

Retirement Plan Review

May 31, 2017

South Dakota Department of Labor

Paula Zellmer – Sr. Relationship Manager

David Fee – Sr. Investment Consultant



Today's Focus

- Economy & Markets
- 3.31.17 Investment Advisory Report
- Fee Discussion
 - Current Fee Summary
 - New Fee Summary Effective 7/1/17
 - Investment Change Letter
 - Fee Credit
 - Notice of Fee Credit
- Plan Analysis & Trends
- Participant Usage Reporting
- Compliance Update

Economy and Market Review



1st Quarter 2017

Important Information

All expressions of opinion and predictions in this report are subject to change without notice. This report is not intended to be a recommendation, nor should it be relied upon in any way as a forecast or guarantee of future events regarding a particular investment or the markets in general. This information is intended to be educational in nature only.

Recap 1st Quarter 2017

- Global markets posted positive returns during the 1st quarter 2017.
- In the U.S., the S&P 500 Index gained 5.5% for the quarter.
- International markets (as measured by the MSCI All Country World (ex-U.S.) Index) gained 7.86% during the quarter.
 - International developed markets (as measured by the MSCI EAFE Index) gained 7.25% for the quarter.
 - International emerging markets (as measured by the MSCI Emerging Markets Index) gained 11.45% for the quarter.
- Yields flattened during the quarter
 - The 10-year Treasury yield finished the quarter at 2.39%, down 5 basis points for the quarter
 - The 2-year Treasury yield finished the quarter at 1.26%, up 7 basis points for the quarter

Indexes are not available for direct investment.

Recap 1st Quarter 2017

- Political uncertainty in U.S. remains
- Fed raises federal funds rate at March meeting
- Equity rally falters

Outlook In Our Opinion

Tailwinds

Increasing confidence globally

Higher long-term interest rates

Sharper wage growth

Headwinds

Little room for further upside in confidence in U.S.

Inflation increasing

Global elections

Outlook for the Future – in Our Opinion

- Global upturn expected to continue into 2018
- More rapid interest rate normalization in US
- Positive equity gains in 2017

Outlook for the Future – in Our Opinion

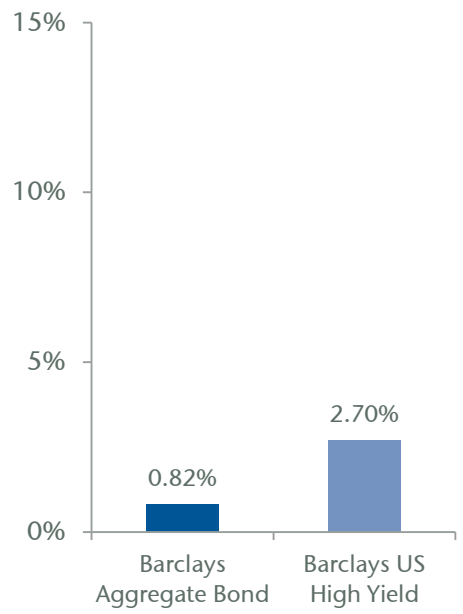
Our forecast for Treasury yields for the end of 2017 is as follows (as of March 31, 2017):

- A Federal Funds Rate of 1.38%
- A 10-year Treasury Rate of 2.75 – 3.25%
- A 2-year Treasury Rate of 1.75%

