

Annual Fiduciary File





Managing an Effective Retirement Program

At the Principal Financial Group®, we provide solutions to help you manage an effective retirement program for you and your employees, which includes helping you manage your ERISA (Employee Retirement Income Security Act of 1974) fiduciary duties.

The support of The Principal®, when used in conjunction with your legal counsel, a financial professional, and/or third party administrator (TPA; if applicable), can help you manage your fiduciary responsibilities effectively — no matter what kind of retirement plan you have. While we cannot assume your fiduciary role, we can help you understand your obligations and manage your responsibilities.

The Key is Organization

The **annual Fiduciary File** is a place to document and organize the documents and actions that you take throughout the year in fulfillment of your fiduciary responsibilities. This file contains two pieces:

- **Fiduciary Document Catalog** is a listing of documents that we recommend you consider including in your file, in order to help you meet your fiduciary responsibilities.
- **Fiduciary Log Report** is a list that we recommend you consider to help you get started in documenting the steps taken relating to your fiduciary obligations.

ERISA requires you to maintain your fiduciary documents and information concerning your fiduciary duties for six years and select documents may need to be retained for longer. (Consult your legal counsel for questions about specific documents.) For the 2009 calendar year, save until at least 2015.

Fiduciary Document Catalog

The following is a list of documents we recommend you consider retaining for your records. It is not intended to be an all-inclusive list nor is every document in the list applicable to all types of plans or required by law to be adopted or in place. To develop a comprehensive document catalog, you should consider working with your legal counsel, financial professional, and/or TPA.

Review, check-off, and place the appropriate documents listed below in the file. If the file cannot accommodate all of your documents, be sure to store them with this file or note their location.

Already located in the file is the Principal Due Diligence ProgramSM 2008 Year in Review. Be sure to place additional documents you receive from your legal counsel, financial professional, TPA, or The Principal with the file as well.

Plan and Participant Documents

- Plan and Contract Documents, including but not limited to:
 - Plan Document
 - Bargaining Agreements*
 - Summary Plan Description (SPD)
 - Summary of Material Modifications (SMM)*
 - Service and Expense Agreements with all service providers and TPAs, including any supplemental service and expense agreements
 - Any agreements with Registered Investment Advisors or Investment Managers*
 - All documents delegating any fiduciary duties*
- Trust Documents*
- Notice regarding any blackout periods*
- Beneficiary Designations
- Summary Annual Report

Investment Options Evaluation and Selection

- Investment Policy Statement[#]
- The Principal Due Diligence ProgramSM 2008 Year in Review (PQ 6549 FF)
- Group Annuity Contract(s)*
- Current Prospectus of Mutual Fund Investment Options*

Plan Asset Valuation – Fair Value Measurements (FAS 157)

- Document that establishes your formal processes and procedures for determining the reasonableness of the fair value of plan investments
- Price sources and methodologies for investment options collected from the current investment sponsor(s) and independent sources
- Summary of results of the evaluation of reasonableness of fair value of plan assets
- Fair value measurement disclosures determined for the plan's financial statements

Plan Expense Evaluation

- The Principal Financial Group Disclosure Statement*
- Any plan expense correspondence from your legal counsel, financial professional, service provider, TPA, or The Principal*
- Any cost valuation or review of plan or of service provided to the plan*

Fidelity Bond and Liability Insurance

- Fidelity Bond Coverage*
- Liability Insurance Policy*

Location of any materials stored outside of this file (i.e. electronic or other location):

Fiduciary Document Catalog

404(c) of ERISA Protection for Participant Directed Investments*

Information that is to be provided to plan participants

- Notice to plan participants that the plan intends to comply with the requirements of 404(c) of ERISA, including Qualified Default Investment Alternative (QDIA) notice to participants
- Description of the plan's investment options, including a general description of the investment objectives and risk and return characteristics of each investment option
- Identification of any designated investment managers
- An explanation of how participants can give investment instructions
- Description of any transaction fees and expenses which affect the account balance the plan holds for the participant's benefit in connection with purchases or sales of interests in investment options
- Description of additional information that must be provided to participants upon request and the contact information for the individual responsible for providing that information
- For registered investment options (like mutual funds) a copy of the most recent prospectus provided to the plan
- For participant investment in employer securities: Description of procedures established to provide for the confidentiality of information related to the purchase, holding and sale of employer securities and the exercise of voting, tender and similar rights
- Description of, or reference to, plan provisions relating to the exercise of voting, tender or similar rights

Regulatory Filings required for your plan type*

- Form 5500 Annual Report, including all applicable schedules and the plan's audited financial statement**
- IRS Form 5300 series filing for plan qualification*
- Pension Benefit Guaranty Corporation (PBGC) filings for defined benefit (DB) plans

Records of Nondiscrimination Testing required for your plan type*

- Actual Deferral Percentage (ADP) – *also known as the 401(k) test*
- Actual Contribution Percentage (ACP) – *also known as the 401(m) test*
- IRC Section 402(g) contribution limits
- IRC Section 410(b) coverage
- Top-heavy determination and minimum contribution calculations
- IRC Section 415(c) annual additions limit
- IRC Section 409(p) special testing for ESOPs with S Corporation

Annual Plan Reviews

- Retirement Plan and Investment Review (RPIR)*

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If you have questions about any of the items listed here, please contact your financial professional, TPA, and/or representative of The Principal.

