



**LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE PLAN YEAR ENDED DECEMBER 31, 2014**

LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE PLAN YEAR ENDED DECEMBER 31, 2014

PREPARED BY ACCOUNTING DEPARTMENT

KAREN B. FOURNET

SENIOR VICE PRESIDENT

SECRETARY TREASURER

**LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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June 4, 2015

Board of Directors, Louisiana Lottery Corporation

Introduction

The Louisiana Lottery Corporation (the Corporation) is pleased to submit its Comprehensive Annual Financial Report for the Basic, Supplemental, and 457(b) retirement plans for the plan year ended December 31, 2014. Lottery management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge, the information presented is accurate and complete in all material respects and fairly depicts the financial activities and position of these plans.

This report is organized into five sections. The introductory section includes this letter of transmittal and an organizational chart. The financial section includes the independent auditor's report, management's discussion and analysis, and the audited financial statements with accompanying notes. The investment section contains information about the funds available for investment by plan participants. Historical and demographic data are presented in the statistical section of this report. A report on compliance and internal control is included in the last section.

Government Finance Officers Association Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (see page 6) to the Louisiana Lottery Corporation Basic, Supplemental, and 457(b) Retirement Plans for its comprehensive annual financial report for the year ended December 31, 2013. This was the seventh consecutive year that the Corporation has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Retirement Plans

The Corporation sponsors three defined contribution retirement plans as part of its employee benefits program. These plans are governmental plans established pursuant to the Louisiana Lottery Corporation Law in Louisiana Revised Statute 47:9015(A). The Basic and Supplemental Retirement Plans are both qualified plans under Section 401(a) of the Internal Revenue Code (IRC). The 457(b) Retirement Plan is a voluntary deferred compensation plan adopted under the provisions of IRC Section 457(b).

Lottery employees do not participate in any State of Louisiana retirement plans, except for one employee grandfathered into the state plan. All part-time and full-time employees are automatically enrolled in the Basic Retirement Plan. Only full-time employees participate in the Supplemental Retirement Plan. Full-time employees may elect to participate in the 457(b) Retirement Plan.

The Basic Retirement Plan serves as a replacement for participation in the Social Security system. Because of its governmental entity status, the Corporation was allowed to opt out of Social Security in 1993. Employee and employer contributions, 6.2% and 5%, respectively, are deposited into individual participants' accounts in lieu of transfer to the Social Security Administration. Income in retirement is funded through the balance in a participant's account which consists of accumulated contributions and investment earnings.

Supplemental Plan defined contributions consist of a 4.5% set percentage of compensation deposit each pay period and a potential 4% discretionary contribution at the end of the Corporation's fiscal year.

Participants of the 457(b) Retirement Plan may elect to defer compensation as deposits into their accounts up to IRC limits. The Corporation matches the first 2.5% and 50% of the next 3% of participants' compensation deferrals.

Detailed provisions of each plan are included in the notes to the financial statements beginning on page 18. Financial results for the plans are discussed in management's discussion and analysis beginning on page 10 and the remainder of the financial section. Historical financial results and demographic information are presented in the statistical section beginning on page 90.

Administration and Investments

Principal Life Insurance Company (PLIC), a member of the Principal Financial Group of Des Moines, Iowa, provides administrative and investment services for the plans. The administration and recordkeeping of participant information, account balances, investment earnings, distributions, investment transfers, contribution deposits, and participant enrollment and education are conducted through PLIC's system and service

team. PLIC selects and monitors investment managers for its sub-advised investment offerings made available through separate accounts and trusts. Several mutual funds are also available through PLIC for participant investment. Information about all of the separate accounts, trusts, mutual funds, and investment managers is included in the investment section of this report beginning on page 29.

The Corporation's Human Resources and Finance departments are responsible for the administration of the plans with oversight by the Retirement Plans Committee. The Investment Committee serves as the plans' fiduciaries in the selection and monitoring of investment options. Oversight, management, and responsibilities for the plans are presented in the organizational chart on page 5.

An investment policy governs the suitability of investment options available to participants. Assets are safeguarded through the use of separate accounts and trusts. In addition, due diligence reviews are performed quarterly to assess investment manager qualitative processes and quantitative performance. Overall average 2014 investment returns for all funds in the three plans combined were almost 7%.

Internal Control Framework

Management is responsible for the design and operation of the control environment surrounding the administration and financial reporting of the plans. An effective control system of policies and procedures operating as intended prevents or detects errors or misstatements. Inherently, most controls cannot provide complete effectiveness and the cost of operating the controls should not exceed the anticipated benefits. But, the internal control structure for the plans should provide reasonable assurance that corporate objectives will be achieved in the following categories:

- Reliability of financial reporting
- Safeguarding the plans' assets
- Compliance with applicable laws and regulations

Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The Corporation has segregated duties in several key areas including the following:

- Human resources and payroll processing
- Participant enrollment and review
- Cash management and bank account reconciliations
- Contribution calculations and review
- Contribution deposits submission and reconciliation

Operational procedures have also been established for administration of the plans including the following:

- Monitoring laws and regulations affecting the plans with PLIC and outside counsel
- Monitoring investment performance and management through PLIC's due diligence

- program and other outside sources
- Reporting of employee termination information to PLIC
- Reconciling payroll contributions and the Corporation's general ledger to PLIC employer statements
- Annual preparation of the plans' financial statements and all related reconciliations

Employee compliance with these standards is constantly monitored and evaluated.

Independent Audit

The Louisiana Legislative Auditor performs an annual audit of the plans' financial statements. The audits are conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards. The independent auditor's opinion on the plans' financial statements for the year ended December 31, 2014, is included in the financial section of this report.

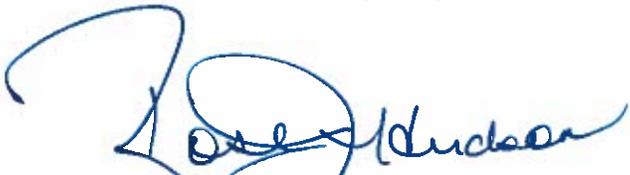
Acknowledgements

The Accounting Department staff prepared each section of the Comprehensive Annual Financial Report. Their efforts have greatly contributed to the success of this informative document. In addition, we appreciate the efforts of the Legislative Auditor's Office in providing assistance with technical requirements.

We are committed to providing thorough and relevant financial information to the users of our financial statements. Our preparation of this Comprehensive Annual Financial Report reflects this commitment. The additional presentations and disclosures required will assist readers in obtaining an understanding of the plans' provisions, investment options, and historical and current financial results.

Respectfully submitted,

Retirement Plans Committee
Louisiana Lottery Corporation



Rose J. Hudson
President



Karen B. Fournet
Senior Vice President and
Secretary Treasurer

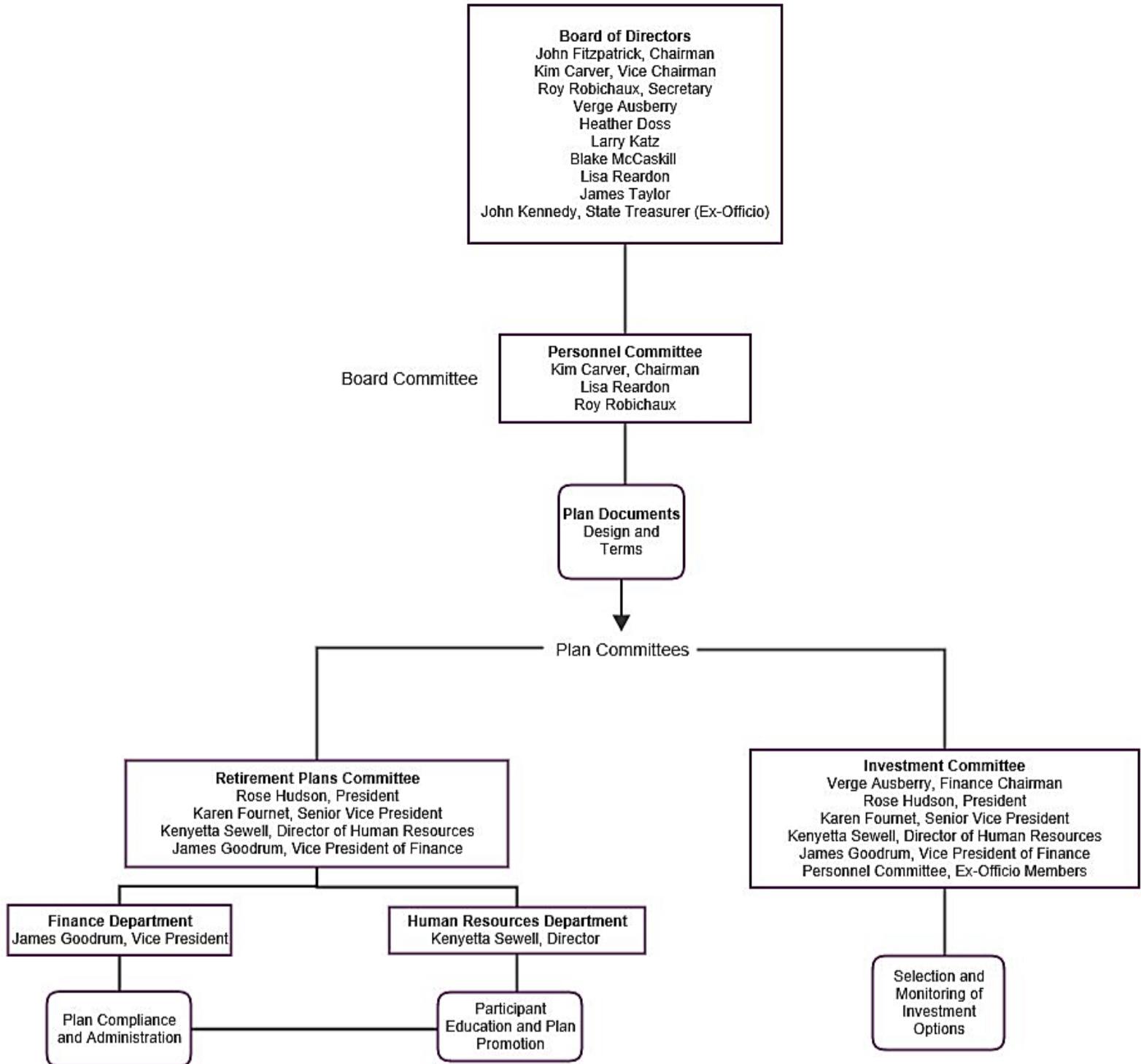


James F. Goodrum
Vice President of Finance



Kenyetta Sewell
Director of Human Resources

**Louisiana Lottery Corporation
Structure of Oversight of Retirement Plans
As of December 31, 2014**





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Louisiana Lottery Corporation
Basic, Supplemental, & 457(b)
Retirement Plans**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

FINANCIAL SECTION



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 4, 2015

Independent Auditor's Report

LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements for the Louisiana Lottery Corporation Basic, Supplemental, and 457(b) Retirement Plans (the Plans) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Plans' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plans as of December 31, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plans' basic financial statements. The accompanying supplementary information such as the Schedules of Changes in Net Position Available for Benefits by Investment Option and the other information, such as the introductory, investment, and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Changes in Net Position Available for Benefits by Investment Option are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information

has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, investment section, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015, on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KS:BF:BDC:EFS:ch

LLCRP14



**LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
STATE OF LOUISIANA**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

This discussion of the Louisiana Lottery Corporation Basic, Supplemental, and 457(b) Retirement Plans' financial statements provides an overview and analysis of the plans' financial position and activities for the year ended December 31, 2014. Please read it in conjunction with the plans' financial statements and notes to the financial statements.

Our annual report consists of two types of financial statements, supplementary information schedules, and accompanying notes that provide narrative explanations and additional details of the plans' provisions and activities. The statements, supplementary information schedules, and notes are presented using the accrual method of accounting. Under this method, financial transactions are recorded when earned or incurred regardless of when cash is received or disbursed.

The statement of net position available for benefits on page 16 includes all assets and liabilities of the plans. The balances reported are as of the year ended December 31, 2014. Assets consist of the fair value of units held for the benefit of participants under each investment fund and any earned contributions deposited after December 31, 2014. Fair value is based on deposit values and quoted market prices of the underlying investments. No liabilities exist because all expenses due from the plans are paid by the Corporation and all benefits due to participants were distributed as of the end of the year.

A summary of all financial activities that occurred during the twelve-month period ending December 31, 2014, is presented in the statement of changes in net position available for benefits on page 17. The categories of activities included on this statement provide reasons for increases or decreases in plan net position. Investment income includes all interest, dividends, and market value gains or losses earned by each investment fund during the year. Participant and employer contributions are the funds earned for each pay period during the year in accordance with the terms of the plans. Withdrawals paid to terminated or retired employees are included in the benefits paid to participants' category. A description of contribution and distribution requirements can be found in note 2 to the financial statements beginning on page 19.

The supplementary information schedules beginning on page 26 present the plans' activities and balances segregated by investment fund. Interfund transfers are participant-directed transfers of funds between investment accounts.

The notes to the financial statements that begin on page 18 present information on accounting policies, plan provisions, investments, income tax status determinations, risk management, termination and merger provisions, and litigation. These notes are an integral part of the financial statements.

A condensed financial data comparison between the current year ended December 31, 2014, and the year ended December 31, 2013, is presented below.

401(a)		
Basic Plan		
Plan Years Ended December 31 for the Years Shown		
	2014	2013
Total Assets	\$10,034,078	\$9,218,084
Liabilities	NONE	NONE
Net position available for benefits	\$10,034,078	\$9,218,084
Additions:		
Investment income	\$625,706	\$1,363,469
Contributions:		
Participant	326,123	318,541
Employer	263,003	256,888
Total additions	1,214,832	1,938,898
Deductions:		
Benefits paid to participants	(398,158)	(622,887)
Distribution service fees	(680)	(600)
Total deductions	(398,838)	(623,487)
Increase in net position	\$815,994	\$1,315,411

**401 (a)
Supplemental Plan
Plan Years Ended December 31 for the Years Shown**

	2014	2013
Total Assets	\$5,962,455	\$5,344,603
Liabilities	<u>NONE</u>	<u>NONE</u>
Net position available for benefits	<u>\$5,962,455</u>	<u>\$5,344,603</u>
Additions:		
Investment income	\$371,685	\$854,812
Contributions:		
Participant	69,783	4,663
Employer	<u>437,302</u>	<u>322,092</u>
Total additions	878,770	1,181,567
Deductions:		
Benefits paid to participants	(260,478)	(311,547)
Distribution service fees	<u>(440)</u>	<u>(480)</u>
Total deductions	(260,918)	(312,027)
Increase in net position	<u>\$617,852</u>	<u>\$869,540</u>

**457(b) Plan
Plan Years Ended December 31 for the Years Shown**

	<u>2014</u>	<u>2013</u>
Total Assets	\$7,246,514	\$6,622,178
Liabilities	<u>NONE</u>	<u>NONE</u>
Net position available for benefits	<u>\$7,246,514</u>	<u>\$6,622,178</u>
Additions:		
Investment income	\$443,413	\$1,063,794
Contributions:		
Participant	298,622	274,821
Employer	<u>166,231</u>	<u>137,639</u>
Total additions	908,266	1,476,254
Deductions:		
Benefits paid to participants	(283,450)	(282,906)
Distribution service fees	<u>(480)</u>	<u>(440)</u>
Total deductions	(283,930)	(283,346)
Increase in net position	<u>\$624,336</u>	<u>\$1,192,908</u>

The assets of the plans increased because benefits paid to participants were less than the combination of investment gains and contributions. The reasons for the activity in each component outlined as follows provide the rationale for this overall change.

Investment income

The investment return on the plans' portfolio was as follows:

	<u>2014</u>	<u>2013</u>
<i>Basic Plan</i>	6.75%	17.29%
<i>Supplemental Plan</i>	6.94%	18.93%
<i>457(b) Plan</i>	6.63%	19.26%

The reasons for this investment performance include the asset allocation of the plans' investment portfolio, economic conditions, and the gains and losses of the individual investment funds offered through the plans.

The underlying portfolios of the investments in the plans contain a mix of stocks, bonds, and cash. Each of these types of investments has different risk and return characteristics. Typically, a riskier investment has greater upside and greater downside performance potential. Stocks tend to be more volatile and risky investments that perform according to economic and corporate growth and profitability cycles. Bonds are usually more conservative investments that provide a fixed stream of income and fluctuations in values dependent upon changes in market interest rates. Cash investments include short-term government and corporate securities that offer a stable and very liquid principal value with an interest component.

The specific asset allocation for each fund is included in the investment section beginning on page 29. This information indicates that the plans' investment performance is heavily dependent upon changes in the stock and bond markets. These financial markets tend to fluctuate with economic trends and conditions. The following chart provides economic indicators and financial market results for each year.

	<u>2014</u>	<u>2013</u>
<u>Economic Indicators:</u>		
<i>Gross Domestic Product (GDP)</i>	2.40%	2.20%
<i>Federal Funds Rate</i>	0.25%	0.25%
<i>Unemployment Rate</i>	5.60%	6.70%
<i>Consumer Price Index (CPI)</i>	0.80%	1.50%
<u>Financial Markets:</u>		
<i>Dow Jones Industrial Average (DJIA)</i>	7.52%	26.50%
<i>NASDAQ Composite Index</i>	13.40%	38.32%
<i>Standard and Poor's 500 Index (S&P500)</i>	11.39%	29.60%
<i>FTSE Global All Cap ex US Index</i>	-3.10%	15.90%
<i>10-Year Treasury Note Yield</i>	2.17%	3.03%
<i>Barclays U.S. Aggregate Bond Index</i>	5.97%	-2.02%

The United States (U.S.) economy continued to grow in the past year. Gross domestic product was at 2.40% for 2014. The consumer price index decreased to .80%. The Federal Reserve has maintained the federal funds rate at exceptionally low levels in an effort to fuel further growth. In addition, the unemployment rate decreased to 5.60%. Global economies struggled for most of the year because of geopolitical and debt issues. Financial markets in the U.S. outpaced the global markets.

These economic and financial market factors had an impact on the performance of investments. Most domestic stock funds had solid gains in 2014 while global or international equity funds struggled to produce any positive returns. Short-term fixed-income fund returns were minimal because of the extremely low federal funds rate. The values of most intermediate fixed-income funds increased in 2014 because of the decrease in the ten-year Treasury note yield.

The investment performance of the individual funds offered through the plans was affected by the financial market environment. Investment income generated by each fund is listed on the supplementary schedules beginning on page 26. In addition, investment performance and benchmark comparisons are included in the investment section of this report beginning on page 29.

Contributions

The level of contributions to the plans is affected by annual compensation, Supplemental Plan discretionary contributions, and elective participant deferrals in the 457(b) Plan. An amendment to the Supplemental Plan's potential discretionary

contribution from 2% to 4% was initially available at June 30, 2014. In addition, an increase in the 457(b) Plan matching formula effective on July 1, 2013 raised the level of employee and employer contributions.

Total compensation was approximately \$5.48 million in 2014 and \$5.33 million in 2013. Contributions are calculated as a percentage of wages. The additional discretionary contribution increased Supplemental Plan employer contributions by over \$100,000. Also, the average 457(b) deferral per participant was 11% higher in 2014 and employer matching contributions increased by almost \$29,000. The contribution provisions for the Plans are outlined in note 2 to the financial statements beginning on page 19. Historical compensation and deferral information is provided in the operating information in the statistical section of this report on page 94.

Benefits paid to participants

The amount of benefits paid out in any given year is dependent upon the volume of employee terminations or retirements, the length of service of these employees, the balances maintained in their accounts, and the distribution elections that determine the timing of payments. Differences in these factors can cause substantial variances in a year-to-year comparison of plan distributions. The distribution provisions for the plans are included in note 2 to the financial statements beginning on page 19.

This financial overview of the Basic, Supplemental, and 457(b) Retirement Plans is provided as a supplemental analysis of the financial position and activities of the plans as of and for the year ended December 31, 2014. It is based on currently known facts and decisions and includes information about transactions, events, and conditions that are reflected in the financial statements and accompanying notes. The additional presentations and disclosures are included to assist the users of this report in understanding the financial results of these retirement plans.

Respectfully submitted,



James F. Goodrum
Vice President of Finance and Controller



Karen B. Fournet
Senior Vice President and Secretary Treasurer

**LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
STATE OF LOUISIANA**

**Statement of Net Position Available for Benefits
December 31, 2014**

	<u>401(a) Plans</u>		<u>457(b) Plan</u>
	<u>Basic</u>	<u>Supplemental</u>	
ASSETS			
Investments (note 3)	\$10,003,774	\$5,950,513	\$7,222,593
Contributions receivable	30,304	11,942	23,921
Total Assets	<u>\$10,034,078</u>	<u>\$5,962,455</u>	<u>\$7,246,514</u>
LIABILITIES	NONE	NONE	NONE
NET POSITION AVAILABLE FOR BENEFITS	<u>\$10,034,078</u>	<u>\$5,962,455</u>	<u>\$7,246,514</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
STATE OF LOUISIANA**

**Statement of Changes in Net Position Available for Benefits
For the Year Ended December 31, 2014**

	<u>401(a) Plans</u>		<u>457(b) Plan</u>
	<u>Basic</u>	<u>Supplemental</u>	
ADDITIONS			
Investment income	\$625,706	\$371,685	\$443,413
Contributions:			
Participant	326,123	69,783	298,622
Employer	263,003	437,302	166,231
Total additions	<u>1,214,832</u>	<u>878,770</u>	<u>908,266</u>
DEDUCTIONS			
Benefits paid to participants	(398,158)	(260,478)	(283,450)
Distribution service fees	(680)	(440)	(480)
Total deductions	<u>(398,838)</u>	<u>(260,918)</u>	<u>(283,930)</u>
Net increase	815,994	617,852	624,336
NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>9,218,084</u>	<u>5,344,603</u>	<u>6,622,178</u>
NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$10,034,078</u>	<u>\$5,962,455</u>	<u>\$7,246,514</u>

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana Lottery Corporation (Corporation) is authorized under Louisiana Revised Statute (R.S.) 47:9015(A) to provide or arrange for a retirement plan. The Corporation's Basic, Supplemental, and 457(b) Retirement Plans (the Plans) have been established pursuant to this statute.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles.

The Corporation's Plans report on their financial position and results of operations. The financial statements account for contributions from participants and the employer, investment income, and benefits distributed to participants.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The Corporation is considered to be a component unit of the State of Louisiana because the state has financial accountability for the Corporation. Although the Corporation appoints the Plans' governing board, the Corporation is not financially accountable for the Plans since, under the Internal Revenue Code (IRC), all assets and income of the Plans are held in trust for the exclusive benefit of participants. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Corporation's financial statements. In addition, administrative and investment services for the Plans are provided by an insurance company.

C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of additions and deductions in the accounts and reporting in the financial statements. The financial statements of the Corporation's Plans are accounted for using the accrual basis of accounting. Accordingly, additions are recognized when earned and deductions are recognized when incurred. The Plans use the following practices in recognizing additions and deductions:

Contributions

Employer and employee contributions are recognized in the period when the compensation used to calculate the contributions is earned.

Investment Income

Investment income is accrued as earned.

Plan Expenses

Fees related to the record keeping and administration of the Plans are paid by the Corporation. Participants pay fees for the processing of distribution requests.

Benefits Paid to Participants

Benefits are recorded when due.

D. VALUATION OF INVESTMENTS

Investments are reported at fair value, which is based on deposit values and quoted market prices.

2. DESCRIPTION OF THE PLANS

As of December 31, 2014, there were 112 participants in the Basic Plan, 103 participants in the Supplemental Plan, and 92 participants in the 457(b) Retirement Plan.

A. BASIC RETIREMENT PLAN

The Corporation has a money purchase plan under Section 401(a) of the Internal Revenue Code (IRC) of 1986, as amended, which is intended to constitute a safe harbor within the meaning of Section 3121(b)(7) of the code and the regulations promulgated thereunder. The Basic Retirement Plan, which is a defined contribution plan, began September 1, 1993, with all employees eligible except those who elect coverage under a state retirement plan and those who are either independent contractors or leased employees.

An employee is eligible to participate in the plan immediately upon employment. In addition, a participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation.

As defined in the Basic Retirement Plan, the Corporation's contribution shall be 5% of the participant's compensation for such plan year. The participant's contribution shall equal 6.2% of his or her compensation for such plan year.