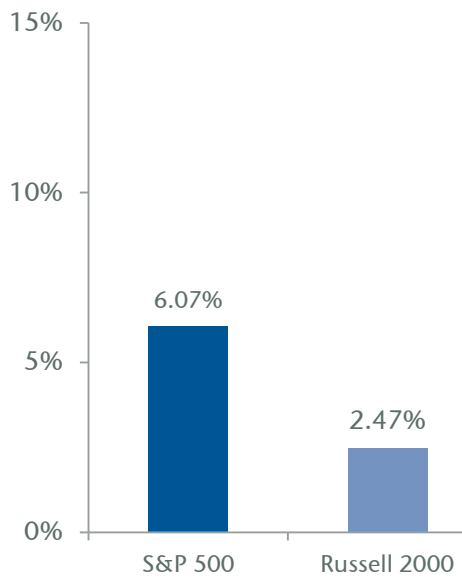
Asset Class Review

Three Months Ending March 31, 2017

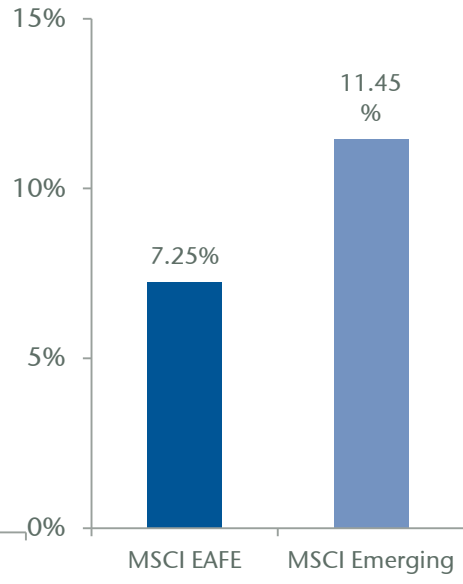
Fixed Income



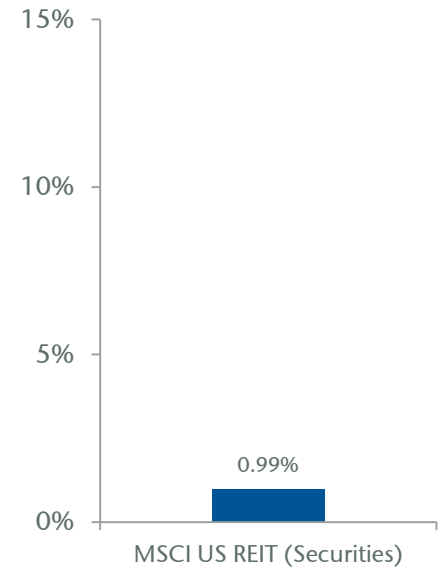
U.S. Equity



Int'l Equity



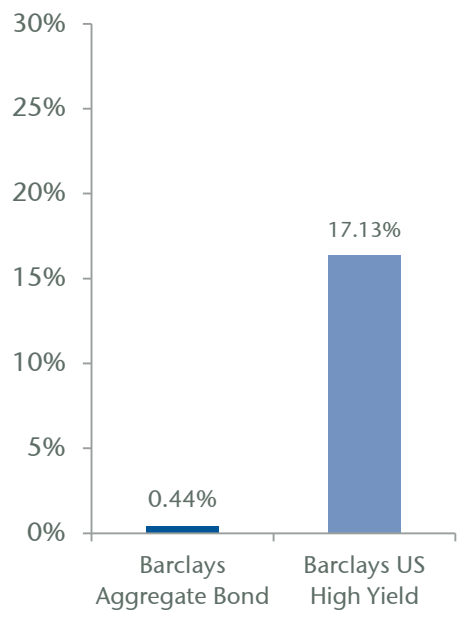
Real Estate



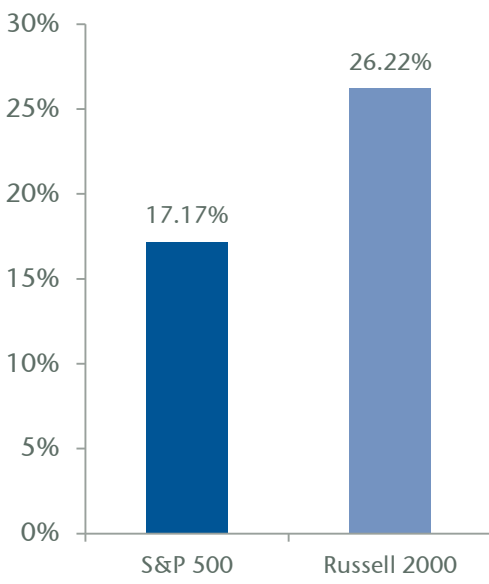
Source: Principal Global Investors. Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

