re also seeing that the investment strategy will change to non-equity, U.S. domestic equity investments, and we have a lot of opportunities. And you’re also seeing that the businesses outside of the U.S., or the life company, are growing faster. So I do think that, in the near term, it could be very sustainable. In the long term, we’re not looking at it as being this low for the Full Service Accumulation segment. So 5% to 7% is still probably a pretty good estimate for that business. Did that help?

Steven D. Schwartz  
Raymond James & Associates, Inc., Research Division

Yes, it did. And then following up off -- for Dan. Terry mentioned the amount of proprietary business that you’re doing. You’ve got the DOL. Could you tell us, of the -- was it the $1.6 billion of sales in FSA, how much of that was done through proprietary distribution?

Daniel J. Houston  
President, Chief Operating Officer and Director

Yes, through proprietary distribution or proprietary investment options.

Steven D. Schwartz  
Raymond James & Associates, Inc., Research Division

Dan, are you there?

Daniel J. Houston  
President, Chief Operating Officer and Director

Yes. Can you hear me? Steven, can you hear me?

Larry Donald Zimpleman  
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Yes, just go.

Daniel J. Houston  
President, Chief Operating Officer and Director

Okay, I’ll go and answer the question even though it looks like Steven may have dropped off. So 2 things: We get about 10% of our asset flows -- I'm sorry, 5% of our asset flows through our proprietary distribution. We receive about 5% to 10% of our case counts come through proprietary distribution, but again, as Larry was outlining his comments on DOL, we don’t think that’s going to have a measurable impact on how we go about continuing to support the Principal adviser network in the future. It’s had a strong history in the past of selling our plans with and without proprietary investment options. And again, we don’t see that becoming a challenge, nor do I see it becoming a substantial issue. It’ll require adequate disclosure as we retain assets and benefiting them for those people who are changing jobs or retiring.

Larry Donald Zimpleman  
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

And this is Larry. And to the extent that Steven was asking about deposits, what I can say is that, so far, about 60% of
our deposits into the Full Service Accumulation business go into a kind of Principal proprietary or multi-boutique manufactured solutions. So again, that's a strong number, but when you have virtually 90% of your investment options in the top half of the Morningstar peer rankings on a 1-, 3- and 5-year basis, I think that's very, very well earned. So it certainly is one of the differentiators. It's our ability to drive assets into proprietary options.

Operator

The next question is from the line of Colin Devine with Jefferies.

Colin W. Devine  
*Jefferies LLC, Research Division*

A couple quick questions. Just explain the DOL situation a little bit more, Larry. And I know it's hard to put a -- much of a hard number on this, but if one outcome was you saw a reduction in proprietary funds in your plans, let's say they were down 10%, how significant, if you can give us some idea, would that be for PFG's earnings? That would be the first question.

Larry Donald Zimpleman  
*Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life*

Sure. Well, I -- to be candid, Colin, I don't have a numerical number for you. And that's not really, at this point, to be honest, anything that we model in particular. I think that it's been clear to me, now others may have a different opinion, but it's clear to me that the focus here isn't really around proprietary assets. And certainly, the PGI options are very much standing the test of time with respect to performance and appropriateness for retirement plan investing. So we -- if for some reason that were to again have a higher threshold with respect to your own proprietary assets, which I think we can meet any threshold, but we'll do the same thing we've done for the other 40 legislative or regulatory changes. We'll take a look at it. We'll adjust. We'll adapt. We'll find a path forward. And net-net, Colin, as I said in my comments, I really believe that what's going to continue to happen is market share is going to continue to move from second- and third-tier providers to first-tier providers. And I certainly consider Principal in the top tier.

James Patrick McCaughan  
*Chief Executive Officer of Principal Global Investors, President of Principal Global Investors and President of Global Asset Management*

Yes. And Colin, can I add, please, to what Larry said? If we did get into a situation, and reiterating we don't expect it, where some unexpected feature of the DOL changes led to headwinds for our proprietary assets into our Full Service Accumulation, then you would be in a situation where there was a huge opportunity on other people's platforms for our strongly performing investment options with very strong multi-asset and outcome-oriented capabilities. So the situation you outlined could actually be a really good one for us given the choices we would have on other platforms.

Colin W. Devine  
*Jefferies LLC, Research Division*

Okay, thanks for the comments on that because I think that's certainly one risk that people foresee as out there. Changing the subject a little bit with the DOL. If we look about what -- in frankly what you're doing right now in terms of in-plan annuities, can you talk a bit about the potential for that? Are you starting to see any measurable takeup on the -- in the sort of qualified life annuities?