No more than the social security wage base in effect as of the first day of the plan year shall be treated as compensation. As of June 1, 1994, the Corporation elected to treat all contributions to the plan as pre-tax.

The distribution of a participant's benefits shall commence as of the date designated by the participant (annuity starting date) after termination of employment with the Corporation, but shall not be later than April 1 of the year following the calendar year in which the participant attains age 70½ or the date on which the participant terminates his or her employment, if later. Subject to certain restrictions, an active participant may also elect to receive a distribution upon attainment of age 62 without regard to whether the participant has terminated his or her employment.

The participant shall make a qualified election to receive the distribution in the form of a single-sum payment or to purchase a qualified joint and survivor annuity or single life annuity contract. This qualified election may be revoked, modified, or amended at any time, or multiple times before the participant's annuity starting date; however, the qualified election is irrevocable as of the participant's annuity starting date.

B. SUPPLEMENTAL RETIREMENT PLAN

The Corporation has a defined contribution retirement plan that covers substantially all full-time employees. The plan is a governmental plan within the meaning of Section 414(d) of the IRC of 1986, as amended, and is intended to constitute a profit-sharing plan under which contributions are determined without regard to the current or accumulated profits of the Corporation, if any.

An employee is eligible to participate in the plan immediately upon employment. In addition, a participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation.

The Corporation contributes 4.5% of each participant's compensation for the year, as defined. Generally, participants are not permitted to contribute to the plan; however, participants may contribute proceeds from a qualified rollover distribution as allowed by IRC Section 402.

In addition, each fiscal year ending June 30, the Board of Directors of the Corporation may determine the amount of a discretionary contribution not to exceed 4% of each participant's compensation for any fiscal year.

The distribution of a participant's account shall be made in the form of a single-sum payment after the participant terminates employment with the Corporation, becomes disabled, or dies. A participant may elect to postpone the distribution, in writing on forms provided by the Retirement Plans Committee, provided, however, in no event shall distribution be postponed later than April 1 following the close of the calendar year in which the participant attains age 70½ or the date on which the participant terminates his or her employment, if later.

C. 457(b) RETIREMENT PLAN

The 457(b) Retirement Plan is a voluntary deferred compensation plan adopted under the provisions of IRC Section 457(b).

A full-time employee is eligible to participate in the plan immediately upon employment. In addition, a participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation.

For the plan year, the sum of compensation deferred by a participant and the Corporation's matching contributions made on behalf of such participant shall not exceed the lesser of such participant's compensation or \$17,500. The Corporation contributes a matching contribution equal to 100% of the first 2.5% of compensation deferred by each participant and 50% of the next 3% of compensation deferred by each participant. Participants can elect any combination of Pre-tax or Roth deferral options.

Benefits are payable to former employees at the time and in the manner designated by the participants on a distribution election form. In no event may a participant defer payment of benefits later than April 1 of the calendar year immediately following the year in which the participant attains age 70½ or the date on which the participant terminates his or her employment, if later. The distribution of benefits shall be made in the form of a single-sum payment.

3. INVESTMENTS

Principal Life Insurance Company (PLIC) provides administrative and investment services for the Plans. The Plans' investments at December 31, 2014, are held in trusts, pooled separate accounts, collective investment trusts, or mutual funds. The Principal Stable Value Fund is held in a trust with Union Bond & Trust Company serving as the trustee. The separate accounts are established through a flexible investment annuity group contract with PLIC and consist of proprietary Principal funds. Principal Trust (SM) Target Date Funds are offered through a participation agreement with Principal Trust Company. Other mutual fund investments are offered through a group custodial agreement that includes Principal Trust Company as trustee.

The Corporation's Retirement Plans Investment Committee (the Committee) is responsible for designating the funds available for investment by Plan participants in accordance with its formal investment policy. The primary objectives of the investment program are to provide quality investment options, allow participants to exercise control over the investment of their retirement accounts, and offer access to an appropriate range of prudent investment options that enables participants to construct a well-diversified portfolio. The policy includes qualitative and quantitative criteria for selecting and monitoring investment options and managers for debt, real estate, asset allocation, and equity investment funds. No specific credit ratings for funds invested in debt securities are required. In addition, the policy does not specifically address requirements for interest rate or foreign currency risk.

All investment options in the Plans are offered at the lowest-cost share class available from PLIC because the Corporation pays for record keeping and administrative expenses. The net

investment expense ratios are included in the investment performance chart on page 34 and on the fund fact sheets beginning on page 35.

Participants in the Supplemental and 457(b) Retirement Plans can allocate the investment of participant and employer contributions in whole percentages to any combination of funds reflected on the following page. Basic Plan participants can direct the investment of participant and employer contributions to any of the Principal Trust (SM) Target Date Funds listed on the following page. The investment allocations in the Plans for current balances and future contributions can be changed on a daily basis.

At December 31, 2014, investments are composed of the following:

NOTES TO THE FINANCIAL STATEMENTS

	<i>401(a)</i>		
	<u>Plans</u>		
	<u>Basic</u>	<u>Supplemental</u>	<u>457 (b)</u>
Principal Stable Value Fund			
(Union Bond & Trust Company - Trustee)		\$98,757	\$81,932
PLIC Flexible Investment Annuity Group Contract			
Separate Accounts:			
Principal Proprietary Funds Z Rate Level:			
U.S. Property		12,267	6,705
LargeCap S&P 500 Index		262,749	296,242
Bond & Mortgage		41,367	48,385
Diversified International		15,359	19,079
LargeCap Blend II		88,505	115,294
MidCap Value I		16,003	2,468
LargeCap Growth I		54,090	109,613
LargeCap Value III		42,091	30,481
MidCap Growth III		160,436	314,620
SmallCap Growth I		117,204	195,051
SmallCap Value II		100,065	139,473
Collective Investment Trusts:			
Principal Proprietary Funds Z Rate Level:			
Principal Trust (SM)			
(Principal Trust Company - Trustee)			
Income Fund	\$54,238	127	43
Target 2010	600,505	166,336	596,800
Target 2015	598,520	379,533	516,750
Target 2020	1,789,511	1,079,886	1,093,177
Target 2025	1,823,983	1,053,923	996,354
Target 2030	2,450,898	1,139,856	1,317,470
Target 2035	645,940	206,117	224,309
Target 2040	822,889	370,969	374,408
Target 2045	169,292	106,959	98,203
Target 2050	445,305	64,752	58,589
Target 2055	122,612	165,638	189,419
Target 2060	480,081		153,095
Mutual Fund Investments:			
(Principal Trust Company - Trustee):			
American Century Equity Income A Fund		54,569	40,487
American Funds Growth Fund of America Fund		62,684	46,698
American Funds Europacific Growth Fund		90,271	157,448
Total	<u>\$10,003,774</u>	<u>\$5,950,513</u>	<u>\$7,222,593</u>

Investments in the Principal Trust(SM) Target Date Funds account for 88% of total investments of all three Plans. These portfolios have various allocations to underlying funds that have investments in bonds and international securities. Most of the underlying bond funds have credit quality ratings and duration measurements that indicate exposure to fair value changes arising from changing interest rates. The Target Date Funds are not specifically rated and duration is not reported. The holdings of each fund are displayed in the fund fact sheets beginning on page 36.

The Diversified International Separate Account and the American Funds Europacific Growth Fund are international funds.

4. INCOME TAX STATUS

The Basic and Supplemental Retirement Plans obtained favorable determination letters from the IRS on October 12 and 22, 2011, respectively. The IRS stated that the Plans, as designed, were in compliance with the applicable requirements of the IRC. Therefore, the Plans are qualified and tax-exempt as of the financial statement date.

The 457(b) Retirement Plan is an employee benefit plan that is established and maintained under Section 457(b) of the IRC. The 457(b) Retirement Plan has not requested a private letter ruling, which is, in effect, a determination as to the legal status of the Plan. However, the Plan's tax counsel believes that the Plan is designed in compliance with the applicable requirements of the IRC.

5. RISK MANAGEMENT

The Corporation and the Plans' fiduciaries are exposed to various risks of loss related to investment performance, crime, and administrative errors or omissions. The Plans are governmental plans and are not subject to the requirements of the Employee Retirement Income Security Act (ERISA). However, in the best interests of the participants, the Plans' fiduciaries have elected to follow the guidelines in ERISA to provide adequate due diligence in the selection and monitoring of investment options and managers. PLIC assists with these responsibilities and is a co-fiduciary with regard to the selection, monitoring, and retention of portfolio investment managers for its separate accounts. Wilshire Funds Management provides objective, independent, third party oversight for the screening, selection, and monitoring of investment options. In addition, the Corporation has purchased fiduciary liability, crime, and employee benefits administration commercial insurance to cover potential losses.

6. TERMINATION

Although it has not expressed any intent to do so, the Board of Directors of the Corporation has the right, at any time, to terminate the Plans, in whole or in part, by delivering written notice to the administrative services provider and to each participant of such termination. A complete discontinuance of the Corporation's contributions to the Plans shall be deemed to constitute a termination. Upon such termination, the Retirement Plans Committee shall direct the administrative services provider to distribute the assets of the Plans to the participants.

7. MERGERS

The Basic and Supplemental Plans may be merged or consolidated with or its assets and liabilities may be transferred to another plan only if the benefits which would be received by a participant in the event of a termination of the Plans immediately after such transfer, merger, or consolidation are at least equal to the benefit such participant would have received if the Plans had terminated immediately before the transfer, merger, or consolidation.

8. LITIGATION

There is no pending litigation against the Plans at December 31, 2014.

SCHEDULES OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS, BY INVESTMENT OPTION

Whereas Statement B presents the totals for the Plans as a whole, these schedules present the changes in net position available for benefits by investment option for the year ended December 31, 2014.

LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Schedule of Changes in Net Position Available for Benefits, by Investment
 Option for the 401(a) Basic Plan
 For the Year Ended December 31, 2014

	NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	INVESTMENT INCOME	PARTICIPANT CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	BENEFITS PAID TO PARTICIPANTS	DISTRIBUTION SERVICE FEES	INTERFUND TRANSFERS	NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR
PLIC Flexible Investment Annuity Group Contract								
Collective Investment Trusts:								
Principal Proprietary Funds Z Rate Level:								
Principal Trust (SNM)								
(Principal Trust Company - Trustee)								
Income Fund	\$14,236	\$1,367	\$3,068	\$2,474	(\$1,607)	(\$40)	\$34,740	\$54,238
Target 2010	577,799	33,654	9,961	8,033	(83,212)	(49)	54,319	600,505
Target 2015	535,984	32,007	16,600	13,387	(50,956)	(118)	51,596	598,520
Target 2020	1,717,693	108,330	31,909	25,733	(41,407)	(33)	(52,714)	1,789,511
Target 2025	1,624,052	112,548	52,970	42,718	(8,303)	(2)	(6,283)	1,823,983
Target 2030	2,314,204	156,564	69,609	56,136	(139,254)	(78)		2,450,898
Target 2035	545,581	41,124	36,343	29,309	(6,382)	(35)		645,940
Target 2040	735,689	55,144	43,940	35,435	(9,344)	(85)	(37,890)	822,889
Target 2045	160,348	10,763	11,442	9,228	(22,449)	(40)		169,292
Target 2050	871,187	35,109	28,923	23,325	(35,264)	(200)	(477,775)	445,305
Target 2055	94,232	7,673	8,695	7,012			5,000	122,612
Target 2060		31,423	10,878	8,773			429,007	480,081
Contributions Receivable	27,079		1,785	1,440				30,304
Total	\$9,218,084	\$625,706	\$326,123	\$263,003	(\$398,158)	(\$680)	NONE	\$10,034,078

LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Schedule 2

Schedule of Changes in Net Position Available for Benefits, by Investment
 Option for the 401(a) Supplemental Plan
 For the Year Ended December 31, 2014

	NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	INVESTMENT INCOME	PARTICIPANT CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	BENEFITS PAID TO PARTICIPANTS	DISTRIBUTION SERVICE FEES	INTERFUND TRANSFERS	NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR
Principal Stable Value Fund (Union Bond & Trust Company - Trustee)	\$56,304	\$830		\$16,393			\$25,230	\$98,757
PLIC Flexible Investment Annuity Group Contract								
Separate Accounts:								
Principal Proprietary Funds Z Rate Level:								
U.S. Property	21,895	1,660		761	(\$4)		(12,049)	12,267
LargeCap S&P 500 Index	211,640	31,064		3,432	(44,691)	(\$40)	16,613	262,749
Bond & Mortgage	35,731	2,055		2,076	(56,750)	(120)	1,505	41,367
Diversified International	23,738	(498)		846	(78,727)	(40)	(8,727)	15,359
LargeCap Blend II	79,403	8,851	\$49,959	5,272	(56,432)	(40)	(5,021)	88,505
MidCap Value I	23,044	1,976	19,824	3,947	(7,949)	(80)	(12,964)	16,003
LargeCap Growth I	41,259	4,525		1,799	(6,772)	(40)	8,306	54,090
LargeCap Value III	50,854	4,923		3,817	(7,949)	(80)	(15,485)	42,091
MidCap Growth III	142,774	11,517		3,817	(6,772)	(40)	2,328	160,436
SmallCap Growth I	88,571	9,285		1,341	(9,153)	(80)	106,578	117,204
SmallCap Growth II	106,016	(5,620)		345			(83,296)	0
Collective Investment Trusts:								
Principal Proprietary Funds Z Rate Level:								
Principal Trust (SV)								
Principal Trust Company - Trustee)								
Income Fund	125	6		9,467	(\$4)	(\$40)	30,975	127
Target 2010	161,113	9,512		15,039	(44,691)	(\$40)	30,975	166,336
Target 2015	357,724	20,770		48,737	(56,750)	(120)	(14,000)	379,533
Target 2020	1,023,429	64,590		55,836	(78,727)	(40)	1,079,886	1,079,886
Target 2025	964,463	62,432	\$49,959	97,562	(56,432)	(40)	(83,063)	1,053,923
Target 2030	1,092,143	69,862		34,592	(7,949)	(80)	1,139,856	206,117
Target 2035	158,873	12,652		17,190	(6,772)	(40)	370,969	370,969
Target 2040	331,318	24,087		24,977	(9,153)	(80)	64,752	64,752
Target 2045	89,338	3,940		19,972			122,489	165,638
Target 2050	45,068	10,422						
Target 2055	12,755							
Mutual Fund Investments:								
Principal Trust Company - Trustee):								
American Century Equity Income A Fund	59,157	6,029		7,378			(17,995)	54,569
American Funds Growth Fund of America Fund	52,959	5,645		2,990			1,090	62,684
American Funds Europacific Growth Fund	104,319	(1,952)		3,794			(15,890)	90,271
Contributions Receivable	10,590			1,352				11,942
Total	\$5,344,603	\$371,685	\$69,783	\$437,302	(\$260,478)	(\$440)	NONE	\$5,062,455

**LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
STATE OF LOUISIANA**

**Schedule of Changes in Net Position Available for Benefits, by Investment
Option for the 457(b) Retirement Plan
For the Year Ended December 31, 2014**

	NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	INVESTMENT INCOME	PARTICIPANT CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	BENEFITS PAID TO PARTICIPANTS	DISTRIBUTION SERVICES FEES	INTERFUND TRANSFERS	NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR
Principal Stable Value Fund (Union Bond & Trust Company - Trustee)	\$66,689	\$737	\$13,288	\$7,212			(\$5,994)	\$81,932
PLIC Flexible Investment Annuity Group Contract Separate Accounts:								
Principal Proprietary Funds Z Rate Level:								
U.S. Property	32,649	1,297	764	559			(28,564)	6,705
LargeCap S&P 500 Index	271,130	36,113	4,136	1,529			(16,666)	296,242
Bond & Mortgage	41,599	2,411	3,078	983			314	48,385
Diversified International	40,928	(603)	305	210			(21,761)	19,079
LargeCap Blend II	101,210	11,473	2,890	1,017			(1,296)	115,294
MidCap Value I	30,339	884	702	461			(29,918)	2,468
LargeCap Growth I	116,214	9,182	344	212			(16,339)	109,613
LargeCap Value III	54,536	3,737	1,935	953			(30,680)	30,481
MidCap Growth III	305,578	18,519	4,579	1,804			(15,860)	314,620
SmallCap Growth I		16,681	587	423			177,360	195,051
SmallCap Growth II	238,862	(13,186)	414	305			(226,395)	0
SmallCap Value II	161,122	8,147	4,206	1,712			(35,714)	139,473
Collective Investment Trusts:								
Principal Proprietary Funds Z Rate Level:								
Principal Trust (SM)								
(Principal Trust Company - Trustee)								
Income Fund	42	2						43
Target 2010	606,323	33,743	24,671	4,165			(72,022)	596,800
Target 2015	358,989	23,866	18,843	7,012			(18,988)	516,750
Target 2020	1,029,712	67,487	34,971	21,326			(10,275)	1,093,177
Target 2025	922,597	61,409	38,685	23,083			(49,380)	996,354
Target 2030	1,286,019	85,946	56,979	34,449			(119,203)	1,317,470
Target 2035	179,829	14,015	18,325	12,140			224,309	224,309
Target 2040	310,856	24,124	25,751	17,256			(3,499)	374,408
Target 2045	78,260	6,275	8,199	5,469				98,205
Target 2050	46,033	3,636	10,945	8,177			(120)	58,589
Target 2055	8,120	12,121	7,194	5,975				189,419
Target 2060	10,044	10,044	3,328	2,420				153,095
Mutual Fund Investments:								
(Principal Trust Company - Trustee):								
American Century Equity Income A Fund	66,940	4,942	2,343	1,442			(35,180)	40,487
American Funds Growth Fund of America Fund	74,114	4,326	2,538	1,621			(35,901)	46,698
American Funds Europacific Growth Fund	173,326	(3,915)	6,195	2,984			(21,142)	157,448
Contributions Receivable	20,162		2,427	1,332				23,921
Total	\$6,622,178	\$443,413	\$298,622	\$166,231	(\$283,450)	(\$480)	NONE	\$7,246,514

**INVESTMENT SECTION
(UNAUDITED)**

Investment Program Overview

The Investment Committee is responsible for the selection and monitoring of the investment options available to participants. A formal investment policy governs the structure and content of these responsibilities. The primary objectives of this policy are as follows:

- **Program Quality** - Provide quality investment options that generate a high level of participation and satisfaction for both current and former employees.
- **Participant Control** – Allow participants to exercise control over their retirement accounts by providing them the ability to direct the investment of account assets.
- **Diversification** – Offer participants access to an appropriate range of prudent investment options that enables them to construct a well-diversified portfolio. The availability of suitable investment options will allow Plan participants to materially affect the potential returns on amounts in their accounts, control the degree of risk to which such amounts are subject, and create a portfolio with aggregate risk and return characteristics normally appropriate for Plan participants.

The Committee has structured the Plans' menu of investment options toward meeting these objectives by selecting funds that are diversified across a selection of asset classes, styles and investment managers. Target-date funds are offered in all three plans. These funds are professionally managed asset allocation portfolios that are fully diversified single investment options matched to a participant's investment time horizon. Principal Trust (SM) Target Date Funds are age-based (lifecycle) portfolios that are managed and adjusted systematically based on targeted retirement dates. In addition, a broad variety of individual separate accounts and funds are offered in the Supplemental and 457(b) Plans for the participants that are more involved in their individual investment allocations.

This section of the report contains the following information about the investments offered in the plans:

- **Investment Policy Approved Investment Options** (Page 30)
 - Contains a listing of funds available for investment by participants in each plan grouped into categories of investor preference (i.e. completely do-it-for-me, do-it-myself)
- **Investment Styles** (Page 31)
 - Reflects the diversification of the investment offerings by asset classes, styles, and investment managers
- **Asset Allocation** (Page 32)
 - Provides an overview of the allocation of plan assets by asset class at December 31, 2014
- **Fair Value and Percent of Total Fair Value for Each Investment** (Page 33)
 - Presents the fair value of each investment and percent to total plan assets fair value
- **Investment Performance** (Page 34)
 - Average annualized % rates of return for the 1-, 3-, and 5- year time periods and net expense ratios for each fund are provided
- **Fund Fact Sheets** (Pages 36-89)
 - Contain detailed information about each investment option including investment strategy, returns compared to market categories and benchmarks, statistics, and holdings

Investment balances and allocations are reported at fair value, which is based on deposit values and quoted market prices. Performance calculations are time-weighted rates of return based on market rates of return.

This section of the report was prepared by James F. Goodrum, Vice President of Finance and member of the Investment Committee.

Investment Policy Approved Investment Options

Source: Louisiana Lottery Corporation Retirement Plans Investment Policy

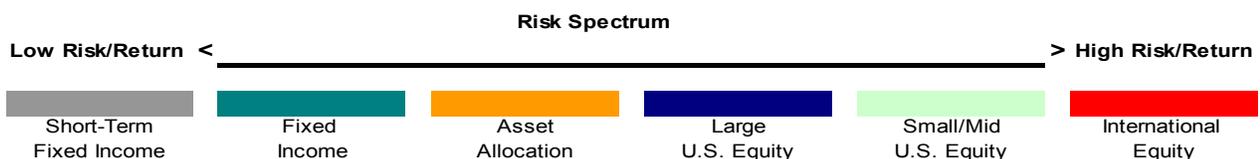
Louisiana Lottery Corporation Investment Policy Current Approved Investment Options

* Use lowest-cost share class available for all investment options with Lottery directly paying administrative expenses

Investment Fund	Investment Style	Basic Plan	Supplemental Plan	457(b) Plan
Lifecycle (Age-Based) Funds:				
Completely "Do-it-for-me" Investors				
Principal Trust (SM) Target Date Funds: (1) All funds in series including 5-year intervals and any future date portfolios	Asset Allocation	√	√	√
Individual Separate Accounts and Funds:				
"Do-it-myself" Investors				
Principal Stable Value Fund	Stable Value or Cash Equivalent		√	√
Principal Bond & Mortgage	Domestic Fixed Income		√	√
U.S. Property Separate Account	Core Real Estate Property		√	√
Principal LargeCap S&P 500 Index	Domestic Stock/Large Blend Index		√	√
LargeCap Blend II Separate Account	Domestic Stock/Large Blend		√	√
LargeCap Value III Separate Account	Domestic Stock/Large Value		√	√
LargeCap Growth I Separate Account	Domestic Stock/Large Growth		√	√
American Century Equity Income Fund	Domestic Stock/Large Value		√	√
American Funds Growth Fund of America Fund	Domestic Stock/Large Growth		√	√
MidCap Growth III Separate Account	Domestic Stock/Mid Growth		√	√
MidCap Value I Separate Account	Domestic Stock/Mid Value		√	√
SmallCap Growth I Separate Account	Domestic Stock/Small Growth		√	√
SmallCap Value II Separate Account	Domestic Stock/Small Value		√	√
Diversified International Separate Account	International or Foreign Stock		√	√
American Funds Europacific Growth Fund	International or Foreign Stock		√	√

√ - Approved investment option

(1) These targeted retirement date portfolios will be the default investment option for the plans if a participant does not make an affirmative investment election or elects a do-it-for-me option on an enrollment form.