One Year Ending March 31, 2017

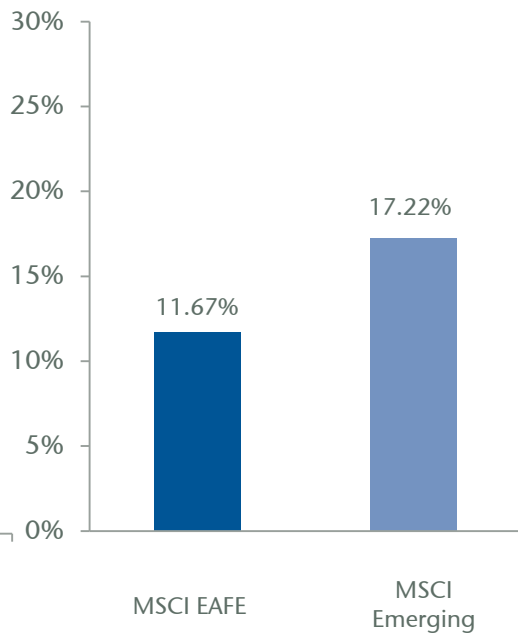
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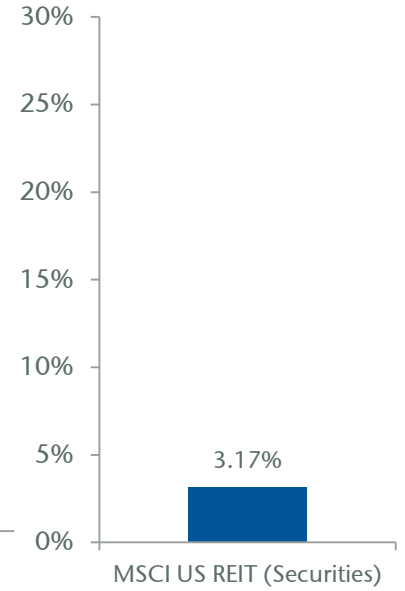
U.S. Equity



Int'l Equity



Real Estate

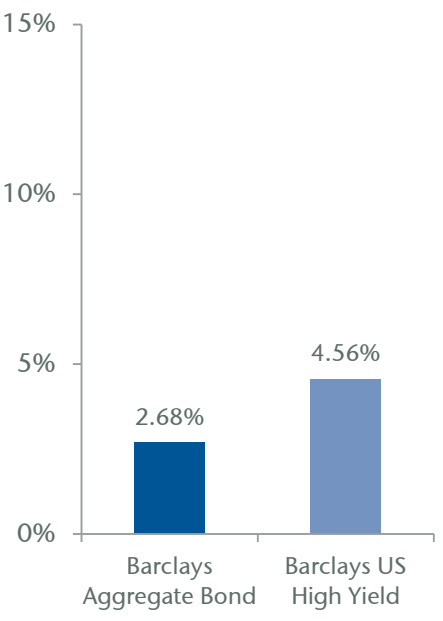


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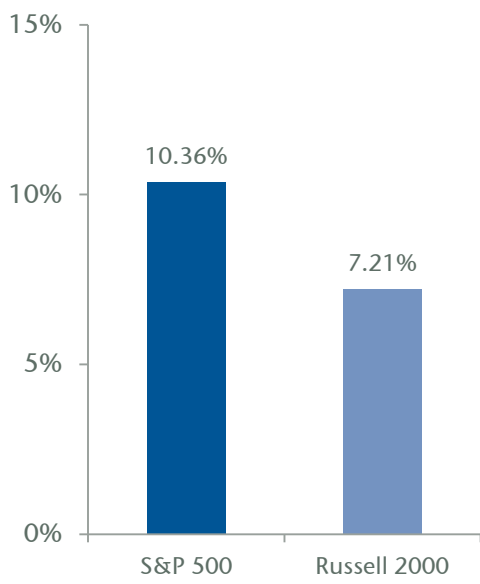
Asset Class Review