Larry Donald Zimpleman  
*Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life*

Yes, I can have Dan comment too. I would say, first, with the direct question that you asked with respect to the qualified life annuities, Colin, there's -- I think there's -- it's fair to say there's interest, but there's not really much in the way of
actual usage of that at the moment. And I don't think it's -- has anything to do with DOL or retirement plans. I think it has to do with the low level of interest rates. So I think that's really a question of when -- if and when interest rates increase, then I think there would be more consideration of that option. Obviously, we put a full -- or will put and are putting a full array of in-plan solutions and have had for years, frankly, a full array of in-plan solutions inside of our qualified plans. And that includes all the way from, of course, at benefit event, simply leaving it in a personal retirement account. Again, it's kind of a quasi-separation from the retirement plan, so that's more of an individual relationship, but the plan assets are still in plan. It includes opportunities for systematic withdrawal for retirees. So if retirees decide they don't want to buy a fully guaranteed life annuity but they want to get systematic withdrawals, we can do that. Or as we just said, we can buy some portion of the account, or all of it can buy a life annuity. So we really have that full range today. And while we'll continue to look at that and enhance that, I think that's really where our opportunity lies. So Dan, any further comments?

Daniel J. Houston
President, Chief Operating Officer and Director

Yes. Really well said. And I think, Colin, the reality is most individuals during the accumulation phase aren't thinking how they’re going to draw down or what that payout period looks like. So in-plan really, I think, starts morphing into a benefit event: I’m a job changer. I’m a retiree. What are my options? And so maybe 5 years, 7 years leading up to that important date, 55, 57, 62, 65, 67, whatever the appropriate age is. That person wants to see options. Now the good news is, the way Jim manages the money, most of what we're managing is long-term, retirement savings-oriented strategies. So whether it is a systematic drawdown; whether it's the purchasing of an income annuity; whether it's the retaining the money within the plan to, in many times, experience a lower overall administrative cost, investment management fee, there are so many different choices for that participant to make, which really now ties us back to the DOL. We've got to be in a position that we can have a substantive conversation with someone nearing retirement on what their options are. And to date, as you know, we've been quite successful in retaining about 50% of those assets because of our ability to have that information and have those conversations.

Colin W. Devine
Jefferies LLC, Research Division

Now my 2 final ones. I know -- and M&A is clearly the topic of the day perhaps. As we look at the group business, Larry, Dan, what StanCorp went for, obviously your group business is doing very well, but it's not necessarily core to your retirement business. Does this give you pause to sort of rethink that? With that, is there any update perhaps you could share on the -- on where your largest shareholder stands in terms of Nippon Life? And then the -- one other one for Larry. With respect to retirement at Principal, is it mandatory at 65? I appreciate you're sort of within a year of this now.

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Okay, thanks, Colin. But with...

Colin W. Devine
Jefferies LLC, Research Division

Has got to be asked at some point, Larry, I know.

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Yes, yes. And the company might be the better for it, Colin. We'll see. With respect to the group business, again, appreciate your question. I would say the group business is -- really is strategic for us and offers a lot of really competitive advantages for us. It certainly continues to introduce us to a lot of brokers. It's very key for small, medium business, which is really the heart of our strategy. And probably as important and an element we don't necessarily give
as much commentary about is, as I said in my comments, it is a great diversifier. And so from an overall company perspective, the quarter-by-quarter stability and the fact that the things that drive the group insurance business are not the things that drive fee-based businesses, we think, is a real advantage for the company. So I know the board is very happy with how that business has been run. We have a tremendous team there led by Deanna Strable and, of course, Dan as well. And I foresee continuing to grow our market share in the group business and in the voluntary business. With respect to Nippon Life, I mean they have been a large -- they've been a meaningful shareholder, but that's a 25-year relationship. And so it really just reflects a long-term view, I think, on their part and a good relationship between our 2 companies. But at the end of the day, we are executing on businesses, the retirement business, the mutual fund business, the asset management businesses, that are not really consistent with the businesses that Nippon Life has been in historically and continues to have an interest in, which is almost exclusively the insurance business. So I would say that, in that sense, there isn't maybe as much carryover there as one might expect. Obviously, our strategy is to remain independent. We've had a great track record since the period of time we've been public. Our board is very, very happy and supportive of our strategy and the execution. With respect to retirement here at Principal, I think it is true that Larry is the only one, I believe, that has a retirement age of 65. So I think it doesn't apply generally, but I believe, the way our bylaws are constituted, the CEO is required to retire at 65. Now I suppose, like all things, that could be subject to change, but I don't expect it. The one thing I'm proudest about with this company is the very strong, very deep bench and talent that we have here. And just as Barry and Dave Drury and Dave Hurd were strong CEOs in their time, and hopefully, Larry has done a decent job, the ones who will come after Larry will do an equally and probably even better job than that. So that's not anything I stay awake at night and worry about.