Investment Styles

Source: Investment Committee and Principal Financial Group

Domestic Equity Investment Style Box

	Value	Blend	Growth
	Large U.S. Equity		
Large Cap	LargeCap Value III Separate Account  BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC American Century Equity Income A Fund 	LargeCap S&P 500 Index Separate Account  LargeCap Blend II Separate Account  	LargeCap Growth I Separate Account   American Funds Growth Fund of America Fund 
	Small/Mid U.S. Equity		
Mid Cap	MidCap Value I Separate Account   SmallCap Value II Separate Account		MidCap Growth III Separate Account  <i>William Blair</i> SmallCap Growth I Separate Account
Small Cap	  		   

Other Investment Styles

Short-Term Fixed Income	Fixed Income	Asset Allocation
Principal Stable Value Fund 	Bond & Mortgage Separate Account  U.S. Property Separate Account 	Principal Trust (SM) Target Date Fund 

International Equity
Diversified International Separate Account  American Funds Europacific Growth Fund 

Risk Spectrum

Low Risk/Return < _____ > High Risk/Return

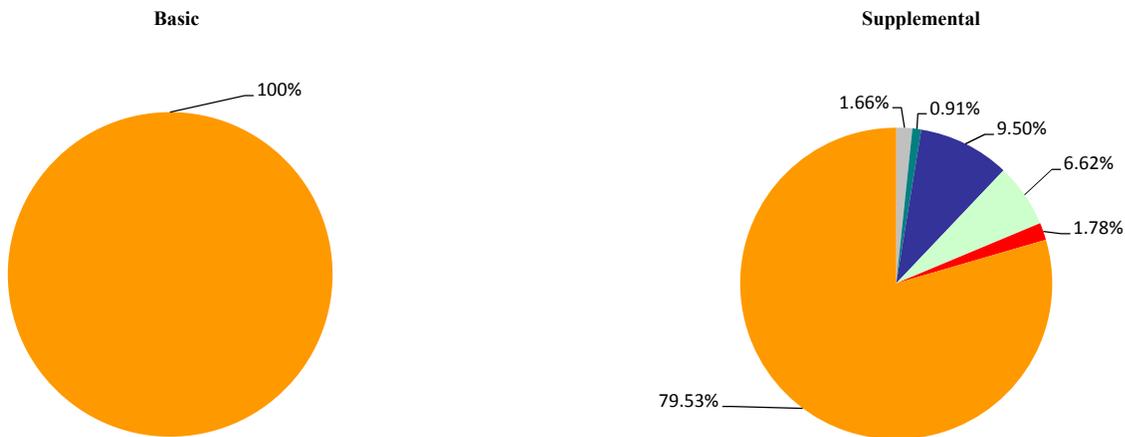


Asset Allocation

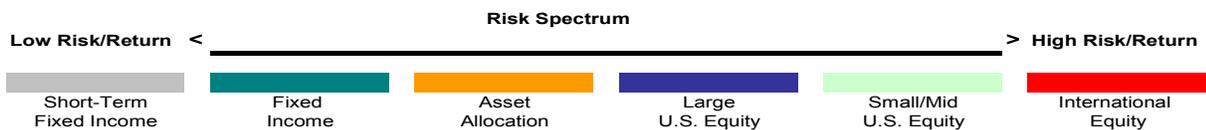
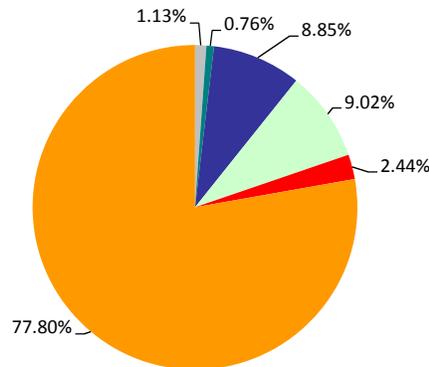
Source: Investment Committee

This chart reflects that the majority of participants prefer investing in the asset allocation funds offered in the investment menu for the Plans. The Basic Plan only allows investments into these target date lifecycle funds while the Supplemental and 457(b) Plans offer the full menu of options approved in the investment policy.

401(a) Plans



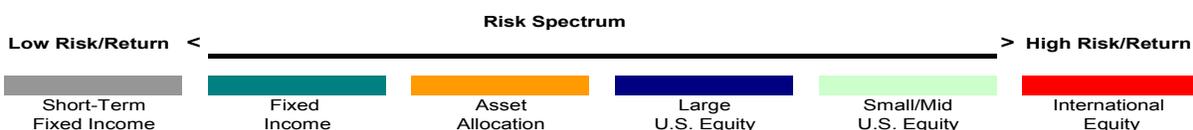
457(b) Plan



Fair Value and Percent of Total Fair Value for Each Investment

Source: Principal Financial Group

	401(a) Plans				457(b) Plan	
	Basic		Supplemental			
	<u>2014</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2014</u>	<u>%</u>
Target-Date Funds:						
Principal Trust (SM) Portfolios:						
<i>Target Date Portfolios</i>						
Income Fund	\$54,238	0.56%	\$127	0.01%	\$43	0.02%
Target 2010 Fund	600,505	6.00%	166,336	2.80%	596,800	8.26%
Target 2015 Fund	598,520	5.98%	379,533	6.38%	516,750	7.15%
Target 2020 Fund	1,789,511	17.89%	1,079,886	18.15%	1,093,177	15.14%
Target 2025 Fund	1,823,983	18.23%	1,053,923	17.71%	996,354	13.79%
Target 2030 Fund	2,450,898	24.50%	1,139,856	19.16%	1,317,470	18.24%
Target 2035 Fund	645,940	6.46%	206,117	3.46%	224,309	3.11%
Target 2040 Fund	822,889	8.23%	370,969	6.23%	374,408	5.18%
Target 2045 Fund	169,292	1.69%	106,959	1.80%	98,203	1.36%
Target 2050 Fund	445,305	4.45%	64,752	1.09%	58,589	0.81%
Target 2055 Fund	122,612	1.21%	165,638	2.74%	189,419	2.60%
Target 2060 Fund	480,081	4.80%			153,095	2.14%
Individual Separate Accounts and Funds:						
Principal Stable Value Fund			98,757	1.66%	81,932	1.13%
Principal Bond & Mortgage Separate Account			41,367	0.70%	48,385	0.67%
U.S. Property Separate Account			12,267	0.21%	6,705	0.09%
Principal LargeCap S&P 500 Index Separate Account			262,749	4.42%	296,242	4.10%
LargeCap Blend II Separate Account			88,505	1.49%	115,294	1.60%
LargeCap Value III Separate Account			42,091	0.71%	30,481	0.42%
LargeCap Growth I Separate Account			54,090	0.91%	109,613	1.52%
American Century Equity Income A Fund			54,569	0.92%	40,487	0.56%
American Funds Growth Fund of America Fund			62,684	1.05%	46,698	0.65%
MidCap Growth III Separate Account			160,436	2.70%	314,620	4.36%
MidCap Value I Separate Account			16,003	0.27%	2,468	0.03%
SmallCap Growth I Separate Account			117,204	1.97%	195,051	2.70%
SmallCapValue II Separate Account			100,065	1.68%	139,473	1.93%
Diversified International Separate Account			15,359	0.26%	19,079	0.26%
American Funds Europacific Growth Fund			90,271	1.52%	157,448	2.18%
	\$10,003,774	100.00%	\$5,950,513	100.00%	\$7,222,593	100.00%



Investment Performance

Source: Principal Financial Group

Comparisons to benchmarks and peer groups included in fund fact sheets beginning on page 37

% Rates of Return Through December 31, 2014

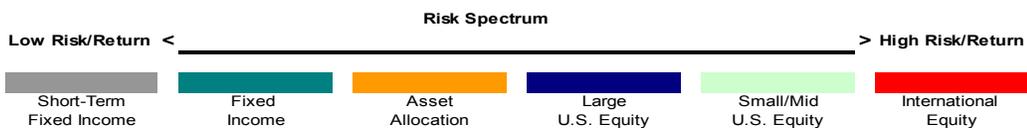
	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Net Expense Ratio</u>
Target- Date Funds:				
Principal Trust (SM) Portfolios:				
<i>Target Date Portfolios</i>				
Income Fund	5.02	5.75	6.28	0.32
Target 2010 Fund	5.52	9.18	8.64	0.32
Target 2015 Fund	5.86	10.55	9.44	0.31
Target 2020 Fund	6.41	11.81	10.19	0.33
Target 2025 Fund	6.78	12.80	10.73	0.33
Target 2030 Fund	7.06	13.67	11.18	0.34
Target 2035 Fund	7.26	14.34	11.55	0.34
Target 2040 Fund	7.37	15.06	11.89	0.34
Target 2045 Fund	7.43	15.43	12.15	0.35
Target 2050 Fund	7.46	15.73	12.31	0.35
Target 2055 Fund	7.50	15.73	12.26	0.35
Target 2060 Fund (1)				0.36

Individual Separate Accounts and Funds:

Principal Stable Value Fund	1.24	1.43	1.85	0.44
Principal Bond & Mortgage Separate Account	5.60	4.30	6.42	0.26
U.S. Property Separate Account	13.04	12.91	14.17	0.75
Principal LargeCap S&P 500 Index Separate Account	13.53	20.30	15.36	0.05
LargeCap Blend II Separate Account	11.28	19.08	13.85	0.53
LargeCap Value III Separate Account	12.57	19.88	13.66	0.61
LargeCap Growth I Separate Account	8.88	20.31	15.88	0.40
American Century Equity Income A Fund	12.06	14.14	11.66	1.18
American Funds Growth Fund of America Fund	9.63	21.22	13.89	0.33
MidCap Growth III Separate Account	7.66	17.10	14.48	0.69
MidCap Value I Separate Account	13.83	21.75	16.73	0.66
SmallCap Growth I Separate Account	1.80	18.82	18.18	0.76
SmallCap Value II Separate Account	6.36	20.55	16.17	0.83
Diversified International Separate Account	-2.45	11.57	7.37	0.40
American Funds Europacific Growth Fund	-2.29	12.12	6.05	0.49

(1) Inception year is 2014. Performance information is not available.

*Performance calculations are time-weighted rates of return based on market rates of return.



Fund Fact Sheets

Source: Reprinted with permission from Principal Financial Group

Principal Trust(SM) Income FundZ as of 12/31/2014

Investment Strategy

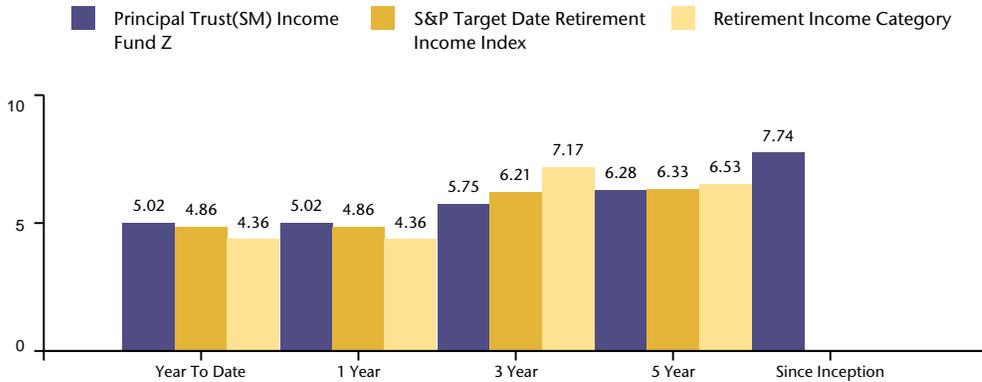
The investment option seeks current income and, as a secondary objective, capital appreciation. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on investors who have reached their investment time horizon.

Multiple Sub-Advisors

Portfolio managers

James W. Fennessey, CFA. Since 07/07/2009. B.S., Truman State University
Randy L. Welch Since 07/07/2009. M.B.A., Drake University
Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the collective investment trust or the underlying investment options in which a collective investment trust invests have waived/capped a portion of its management fee through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.02	5.02	5.75	6.28	7.74
S&P Target Date Retirement Income Index %	4.86	4.86	6.21	6.33	-
Retirement Income Category %	4.36	4.36	7.17	6.53	-
Morningstar Percentile Rankings	-	33	68	56	-
# of Funds in Category	272	272	259	235	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	5.02	4.21	8.05	5.21	9.00
S&P Target Date Retirement Income Index %	4.86	6.28	7.51	3.98	9.09
Retirement Income Category %	4.36	7.36	9.01	1.60	8.94
Morningstar Percentile Rankings	33	75	69	9	52
# of Funds in Category	272	293	281	260	162

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Retirement Income

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date Retirement Income Index

	3Yr	5Yr
Alpha	0.16	1.04
Beta	0.90	0.82
R-Squared	93.30	93.89
Standard Deviation	3.41	3.90
Mean	5.75	6.28
Sharpe Ratio	1.65	1.57
Excess Return	-0.46	-0.04
Tracking Error	0.95	1.26
Information Ratio	-0.46	-0.01

Operations

Total Investment Expense Net	0.32%
Total Investment Expense Gross	0.32%
Inception Date	07/07/2009
Total Net Assets (mil)	\$223.09



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Not FDIC or NCUA insured
May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal Trust(SM) Income Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal Short-Term Income Inst Fund	1.56	2.80	3.53	-	0.45	0.45	N/A N/A	07/25/1996*
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Bonds	67.20	1.81	69.01
	U.S. Stocks	16.48	0.00	16.48
	Non-U.S. Bonds	6.60	0.00	6.60
	Non-U.S. Stocks	6.13	0.00	6.13
	Cash	2.27	5.58	7.85
	Other	0.96	0.18	1.14
	Preferred	0.35	0.00	0.35

Top ten holdings

	% of net assets
1. Principal Bond Market Index SP	46.46
2. Principal Short-Term Income Inst	15.70
3. Principal LargeCap S&P 500 Idx Sep Acct	11.72
4. Principal Inflation Protection Inst	6.91
5. Principal High Yield Fund I Inst	5.35
6. Principal Diversified Real Asset Tier 2	4.84
7. Principal Diversified Intl Inst	3.94
8. Principal MidCap S&P 400 Index	2.26
9. Principal SmallCap S&P 600 Idx Sep Acct	1.44
10. Principal Intl Emerging Markets Inst	0.70
% of net assets in top ten holdings	99.32

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$26,392.87
Turnover Ratio	79%
AvgEffDur (Yrs)	4.91
P/C Ratio	7.55
P/B Ratio	2.17
P/E Ratio	17.56

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	35.21	Defensive	23.14	Sensitive	41.65
Consumer Cyclical	10.43	Healthcare	11.04	Technology	14.51
Basic Materials	4.67	Consumer Defensive	8.30	Industrials	12.04
Financial Svcs	14.35	Utilities	3.80	Energy	11.18
Real Estate	5.76			Comm Svcs	3.92

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Income Fund Z.

Principal Trust(SM) Target 2010 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

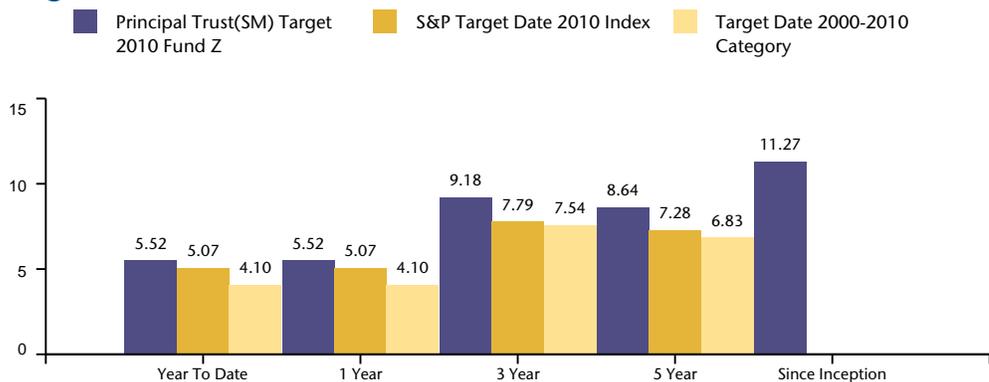
Portfolio managers

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Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.52	5.52	9.18	8.64	11.27
S&P Target Date 2010 Index %	5.07	5.07	7.79	7.28	-
Target Date 2000-2010 Category %	4.10	4.10	7.54	6.83	-
Morningstar Percentile Rankings	-	12	20	1	-
# of Funds in Category	141	141	115	109	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	5.52	10.90	11.20	3.03	12.85
S&P Target Date 2010 Index %	5.07	9.42	8.94	2.61	10.56
Target Date 2000-2010 Category %	4.10	8.30	9.61	0.91	10.68
Morningstar Percentile Rankings	12	19	25	18	7
# of Funds in Category	141	153	145	167	179

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Target Date 2000-2010

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2010 Index

	3Yr	5Yr
Alpha	0.66	0.29
Beta	1.09	1.15
R-Squared	98.30	99.01
Standard Deviation	5.10	7.25
Mean	9.18	8.64
Sharpe Ratio	1.74	1.18
Excess Return	1.39	1.35
Tracking Error	0.78	1.18
Information Ratio	1.79	1.17

Operations

Total Investment Expense Net	0.32%
Total Investment Expense Gross	0.32%
Inception Date	07/07/2009
Total Net Assets (mil)	\$512.42



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Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal Trust(SM) Target 2010 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal Short-Term Income Inst Fund	1.56	2.80	3.53	-	0.45	0.45	N/A N/A	07/25/1996*
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Bonds	52.42	1.40	53.82
	U.S. Stocks	28.04	0.00	28.04
	Non-U.S. Stocks	10.81	0.00	10.81
	Non-U.S. Bonds	5.22	0.00	5.22
	Cash	2.23	4.36	6.59
	Other	0.98	0.14	1.12
	Preferred	0.29	0.00	0.29

Top ten holdings

	% of net assets
1. Principal Bond Market Index SP	36.94
2. Principal LargeCap S&P 500 Idx Sep Acct	21.17
3. Principal Short-Term Income Inst	10.44
4. Principal Diversified Intl Inst	7.77
5. Principal High Yield Fund I Inst	5.31
6. Principal Inflation Protection Inst	5.30
7. Principal Diversified Real Asset Tier 2	4.04
8. Principal MidCap S&P 400 Index	3.92
9. Principal SmallCap S&P 600 Idx Sep Acct	2.61
10. Principal Intl Emerging Markets Inst	1.29
% of net assets in top ten holdings	98.80

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$28,028.68
Turnover Ratio	58%
AvgEffDur (Yrs)	4.97
P/C Ratio	7.42
P/B Ratio	2.16
P/E Ratio	17.24

Stock Sector Breakdown

	% of net assets		% of net assets
Cyclical	35.48	Defensive	24.00
Consumer Cyclical	10.90	Healthcare	11.74
Basic Materials	4.34	Consumer Defensive	8.66
Financial Svcs	15.41	Utilities	3.60
Real Estate	4.83	Energy	9.08
		Comm Svcs	4.08
		Sensitive	40.54
		Technology	15.35
		Industrials	12.03

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2010 Fund Z.

Principal Trust(SM) Target 2015 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

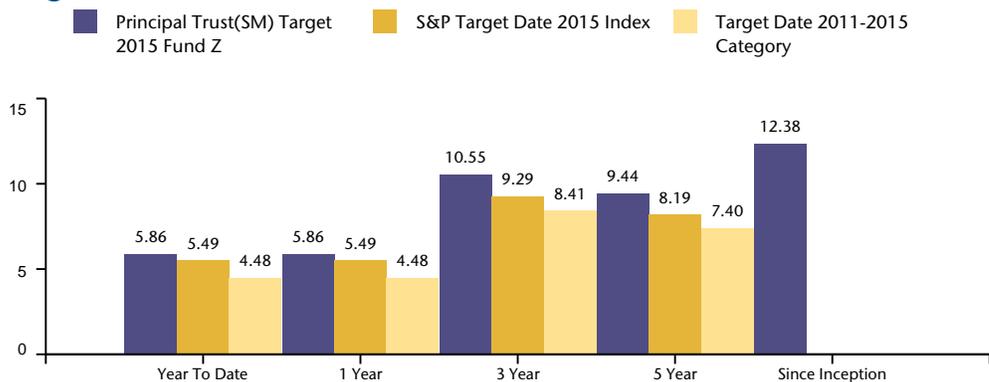
Portfolio managers

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Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.86	5.86	10.55	9.44	12.38
S&P Target Date 2015 Index %	5.49	5.49	9.29	8.19	-
Target Date 2011-2015 Category %	4.48	4.48	8.41	7.40	-
Morningstar Percentile Rankings	-	14	7	1	-
# of Funds in Category	182	182	141	124	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	5.86	13.88	12.07	2.00	13.90
S&P Target Date 2015 Index %	5.49	12.16	10.32	1.53	11.85
Target Date 2011-2015 Category %	4.48	9.65	10.65	-0.27	11.50
Morningstar Percentile Rankings	14	9	27	15	5
# of Funds in Category	182	178	154	157	149

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Target Date 2011-2015

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2015 Index

	3Yr	5Yr
Alpha	0.85	0.71
Beta	1.04	1.06
R-Squared	98.41	99.27
Standard Deviation	5.84	8.32
Mean	10.55	9.44
Sharpe Ratio	1.74	1.12
Excess Return	1.26	1.24
Tracking Error	0.76	0.86
Information Ratio	1.67	1.48

Operations

Total Investment Expense Net	0.31 %
Total Investment Expense Gross	0.31 %
Inception Date	07/07/2009
Total Net Assets (mil)	\$822.80



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

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May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal Trust(SM) Target 2015 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal Short-Term Income Inst Fund	1.56	2.80	3.53	-	0.45	0.45	N/A N/A	07/25/1996*
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Bonds	45.14	1.18	46.32
	U.S. Stocks	33.80	0.00	33.80
	Non-U.S. Stocks	13.07	0.00	13.07
	Non-U.S. Bonds	4.57	0.00	4.57
	Cash	2.13	3.77	5.90
	Other	1.06	0.12	1.18
	Preferred	0.24	0.00	0.24

Top ten holdings

Top ten holdings	% of net assets
1. Principal Bond Market Index SP	33.21
2. Principal LargeCap S&P 500 Idx Sep Acct	25.62
3. Principal Diversified Intl Inst	9.27
4. Principal Short-Term Income Inst	6.80
5. Principal High Yield Fund I Inst	5.29
6. Principal MidCap S&P 400 Index	4.87
7. Principal Inflation Protection Inst	4.40
8. Principal Diversified Real Asset Tier 2	4.03
9. Principal SmallCap S&P 600 Idx Sep Acct	3.20
10. Principal Intl Emerging Markets Inst	1.88
% of net assets in top ten holdings	98.57

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$28,057.83
Turnover Ratio	57%
AvgEffDur (Yrs)	5.07
P/C Ratio	7.40
P/B Ratio	2.16
P/E Ratio	17.16

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	35.57	Defensive	24.05	Sensitive	40.39
Consumer Cyclical	10.98	Healthcare	11.78	Technology	15.56
Basic Materials	4.29	Consumer Defensive	8.69	Industrials	12.00
Financial Svcs	15.63	Utilities	3.58	Energy	8.73
Real Estate	4.67			Comm Svcs	4.10

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2015 Fund Z.

Principal Trust(SM) Target 2020 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

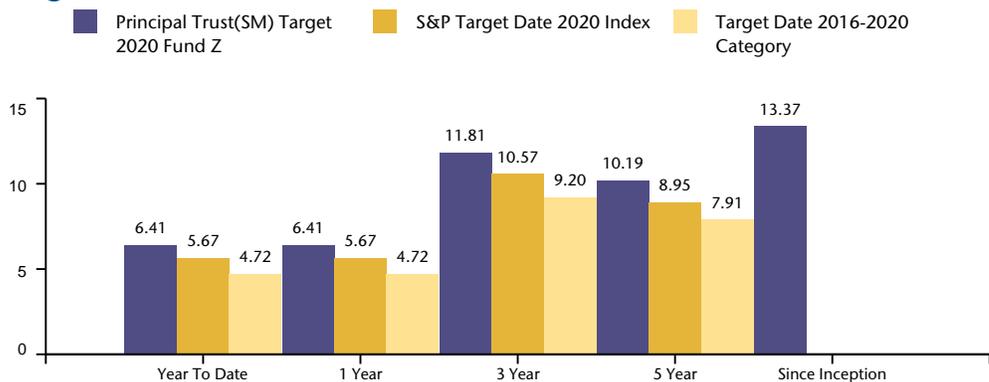
Portfolio managers

James W. Fennessey, CFA. Since 07/07/2009. B.S., Truman State University

Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the collective investment trust or the underlying investment options in which a collective investment trust invests have waived/capped a portion of its management fee through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	6.41	6.41	11.81	10.19	13.37
S&P Target Date 2020 Index %	5.67	5.67	10.57	8.95	-
Target Date 2016-2020 Category %	4.72	4.72	9.20	7.91	-
Morningstar Percentile Rankings	-	7	8	1	-
# of Funds in Category	228	228	193	164	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	6.41	16.13	13.11	1.25	14.80
S&P Target Date 2020 Index %	5.67	14.76	11.48	0.58	12.93
Target Date 2016-2020 Category %	4.72	11.57	11.68	-0.22	12.27
Morningstar Percentile Rankings	7	14	23	17	2
# of Funds in Category	228	222	208	205	203

Morningstar percentile rankings are based on total returns.