Three Years Ending March 31, 2017

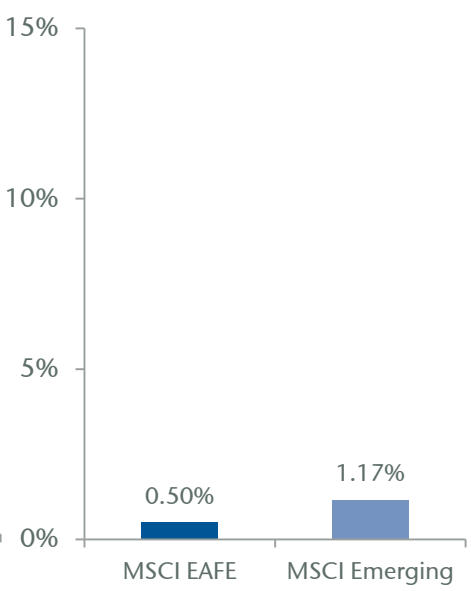
Fixed Income



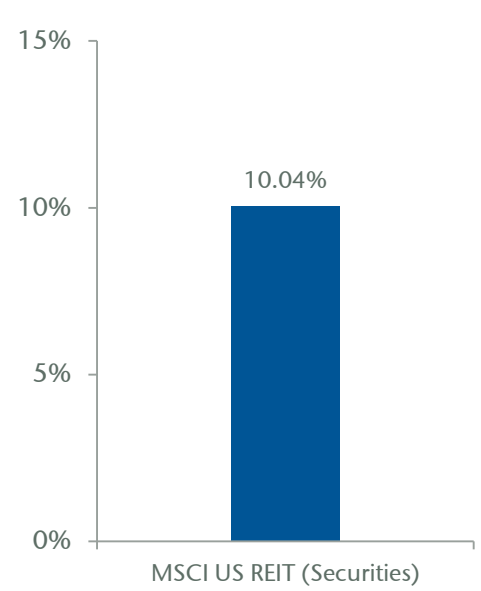
U.S. Equity



Int'l Equity



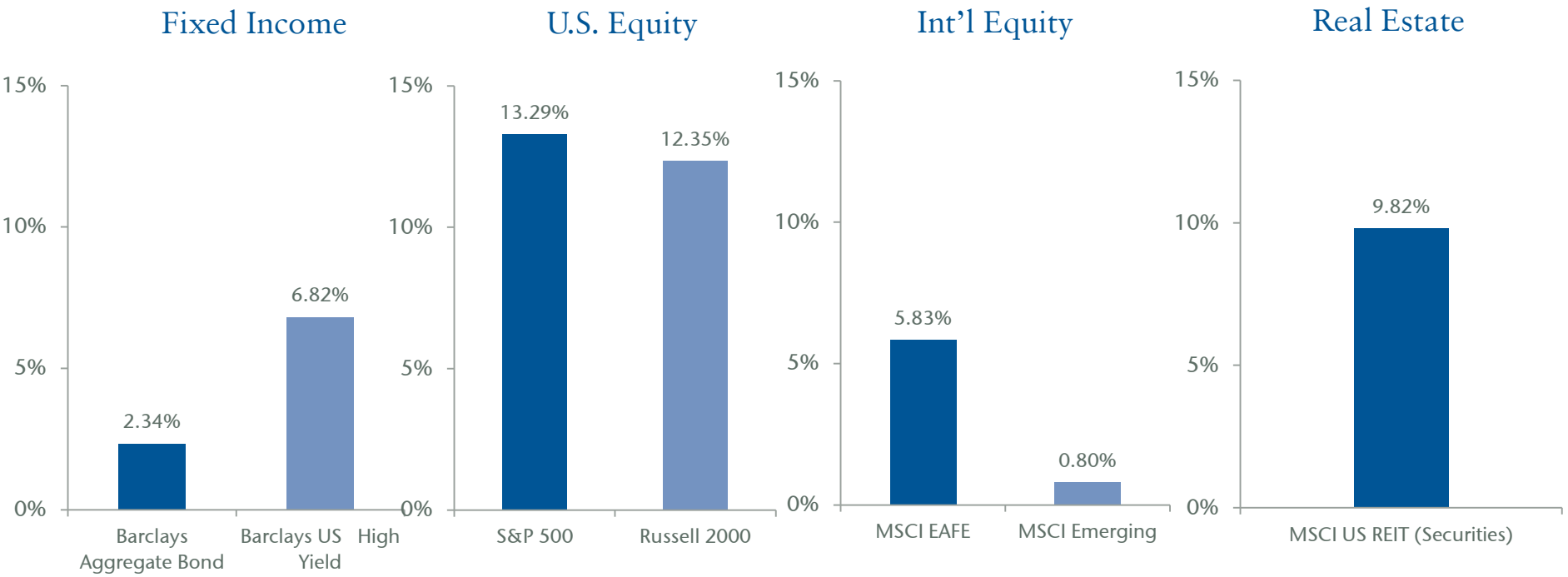
Real Estate



Source: Principal Global Investors Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

Asset Class Review

Five Years Ending March 31, 2017

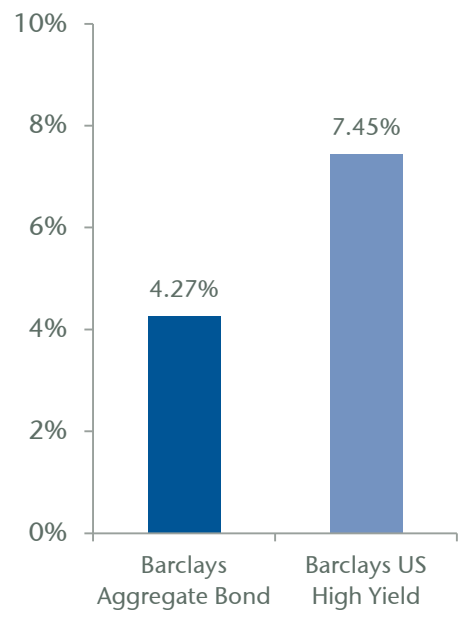


Source: Principal Global Investors Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

