

## **Principal Life Insurance Company Pooled Separate Accounts**

The Separate Accounts are investments. Some of these investments may be in stocks. Others may be in bonds or other types of investments. They are similar to mutual funds, but they are only available to our group annuity contractholders.

We report the change in market value from year to year as gains for our Pooled Separate Accounts. We do not report any realized gains or losses. Even though the pooled account may have earned realized gains, these gains are generated from sales of investments in the pool—**not** from any surrender of units for any specific plan. Participating plans do not share in the realized gains of the investment--just in the change in market value. Note that the instructions to the form do not require realized gains or losses to be reported on pooled separate accounts on the form or accompanying financial schedules.

There are multiple rate levels within each pooled account. The rate level refers to the various levels of investment management fees. The 'Management Fee Disclosure' reflects the appropriate expense and rate level. There will be only one Direct Filing Entity filed for each pooled account even though the account has multiple rate levels. The rate level name of the investment will be listed in the Audit List: Summary of Plan Transactions.

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