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Morningstar category

Target Date 2016-2020

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2020 Index

	3Yr	5Yr
Alpha	0.81	0.88
Beta	1.03	1.03
R-Squared	98.67	99.42
Standard Deviation	6.70	9.47
Mean	11.81	10.19
Sharpe Ratio	1.70	1.07
Excess Return	1.23	1.24
Tracking Error	0.80	0.79
Information Ratio	1.55	1.59

Operations

Total Investment Expense Net	0.33%
Total Investment Expense Gross	0.33%
Inception Date	07/07/2009
Total Net Assets (mil)	\$2,056.64



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal Trust(SM) Target 2020 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

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Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	42.29	0.00	42.29
	U.S. Bonds	33.44	0.93	34.37
	Non-U.S. Stocks	17.57	0.00	17.57
	Non-U.S. Bonds	3.54	0.00	3.54
	Cash	1.87	3.05	4.92
	Other	1.14	0.10	1.24
	Preferred	0.15	0.00	0.15

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	31.18
2. Principal Bond Market Index SP	27.59
3. Principal Diversified Intl Inst	11.28
4. Principal MidCap S&P 400 Index	6.07
5. Principal High Yield Fund I Inst	5.46
6. Principal SmallCap S&P 600 Idx Sep Acct	3.91
7. Principal Diversified Real Asset Tier 2	3.61
8. Principal Inflation Protection Inst	3.42
9. Principal Intl Emerging Markets Inst	2.96
10. Principal Global Real Estate Sec Instl	2.69
% of net assets in top ten holdings	98.16

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$26,678.59
Turnover Ratio	40%
AvgEffDur (Yrs)	5.43
P/C Ratio	7.53
P/B Ratio	2.12
P/E Ratio	17.29

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	38.53	Defensive	23.05	Sensitive	38.42
Consumer Cyclical	10.63	Healthcare	11.31	Technology	15.10
Basic Materials	4.05	Consumer Defensive	8.35	Industrials	11.43
Financial Svcs	15.26	Utilities	3.39	Energy	7.92
Real Estate	8.59			Comm Svcs	3.97

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2020 Fund Z.

Principal Trust(SM) Target 2025 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

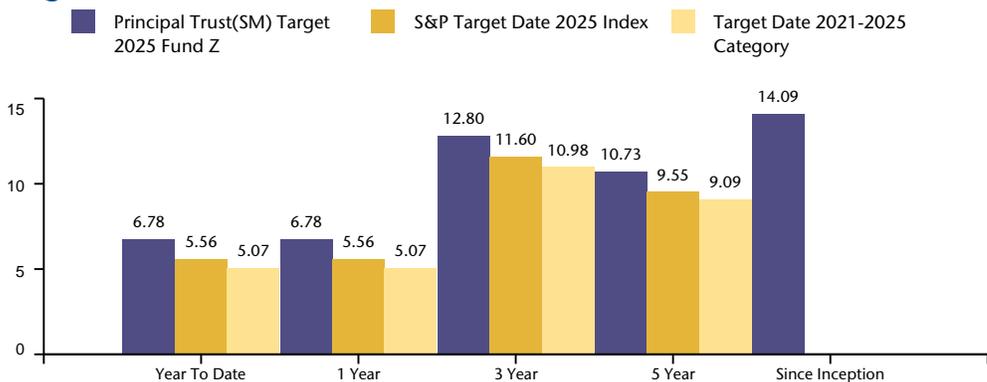
Portfolio managers

James W. Fennessey, CFA. Since 07/07/2009. B.S., Truman State University

Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	6.78	6.78	12.80	10.73	14.09
S&P Target Date 2025 Index %	5.56	5.56	11.60	9.55	-
Target Date 2021-2025 Category %	5.07	5.07	10.98	9.09	-
Morningstar Percentile Rankings	-	10	19	6	-
# of Funds in Category	185	185	143	111	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	6.78	17.78	14.10	0.54	15.37
S&P Target Date 2025 Index %	5.56	17.03	12.51	-0.28	13.82
Target Date 2021-2025 Category %	5.07	15.30	13.03	-2.06	13.29
Morningstar Percentile Rankings	10	26	30	7	4
# of Funds in Category	185	181	154	145	131

Morningstar percentile rankings are based on total returns.

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Morningstar category

Target Date 2021-2025

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2025 Index

	3Yr	5Yr
Alpha	1.01	1.14
Beta	1.01	0.99
R-Squared	98.59	99.40
Standard Deviation	7.28	10.25
Mean	12.80	10.73
Sharpe Ratio	1.69	1.04
Excess Return	1.19	1.17
Tracking Error	0.86	0.80
Information Ratio	1.39	1.49

Operations

Total Investment Expense Net	0.33%
Total Investment Expense Gross	0.33%
Inception Date	07/07/2009
Total Net Assets (mil)	\$1,556.12



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Not insured by any Federal government agency

Principal Trust(SM) Target 2025 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	46.56	0.00	46.56
	U.S. Bonds	27.91	0.78	28.69
	Non-U.S. Stocks	19.36	0.00	19.36
	Non-U.S. Bonds	2.98	0.00	2.98
	Cash	1.97	2.51	4.48
	Other	1.05	0.08	1.13
	Preferred	0.17	0.00	0.17

Top ten holdings

Top ten holdings	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	34.36
2. Principal Bond Market Index SP	22.48
3. Principal Diversified Intl Inst	12.09
4. Principal MidCap S&P 400 Index	6.55
5. Principal High Yield Fund I Inst	5.25
6. Principal SmallCap S&P 600 Idx Sep Acct	4.30
7. Principal Global Real Estate Sec Instl	3.99
8. Principal Intl Emerging Markets Inst	3.38
9. Principal Inflation Protection Inst	2.90
10. Principal Diversified Real Asset Tier 2	2.66
% of net assets in top ten holdings	97.96

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$26,564.13
Turnover Ratio	40%
AvgEffDur (Yrs)	5.42
P/C Ratio	7.57
P/B Ratio	2.11
P/E Ratio	17.33

Stock Sector Breakdown

	% of net assets	% of net assets	% of net assets
Cyclical	39.52	Defensive	22.83
Consumer Cyclical	10.57	Healthcare	11.26
Basic Materials	3.93	Consumer Defensive	8.27
Financial Svcs	15.19	Utilities	3.30
Real Estate	9.83	Comm Svcs	3.92
		Sensitive	37.65
		Technology	15.05
		Industrials	11.24
		Energy	7.44

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2025 Fund Z.

Principal Trust(SM) Target 2030 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

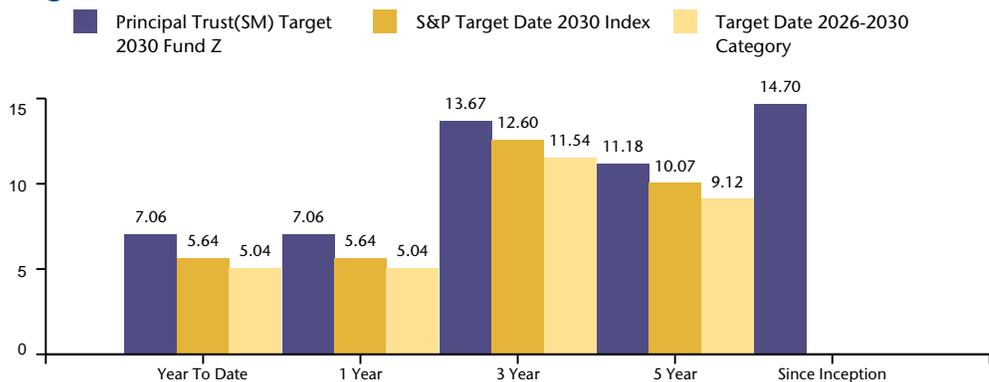
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Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.06	7.06	13.67	11.18	14.70
S&P Target Date 2030 Index %	5.64	5.64	12.60	10.07	-
Target Date 2026-2030 Category %	5.04	5.04	11.54	9.12	-
Morningstar Percentile Rankings	-	7	18	5	-
# of Funds in Category	228	228	193	164	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.06	20.05	14.28	0.05	15.61
S&P Target Date 2030 Index %	5.64	19.14	13.43	-1.17	14.52
Target Date 2026-2030 Category %	5.04	16.65	13.59	-2.26	13.47
Morningstar Percentile Rankings	7	29	38	8	9
# of Funds in Category	228	222	208	205	200

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Target Date 2026-2030

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2030 Index

	3Yr	5Yr
Alpha	1.20	1.28
Beta	0.98	0.97
R-Squared	98.42	99.35
Standard Deviation	7.77	10.97
Mean	13.67	11.18
Sharpe Ratio	1.69	1.02
Excess Return	1.07	1.11
Tracking Error	0.99	0.95
Information Ratio	1.08	1.18

Operations

Total Investment Expense Net	0.34%
Total Investment Expense Gross	0.34%
Inception Date	07/07/2009
Total Net Assets (mil)	\$2,124.61



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

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Not insured by any Federal government agency

Principal Trust(SM) Target 2030 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	50.92	0.00	50.92
	U.S. Bonds	22.22	0.65	22.87
	Non-U.S. Stocks	21.22	0.00	21.22
	Non-U.S. Bonds	2.39	0.00	2.39
	Cash	2.01	2.15	4.16
	Other	1.07	0.07	1.13
	Preferred	0.18	0.00	0.18

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	37.73
2. Principal Bond Market Index SP	17.13
3. Principal Diversified Intl Inst	13.22
4. Principal MidCap S&P 400 Index	7.03
5. Principal High Yield Fund I Inst	4.76
6. Principal Global Real Estate Sec Instl	4.75
7. Principal SmallCap S&P 600 Idx Sep Acct	4.62
8. Principal Intl Emerging Markets Inst	3.76
9. Principal Diversified Real Asset Tier 2	2.46
10. Principal Inflation Protection Inst	2.41
% of net assets in top ten holdings	97.88

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$26,799.29
Turnover Ratio	34%
AvgEffDur (Yrs)	5.38
P/C Ratio	7.59
P/B Ratio	2.11
P/E Ratio	17.34

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	39.81	Defensive	22.79	Sensitive	37.40
Consumer Cyclical	10.51	Healthcare	11.25	Technology	15.04
Basic Materials	3.88	Consumer Defensive	8.26	Industrials	11.14
Financial Svcs	15.18	Utilities	3.28	Energy	7.30
Real Estate	10.24			Comm Svcs	3.92

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2030 Fund Z.

Principal Trust(SM) Target 2035 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

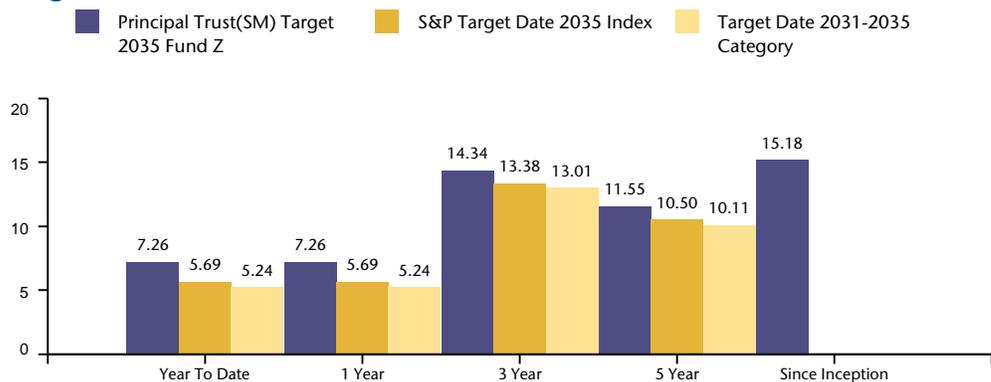
Portfolio managers

James W. Fennessy, CFA. Since 07/07/2009. B.S., Truman State University

Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the collective investment trust or the underlying investment options in which a collective investment trust invests have waived/capped a portion of its management fee through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.26	7.26	14.34	11.55	15.18
S&P Target Date 2035 Index %	5.69	5.69	13.38	10.50	-
Target Date 2031-2035 Category %	5.24	5.24	13.01	10.11	-
Morningstar Percentile Rankings	-	8	26	6	-
# of Funds in Category	185	185	143	111	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.26	21.26	14.92	-0.53	16.19
S&P Target Date 2035 Index %	5.69	20.84	14.12	-1.71	15.02
Target Date 2031-2035 Category %	5.24	20.00	14.64	-3.51	14.28
Morningstar Percentile Rankings	8	46	49	5	4
# of Funds in Category	185	181	154	139	125

Morningstar percentile rankings are based on total returns.

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Morningstar category

Target Date 2031-2035

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2035 Index

	3Yr	5Yr
Alpha	1.17	1.27
Beta	0.97	0.97
R-Squared	98.49	99.39
Standard Deviation	8.23	11.60
Mean	14.34	11.55
Sharpe Ratio	1.67	1.00
Excess Return	0.95	1.05
Tracking Error	1.04	1.00
Information Ratio	0.91	1.04

Operations

Total Investment Expense Net	0.34%
Total Investment Expense Gross	0.34%
Inception Date	07/07/2009
Total Net Assets (mil)	\$1,149.83



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

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Not insured by any Federal government agency

Principal Trust(SM) Target 2035 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal Inflation Protection Inst Fund	3.20	4.04	1.52	1.55	0.40	0.40	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	54.49	0.00	54.49
	Non-U.S. Stocks	23.11	0.00	23.11
	U.S. Bonds	17.17	0.41	17.58
	Cash	2.11	1.43	3.54
	Non-U.S. Bonds	1.88	0.00	1.88
	Other	1.06	0.04	1.10
	Preferred	0.19	0.00	0.19

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	40.38
2. Principal Diversified Intl Inst	14.52
3. Principal Bond Market Index SP	12.90
4. Principal MidCap S&P 400 Index	7.62
5. Principal Global Real Estate Sec Instl	5.25
6. Principal SmallCap S&P 600 Idx Sep Acct	4.96
7. Principal High Yield Fund I Inst	4.51
8. Principal Intl Emerging Markets Inst	4.05
9. Principal International SmallCap SepAcct	2.34
10. Principal Diversified Real Asset Tier 2	2.03
% of net assets in top ten holdings	98.55

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	11
AvgMktCap (mil)	\$26,712.57
Turnover Ratio	37%
AvgEffDur (Yrs)	5.25
P/C Ratio	7.58
P/B Ratio	2.10
P/E Ratio	17.32

Stock Sector Breakdown

	% of net assets		% of net assets
Cyclical	39.99	Defensive	22.79
Consumer Cyclical	10.54	Healthcare	11.26
Basic Materials	3.85	Consumer Defensive	8.27
Financial Svcs	15.24	Utilities	3.26
Real Estate	10.36	Energy	7.12
		Comm Svcs	3.93
		Sensitive	37.22
		Technology	15.04
		Industrials	11.13

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

Principal Trust(SM) Target 2040 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

Portfolio managers

James W. Fennessey, CFA. Since 07/07/2009. B.S., Truman State University

Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the collective investment trust or the underlying investment options in which a collective investment trust invests have waived/capped a portion of its management fee through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.37	7.37	15.06	11.89	15.59
S&P Target Date 2040 Index %	5.69	5.69	13.96	10.81	-
Target Date 2036-2040 Category %	5.25	5.25	12.99	9.83	-
Morningstar Percentile Rankings	-	10	18	2	-
# of Funds in Category	227	227	192	163	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.37	22.84	15.49	-1.04	16.35
S&P Target Date 2040 Index %	5.69	22.10	14.69	-2.17	15.38
Target Date 2036-2040 Category %	5.25	19.97	14.64	-3.49	14.37
Morningstar Percentile Rankings	10	41	32	8	10
# of Funds in Category	227	218	204	202	194

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Target Date 2036-2040

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2040 Index

	3Yr	5Yr
Alpha	1.27	1.24
Beta	0.98	0.97
R-Squared	98.57	99.40
Standard Deviation	8.65	12.20
Mean	15.06	11.89
Sharpe Ratio	1.67	0.98
Excess Return	1.09	1.07
Tracking Error	1.05	1.00
Information Ratio	1.03	1.07

Operations

Total Investment Expense Net	0.34%
Total Investment Expense Gross	0.34%
Inception Date	07/07/2009
Total Net Assets (mil)	\$1,358.43



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Principal Trust(SM) Target 2040 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	57.72	0.00	57.72
	Non-U.S. Stocks	24.85	0.00	24.85
	U.S. Bonds	12.57	0.06	12.62
	Cash	2.22	0.42	2.64
	Non-U.S. Bonds	1.40	0.00	1.40
	Other	1.05	0.01	1.07
	Preferred	0.19	0.00	0.19

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	42.94
2. Principal Diversified Intl Inst	15.80
3. Principal Bond Market Index SP	10.05
4. Principal MidCap S&P 400 Index	8.15
5. Principal Global Real Estate Sec Instl	5.40
6. Principal SmallCap S&P 600 Idx Sep Acct	5.24
7. Principal Intl Emerging Markets Inst	4.28
8. Principal High Yield Fund I Inst	3.79
9. Principal International SmallCap SepAcct	2.60
10. Principal Diversified Real Asset Tier 2	1.75
% of net assets in top ten holdings	100.00

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	10
AvgMktCap (mil)	\$26,756.99
Turnover Ratio	33%
AvgEffDur (Yrs)	4.98
P/C Ratio	7.55
P/B Ratio	2.10
P/E Ratio	17.28

Stock Sector Breakdown

	% of net assets		% of net assets
Cyclical	39.89	Defensive	22.87
Consumer Cyclical	10.59	Healthcare	11.31
Basic Materials	3.85	Consumer Defensive	8.31
Financial Svcs	15.33	Utilities	3.25
Real Estate	10.12	Energy	7.04
		Comm Svcs	3.95
		Sensitive	37.24
		Technology	15.09
		Industrials	11.16

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2040 Fund Z.

Principal Trust(SM) Target 2045 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

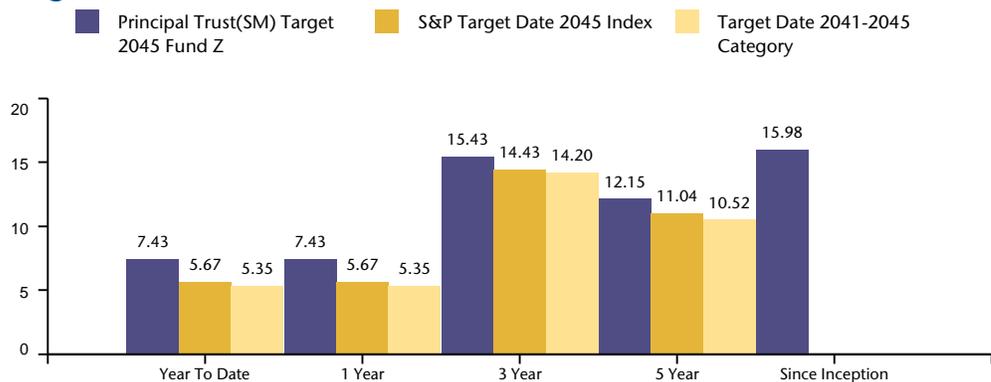
Portfolio managers

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Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.43	7.43	15.43	12.15	15.98
S&P Target Date 2045 Index %	5.67	5.67	14.43	11.04	-
Target Date 2041-2045 Category %	5.35	5.35	14.20	10.52	-
Morningstar Percentile Rankings	-	11	21	1	-
# of Funds in Category	185	185	134	110	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.43	23.51	15.92	-1.25	16.79
S&P Target Date 2045 Index %	5.67	23.14	15.15	-2.56	15.62
Target Date 2041-2045 Category %	5.35	22.00	15.31	-4.10	14.60
Morningstar Percentile Rankings	11	42	31	4	2
# of Funds in Category	185	180	145	139	125

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Target Date 2041-2045

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2045 Index

	3Yr	5Yr
Alpha	1.24	1.24
Beta	0.97	0.97
R-Squared	98.63	99.43
Standard Deviation	8.92	12.57
Mean	15.43	12.15
Sharpe Ratio	1.65	0.97
Excess Return	0.99	1.11
Tracking Error	1.07	1.00
Information Ratio	0.93	1.10

Operations

Total Investment Expense Net	0.35%
Total Investment Expense Gross	0.35%
Inception Date	07/07/2009
Total Net Assets (mil)	\$612.76



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

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Not insured by any Federal government agency

Principal Trust(SM) Target 2045 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	59.82	0.00	59.82
	Non-U.S. Stocks	26.32	0.00	26.32
	U.S. Bonds	9.37	0.05	9.42
	Cash	2.21	0.39	2.60
	Other	1.04	0.01	1.05
	Non-U.S. Bonds	1.04	0.00	1.04
	Preferred	0.20	0.00	0.20

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	44.48
2. Principal Diversified Intl Inst	16.79
3. Principal MidCap S&P 400 Index	8.55
4. Principal Bond Market Index SP	7.36
5. Principal Global Real Estate Sec Instl	5.49
6. Principal SmallCap S&P 600 Idx Sep Acct	5.48
7. Principal Intl Emerging Markets Inst	4.57
8. Principal High Yield Fund I Inst	2.84
9. Principal International SmallCap SepAcct	2.83
10. Principal Diversified Real Asset Tier 2	1.60
% of net assets in top ten holdings	100.00

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	10
AvgMktCap (mil)	\$26,611.04
Turnover Ratio	37%
AvgEffDur (Yrs)	4.94
P/C Ratio	7.53
P/B Ratio	2.10
P/E Ratio	17.23

Stock Sector Breakdown

	% of net assets		% of net assets
Cyclical	39.86	Defensive	22.89
Consumer Cyclical	10.62	Healthcare	11.31
Basic Materials	3.87	Consumer Defensive	8.32
Financial Svcs	15.41	Utilities	3.26
Real Estate	9.96	Energy	6.99
		Comm Svcs	3.97
		Sensitive	37.25
		Technology	15.10
		Industrials	11.19

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2045 Fund Z.

Principal Trust(SM) Target 2050 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

Portfolio managers

James W. Fennessy, CFA. Since 07/07/2009. B.S., Truman State University

Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the collective investment trust or the underlying investment options in which a collective investment trust invests have waived/capped a portion of its management fee through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.46	7.46	15.73	12.31	15.90
S&P Target Date 2050 Index %	5.69	5.69	14.86	11.22	-
Target Date 2046-2050 Category %	5.42	5.42	13.49	10.07	-
Morningstar Percentile Rankings	-	14	14	1	-
# of Funds in Category	212	212	165	127	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.46	24.24	16.11	-1.49	17.02
S&P Target Date 2050 Index %	5.69	24.13	15.49	-2.87	15.62
Target Date 2046-2050 Category %	5.42	21.02	15.07	-3.82	14.53
Morningstar Percentile Rankings	14	32	26	10	2
# of Funds in Category	212	202	177	168	150

Morningstar percentile rankings are based on total returns.

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Morningstar category

Target Date 2046-2050

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2050 Index

	3Yr	5Yr
Alpha	1.16	1.08
Beta	0.97	0.99
R-Squared	98.66	99.42
Standard Deviation	9.16	12.93
Mean	15.73	12.31
Sharpe Ratio	1.64	0.96
Excess Return	0.86	1.09
Tracking Error	1.10	0.99
Information Ratio	0.79	1.09

Operations

Total Investment Expense Net	0.35%
Total Investment Expense Gross	0.35%
Inception Date	07/07/2009
Total Net Assets (mil)	\$608.00



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal Trust(SM) Target 2050 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	61.62	0.00	61.62
	Non-U.S. Stocks	27.36	0.00	27.36
	U.S. Bonds	6.80	0.05	6.85
	Cash	2.21	0.39	2.60
	Other	1.04	0.01	1.06
	Non-U.S. Bonds	0.76	0.00	0.76
	Preferred	0.20	0.00	0.20

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	45.93
2. Principal Diversified Intl Inst	17.61
3. Principal MidCap S&P 400 Index	8.74
4. Principal SmallCap S&P 600 Idx Sep Acct	5.67
5. Principal Global Real Estate Sec Instl	5.59
6. Principal Bond Market Index SP	4.92
7. Principal Intl Emerging Markets Inst	4.71
8. Principal International SmallCap SepAcct	2.91
9. Principal High Yield Fund I Inst	2.37
10. Principal Diversified Real Asset Tier 2	1.55
% of net assets in top ten holdings	100.00

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	10
AvgMktCap (mil)	\$26,696.90
Turnover Ratio	39%
AvgEffDur (Yrs)	4.83
P/C Ratio	7.52
P/B Ratio	2.10
P/E Ratio	17.22

Stock Sector Breakdown

	% of net assets		% of net assets
Cyclical	39.80	Defensive	22.92
Consumer Cyclical	10.63	Healthcare	11.32
Basic Materials	3.86	Consumer Defensive	8.34
Financial Svcs	15.45	Utilities	3.26
Real Estate	9.86	Energy	6.97
		Comm Svcs	3.99
		Sensitive	37.26
		Technology	15.11
		Industrials	11.19

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2050 Fund Z.