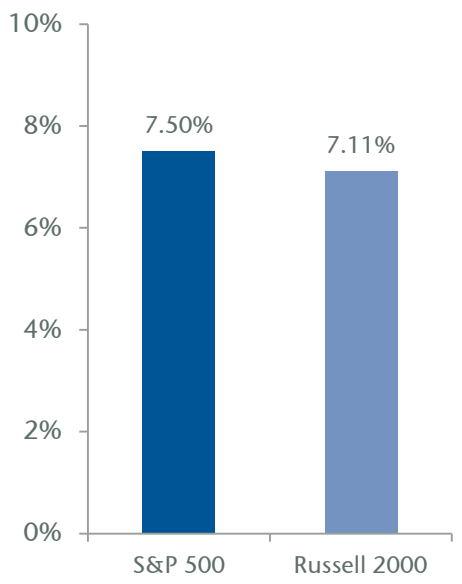
Asset Class Review

Ten Years Ending March 31, 2017

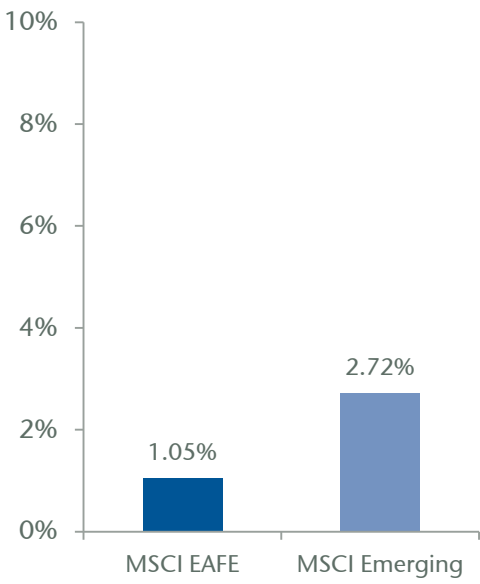
Fixed Income



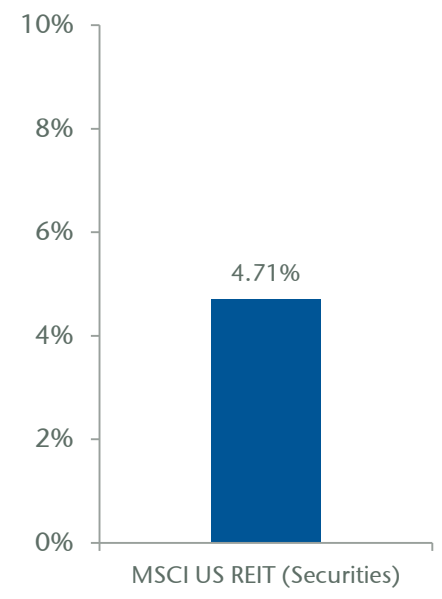
U.S. Equity



Int'l Equity



Real Estate



Source: Principal Global Investors Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