Operator

Your next question is from the line of Seth Weiss with Bank of America.

Seth Weiss

BofA Merrill Lynch, Research Division

I'd like to follow up on the theme of the Department of Labor and maybe specifically more so related to the sellers carveout and the platform provider carveout. I understand this is a fluid situation in terms of how the rules develop, but as written, what's your interpretation of the platform carveout? And how much of the business, particularly in the small case, might apply to that exemption?

Larry Donald Zimpleman

Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Seth, this is Larry. I'll just have Dan comment on that.

Daniel J. Houston

President, Chief Operating Officer and Director

Yes. So thanks for the question. And frankly, I think, again it's way too early to speculate. There's a lot of ground to still cover not just about the carveout but the balance of the regs that have been presented. And so when I think about this topic, I really start at the top and think about the DOL. They don't want to see workplace retirements go away. There's no question in my mind about that. The second is, if you look at the workplace retirement savings in the past, there's $22.5 trillion that's now been saved in the public and the private sector between DB and DC. Of that, $15 billion is defined contribution; and IRAs, rollover IRAs, for the most part. That's $15 trillion that have been saved in a voluntary system primarily through the workplace. You can look at the last few years, there's better plan designs that should improve coverage and adequacy. Advisers clearly have contributed to the -- in a meaningful way to the success of the workplace retirement plans as we know them today. And the reality is the average American worker needs advice, guidance; and left to their own devices, are somehow relying purely on technology as a way to save retirement. It won't get it done. So whether it's the carveout exemption or half a dozen of the other provisions within the proposed regulations, I think we have very good facts to back up the position that what we have today is working quite well. I think about, just in the case of the smaller plans, they're probably in the greatest need for the adviser and in the greatest need for a company representative to come out and appropriately design a plan. And so to the extent that the decision making
-- and I would tell you, today, the vast majority of the decisions for large, medium and small plans, they bifurcate very much their decision based upon the record-keeping administrative services and then separately from the investments. And no doubt the DOL will ultimately -- and again, if you read Secretary Perez' comments from his testimony earlier this week, he wants to work with industry. He wants to find ways to do this. And so when it gets down to the investment options, clear, adequate disclosure, as we have in the past; transparency about the fees; transparency about the mechanics of these plans, I think, will allow us to end up with a set of final regs that won't significantly disrupt the way in which advisers and a company like Principal currently provide plan services to small employers. Hopefully, that helps.

Seth Weiss  
BofA Merrill Lynch, Research Division

That does. And if I could just follow up on the topics of proprietary products. And I appreciate the commentary in terms of leading performance of Principal products and appropriateness of those suggestions. Just to be explicit about it, as currently sold, do agents -- are agents’ compensation directly tied to the uptake of proprietary products? Or is it completely independent of uptake of Principal's products among client participants?

Daniel J. Houston  
President, Chief Operating Officer and Director

It's levelized commissions. It doesn't differentiate.

Larry Donald Zimpleman  
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

It's levelized commissions. And proprietary or other assets are not a factor in terms of any compensation for the financial adviser.

Daniel J. Houston  
President, Chief Operating Officer and Director

I would say, Seth, to this point, and I appreciate the question, we're winning investment mandates because we got 91% of our investment options in the top 2 quartile rankings of Morningstar. That is just lights out performance for 5-year, 1- and 3-year kind of in that 87% plus. And again, I can't emphasize enough we've been in a open-architecture choice environment for a decade. And employers know that. Participants know that, and certainly the advisers know that, so again I don't think there's any sort of, because Principal provided a record-keeping administration, they "had to take" the proprietary options. They're separate decisions. And again, it's strong performance and, frankly, strong performance across a broad set of assets that are made -- asset classes made available. We've got 100% of our target-date series in the top 2 quartiles, and again, that's going to capture about 1/3 of the assets. So it will be open architecture. It's going to continue to be competitive. And even with the DOL, we'll have to continue to adequately represent the product for what the cost is and what the performance is.