Principal Trust(SM) Target 2055 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

Portfolio managers

James W. Fennessey, CFA. Since 07/07/2009. B.S., Truman State University

Randy L. Welch Since 07/07/2009. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 04/01/2012. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the collective investment trust or the underlying investment options in which a collective investment trust invests have waived/capped a portion of its management fee through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.50	7.50	15.73	12.26	16.07
S&P Target Date 2055+ Index %	5.64	5.64	15.20	11.41	-
Target Date 2051+ Category %	5.49	5.49	14.49	10.06	-
Morningstar Percentile Rankings	-	14	16	1	-
# of Funds in Category	156	156	101	25	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.50	24.28	16.03	-1.56	16.82
S&P Target Date 2055+ Index %	5.64	24.96	15.81	-2.87	15.62
Target Date 2051+ Category %	5.49	23.14	15.52	-4.13	14.45
Morningstar Percentile Rankings	14	37	34	8	6
# of Funds in Category	156	130	102	235	175

Morningstar percentile rankings are based on total returns.

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Morningstar category

Target Date 2051+

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2055+ Index

	3Yr	5Yr
Alpha	1.06	0.92
Beta	0.96	0.98
R-Squared	98.52	99.34
Standard Deviation	9.20	12.93
Mean	15.73	12.26
Sharpe Ratio	1.63	0.95
Excess Return	0.53	0.85
Tracking Error	1.19	1.08
Information Ratio	0.43	0.77

Operations

Total Investment Expense Net	0.35%
Total Investment Expense Gross	0.35%
Inception Date	07/07/2009
Total Net Assets (mil)	\$133.19



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Principal Trust(SM) Target 2055 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	62.22	0.00	62.22
	Non-U.S. Stocks	27.79	0.00	27.79
	U.S. Bonds	5.88	0.04	5.92
	Cash	2.21	0.36	2.57
	Other	1.03	0.01	1.04
	Non-U.S. Bonds	0.66	0.00	0.66
	Preferred	0.21	0.00	0.21

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	46.36
2. Principal Diversified Intl Inst	17.83
3. Principal MidCap S&P 400 Index	8.89
4. Principal SmallCap S&P 600 Idx Sep Acct	5.74
5. Principal Global Real Estate Sec Instl	5.63
6. Principal Intl Emerging Markets Inst	4.84
7. Principal Bond Market Index SP	4.15
8. Principal International SmallCap SepAcct	3.01
9. Principal High Yield Fund I Inst	2.14
10. Principal Diversified Real Asset Tier 2	1.41
% of net assets in top ten holdings	100.00

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	10
AvgMktCap (mil)	\$26,617.30
Turnover Ratio	50%
AvgEffDur (Yrs)	4.80
P/C Ratio	7.51
P/B Ratio	2.09
P/E Ratio	17.20

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	39.82	Defensive	22.92	Sensitive	37.27
Consumer Cyclical	10.64	Healthcare	11.32	Technology	15.13
Basic Materials	3.87	Consumer Defensive	8.35	Industrials	11.20
Financial Svcs	15.48	Utilities	3.25	Energy	6.94
Real Estate	9.83			Comm Svcs	4.00

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2055 Fund Z.

Principal Trust(SM) Target 2060 Fund Z as of 12/31/2014

Investment Strategy

The investment option seeks a total return consisting of long-term growth of capital and current income. To pursue its goal, this Target Date Fund generally invests in affiliated and may invest in nonaffiliated open-ended mutual funds, insurance company separate accounts, and collective trust funds that Principal Trust considers appropriate based on the remaining time horizon of a particular Target Date Fund. Over time, Principal Trust intends to gradually shift the asset allocation targets of each Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income generation years. It is expected that within 15 years after its target year, a Fund's underlying fund allocation will match that of the Principal Trust Income Fund.

Multiple Sub-Advisors

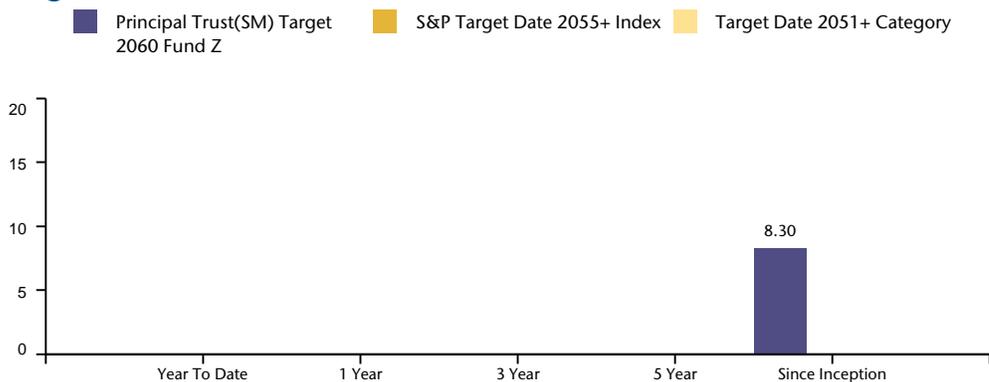
Portfolio managers

James W. Fennessy, CFA. Since 01/01/2014. B.S., Truman State University

Randy L. Welch Since 01/01/2014. M.B.A., Drake University

Jeffrey R. Tyler, CFA. Since 01/01/2014. B.A., California University

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-	-	-	-	8.30
S&P Target Date 2055+ Index %	5.64	5.64	15.20	11.41	-
Target Date 2051+ Category %	5.49	5.49	14.49	10.06	-
Morningstar Percentile Rankings	-	-	-	-	-
# of Funds in Category	156	156	101	25	-
Annual Returns	2014	2013	2012	2011	2010
Total Return %	-	-	-	-	-
S&P Target Date 2055+ Index %	5.64	24.96	15.81	-2.87	15.62
Target Date 2051+ Category %	5.49	23.14	15.52	-4.13	14.45
Morningstar Percentile Rankings	-	-	-	-	-
# of Funds in Category	156	130	102	235	175

Morningstar percentile rankings are based on total returns.

Principal TrustSM Target Date Funds 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 Trust Target Date Fund 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 Trust Target Date Fund is regularly re-adjusted within a time frame that extends 10-15 years beyond the target date, at which point it reaches its most conservative allocation. Principal Trust Target Date Funds assume the value of an investor's account will be withdrawn gradually during retirement. Neither the principal nor the underlying assets of the Principal Trust Target Date Funds are guaranteed at any time, including the target date. Investment risk remains at all times.

Morningstar category

Target Date 2051+

Risk and Return Statistics

as of 12/31/2014 Relative to S&P Target Date 2055+ Index

	3Yr	5Yr
Alpha	-	-
Beta	-	-
R-Squared	-	-
Standard Deviation	-	-
Mean	-	-
Sharpe Ratio	-	-
Excess Return	-	-
Tracking Error	-	-
Information Ratio	-	-

Operations

Total Investment Expense Net	0.36%
Total Investment Expense Gross	0.36%
Inception Date	01/01/2014
Total Net Assets (mil)	\$14.82



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal Trust(SM) Target 2060 Fund Z as of 12/31/2014

Average Annual Total Returns of Underlying Options as of 12/31/2014

Investment Option	1 Year	5 Year	10 Year	Since Inception	Total Investment Expense Gross	Total Investment Expense Net	Waiver/Cap Expiration Date	Inception Date
Diversified Real Asset CIT Tier 2	2.52	-	-	3.48	0.64	0.64	N/A N/A	05/30/2013
Principal Bond Market Index Separate Account-Z	5.80	4.10	-	4.09	0.15	0.15	N/A N/A	12/30/2009
Principal Diversified International Inst Fund	-3.02	6.51	5.55	4.32	0.87	0.87	N/A N/A	03/01/2001*
Principal Global Real Estate Securities Inst Fund	16.27	14.16	-	3.37	0.92	0.92	02/28/2015 02/28/2015	10/01/2007
Principal High Yield I Inst Fund	2.31	8.38	7.84	7.84	0.65	0.65	N/A N/A	12/29/2004
Principal International Emerging Markets Inst Fund	-3.77	1.62	8.21	10.09	1.24	1.24	N/A N/A	03/01/2001*
Principal International SmallCap Separate Account-I5	-2.95	10.94	8.41	12.25	0.69	0.69	N/A N/A	01/01/1995
Principal LargeCap S&P 500 Index Separate Account-I5	13.52	15.35	7.61	9.52	0.06	0.06	N/A N/A	01/01/1990
Principal MidCap S&P 400 Index Separate Account-I5	9.65	16.40	9.64	10.09	0.06	0.06	N/A N/A	08/31/1999
Principal SmallCap S&P 600 Index Separate Account-I5	5.74	17.13	9.01	10.31	0.06	0.06	N/A N/A	08/31/1999

* These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the funds' prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Portfolio information†

Composition as of 11/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	61.99	0.00	61.99
	Non-U.S. Stocks	27.99	0.00	27.99
	U.S. Bonds	5.91	0.04	5.96
	Cash	2.21	0.36	2.57
	Other	1.03	0.01	1.04
	Non-U.S. Bonds	0.67	0.00	0.67
	Preferred	0.21	0.00	0.21

Top ten holdings

	% of net assets
1. Principal LargeCap S&P 500 Idx Sep Acct	46.02
2. Principal Diversified Intl Inst	18.01
3. Principal MidCap S&P 400 Index	8.93
4. Principal SmallCap S&P 600 Idx Sep Acct	5.82
5. Principal Global Real Estate Sec Instl	5.61
6. Principal Intl Emerging Markets Inst	4.80
7. Principal Bond Market Index SP	4.17
8. Principal International SmallCap SepAcct	3.08
9. Principal High Yield Fund I Inst	2.15
10. Principal Diversified Real Asset Tier 2	1.42
% of net assets in top ten holdings	100.00

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	10
AvgMktCap (mil)	\$26,397.68
Turnover Ratio	32%
AvgEffDur (Yrs)	4.80
P/C Ratio	7.50
P/B Ratio	2.09
P/E Ratio	17.19

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	39.85	Defensive	22.91	Sensitive	37.26
Consumer Cyclical	10.66	Healthcare	11.31	Technology	15.11
Basic Materials	3.88	Consumer Defensive	8.34	Industrials	11.22
Financial Svcs	15.49	Utilities	3.26	Energy	6.93
Real Estate	9.82			Comm Svcs	4.00

Insurance products and plan administrative services are provided by Principal Life, Des Moines, IA 50392.

The full name of this investment option is Principal Trust(SM) Target 2060 Fund Z.

Principal Stable Value Fund

Z Class

DECEMBER 31, 2014

FUND PROFILE

Assets	\$4,097,702,274
Crediting Rate ¹	1.48%
Avg Duration ²	2.56 years
Market/Book Value Ratio ³	101.06%
Turnover Ratio (updated annually) ⁵	11.17%
Inception Date	January 1997

FUND COMPOSITION

Cash	8.02%
GIC	4.09%
Separate Account Contracts	35.56%
Synthetic Investment Contracts	52.33%

TRUSTEE/ADVISER FEE¹¹

8 basis points

INVESTMENT CONTRACT ISSUERS

Prudential	26.81%
MetLife	13.96%
TIAA CREF Life	10.17%
Principal	9.91%
New York Life	8.65%
American General Life	7.55%
MassMutual	6.87%
Transamerica Life	6.26%
State Street	1.03%
JP Morgan Chase	0.49%
Rabobank	0.28%

DURATION DISTRIBUTION

0-1 Yr	18.02%
1-2 Yrs	20.76%
2-3 Yrs	26.64%
3-4 Yrs	14.53%
4-5 Yrs	13.15%
5+ Yrs	6.91%

FUND STRUCTURE

The Principal Stable Value Fund (Fund) is a Collective Investment Trust (CIT) maintained by Union Bond and Trust Company (UBT). UBT serves as the trustee and has retained Morley Capital Management (MCM) to serve as investment adviser (Adviser), subject to the Trustee's control, supervision and review. Both MCM and UBT are wholly owned subsidiaries of Morley Financial Services (Morley), which is a wholly owned subsidiary of the Principal Financial Group.

ABOUT THE ADVISER

Morley was founded in 1982 and began managing its first discretionary stable value account in February 1984. Morley has focused almost exclusively on managing stable value assets for our institutional client base since our inception. As of December 31, 2014, Morley oversees more than \$17 billion in total assets.

CONTACT INFORMATION

For additional information on enrolling in the Fund, to obtain the Principal Stable Value Fund Disclosure document or to obtain additional information, please contact the Human Resources Department of the participating plan, or the participating plan's recordkeeper.

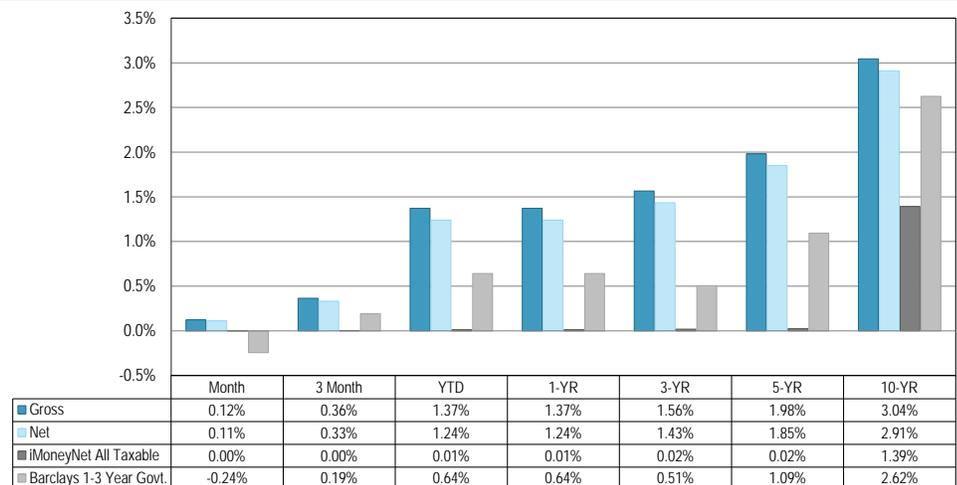
FUND DESCRIPTION

The Fund primarily consists of a diversified portfolio of Stable Value Investment Contracts (Investment Contracts) issued by life insurance companies, banks and other financial institutions, the performance of which may be predicated on underlying fixed income investments. The principal value of these assets is designed to remain stable regardless of stock and bond market fluctuations. The Fund is typically appropriate for investors who desire low volatility, stable principal value, and returns commensurate with a capital preservation objective for a component of their retirement savings. The Fund is designed for long-term retirement investing.

INVESTMENT OBJECTIVE

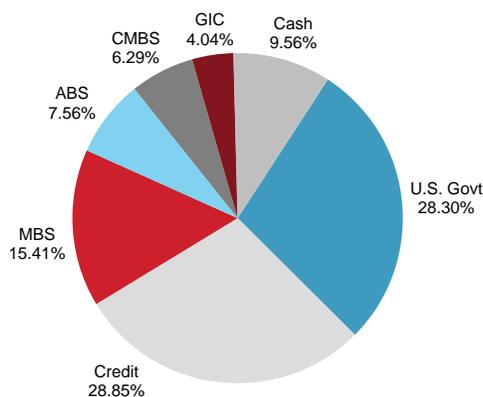
The objective of the Fund is to provide preservation of capital, relatively stable returns consistent with its comparatively low risk profile, and liquidity for benefit responsive plan or participant payments.

PERFORMANCE AS OF 12/31/2014

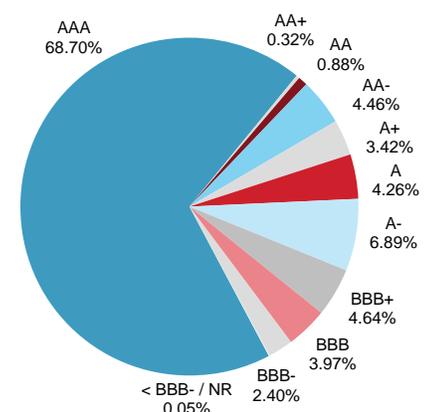


Past performance is not a guarantee of future results. Performance returns assume the reinvestment of dividends and other earnings. Returns for periods less than one year are not annualized. Gross returns are presented net of Fund Level Expenses which include Stable Value Investment Contract Fees, Sub-Adviser Fees, Acquired Fund Fees and Other Expenses. Net returns are presented net of 0.08% annualized Trustee/Adviser Fee and 0.05% annualized Service Fee. Fees charged by varying share classes including the Service Fee may differ and as a result, investors in other share classes may obtain higher or lower net returns if multiple share classes are available. Performance information for share class options available after the original Fund inception date are based on the performance of the Principal Stable Value Fund, adjusted to reflect estimated fees for the respective share class option. The Fund's inception date is January 1997. Please review page 2 for important information.

SECTOR DIVERSIFICATION



CREDIT QUALITY



ABS = Asset Backed Securities
MBS = Mortgage Backed Securities
CMBS = Commercial Mortgage Backed Securities

A Word On Risk^{5,6}

While stable value is generally considered a conservative investment option, stable value assets do carry potential risks. The Fund may lose value and may be worth more or less than the original cost when redeemed, and there is no assurance that the Fund's objective will be achieved. Risks include, but are not limited to, 1) Investment Contract risk which includes the risk of maintaining Book Value Accounting standards and the risk that Investment Contract issuers may default on their obligations under the contract; 2) interest rate risk which includes the potential that an increase in market interest rates may decrease the value of fixed income securities (bonds); 3) credit risk which reflects the potential that the issuer of fixed income securities will be unable to make the required payments of interest and/or principal when due. Morley Capital Management seeks to mitigate Investment Contract and credit risk by investing only in investment grade securities. Morley Capital Management's credit research team continually analyzes the credit standing and outlook of investments in the Fund seeking to identify investment options with the best risk/return characteristics consistent with the Fund's investment objective. Please review the Principal Stable Value Fund Disclosure document for additional information regarding Fund structure, investment objective and strategy, risks and expenses and carefully consider such factors before investing.

The Fund is not a deposit, obligation, guaranteed or insured by UBT or any affiliate, is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other federal or state government agency. Neither the Fund nor the offering of the Units has been registered under the U.S. securities laws. Therefore, investors will not have the benefit of the protections for registered securities afforded by the Securities and Exchange Commission ("SEC").

Fees and Expenses

Fees and expenses associated with the Fund include Stable Value Investment Contract Fees, Sub-Adviser Fees, Acquired Fund Fees, and Other Expenses which are collectively referred to as Fund Level Expenses. The Fund also incurs a Trustee/Adviser Fee and may incur a Service Provider Offset if selected by the investing Plan/Trust. The combination of all of these fees represents the Total Fund Operating Expenses for the Fund.

Fund Level Expenses are variable and will fluctuate daily based on factors such as total Fund assets, assets associated with specific Stable Value Investment Contracts or sub-advisers, and the utilization and cost of applicable services. Fund Level Expenses have already been factored into the Fund's gross performance. In contrast the Trustee/Adviser Fee and the Service Provider Offset are generally static and are only altered by direct action from the Trustee or an election by the investing Plan/Trust to amend the Service Provider Offset. The Fund's gross performance is reduced by the applicable Trustee/Adviser Fee and Service Provider Offset to produce the Fund's net performance.

Expense information is updated monthly and may not match expenses provided by applicable recordkeeper.

Annualized Fees as of 12/31/2014*	
Stable Value Investment Contract Fees (Wrap Fees) ⁷	0.21%
Sub-Adviser Fees ⁸	0.07%
Acquired Fund Fees ⁹	0.01%
Other Expenses ¹⁰	0.02%
Total Fund Level Expenses	0.31%
Trustee/Adviser Fee ¹¹	0.08%
Service Fee ¹²	0.05%
Total Fund Operating Expenses	0.44%

*Fee information has been rounded to two decimal places. As a result of this rounding, individual fees may not sum to the total fee presented.

Additional Information

Data provided is for general informational purposes only is not intended to be used for auditing purposes and may not represent a complete accounting of all holdings within the portfolio. The information should not be considered as investment, legal, accounting, or tax advice or a recommendation of any particular security, strategy, or investment product and it does not take into account the investment objectives, financial situation, or needs of any particular investor. Investors should consider whether the Fund is suitable for their particular circumstances and, if necessary, seek professional advice before investing.

Certain data including sector diversification, credit quality, and duration distribution, has been obtained from each investment manager, including Morley Capital Management and various sub-advisers and has been calculated based upon their internal calculation methodologies. The data is current as of the date listed, and is subject to change without notice. While generally deemed reliable, it has not been verified for accuracy or calculation methodologies and the accuracy of the data cannot be guaranteed.

Morley Capital Management calculates average portfolio credit quality statistics via the aggregated market value weighted average credit quality of securities within the portfolio including GICs, wrapped securities, and cash equivalents for the assets it directly manages. In the event of split ratings for any single investment (as provided by S&P, Moody's and Fitch), the following shall apply: (a) where only two rating agencies rate the investment, the lower of the two ratings shall apply, or (b) where three ratings agencies rate the investment, the median rating shall apply. Ratings are converted to equivalent S&P reporting styles.

Insurance products and plan administrative services are provided by Principal Life Insurance Company, Des Moines, IA 50392.

Definitions

1. Crediting Rate - The rate of return credited to the book value of the Fund, expressed as an annual percentage rate and is calculated based on a book value dollar weighted basis gross of the Trustee/Adviser Fee, Service Provider Offset and Other Expenses but net of Wrap Fees, Sub-Adviser Fees, and Acquired Fund Fees. A crediting rate is determined per Investment Contract which may remain fixed for the term of the contract or may be reset at predetermined intervals based upon portfolio characteristics including yields, market value, book value and duration. The data is provided for general informational purposes and the return received may be higher or lower than the crediting rate provided.

2. Average Duration - Represents the average dollar weighted effective duration of the underlying securities in the Fund. Duration is a measure of the price sensitivity of a fixed-income security or portfolio to a change in interest rates and is commonly presented in years. The longer the duration the more sensitivity the Fund or security is expected to have to interest rate changes.

3. Market/Book Value Ratio - Represents a measurement of the market value of the Fund's underlying securities as compared to the Fund's book value; typically quoted as a percentage. Generally, participant transactions occur at book value even if the market value is above or below the book value.

4. Turnover Ratio - A measure of trading activity during the previous 12 months, expressed as a percentage of the average total assets of the Fund. The resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past 12 months. For the purposes of calculating turnover, investments in other pooled products including other collective investment trusts, or separate account contracts, are treated as a single transaction and do not account for the underlying trading activity within these products.

5. Book Value Accounting - An accounting methodology associated with Stable Value Funds which allows the Funds to amortize market value gains and losses over time through the Fund's crediting rate thus providing capital preservation.

6. Stable Value Investment Contracts - (also known as Investment Contracts or Wrap Contracts) Contracts issued by insurance companies, banks, and other financial institutions that provide book value accounting treatment for the Fund. These contracts are designed to provide capital preservation and permit benefit-responsive transactions at book value. Investment Contracts do not insure the value of the Fund and are not insurance against Fund losses but rather by applying Book Value Accounting standards permit the amortization of gains and losses over time through the crediting rate thus providing capital preservation. Typical examples of these contracts include Guaranteed Investment Contracts (GICs), Bank Investment Contracts (BICs), Synthetic Investment Contracts (SICs), Separate Account Contracts (SACs).

7. Stable Value Investment Contract Fees - Fees assessed by the financial institutions issuing the stable value investment contracts (wrap contracts) in which the Fund invests.

8. Sub-Adviser Fees - Fees assessed by sub-advisers which provide underlying fixed income management for certain portions of the Fund. Fees associated with services provided by MCM are paid directly by the Trustee and are not Fund Level Expenses.

9. Acquired Fund Fees - The Fund invests in other funds which incur their own fees and expenses associated with fund operations. As a result a pro-rata share of the Other Expense of each underlying fund, as provided in its most recent audited financial report, is reported.

10. Other Expenses - Represents fees and expenses associated with Fund operations including but not limited to, accounting and valuation services, custody services, legal and auditing services.

11. Trustee/Adviser Fee - Paid to the Trustee of the Fund for trustee and investment advisory services. Breakpoints associated with this fee reduce costs based upon the total assets of the Fund.