* If applicable

** If adopted

Fiduciary Log Report

Document fiduciary activities that have taken place throughout the plan year. The following is a recommended list of activities for your consideration. Actual fiduciary responsibilities will vary based on your plan procedures, investment provisions, and objectives. To develop a comprehensive list of activities and log report, you should work with your legal counsel, financial professional, and/or TPA.

Activity	Notes
Create a file for completed forms and documents.	Completed – Received the 2009 Annual Fiduciary File from The Principal
Review plan goals to ensure the plan continues to meet stated objectives.	
Review the plan document to ensure the provisions are being followed.	
Follow loan rules as set out within the plan document and any Loan Policy Statement that has been adopted. If repayment rules are not followed, loans may need to be defaulted and treated as a taxable distribution.	
Follow the hardship distribution rules set out within the plan document.	
Deposit participant contributions, salary deferrals and participant loan payments into the plan in a timely manner. This should occur at the earliest date upon which the assets can be reasonably separated from the employer.	
Consider the adoption of an Investment Policy Statement.	
Establish formal processes and procedures for determining the reasonableness of the fair value of plan investments and the preparation of the fair value measurement disclosures required in the plan's financial statements by Statement of Financial Accounting Standards No. 157. Evaluate the price sources and methodologies used by the current investment sponsor(s) compared to independent sources. Confirm or challenge the reasonableness of the fair value. Demonstrate understanding of the valuation process through documentation.	
Evaluate investment options on a regular basis to ensure they each continue to meet the objectives of the plan, are appropriate investments for your plan participants and a proper range of investment options are available.	
Communicate any investment option changes or plan changes to participants.	
Consider the adoption of an Education Policy Statement and providing participant education.	
If you elect ERISA 404(c) protection for participant Directed Investments, provide information to participants as required.	

Fiduciary Log Report

Activity	Notes
Evaluate the costs of operating the plan and the amounts received by financial professionals (if applicable) and service providers to the plan in order to determine if these costs and compensation are reasonable and appropriate relative to the services being provided. This should be done in conjunction with preparing your plan's Form 5500 Annual Report.	_____ _____ _____
Secure a fidelity bond for any fiduciaries that handle plan assets as required by law. A fidelity bond covers against losses due to fraud, theft or embezzlement.	_____ _____
Consider liability insurance. Liability insurance is optional insurance to provide protection for the plan from losses due to breaches related to investment decisions or plan operation.	_____ _____
Ensure nondiscrimination tests are completed, utilizing compensation as defined within the plan document. To keep a retirement plan's qualified status, a plan sponsor must ensure certain nondiscrimination tests are performed.	_____ _____
Submit appropriate regulatory filings depending upon plan type.	_____ _____
Satisfy participant disclosure obligations as necessary. These obligations may include, but are not limited to: <ul style="list-style-type: none"> • Periodic Benefit Statements • Annual DB funding notices • Annual automatic enrollment notice • Notice of the right to diversify out of employer securities 	_____ _____ _____ _____
Ensure process is in place for participants to obtain written description of benefit choices and rollover options to participants who have reached a benefit event.	_____ _____
If you have a DB plan, consider developing an asset allocation strategy.	_____ _____
_____ _____	_____ _____
_____ _____	_____ _____
_____ _____	_____ _____
_____ _____	_____ _____
_____ _____	_____ _____

Backing You with Quality and Service

The Principal is dedicated to helping you manage your fiduciary obligation, which is why we provide you layers of support throughout the year, as well as monitor the performance of Foundation Options. When you work with one of the nation's leading retirement plan service providers, you can be assured that your retirement program will be backed by our unwavering commitment to quality and service.



WE'LL GIVE YOU AN EDGE®

Principal Life Insurance Company, Des Moines, Iowa 50392-0001, principal.com

Foundation Options include Separate Accounts available through a group annuity contract with Principal Life Insurance Company, Des Moines, IA 50392.

Insurance products and plan administrative services are provided by Principal Life Insurance Company, a member of the Principal Financial Group® (The Principal®), Des Moines, IA 50392.

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