Operator

Your next question is from the line of Suneet Kamath with UBS.

Suneet L. Kamath  
UBS Investment Bank, Research Division

Just want to start on the share repurchase program and just the way that you guys talk about capital deployment. So the $150 million board authorization, so that is what you are committing to do in 2015?

Larry Donald Zimpleman  
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life
Executive Officer of the Principal Life

We don't have any fixed period on that, Suneet. So as we said in the opening comments, we are -- or have in the third quarter repurchased a very modest amount of shares with respect to that part of the authorization, but our strategies are always kind of open-ended with respect to that. And it's very situational based on what we think is the most effective use of the capital at the time we put it to work.

Suneet L. Kamath
UBS Investment Bank, Research Division

Okay, got it. And then when we think about the benefit events that you talked about with respect to the FSA business and 401(k) rollovers, what -- and maybe you answered this and I just missed it, but what percentage of the money in motion at those events goes into either a Principal fund or a Principal annuity, be it fixed or variable?

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Because I think what you're asking there, Suneet, is kind of what percentage. So again, we retain about 50% of assets at benefit event. And then part of that question is how much of it ultimately, I think, finds its way into, I will say, a rollover IRA at Principal, where it might go into a individual annuity or a mutual fund. As respects of, again, one of the very popular options is what we call a personal retirement account where the person simply continues to leave their assets, invest it as they were, often prior to retirement, and their sort of account is walled off in terms of a personal retirement account. And that is the single most popular choice at benefit event. And then they can make subsequent decisions on that. So Dan, comments on how much is PRA versus goes into other retail products?

Daniel J. Houston
President, Chief Operating Officer and Director

It's about half and half.

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

About half and half.

Suneet L. Kamath
UBS Investment Bank, Research Division

Got it, okay. And then just the last thing, for Terry, on the increase in annuity earnings run rate. I think, if I think back to what prior guidance was, it looks like there may be a 10% increase midpoint to midpoint. Account value growth has been much lower than that 10%. I think it's been more like 2%, so what -- is there anything going on there that's giving you the confidence to raise the earnings guidance, especially given the interest rate environment remains challenging?

Terrance J. Lillis
Chief Financial Officer, Chief Accounting Officer and Executive Vice President

No, Suneet. You -- there's 3 different types of businesses within our individual annuity. You have the variable business that we sell through our proprietary network. We also have immediate or income annuities that we sell through a couple different channels. And then the fixed deferred annuity is also sold through bank channels. Now that fixed deferred annuity, you're seeing spread compression in that, and so that's really been kind of a drag on operating earnings over the last few years. And it's really declined from probably closer to 60% to 70% of the account value. Now it's down in that 40% range. You're seeing a growth in the variable at a bigger pace. Not that variable annuities, again it's probably -- well, probably closer to 45% of the account value and probably closer to 50% of the earnings of that business. And that's
growing at a little bit faster pace as well. Now the third piece that I mentioned was the income annuities, and we've had a pretty nice, steady run on that business, again. And that is business -- albeit it's only probably around 10% of the account values and maybe 15% of the earnings. But those 2, income and variable annuities, are growing faster than the fixed deferred annuity piece, and that's why we're seeing a little bit more of an uptick in that run rate for that business. Albeit, this quarter, we did have some strong variable investment income that we had called out, so that's why we thought that $32 million to $36 million is a good run rate for that business. Hope that helps.

Operator

We have reached the end of our Q&A. Mr. Zimpleman, your closing comments, please?

Larry Donald Zimpleman
Chairman, Chief Executive Officer, Chairman of Executive Committee, Chairman of the Principal Life and Chief Executive Officer of the Principal Life

Thanks to everybody for joining us for the call today. And we're very, very pleased with our performance in the second quarter and, frankly, our performance over the recent quarters and certainly in 2015. And we look forward to continuing that business momentum going forward. So thanks again for listening. I hope everybody has a great day.

Operator Thank you for participating in today's conference call. This call will be available for replay beginning at approximately 1:00 p.m. Eastern time until the end of the day July 31, 2015. 71099087 is the access code for the replay. The number to dial for the replay is (855) 859-2056 for U.S. and Canadian callers or (404) 537-3406 for international callers.