12. Service Fee - A fee option that may be selected by the Plan/Trust investing in the Fund. The fee is provided to Principal Life Insurance Company which provides various services to the plan which may include but is not limited to Service Provider functions, plan administrative services, investment management selection, and ongoing investment oversight.

Based upon the structure of various investment options (e.g. collective investment trusts, insurance company separate account contracts, or individually managed accounts), the client may or may not have direct fractional ownership of the underlying securities.

Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect any fees or expenses. Individuals cannot invest directly in an index. The iMoneyNet All-Taxable Money Market Fund Index measures the equally weighted returns of the largest taxable money market funds. The Barclays 1-3 Year Govt Bond Index measures the returns of investment grade, dollar denominated bonds publicly issued by the U.S. Govt, with a maturity of over 1, and less than 3 years.

Direct investment in the Fund is limited to Participating Trusts (also known as investing Plan/Trust) that meet certain requirements described in the Declaration of Trust, that enter into a Participation Agreement with the Trustee. The Fund cannot accept investment directly from individuals and is subject to restrictions regarding transfer and withdrawal of assets including potential deferral of withdrawal requests by up to 12 months, as defined in the applicable Declaration of Trust.

Bond and Mortgage Separate Account-Z as of 12/31/2014

Investment Strategy

The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.

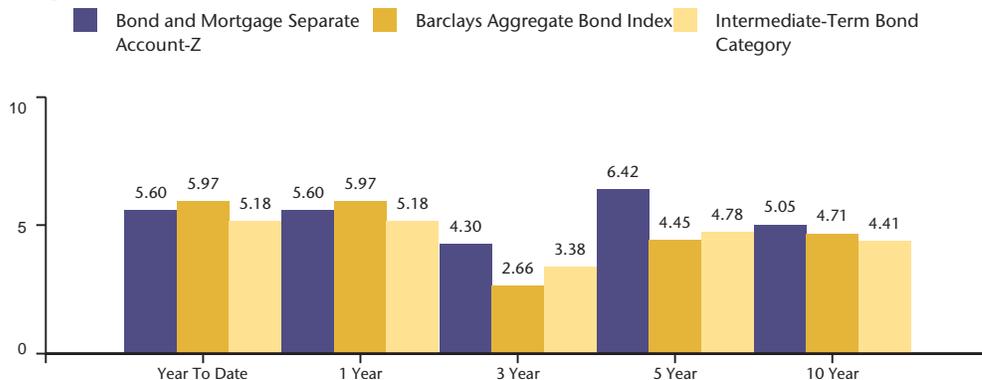


Portfolio managers

William C. Armstrong, CFA. Since 01/01/1997. M.A., University of Iowa

Timothy R. Warrick, CFA. Since 06/01/2002. M.B.A., Drake University

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	5.60	5.60	4.30	6.42	5.05
Barclays Aggregate Bond Index %	5.97	5.97	2.66	4.45	4.71
Intermediate-Term Bond Category %	5.18	5.18	3.38	4.78	4.41
Morningstar Percentile Rankings	-	44	22	6	25
# of Funds in Category	1038	1038	913	807	588
Annual Returns	2014	2013	2012	2011	2010
Total Return %	5.60	-0.58	8.07	7.33	12.10
Barclays Aggregate Bond Index %	5.97	-2.02	4.21	7.84	6.54
Intermediate-Term Bond Category %	5.18	-1.42	7.01	5.86	7.72
Morningstar Percentile Rankings	44	22	32	19	3
# of Funds in Category	1038	1079	1165	1195	1164

Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Risk and Return Statistics

as of 12/31/2014 Relative to Barclays Aggregate Bond Index

	3Yr	5Yr
Alpha	1.58	2.08
Beta	1.00	0.96
R-Squared	88.34	72.64
Standard Deviation	2.85	3.03
Mean	4.30	6.42
Sharpe Ratio	1.47	2.06
Tracking Error	0.97	1.59
Information Ratio	1.69	1.25

Operations

Total Investment Expense Net	0.26%
Total Investment Expense Gross	0.26%
Inception Date	02/01/1983
Total Net Assets (mil)	\$3,604.88



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Bond and Mortgage Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Bonds	86.22	0.00	86.22
		Non-U.S. Bonds	13.68	0.00	13.68
		Preferred	1.14	0.00	1.14
		Other	0.22	0.28	0.50
		Convertibles	0.11	0.00	0.11
		Non-U.S. Stocks	0.02	0.00	0.02
		Cash	-1.39	11.16	9.76

Top ten holdings

% of net assets

1. Fed Natl Mort Assc 4%	2.87
2. Fed Natl Mort Assc 3%	2.27
3. US Treasury Note 4%	1.22
4. US Treasury Bond 4.5%	1.17
5. US Treasury Bond 3.75%	1.15
6. US Treasury Note 0.375%	1.14
7. Ginnie Mae Jumbos TBA 4% 2044-12-01	1.13
8. Ginnie Mae Single Family TBA 3.5% 2044-12-01	0.83
9. Chesapeake Fdg Llc 2014-1 FRN	0.79
10. Fannie Mae Single Family TBA 5% 2044-12-01	0.61

% of net assets in top ten holdings* 13.19

Analysis

# of Stock Hldgs	1
# of Bond Hldgs	1653
# of Other Hldgs	55
Turnover Ratio	203%

Credit Analysis

As of 11/30/2014

	% Bonds
AAA	46.03
AA	2.99
A	12.27
BBB	23.33
BB	8.26
B	5.16
Below B	1.94
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	5.04
Avg Eff Maturity (Yrs)	8.12
Avg Weighted Price	103.47

Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal Bond and Mortgage Separate Account-Z.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

The credit analysis shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's, and depicts the quality of bonds in the portfolio. Higher ratings indicate a lower credit risk, and lower ratings indicate a higher credit risk. Per the Morningstar Fixed Income Survey guidelines, if two rating agencies rate a security, then the lowest rating is used. The credit analysis may not reflect the current portfolio composition. AAA-rated securities include cash and cash equivalents.

Barclays Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Effective Duration - A time measure of a bond portfolio's interest-rate sensitivity, based on the weighted average of the time periods over which the cash flows of all of the portfolio's bond holdings accrue to the portfolio. Time periods are weighted by multiplying by the present value of each bond's cash flow divided by that bond's price. (A bond's cash flows consist of coupon payments and repayment of capital.)

U.S. Property Separate Account-Z as of 12/31/2014

Investment Strategy

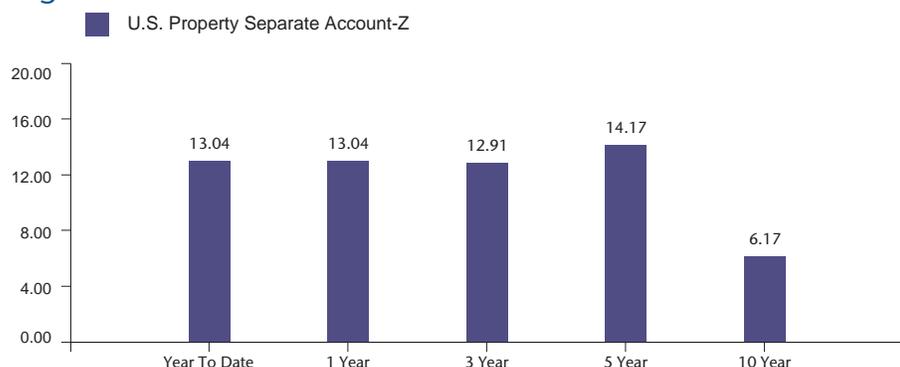
The investment invests the majority of assets in commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. You may not be able to immediately withdraw funds contributed to this Separate Account. A contractual limitation in the group annuity contract that provides access to this Separate Account may be implemented, which will allow management of this Separate Account, and satisfy withdrawal requests over time and fairly amongst all those who request a withdrawal.



Portfolio managers

John Berg Since 12/01/2003. M.B.A., University of Iowa

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	13.04	13.04	12.91	14.17	6.17

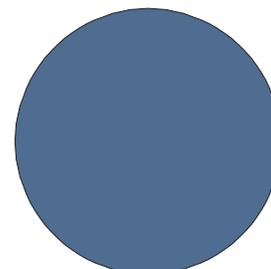
Annual Returns	2014	2013	2012	2011	2010
Total Return %	13.04	13.79	11.90	15.80	16.39

Operations

Total Investment Expense Net	0.75%
Total Investment Expense Gross	0.75%
Inception Date	01/01/1982
Total Net Assets (mil)	\$5,385.99

Portfolio information

Composition as of 11/30/2014



% of Assets

Other	100.00
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Analysis

Total Number of Hldgs	125
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Portfolio composition

Top ten holdings % of net assets

Office Houston, TX	5.50
Office New York, NY	4.53
Multi-family/Retail Cambridge, MA	3.84
Retail Los Angeles, CA	3.06
Office Cambridge, MA	3.02
Office Seattle, WA	2.94
Hotel San Antonio, TX	2.55
Multi-family/Retail Austin, TX	2.50
Office Washington, D.C.	2.50
Office, San Francisco, CA	2.22

% of net assets in top ten holdings* 32.66%

*Values may exceed 100% if both long and short positions are included in the portfolio.

Geographical diversity % of properties

West	36.82
South	28.71
East	26.97
Midwest	7.50

Property type % of account

Office	43.62
Industrial Park	17.90
Retail	17.84
Apartments	15.97
Other	4.67

U.S. Property Separate Account-Z as of 12/31/2014

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company. Principal Life is a member of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contract providing access to the Separate Account of as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Due to the unique composition of the portfolio, Morningstar does not track an index or peer group that provides an appropriate comparison for this Separate Account.

Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. If you elect to contribute funds into the U.S. Property Separate Account, withdrawals may be delayed for up to 3 years.

LargeCap S&P 500 Index Separate Account-Z as of 12/31/2014

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.



Portfolio managers

Thomas L. Kruchten, CFA. Since 03/01/2011. B.A., University of Northern Iowa

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	13.53	13.53	20.30	15.36	7.63
Standard & Poor's 500 Index %	13.69	13.69	20.41	15.45	7.67
Large Blend Category %	10.96	10.96	19.00	13.88	7.02
Morningstar Percentile Rankings	-	20	31	19	25
# of Funds in Category	1568	1568	1336	1193	812
Annual Returns	2014	2013	2012	2011	2010
Total Return %	13.53	32.25	15.96	2.08	14.98
Standard & Poor's 500 Index %	13.69	32.39	16.00	2.11	15.06
Large Blend Category %	10.96	31.50	14.96	-1.27	14.01
Morningstar Percentile Rankings	20	44	36	17	30
# of Funds in Category	1568	1559	1686	1786	2010

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.07	-0.03
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	9.10	12.98
Mean	20.30	15.36
Sharpe Ratio	2.09	1.17
Excess Return	-0.11	-0.08
Tracking Error	0.04	0.04
Information Ratio	-2.32	-1.33

Operations

Total Investment Expense Net	0.05%
Total Investment Expense Gross	0.05%
Inception Date	01/01/1990
Total Net Assets (mil)	\$14,814.40



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

LargeCap S&P 500 Index Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	95.80	0.00	95.80
		Cash	2.91	0.00	2.91
		Non-U.S. Stocks	1.00	0.00	1.00
		Other	0.29	0.00	0.29

Top ten holdings	% of net assets
1. Apple Inc	3.76
2. Microsoft Corp	2.08
3. Exxon Mobil Corporation	2.04
4. Johnson & Johnson	1.61
5. Berkshire Hathaway Inc Del	1.43
6. General Electric Co	1.40
7. Wells Fargo & Co	1.37
8. Procter & Gamble Co	1.29
9. JPMorgan Chase & Co	1.19
10. Verizon Communications Inc	1.11
% of net assets in top ten holdings*	17.28

Analysis

# of Stock Hldgs	499
# of Bond Hldgs	0
# of Other Hldgs	5
AvgMktCap (mil)	\$71,815.24
Turnover Ratio	3%
P/C Ratio	7.81
P/B Ratio	2.53
P/E Ratio	18.01

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	30.34	Defensive	27.86	Sensitive	41.80
Consumer Cyclical	10.50	Healthcare	14.86	Technology	18.28
Basic Materials	3.06	Consumer Defensive	9.89	Industrials	11.12
Financial Svcs	14.70	Utilities	3.11	Energy	8.42
Real Estate	2.08			Comm Svcs	3.98

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The full name of this investment option is Principal LargeCap S&P 500 Index Separate Account-Z.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Book (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

LargeCap Blend II Separate Account-Z as of 12/31/2014

Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of each purchase. It also invests in securities of foreign issuers. Employing a "blend" strategy, the fund's assets are invested in equity securities with both growth and/or value characteristics.

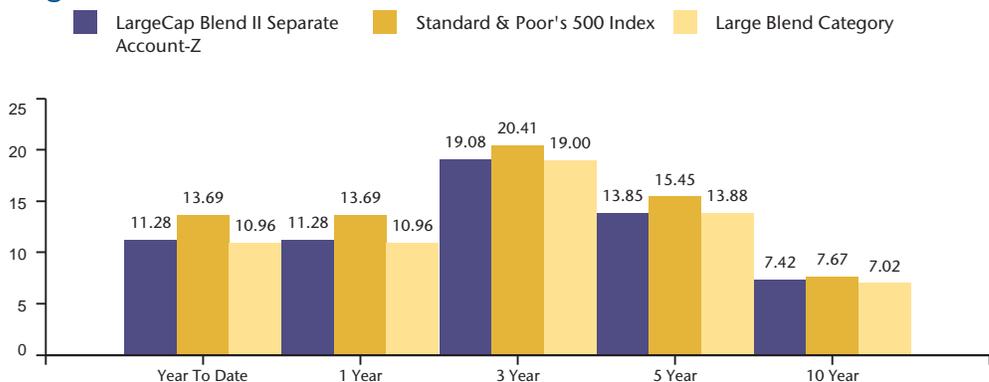


Portfolio managers

James W. Fennessey, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	11.28	11.28	19.08	13.85	7.42
Standard & Poor's 500 Index %	13.69	13.69	20.41	15.45	7.67
Large Blend Category %	10.96	10.96	19.00	13.88	7.02
Morningstar Percentile Rankings	-	54	55	53	34
# of Funds in Category	1568	1568	1336	1193	812
Annual Returns	2014	2013	2012	2011	2010
Total Return %	11.28	31.22	15.64	-0.28	13.61
Standard & Poor's 500 Index %	13.69	32.39	16.00	2.11	15.06
Large Blend Category %	10.96	31.50	14.96	-1.27	14.01
Morningstar Percentile Rankings	54	60	43	44	55
# of Funds in Category	1568	1559	1686	1786	2010

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-1.29	-1.69
Beta	1.01	1.02
R-Squared	98.66	99.50
Standard Deviation	9.25	13.32
Mean	19.08	13.85
Sharpe Ratio	1.94	1.04
Excess Return	-1.33	-1.59
Tracking Error	1.07	0.98
Information Ratio	-1.23	-1.61

Operations

Total Investment Expense Net	0.53%
Total Investment Expense Gross	0.55%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	12/29/2000
Total Net Assets (mil)	\$636.59



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

LargeCap Blend II Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	96.81	0.00	96.81
		Non-U.S. Stocks	3.22	0.00	3.22
		Other	0.65	0.00	0.65
		Cash	-0.68	1.84	1.16

Top ten holdings

% of net assets

1. Apple Inc	3.27
2. Microsoft Corp	2.93
3. CVS Health Corp	2.24
4. Wells Fargo & Co	2.14
5. Merck & Co Inc	2.11
6. Citigroup Inc	2.00
7. Johnson & Johnson	1.95
8. Exxon Mobil Corporation	1.91
9. JPMorgan Chase & Co	1.90
10. Amgen Inc	1.88
% of net assets in top ten holdings*	22.34

Analysis

# of Stock Hldgs	490
# of Bond Hldgs	0
# of Other Hldgs	6
AvgMktCap (mil)	\$74,142.92
Turnover Ratio	35%
P/C Ratio	7.40
P/B Ratio	2.62
P/E Ratio	18.51

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	32.44	Defensive	28.49	Sensitive	39.07
Consumer Cyclical	11.95	Healthcare	17.52	Technology	18.86
Basic Materials	3.62	Consumer Defensive	8.39	Industrials	10.64
Financial Svcs	15.19	Utilities	2.58	Energy	7.08
Real Estate	1.68			Comm Svcs	2.49

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The full name of this investment option is Principal LargeCap Blend II Separate Account-Z. Principal LargeCap Blend II investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. LargeCap Blend II Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PLBIX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

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LargeCap Value III Separate Account-Z as of 12/31/2014

Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in companies with large market capitalizations at the time of each purchase. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

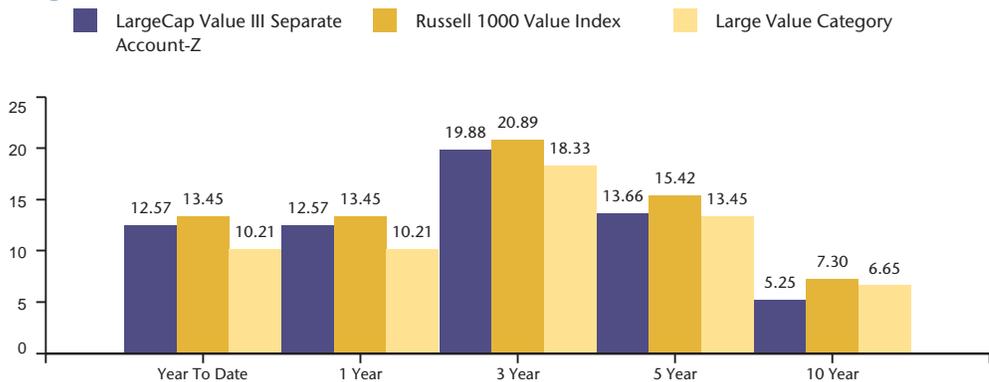


Portfolio managers

James W. Fennessey, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	12.57	12.57	19.88	13.66	5.25
Russell 1000 Value Index %	13.45	13.45	20.89	15.42	7.30
Large Value Category %	10.21	10.21	18.33	13.45	6.65
Morningstar Percentile Rankings	-	18	29	47	85
# of Funds in Category	1290	1290	1106	975	666
Annual Returns	2014	2013	2012	2011	2010
Total Return %	12.57	31.80	16.12	-2.74	13.21
Russell 1000 Value Index %	13.45	32.53	17.51	0.39	15.51
Large Value Category %	10.21	31.21	14.57	-0.75	13.66
Morningstar Percentile Rankings	18	44	33	65	53
# of Funds in Category	1290	1213	1208	1258	1240

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-0.60	-2.09
Beta	0.99	1.04
R-Squared	97.92	99.02
Standard Deviation	9.31	14.06
Mean	19.88	13.66
Sharpe Ratio	2.00	0.98
Excess Return	-1.01	-1.76
Tracking Error	1.35	1.50
Information Ratio	-0.74	-1.17

Operations

Total Investment Expense Net	0.61%
Total Investment Expense Gross	0.62%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	12/29/2000
Total Net Assets (mil)	\$2,835.57



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LargeCap Value III Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
■	94.32	U.S. Stocks	94.32	0.00	94.32
■	5.58	Non-U.S. Stocks	5.58	0.00	5.58
■	1.92	Other	1.92	0.00	1.92
■	-1.82	Cash	-1.82	3.89	2.07

Top ten holdings

% of net assets

1. E-mini S&P 500 Index Future Dec14	3.89
2. Wells Fargo & Co	3.06
3. JPMorgan Chase & Co	2.83
4. Capital One Financial Corp	2.39
5. Johnson & Johnson	2.35
6. Target Corp	2.31
7. Bank of America Corporation	2.28
8. Verizon Communications Inc	2.00
9. Honeywell International Inc	1.87
10. Medtronic Inc	1.67
% of net assets in top ten holdings*	24.67

Analysis

# of Stock Hldgs	494
# of Bond Hldgs	0
# of Other Hldgs	6
AvgMktCap (mil)	\$63,459.23
Turnover Ratio	41%
P/C Ratio	5.46
P/B Ratio	1.95
P/E Ratio	15.97

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	34.18	Defensive	29.55	Sensitive	36.27
Consumer Cyclical	8.73	Healthcare	16.18	Technology	11.48
Basic Materials	1.68	Consumer Defensive	9.94	Industrials	12.23
Financial Svcs	22.76	Utilities	3.43	Energy	8.74
Real Estate	1.01			Comm Svcs	3.82

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The full name of this investment option is Principal LargeCap Value III Separate Account-Z. Principal LargeCap Value III investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. LargeCap Value III Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PLVIX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

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Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

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LargeCap Growth I Separate Account-Z as of 12/31/2014

Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of each purchase. It invests in growth equity securities; growth orientation emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

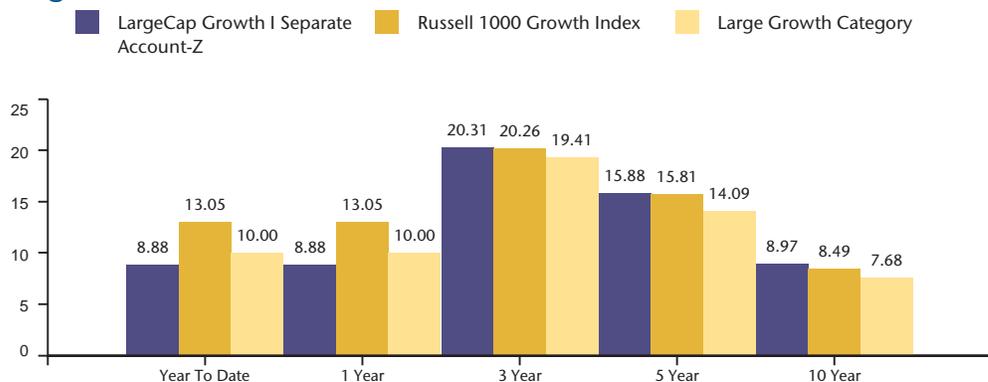


Portfolio managers

James W. Fennessey, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	8.88	8.88	20.31	15.88	8.97
Russell 1000 Growth Index %	13.05	13.05	20.26	15.81	8.49
Large Growth Category %	10.00	10.00	19.41	14.09	7.68
Morningstar Percentile Rankings	-	65	35	16	16
# of Funds in Category	1710	1710	1528	1324	909
Annual Returns	2014	2013	2012	2011	2010
Total Return %	8.88	36.97	16.76	-0.11	20.15
Russell 1000 Growth Index %	13.05	33.48	15.26	2.64	16.71
Large Growth Category %	10.00	33.92	15.34	-2.46	15.53
Morningstar Percentile Rankings	65	20	32	30	13
# of Funds in Category	1710	1712	1681	1683	1718

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	-1.88	-1.37
Beta	1.11	1.11
R-Squared	91.01	95.84
Standard Deviation	11.32	15.29
Mean	20.31	15.88
Sharpe Ratio	1.70	1.04
Excess Return	0.04	0.07
Tracking Error	3.56	3.45
Information Ratio	0.02	0.03

Operations

Total Investment Expense Net	0.40%
Total Investment Expense Gross	0.42%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	12/29/2000
Total Net Assets (mil)	\$7,637.29



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

LargeCap Growth I Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
■	U.S. Stocks	95.10	0.00	95.10	
■	Non-U.S. Stocks	4.50	0.00	4.50	
■	Other	0.68	0.00	0.68	
■	Cash	-0.27	1.93	1.66	

Top ten holdings

	% of net assets
1. Visa Inc Class A	3.90
2. Gilead Sciences Inc	2.89
3. Danaher Corp	2.73
4. Apple Inc	2.54
5. Intuitive Surgical Inc	2.49
6. Starbucks Corp	2.22
7. Google Inc Class A	2.18
8. Google Inc Class C	2.11
9. Amazon.com Inc	2.03
10. Salesforce.com Inc	1.95
% of net assets in top ten holdings*	25.02

Analysis

# of Stock Hldgs	500
# of Bond Hldgs	0
# of Other Hldgs	8
AvgMktCap (mil)	\$41,465.14
Turnover Ratio	38%
P/C Ratio	12.61
P/B Ratio	4.13
P/E Ratio	22.99

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets	
Cyclical	29.05	Defensive	27.44	Sensitive	43.49	
Consumer Cyclical	16.71	Healthcare	19.95	Technology	20.85	
Basic Materials	3.25	Consumer Defensive	7.41	Industrials	15.10	
Financial Svcs	8.78	Utilities	0.08	Energy	5.97	
Real Estate	0.31			Comm Svcs	1.57	

Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal LargeCap Growth I Separate Account-Z. Principal LargeCap Growth I investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. LargeCap Growth I Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PLGIX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

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American Century Equity Income A Fund as of 12/31/2014

Investment Strategy

The investment seeks current income; capital appreciation is a secondary objective. The fund invests in equity securities of companies with a favorable income-paying history that have prospects for income payments to continue or increase. The portfolio managers also look for equity securities of companies that they believe are undervalued and have the potential for an increase in price. The fund may invest a portion of its assets in foreign securities when these securities meet the portfolio managers' standards of selection.