Asset Class Performance

January 1, 2002 – December 31, 2016

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Annualized Returns 01/01/2002- 12/31/2016
Large-Cap Growth	11 -27.88%	9 29.75%	11 6.30%	8 5.26%	11 9.07%	3 11.81%	7 -38.44%	4 37.21%	7 16.71%	5 2.64%	9 15.26%	4 33.48%	4 13.05%	2 5.66%	10 7.08%	10 6.41%
Large-Cap Value	8 -15.52%	8 30.03%	6 16.49%	7 7.07%	5 22.25%	9 -0.17%	5 -36.85%	10 19.69%	8 15.51%	6 0.39%	5 17.51%	6 32.53%	3 13.45%	8 -3.82%	3 17.34%	9 7.40%
Mid-Cap Growth	10 -27.41%	4 42.72%	7 15.48%	4 13.42%	10 10.66%	4 11.43%	11 -44.32%	3 46.29%	3 26.38%	8 -1.65%	8 15.81%	2 35.74%	6 11.90%	5 0.20%	9 7.33%	6 7.95%
Mid-Cap Value	6 -9.64%	6 38.06%	3 23.70%	6 11.60%	6 20.22%	10 -1.42%	8 -38.44%	6 34.21%	4 24.75%	7 -1.38%	2 18.51%	5 33.46%	2 14.75%	10 -4.78%	2 20.00%	2 10.28%
Small-Cap Growth	12 -30.26%	2 48.54%	9 14.31%	10 4.15%	8 13.35%	6 7.05%	9 -38.54%	5 34.47%	1 29.09%	9 -2.91%	10 14.59%	1 43.30%	8 5.60%	7 -1.38%	5 11.32%	8 7.47%
Small-Cap Value	7 -11.43%	3 46.03%	4 22.25%	9 4.71%	4 23.48%	11 -9.77%	4 -28.92%	9 20.58%	5 24.50%	10 -5.50%	4 18.05%	3 34.52%	9 4.22%	11 -7.46%	1 31.74%	4 9.21%
International	9 -15.94%	5 38.59%	5 20.25%	3 13.54%	3 25.71%	5 11.17%	10 -43.38%	7 31.78%	11 7.75%	11 -12.14%	6 17.32%	7 22.78%	12 -4.90%	6 -0.81%	12 1.00%	11 5.28%
Emerging Markets	5 -6.00%	1 56.28%	2 25.95%	1 34.00%	2 32.59%	1 39.77%	12 -53.18%	1 79.02%	6 18.88%	12 -18.42%	3 18.22%	12 -2.60%	11 -2.19%	12 -14.91%	6 11.19%	3 9.49%
Core Bonds	1 10.26%	12 4.10%	12 4.34%	12 2.43%	12 4.33%	7 6.97%	1 5.24%	11 5.93%	12 6.54%	3 7.84%	12 4.22%	11 -2.02%	7 5.97%	4 0.55%	11 2.65%	12 4.58%
High Yield Bonds	4 -1.36%	10 28.97%	10 11.13%	11 2.74%	9 11.85%	8 1.87%	3 -26.16%	2 58.21%	9 15.12%	4 4.98%	7 15.81%	9 7.44%	10 2.45%	9 -4.46%	4 17.13%	5 8.41%
Real Estate Securities	3 3.82%	7 37.13%	1 31.58%	5 12.16%	1 35.06%	12 -15.69%	6 -37.73%	8 27.99%	2 27.95%	2 8.28%	1 19.70%	10 2.86%	1 30.38%	3 2.82%	8 8.52%	1 10.79%
Direct Property	2 6.74%	11 8.99%	8 14.48%	2 20.06%	7 16.59%	2 15.84%	2 -8.00%	12 -16.85%	10 14.52%	1 14.87%	11 10.63%	8 11.64%	5 12.38%	1 15.17%	7 9.27%	7 7.89%