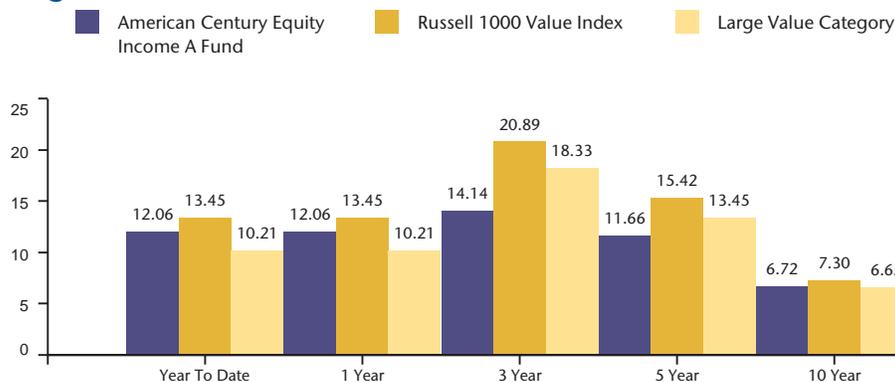
Portfolio managers

Phillip N. Davidson, CFA. Since 12/31/1994. M.B.A., Illinois State University

Michael Liss, CFA. Since 12/31/1998. M.B.A., Indiana University

Kevin Toney, CFA. Since 08/30/2003. M.B.A., University of Pennsylvania

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	12.06	12.06	14.14	11.66	6.72
Russell 1000 Value Index %	13.45	13.45	20.89	15.42	7.30
Large Value Category %	10.21	10.21	18.33	13.45	6.65
Morningstar Percentile Rankings	-	25	92	87	49
# of Funds in Category	1290	1290	1106	975	666
Annual Returns	2014	2013	2012	2011	2010
Total Return %	12.06	19.30	11.23	3.31	13.01
Russell 1000 Value Index %	13.45	32.53	17.51	0.39	15.51
Large Value Category %	10.21	31.21	14.57	-0.75	13.66
Morningstar Percentile Rankings	25	97	86	21	56
# of Funds in Category	1290	1213	1208	1258	1240

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 09/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-0.12	1.20
Beta	0.70	0.67
R-Squared	90.18	94.36
Standard Deviation	6.85	9.28
Mean	14.14	11.66
Sharpe Ratio	1.97	1.23
Excess Return	-6.75	-3.76
Tracking Error	3.55	4.94
Information Ratio	-1.90	-0.76

Operations

Total Investment Expense Net	1.18%
Total Investment Expense Gross	1.18%
Inception Date	03/07/1997
Total Net Assets (mil)	\$10,170.06
12b-1 Fees	0.25%
Ticker	TWEAX



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

American Century Equity Income A Fund as of 12/31/2014

Portfolio information†

Composition as of 09/30/2014

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	68.73	0.00	68.73
	Preferred	14.70	0.00	14.70
	Non-U.S. Stocks	6.88	0.00	6.88
	Convertibles	4.85	0.00	4.85
	Other	2.37	0.00	2.37
	U.S. Bonds	1.70	0.00	1.70
	Cash	0.77	0.00	0.77

Top ten holdings	% of net assets
1. Johnson & Johnson	4.93
2. Wells Fargo & Co, San Francisco Ca Pfd	4.62
3. Exxon Mobil Corporation	4.01
4. Bk Amer Pfd	3.98
5. Intel Cv 2.95%	3.56
6. Wal-Mart Stores Inc	3.47
7. Verizon Communications Inc	3.26
8. PNC Financial Services Group Inc	2.89
9. Procter & Gamble Co	2.64
10. United Parcel Service Inc (UPS) Class B	2.54
% of net assets in top ten holdings*	35.89

Analysis

# of Stock Hldgs	64
# of Bond Hldgs	1
# of Other Hldgs	21
AvgMktCap (mil)	\$53,600.36
Turnover Ratio	57%
P/C Ratio	8.42
P/B Ratio	2.26
P/E Ratio	15.97

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	20.54	Defensive	44.10	Sensitive	35.35
Consumer Cyclical	0.32	Healthcare	17.28	Technology	1.96
Basic Materials	2.98	Consumer Defensive	18.25	Industrials	13.60
Financial Svcs	17.07	Utilities	8.57	Energy	14.99
Real Estate	0.17			Comm Svcs	4.80

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

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Investors should carefully consider a mutual fund's investment objectives, risks, charges and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting principal.com, or by calling 800-547-7754. Read the prospectus carefully before investing.

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Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Book (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

American Funds Growth Fund of America R6 Fund as of 12/31/2014

Investment Strategy

The investment seeks growth of capital. The fund invests primarily in common stocks and seeks to invest in companies that appear to offer superior opportunities for growth of capital. It may invest a portion of its assets in securities of issuers domiciled outside the United States. The investment adviser uses a system of multiple portfolio counselors in managing the fund's assets. Under this approach, the portfolio of the fund is divided into segments managed by individual counselors who decide how their respective segments will be invested.



Portfolio managers

James F. Rothenberg, CFA. Since 11/01/1988. M.B.A., Harvard University

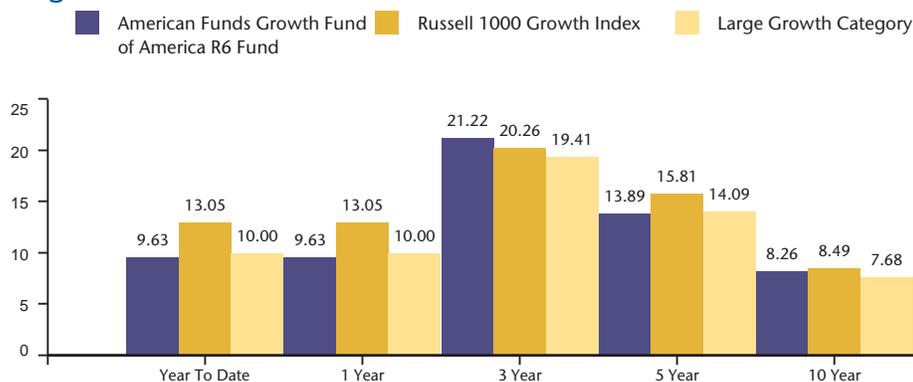
Donald D. O'Neal Since 11/01/1993.

Michael T. Kerr Since 11/01/1998. B.A., Harvard University

Donnalisa Parks Barnum Since 11/01/2001.

J. Blair Frank Since 11/01/2001.

Long-term returns % as of 12/31/2014



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	9.63	9.63	21.22	13.89	8.26
Russell 1000 Growth Index %	13.05	13.05	20.26	15.81	8.49
Large Growth Category %	10.00	10.00	19.41	14.09	7.68
Morningstar Percentile Rankings	-	56	21	57	31
# of Funds in Category	1710	1710	1528	1324	909
Annual Returns	2014	2013	2012	2011	2010
Total Return %	9.63	34.29	20.98	-4.53	12.67
Russell 1000 Growth Index %	13.05	33.48	15.26	2.64	16.71
Large Growth Category %	10.00	33.92	15.34	-2.46	15.53
Morningstar Percentile Rankings	56	44	6	69	74
# of Funds in Category	1710	1712	1681	1683	1718

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 09/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	1.01	-1.58
Beta	0.99	0.99
R-Squared	93.17	96.23
Standard Deviation	9.98	13.67
Mean	21.22	13.89
Sharpe Ratio	1.98	1.02
Excess Return	0.95	-1.91
Tracking Error	2.61	2.66
Information Ratio	0.37	-0.73

Operations

Total Investment Expense Net	0.33%
Total Investment Expense Gross	0.33%
Inception Date	05/01/2009
Extended Performance	
Inception Date [#]	11/30/1973
Total Net Assets (mil)	\$143,063.97
12b-1 Fees	-
Ticker	RGAGX



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American Funds Growth Fund of America R6 Fund

Portfolio information†

Composition as of 09/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	79.44	0.00	79.44
		Non-U.S. Stocks	8.40	0.00	8.40
		Cash	6.15	0.00	6.15
		Other	5.85	0.00	5.85
		U.S. Bonds	0.13	0.00	0.13
		Non-U.S. Bonds	0.02	0.00	0.02

Top ten holdings	% of net assets
1. Amazon.com Inc	4.18
2. Gilead Sciences Inc	4.10
3. Google Inc Class C	2.06
4. Google Inc Class A	1.89
5. Home Depot Inc	1.81
6. EOG Resources Inc	1.65
7. Comcast Corp Class A	1.61
8. UnitedHealth Group Inc	1.54
9. Amgen Inc	1.45
10. Microsoft Corp	1.42
% of net assets in top ten holdings*	21.70

Analysis

# of Stock Hldgs	265
# of Bond Hldgs	7
# of Other Hldgs	198
AvgMktCap (mil)	\$50,185.54
Turnover Ratio	26%
P/C Ratio	10.01
P/B Ratio	3.02
P/E Ratio	19.43

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	27.80	Defensive	24.45	Sensitive	47.75
Consumer Cyclical	16.95	Healthcare	19.76	Technology	22.13
Basic Materials	2.06	Consumer Defensive	4.59	Industrials	9.55
Financial Svcs	8.52	Utilities	0.10	Energy	10.89
Real Estate	0.27			Comm Svcs	5.18

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Price/Book (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

MidCap Growth III Separate Account-Z as of 12/31/2014

Investment Strategy

The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of each purchase. It invests in growth equity securities; growth orientation emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average. The fund actively trades portfolio securities.

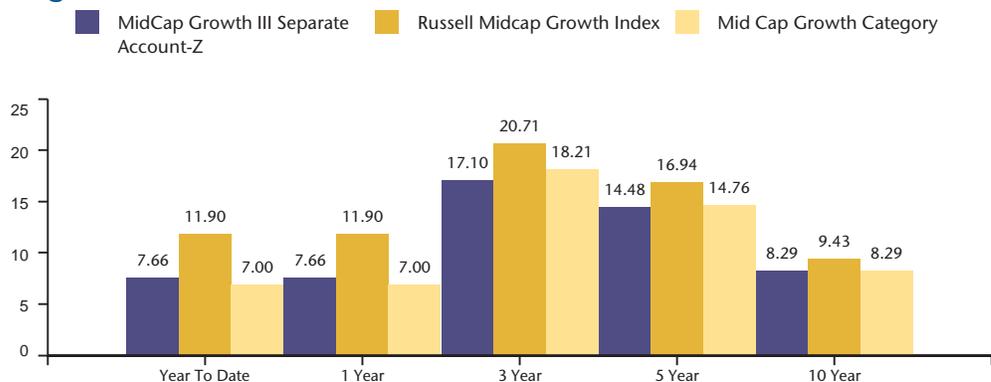


Portfolio managers

James W. Fennessey, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



Performance disclosure

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In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	7.66	7.66	17.10	14.48	8.29
Russell Midcap Growth Index %	11.90	11.90	20.71	16.94	9.43
Mid Cap Growth Category %	7.00	7.00	18.21	14.76	8.29
Morningstar Percentile Rankings	-	45	64	57	51
# of Funds in Category	749	749	645	584	429
Annual Returns	2014	2013	2012	2011	2010
Total Return %	7.66	35.98	9.70	-4.18	27.79
Russell Midcap Growth Index %	11.90	35.74	15.81	-1.65	26.38
Mid Cap Growth Category %	7.00	34.93	14.07	-3.96	24.61
Morningstar Percentile Rankings	45	41	87	51	29
# of Funds in Category	749	703	737	751	759

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Growth

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
				Small

Risk and Return Statistics

as of 12/31/2014 Relative to Russell Midcap Growth Index

	3Yr	5Yr
Alpha	-4.03	-2.83
Beta	1.05	1.05
R-Squared	97.59	98.40
Standard Deviation	11.74	16.34
Mean	17.10	14.48
Sharpe Ratio	1.40	0.91
Excess Return	-3.61	-2.45
Tracking Error	1.91	2.20
Information Ratio	-1.89	-1.12

Operations

Total Investment Expense Net	0.69%
Total Investment Expense Gross	0.71%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	10/28/1999
Total Net Assets (mil)	\$1,508.68



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

MidCap Growth III Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
97.55	■	U.S. Stocks	97.55	0.00	97.55
2.28	■	Non-U.S. Stocks	2.28	0.00	2.28
0.12	■	Other	0.12	0.00	0.12
4.69	■	Cash	0.05	4.64	4.69

Top ten holdings

% of net assets

1. E-mini S&P MidCap 400 Index Future Dec14	4.64
2. O'Reilly Automotive Inc	2.28
3. Stericycle Inc	2.21
4. Mead Johnson Nutrition Co	2.07
5. Affiliated Managers Group Inc	1.89
6. Polaris Industries Inc	1.58
7. Church & Dwight Company, Inc.	1.50
8. Gartner Inc Class A	1.39
9. Fortune Brands Home & Security Inc	1.37
10. Airgas Inc	1.36
% of net assets in top ten holdings*	20.28

Analysis

# of Stock Hldgs	460
# of Bond Hldgs	0
# of Other Hldgs	5
AvgMktCap (mil)	\$8,681.61
Turnover Ratio	131%
P/C Ratio	14.03
P/B Ratio	3.90
P/E Ratio	24.54

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	32.87	Defensive	23.95	Sensitive	43.18
Consumer Cyclical	21.72	Healthcare	13.51	Technology	15.78
Basic Materials	3.25	Consumer Defensive	10.19	Industrials	20.35
Financial Svcs	6.43	Utilities	0.25	Energy	4.96
Real Estate	1.47			Comm Svcs	2.09

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The full name of this investment option is Principal MidCap Growth III Separate Account-Z. Principal MidCap Growth III investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. MidCap Growth III Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PPIMX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

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MidCap Value I Separate Account-Z as of 12/31/2014

Investment Strategy

The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in a diversified portfolio of equity securities of companies with medium market capitalizations at the time of each purchase. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. The fund also invests in real estate investment trusts.

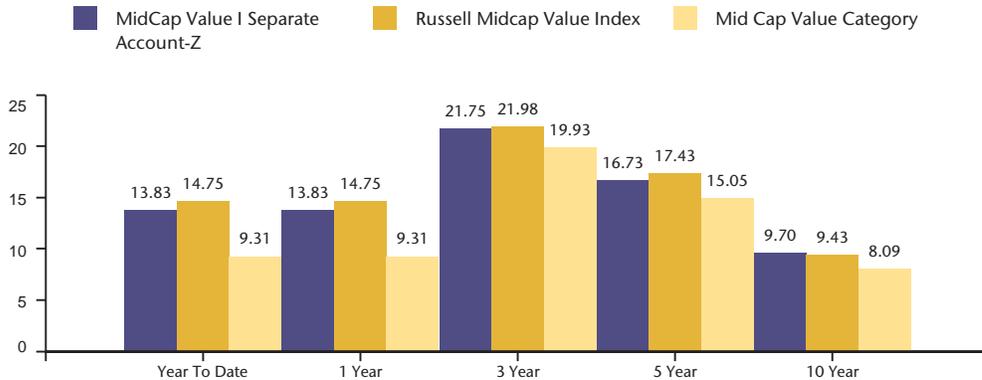


Portfolio managers

James W. Fennessey, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	13.83	13.83	21.75	16.73	9.70
Russell Midcap Value Index %	14.75	14.75	21.98	17.43	9.43
Mid Cap Value Category %	9.31	9.31	19.93	15.05	8.09
Morningstar Percentile Rankings	-	13	20	17	10
# of Funds in Category	460	460	421	350	234
Annual Returns	2014	2013	2012	2011	2010
Total Return %	13.83	34.11	18.20	-3.64	24.67
Russell Midcap Value Index %	14.75	33.46	18.51	-1.38	24.75
Mid Cap Value Category %	9.31	35.14	16.60	-3.96	21.92
Morningstar Percentile Rankings	13	58	28	43	22
# of Funds in Category	460	415	425	422	420

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Value

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell Midcap Value Index

	3Yr	5Yr
Alpha	0.44	-0.83
Beta	0.97	1.01
R-Squared	97.44	98.96
Standard Deviation	9.74	14.86
Mean	21.75	16.73
Sharpe Ratio	2.07	1.11
Excess Return	-0.22	-0.70
Tracking Error	1.59	1.53
Information Ratio	-0.17	-0.48

Operations

Total Investment Expense Net	0.66%
Total Investment Expense Gross	0.72%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	07/01/1999
Total Net Assets (mil)	\$1,860.96



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MidCap Value I Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	100.12	0.00	100.12
		Non-U.S. Stocks	0.48	0.00	0.48
		Other	0.03	0.00	0.03
		Cash	-0.63	4.54	3.91

Top ten holdings

	% of net assets
1. E-mini S&P MidCap 400 Index Future Dec14	4.28
2. Cigna Corp	1.61
3. Lincoln National Corp	1.57
4. Sempra Energy	1.55
5. FirstEnergy Corp	1.53
6. Tyson Foods Inc Class A	1.18
7. Fifth Third Bancorp	1.14
8. Gap Inc	1.11
9. Cardinal Health Inc	1.10
10. M&T Bank Corp	1.06
% of net assets in top ten holdings*	16.11

Analysis

# of Stock Hldgs	556
# of Bond Hldgs	0
# of Other Hldgs	4
AvgMktCap (mil)	\$9,291.14
Turnover Ratio	85%
P/C Ratio	9.12
P/B Ratio	1.87
P/E Ratio	17.30

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	48.66	Defensive	25.48	Sensitive	25.85
Consumer Cyclical	13.75	Healthcare	10.29	Technology	12.64
Basic Materials	4.53	Consumer Defensive	6.57	Industrials	8.15
Financial Svcs	20.17	Utilities	8.62	Energy	4.34
Real Estate	10.21			Comm Svcs	0.72

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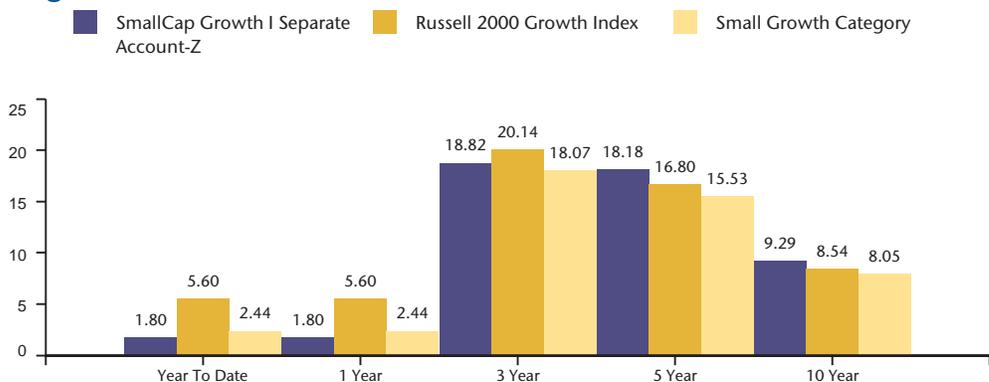


Portfolio managers

James W. Fennessey, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	1.80	1.80	18.82	18.18	9.29
Russell 2000 Growth Index %	5.60	5.60	20.14	16.80	8.54
Small Growth Category %	2.44	2.44	18.07	15.53	8.05
Morningstar Percentile Rankings	-	62	35	13	17
# of Funds in Category	722	722	645	566	394
Annual Returns	2014	2013	2012	2011	2010
Total Return %	1.80	43.36	14.94	0.79	36.35
Russell 2000 Growth Index %	5.60	43.30	14.59	-2.91	29.09
Small Growth Category %	2.44	40.91	13.15	-3.55	26.98
Morningstar Percentile Rankings	62	37	33	17	4
# of Funds in Category	722	714	743	764	758

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	-0.43	1.61
Beta	0.96	0.97
R-Squared	94.92	97.14
Standard Deviation	13.86	18.27
Mean	18.82	18.18
Sharpe Ratio	1.32	1.00
Excess Return	-1.31	1.37
Tracking Error	3.17	3.13
Information Ratio	-0.42	0.44

Operations

Total Investment Expense Net	0.76%
Total Investment Expense Gross	0.83%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	12/29/2000
Total Net Assets (mil)	\$1,596.45



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SmallCap Growth I Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	98.16	0.00	98.16
		Non-U.S. Stocks	1.81	0.00	1.81
		Other	0.11	0.00	0.11
		Cash	-0.09	4.79	4.70

Top ten holdings

	% of net assets
1. Russell 2000 Index Mini TIC	4.79
2. HomeAway Inc	1.40
3. Ultimate Software Group Inc	1.35
4. Idex Corp	1.15
5. Hexcel Corp	1.13
6. Acadia Healthcare Co Inc	1.10
7. Cavium Inc	1.07
8. Broadridge Financial Solutions	1.04
9. City National Corp	1.03
10. Bright Horizons Family Solutions Inc	0.98
% of net assets in top ten holdings*	15.04

Analysis

# of Stock Hldgs	1006
# of Bond Hldgs	0
# of Other Hldgs	10
AvgMktCap (mil)	\$2,418.23
Turnover Ratio	66%
P/C Ratio	12.16
P/B Ratio	3.06
P/E Ratio	27.28

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	22.76	Defensive	23.57	Sensitive	53.67
Consumer Cyclical	10.86	Healthcare	19.54	Technology	25.67
Basic Materials	2.69	Consumer Defensive	3.84	Industrials	25.18
Financial Svcs	7.57	Utilities	0.19	Energy	2.45
Real Estate	1.64			Comm Svcs	0.37

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SmallCap Value II Separate Account-Z as of 12/31/2014

Investment Strategy

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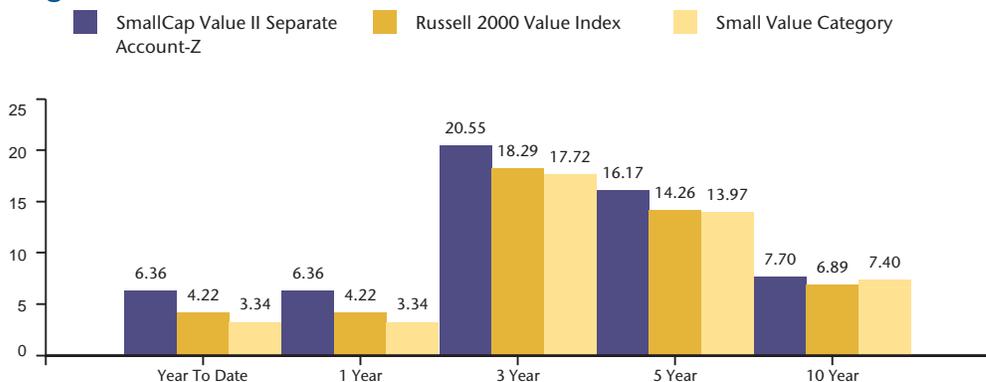


Portfolio managers

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Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 12/31/2014



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.36	6.36	20.55	16.17	7.70
Russell 2000 Value Index %	4.22	4.22	18.29	14.26	6.89
Small Value Category %	3.34	3.34	17.72	13.97	7.40
Morningstar Percentile Rankings	-	19	12	13	46
# of Funds in Category	396	396	352	281	194
Annual Returns	2014	2013	2012	2011	2010
Total Return %	6.36	39.57	18.01	-5.52	27.83
Russell 2000 Value Index %	4.22	34.52	18.05	-5.50	24.50
Small Value Category %	3.34	36.22	16.00	-4.45	26.17
Morningstar Percentile Rankings	19	26	31	64	31
# of Funds in Category	396	369	357	352	342

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	2.76	1.56
Beta	0.95	1.01
R-Squared	97.11	98.72
Standard Deviation	12.49	18.01
Mean	20.55	16.17
Sharpe Ratio	1.56	0.92
Excess Return	2.25	1.90
Tracking Error	2.22	2.04
Information Ratio	1.01	0.93

Operations

Total Investment Expense Net	0.83%
Total Investment Expense Gross	0.85%
Contractual Cap Expiration Date	02/28/2015
Waiver Expiration Date	02/28/2015
Inception Date	06/01/2004
Total Net Assets (mil)	\$1,313.47



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

SmallCap Value II Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	99.30	0.00	99.30
		Non-U.S. Stocks	0.59	0.00	0.59
		Other	0.06	0.00	0.06
		Cash	0.04	4.79	4.83

Top ten holdings

	% of net assets
1. Russell 2000 Index Mini TIC	4.79
2. Esterline Technologies	1.40
3. Webster Financial Corp	1.31
4. Amsurg Corp	1.17
5. CNO Financial Group Inc	1.08
6. KAR Auction Services Inc	1.07
7. Verint Systems Inc	1.04
8. LifePoint Hospitals Inc	1.04
9. HCC Insurance Holdings Inc	1.00
10. Broadridge Financial Solutions	1.00
% of net assets in top ten holdings*	14.90

Analysis

# of Stock Hldgs	1495
# of Bond Hldgs	0
# of Other Hldgs	17
AvgMktCap (mil)	\$1,763.97
Turnover Ratio	42%
P/C Ratio	6.80
P/B Ratio	1.54
P/E Ratio	18.07

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	49.12	Defensive	15.00	Sensitive	35.90
Consumer Cyclical	15.38	Healthcare	10.04	Technology	13.77
Basic Materials	5.42	Consumer Defensive	3.37	Industrials	17.65
Financial Svcs	24.18	Utilities	1.59	Energy	4.00
Real Estate	4.14			Comm Svcs	0.48

Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal SmallCap Value II Separate Account-Z. Principal SmallCap Value II investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. SmallCap Value II Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PPVIX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Diversified International Separate Account-Z as of 12/31/2014

Investment Strategy

The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.