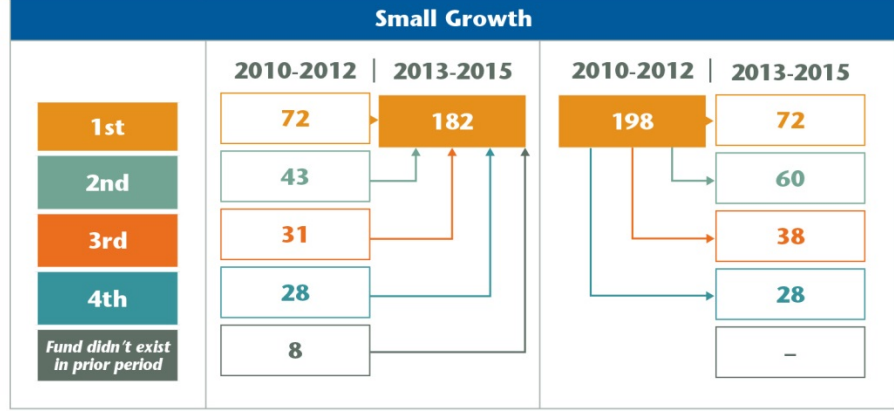
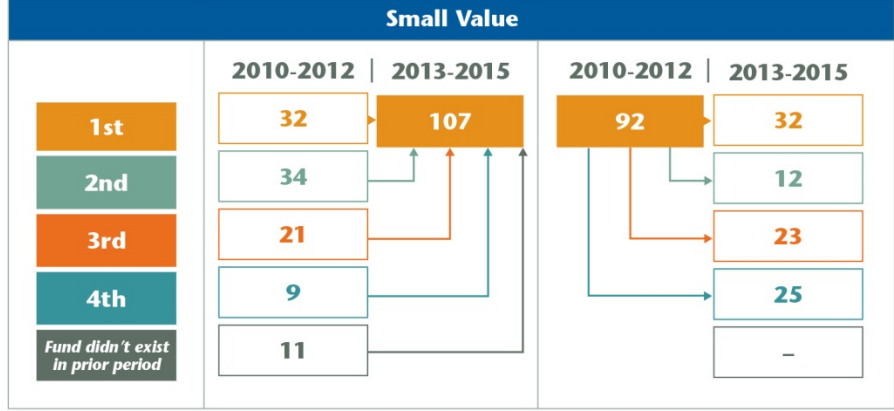
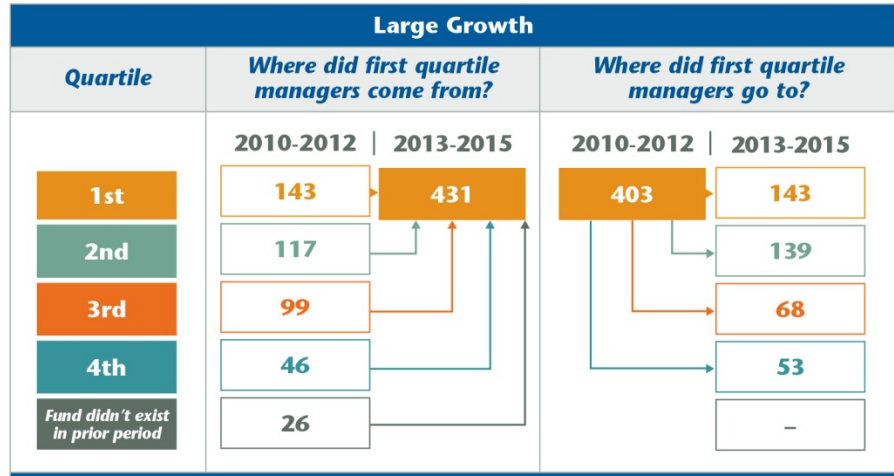
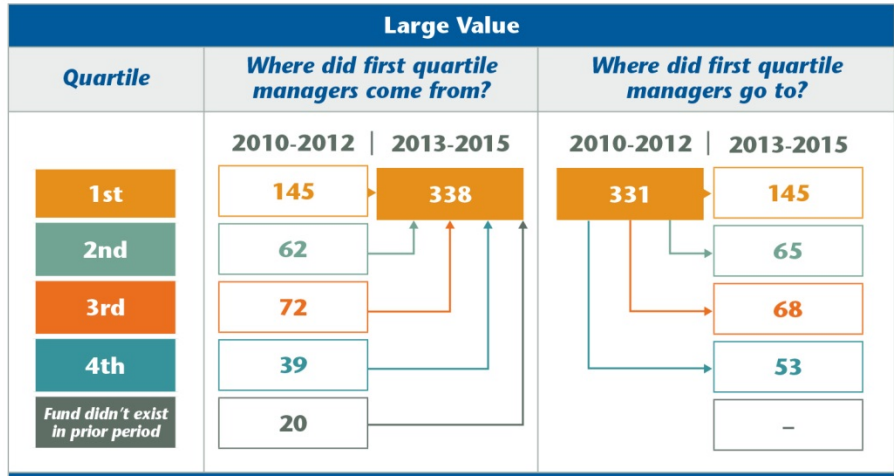
Please see Benchmark Descriptions at the end of this presentation.

Past performance is not a reliable indicator of future performance.

Asset allocation and diversification do not ensure a profit or protect against a loss.

The Case For Focusing on Long-Term Results

Where Do Top Quartile Managers Go?



Data source: Morningstar category via Zephyr StyleAdvisor

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No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

Additional Information

Carefully consider the Fund’s objectives, risks, charges, and expenses. Contact your financial professional or visit principal.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

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 800-547-7754 or by visiting principal.com.

Investing involves risk, including possible loss of principal.

Past performance does not guarantee future results. **Asset allocation** and diversification does not ensure a profit or protect against a loss. **Equity** investment options involve greater risk, including heightened volatility, than fixed-income investment options. **Fixed-income** investments are subject to interest rate risk; as interest rates rise their value will decline. **International and global** investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. *These risks are magnified in **emerging markets**.* **Small and mid-cap** stocks may have additional risks including greater price volatility. **Real Estate** investment options are subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Property values can decline due to environmental and other reasons. In addition, fluctuation in interest rates can negatively impact the performance of real estate investment options.

Benchmark Descriptions

S&P 500 Stock Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

MSCI All Country World Index (ACWI) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI covers 9,000 securities across large, mid and small cap size segments and across style and sector segments in 45 Developed and Emerging Markets.