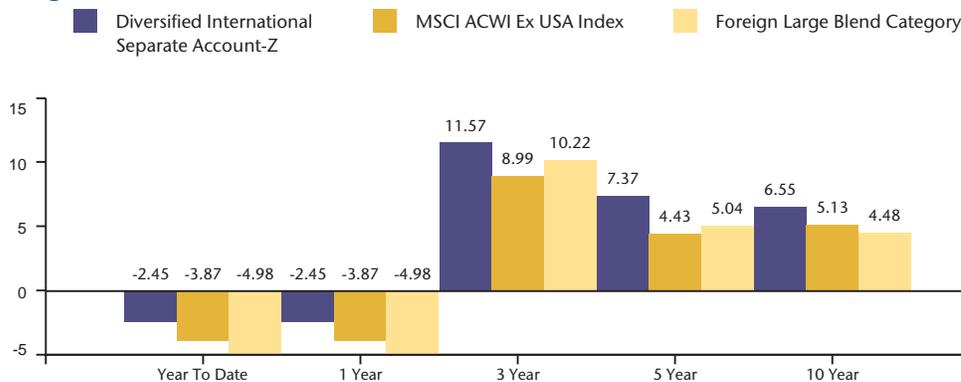


Portfolio managers

Paul H. Blankenhagen III, CFA. Since 12/01/2003. M.B.A., Drake University

Juliet Cohn Since 05/01/2004. B.A., Trinity College

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-2.45	-2.45	11.57	7.37	6.55
MSCI ACWI Ex USA Index %	-3.87	-3.87	8.99	4.43	5.13
Foreign Large Blend Category %	-4.98	-4.98	10.22	5.04	4.48
Morningstar Percentile Rankings	-	18	23	8	16
# of Funds in Category	750	750	650	583	313
Annual Returns	2014	2013	2012	2011	2010
Total Return %	-2.45	19.44	19.21	-10.53	14.84
MSCI ACWI Ex USA Index %	-3.87	15.29	16.83	-13.71	11.15
Foreign Large Blend Category %	-4.98	19.44	18.29	-13.97	10.24
Morningstar Percentile Rankings	18	53	31	13	12
# of Funds in Category	750	791	786	817	829

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 11/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to MSCI ACWI Ex USA Index

	3Yr	5Yr
Alpha	2.59	2.86
Beta	0.98	1.00
R-Squared	94.76	97.09
Standard Deviation	13.04	16.73
Mean	11.57	7.37
Sharpe Ratio	0.90	0.51
Excess Return	2.58	2.94
Tracking Error	3.00	2.85
Information Ratio	0.87	1.04

Operations

Total Investment Expense Net	0.40%
Total Investment Expense Gross	0.40%
Inception Date	05/20/1987
Total Net Assets (mil)	\$2,346.74



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Diversified International Separate Account-Z as of 12/31/2014

Portfolio information†

Composition as of 11/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
	■	Non-U.S. Stocks	96.42	0.00	96.42
	■	Other	1.77	0.00	1.77
	■	Cash	1.38	0.00	1.38
	■	Preferred	0.43	0.00	0.43

Top ten holdings	% of net assets
1. Roche Holding AG Dividend Right Cert.	2.25
2. Novartis AG	2.05
3. Toyota Motor Corp	1.56
4. Brookfield Asset Management Inc Class A	1.42
5. Alimentation Couche-Tard Inc	1.38
6. Novo Nordisk A/S Class B	1.36
7. Bayer AG	1.35
8. Canadian National Railway Co	1.24
9. Anheuser-Busch Inbev SA	1.24
10. KDDI Corp	1.19
% of net assets in top ten holdings*	15.03

Analysis

# of Stock Hldgs	192
# of Bond Hldgs	0
# of Other Hldgs	8
AvgMktCap (mil)	\$29,340.99
Turnover Ratio	75%
P/C Ratio	6.17
P/E Ratio	14.77
P/B Ratio	1.87

Top 5 Countries

Country	% of net assets
Japan	16.52
United Kingdom	14.81
Canada	12.37
Switzerland	7.51
France	5.27

Regional exposure

Region	% of net assets
Europe	50.44
Pacific Rim	16.89
Japan	16.52
Other	13.76
Latin America	2.40

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The full name of this investment option is Principal Diversified International Separate Account-Z.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

MSCI ACWI Ex USA Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

American Funds EuroPacific Growth R6 Fund as of 12/31/2014

Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally invests at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.



Portfolio managers

Mark E. Denning Since 12/31/1991. M.B.A., Columbia University

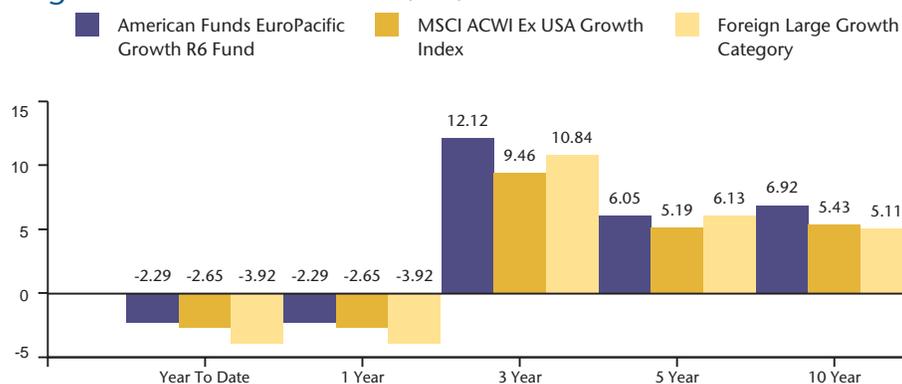
Carl M. Kawaja Since 08/29/2000. B.A., Brown University

Sung Lee Since 06/01/2002.

Nicholas J. Grace Since 06/01/2002.

Jesper Lyckeus Since 06/01/2004.

Long-term returns % as of 12/31/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-2.29	-2.29	12.12	6.05	6.92
MSCI ACWI Ex USA Growth Index %	-2.65	-2.65	9.46	5.19	5.43
Foreign Large Growth Category %	-3.92	-3.92	10.84	6.13	5.11
Morningstar Percentile Rankings	-	27	27	47	10
# of Funds in Category	341	341	294	275	161
Annual Returns	2014	2013	2012	2011	2010
Total Return %	-2.29	20.58	19.64	-13.31	9.76
MSCI ACWI Ex USA Growth Index %	-2.65	15.49	16.67	-14.21	14.45
Foreign Large Growth Category %	-3.92	18.58	17.70	-12.30	14.78
Morningstar Percentile Rankings	27	40	26	40	54
# of Funds in Category	341	278	250	251	261

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Growth

Morningstar Style Box™

As of 09/30/2014

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2014 Relative to MSCI ACWI Ex USA Growth Index

	3Yr	5Yr
Alpha	2.75	0.96
Beta	0.96	0.97
R-Squared	96.59	97.33
Standard Deviation	11.98	15.93
Mean	12.12	6.05
Sharpe Ratio	1.01	0.44
Excess Return	2.66	0.85
Tracking Error	2.26	2.65
Information Ratio	1.18	0.32

Operations

Total Investment Expense Net	0.49%
Total Investment Expense Gross	0.49%
Inception Date	05/01/2009
Extended Performance	
Inception Date#	04/16/1984
Total Net Assets (mil)	\$121,383.07
12b-1 Fees	-
Ticker	RERX



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American Funds EuroPacific Growth R6 Fund as of 12/31/2014

Portfolio information†

Composition as of 09/30/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		Non-U.S. Stocks	80.28	0.00	80.28
		Cash	10.07	0.00	10.07
		Other	8.23	0.00	8.23
		U.S. Stocks	1.10	0.00	1.10
		U.S. Bonds	0.20	0.00	0.20
		Non-U.S. Bonds	0.09	0.00	0.09
		Preferred	0.04	0.00	0.04

Top ten holdings	% of net assets
1. Novo Nordisk A/S	5.03
2. Bayer AG	2.46
3. SOFTBANK Corp	2.29
4. Novartis AG	2.21
5. Prudential PLC	1.80
6. Barclays PLC	1.71
7. Murata Mfg Co Ltd	1.57
8. Baidu Inc ADR	1.46
9. Associated Brit Foods	1.45
10. Samsung Electronics Co Ltd	1.42
% of net assets in top ten holdings*	21.39

Analysis	Top 5 Countries	% of net assets	Regional exposure	% of net assets
# of Stock Hldgs	Japan	13.57	Europe	52.73
# of Bond Hldgs	United Kingdom	12.42	Pacific Rim	24.98
# of Other Hldgs	Germany	8.12	Japan	13.61
AvgMktCap (mil)	India	6.85	Other	6.79
Turnover Ratio	Switzerland	6.81	United States	1.35
P/C Ratio			Latin America	0.54
P/E Ratio				
P/B Ratio				

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 800-547-7754, member SIPC, and/or independent broker dealers. Securities sold by a Princor Registered Representative are offered through Princor*. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

Investors should carefully consider a mutual fund's investment objectives, risks, charges and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting principal.com, or by calling 800-547-7754. Read the prospectus carefully before investing.

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Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Book (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines.

STATISTICAL SECTION (UNAUDITED)

This section of the comprehensive annual financial report on Louisiana Lottery Corporation's Retirement Plans presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the overall financial health of the Retirement Plans.

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Financial Trends, Revenue Capacity, and Operating Information	90-93

These schedules contain information about the Plans' historical financial position, revenue generated by investment returns, and operations.

Operating Information	94
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This schedule contains demographic and financial indicators to help readers understand the environment in which the Plans operate.

LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Historical Statements of Changes in Net Position Available for Benefits and
 Plan Investment Returns
 Plan Years Ended December 31 for the Years Shown
 (Unaudited)

	401(a) Basic Plan										10-YEAR TOTALS
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
ADDITIONS											
Investment Income	\$339,933	\$715,655	\$397,280	(\$2,236,217)	\$1,334,564	\$845,590	(\$270,294)	\$896,094	\$1,363,469	\$625,706	\$4,011,780
Less administrative and recordkeeping fees	(19,282)	(10,660)	(11,577)	(10,218)	(8,961)	(5,261)	(2,934)	(1,318)	(600)	(880)	(70,191)
Net investment income	320,671	704,995	385,703	(2,246,435)	1,325,603	840,329	(273,228)	894,776	1,363,469	625,706	3,941,589
Contributions:											
Participant	313,385	309,674	321,024	323,826	327,100	323,152	314,409	300,862	318,541	326,123	3,178,096
Employer	252,012	250,170	257,292	260,984	263,792	260,609	253,557	242,632	256,888	263,003	2,560,939
Total additions	886,068	1,264,839	964,019	(1,661,625)	1,916,495	1,424,090	294,738	1,438,270	1,938,898	1,214,832	9,680,624
DEDUCTIONS											
Benefits paid to participants	(530,300)	(272,881)	(400,802)	(451,899)	(136,404)	(675,991)	(622,947)	(335,667)	(622,887)	(398,158)	(4,447,936)
Distribution service fees									(600)	(680)	(1,280)
Total deductions	(530,300)	(272,881)	(400,802)	(451,899)	(136,404)	(675,991)	(622,947)	(335,667)	(622,887)	(398,158)	(4,449,216)
CHANGES IN NET POSITION	355,768	991,958	563,217	(2,113,524)	1,780,091	748,099	(328,209)	1,102,603	1,315,411	815,994	
NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	4,802,670	5,158,438	6,150,396	6,713,613	4,600,089	6,380,180	7,128,279	6,800,070	7,902,673	9,218,084	
NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR	\$5,158,438	\$6,150,396	\$6,713,613	\$4,600,089	\$6,380,180	\$7,128,279	\$6,800,070	\$7,902,673	\$9,218,084	\$10,034,078	
AVERAGE INVESTMENT RETURNS *	6.44%	12.47%	6.00%	-39.71%	24.15%	12.44%	-3.92%	12.17%	15.93%	6.50%	

* Calculated as net investment income divided by the average net position balance for the year.

LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Historical Statements of Changes in Net Position Available for Benefits and
 Plan Investment Returns
 Plan Years Ended December 31 for the Years Shown
 (Unaudited)

	401(a) Supplemental Plan										10-YEAR TOTALS	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
ADDITIONS												
Investment Income	\$183,925	\$382,901	\$237,927	(\$1,329,029)	\$723,265	\$484,591	(\$150,975)	\$504,263	\$854,812	\$371,685	\$2,263,365	
Contributions:												
Participant	310,377	11,928	3,698	953	18,973	13,883	29,786	25,225	4,663	69,783	178,892	
Employer	295,718	295,718	301,853	314,337	319,334	312,500	314,191	308,166	322,092	437,302	3,235,870	
Total additions	494,302	690,547	543,478	(1,013,739)	1,061,572	810,974	193,002	837,654	1,181,567	878,770	5,678,127	
DEDUCTIONS												
Benefits paid to participants	(254,924)	(128,503)	(193,500)	(144,922)	(129,501)	(362,157)	(413,270)	(202,292)	(311,547)	(260,478)	(2,401,094)	
Distribution service fees									(480)	(440)	(920)	
Total deductions	(254,924)	(128,503)	(193,500)	(144,922)	(129,501)	(362,157)	(413,270)	(202,292)	(312,027)	(260,918)	(2,402,014)	
CHANGES IN NET POSITION	239,378	562,044	349,978	(1,158,661)	932,071	448,817	(220,268)	635,362	869,540	617,852		
NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	2,686,342	2,925,720	3,487,764	3,837,742	2,679,081	3,611,152	4,059,969	3,839,701	4,475,063	5,344,603		
NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR	\$2,925,720	\$3,487,764	\$3,837,742	\$2,679,081	\$3,611,152	\$4,059,969	\$3,839,701	\$4,475,063	\$5,344,603	\$5,962,455		
AVERAGE INVESTMENT RETURNS *	6.55%	11.94%	6.50%	-40.79%	23.00%	12.63%	-3.82%	12.13%	17.41%	6.57%		

* Calculated as net investment income divided by the average net position balance for the year.

LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Historical Statements of Changes in Net Position Available for Benefits and
 Plan Investment Returns
 Plan Years Ended December 31 for the Years Shown
 (Unaudited)

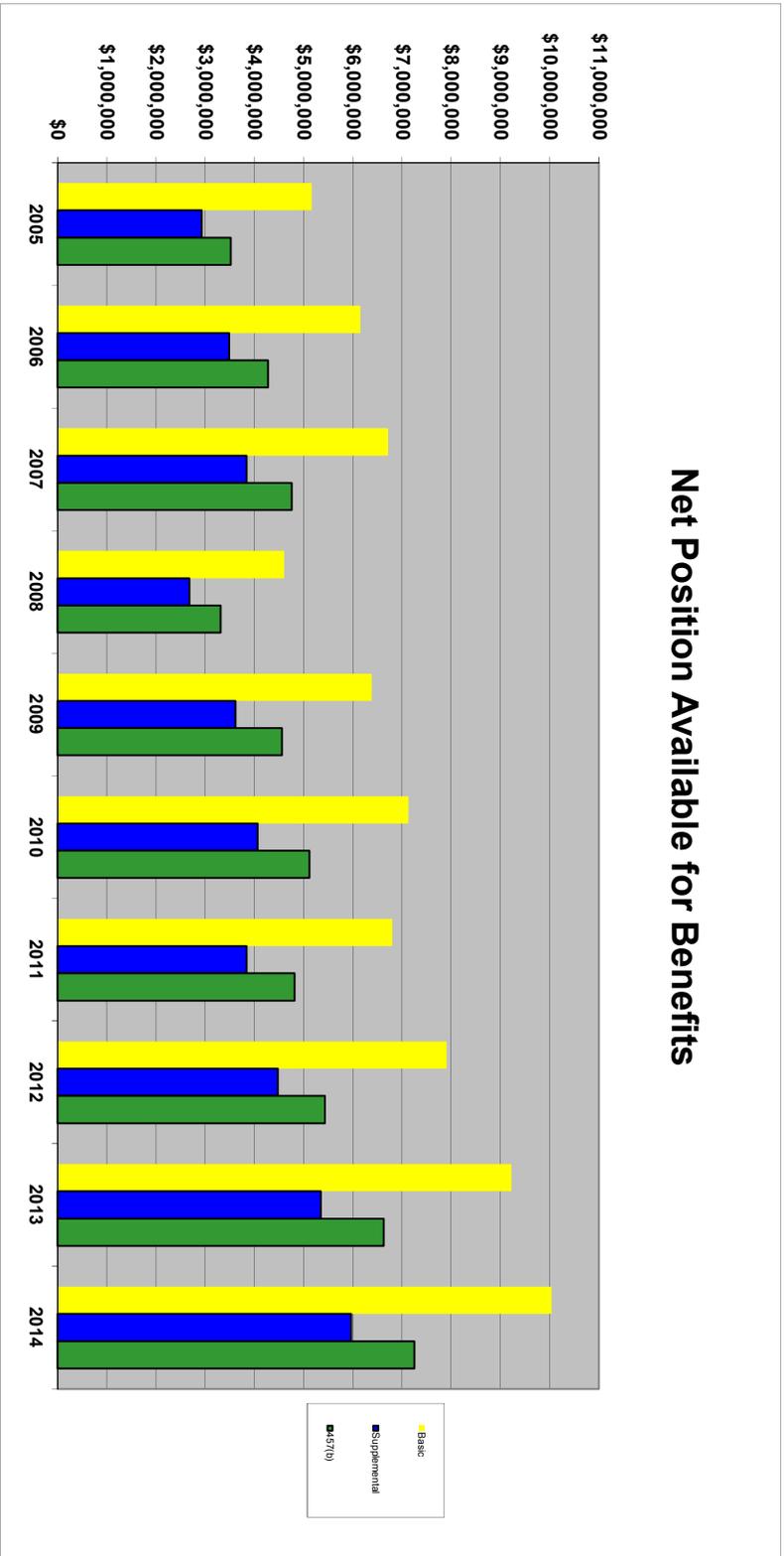
	457(b) Retirement Plan										10-YEAR TOTALS
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
ADDITIONS											
Investment Income	\$229,580	\$463,995	\$300,559	(\$1,642,628)	\$932,255	\$618,697	(\$178,963)	\$611,586	\$1,063,794	\$443,413	\$2,842,288
Contributions:											
Participant	286,868	313,367	336,897	367,608	336,770	315,143	309,563	268,443	274,821	298,622	3,108,102
Employer	113,261	111,085	117,225	122,485	121,961	119,748	117,745	109,700	137,639	166,231	1,237,080
Total additions	629,709	888,447	754,681	(1,152,535)	1,390,986	1,053,588	248,345	989,729	1,476,254	908,266	7,187,470
DEDUCTIONS											
Benefits paid to participants	(278,548)	(131,561)	(268,516)	(296,816)	(140,684)	(498,306)	(547,670)	(375,906)	(282,906)	(283,450)	(3,104,363)
Distribution service fees									(440)	(480)	(920)
Total deductions	(278,548)	(131,561)	(268,516)	(296,816)	(140,684)	(498,306)	(547,670)	(375,906)	(283,346)	(283,930)	(3,105,283)
CHANGES IN NET POSITION	351,161	756,886	486,165	(1,449,351)	1,250,302	555,282	(299,325)	613,823	1,192,908	624,336	
NET POSITION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	3,164,327	3,515,488	4,272,374	4,758,539	3,309,188	4,559,490	5,114,772	4,815,447	5,429,270	6,622,178	
NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR	\$3,515,488	\$4,272,374	\$4,758,539	\$3,309,188	\$4,559,490	\$5,114,772	\$4,815,447	\$5,429,270	\$6,622,178	\$7,246,514	
AVERAGE INVESTMENT RETURNS *	6.87%	11.92%	6.66%	-40.72%	23.70%	12.79%	-3.60%	11.94%	17.65%	6.39%	

* Calculated as net investment income divided by the average net position balance for the year.

LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Financial Trend Information
 Plan Years Ended December 31 for the Years Shown
 (Unaudited)

Net Position Available for Benefits



LOUISIANA LOTTERY CORPORATION
 BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
 STATE OF LOUISIANA

Operating Information - Participation and Deferral Trends
 Plan Years Ended December 31 for the Years Shown
 (Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>401(a) Basic Plan</i>										
Number of Participants	153	140	138	135	130	124	119	115	113	112
Total Annual Participant Deferrals	\$313,385	\$309,674	\$321,024	\$323,826	\$327,100	\$323,152	\$314,409	\$300,862	\$318,541	\$326,123
Net Position Available for Benefits	\$5,158,438	\$6,150,396	\$6,713,613	\$4,600,089	\$6,380,180	\$7,128,279	\$6,800,070	\$7,902,673	\$9,218,084	\$10,034,078

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>401(a) Supplemental Plan</i>										
Number of Participants	120	107	113	107	102	100	105	105	104	103
Total Annual Employer Contributions	\$310,377	\$295,718	\$301,853	\$314,337	\$319,334	\$312,500	\$314,191	\$308,166	\$322,092	\$437,302
Net Position Available for Benefits	\$2,925,720	\$3,487,764	\$3,837,742	\$2,679,081	\$3,611,152	\$4,059,969	\$3,839,701	\$4,475,063	\$5,344,603	\$5,962,455

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>457(b) Retirement Plan</i>										
Number of Participants	114	106	112	106	99	97	100	99	94	92
Total Annual Participant Deferrals	\$286,868	\$313,367	\$336,897	\$367,608	\$336,770	\$315,143	\$309,563	\$268,443	\$274,821	\$298,622
Average Deferral per Participant	\$2,516	\$2,956	\$3,008	\$3,468	\$3,402	\$3,249	\$3,096	\$2,712	\$2,924	\$3,246
Annual Compensation Corporation Total	\$5,195,158	\$5,081,568	\$5,269,727	\$5,456,872	\$5,460,432	\$5,407,531	\$5,256,684	\$5,043,751	\$5,332,904	\$5,476,300
Deferrals Percentage of Compensation	5.52%	6.17%	6.39%	6.74%	6.17%	5.83%	5.89%	5.32%	5.15%	5.45%
Net Position Available for Benefits	\$3,515,488	\$4,272,374	\$4,758,539	\$3,309,188	\$4,559,490	\$5,114,772	\$4,815,447	\$5,429,270	\$6,622,178	\$7,246,514

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 4, 2015

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Basic Financial Statements
Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

**LOUISIANA LOTTERY CORPORATION
BASIC, SUPPLEMENTAL, AND 457(b) RETIREMENT PLANS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Lottery Corporation Basic, Supplemental, and 457(b) Retirement Plans (the Plans) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plans' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the Plans' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plans' financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

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