MSCI EAFE Index (EAFE refers to Europe, Australasia, and Far East) is widely accepted as a benchmark for international stock performance; the EAFE index is an aggregate of 21 individual company indexes.

MSCI Emerging Markets Index is composed of companies representative of the market structure of 25 emerging market countries in Europe, Latin America, and the Pacific Basin.

Barclays Aggregate Bond Index is designed to measure the performance of approximately 6,000 publicly traded bonds having an approximate average of maturity of 10 years, including U.S. Government, mortgage-backed, corporate, and yankee bonds.

Barclays High Yield Index is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Russell 2000 Index consists of the smallest 2,000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

Benchmark Descriptions – Asset Class Summary

Large-Cap Growth stocks are represented by the annual total returns of the Russell 1000 Growth Index, which is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Large-Cap Value stocks are represented by the annual total returns of the Russell 1000 Value Index, which is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Mid-Cap Growth stocks are represented by the annual total returns of the Russell Mid Cap Growth Index, which is a market-weighted total return index that measures the performance of companies within the Russell Mid Cap Index having higher price-to-book ratios and higher forecasted growth values.

Mid-Cap Value stocks are represented by the annual total returns of the Russell Mid Cap Value Index, which is a market-weighted total return index that measures the performance of companies within the Russell Mid Cap Index having lower price-to-book ratios and lower forecasted growth values.

Small-Cap Growth stocks are represented by the annual total returns of the Russell 2000 Growth Index, which is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values.

Small-Cap Value stocks are represented by the annual total returns of the Russell 2000 Value Index, which 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.

International stocks are represented by the annual total returns of the MSCI EAFE Index, which is listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East) and is widely accepted as a benchmark for international stock performance, the EAFE index is an aggregate of 21 individual company indexes.

Emerging Markets stocks are represented by the annual total returns of the MSCI EMF index, which is an index composed of companies representative of the market structure of 25 emerging market countries in Europe, Latin America, and the Pacific Basin.

Core Bonds are represented by the annual total returns of the Barclays Aggregate Index, which 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.

High yield bonds are represented by the annual total returns of the Barclays High Yield Index, which is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Real Estate Securities are represented by the annual total returns of the NAREIT index, which is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

Real Estate Direct Property is represented by the annual total returns of the NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE) Equal Weight Index, which is a fund-level, gross of fee, time-weighted return index. Funds contributing data to the NFI-ODCE are generally "core" and must market themselves as an open-end commingled fund pursuing a diversified core investment strategy, primarily investing in private equity real estate with at least 80% of the market value of real estate net assets invested in operating properties. As of December 31, 2016 there were 24 data-contributing funds in the NFI-ODCE.

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3.31.17 Investment Advisory Report



Principal Financial Advisors, Inc.

May 2017

Personal & Confidential
Emily Ward
Director of Administrative Services
South Dakota Dept. of Labor & Regulation
700 Governor's Drive
Pierre, SD 57501-2291

RE: South Dakota Department of Labor Retirement Plan
Contract No: 4-15193

Dear Ms. Ward,

Thank you for being a continuing client of Principal Financial Advisors. Enclosed is a copy of your Investment Advisory Report. We are pleased to continue working with you and hope that you find this summary helpful.

Principal Financial Advisors, Inc., is a registered investment adviser and wholly owned subsidiary of the Principal Financial Group®. Federal securities laws require us to offer you a copy of Principal Financial Advisors ADV Part 2. This filing provides information about Principal Financial Advisors and the services we offer. Please let me know if you would like a copy of the ADV Part 2.

Please contact me at the number below if you have any questions regarding this report.

Best regards,

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Principal Financial Advisors, Inc.



Investment Advisory Report
South Dakota Department of Labor Retirement Plan
Contract No. 4-15193
July 01, 2016 - March 31, 2017

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Principal Financial Advisors, Inc. Overview

As a retirement plan sponsor, you face significant challenges in managing the plan on behalf of participants – fiduciary responsibility, risk management and plan investment decisions, just to name a few. **When you appoint Principal Financial Advisors, Inc. as the plan's ERISA Section 3(38) investment manager, we team with you to address these challenges.**

For nearly 30 years, Principal Financial Advisors (a member company of the Principal Financial Group) has been managing investment strategies. As of December 31, 2016, we manage more than \$7 billion in assets and have more than 300 clients using our advisory services for retirement plans.

Our mission is to provide high-quality investment advisory and consulting services to help clients meet their goals and objectives by offering access to premier investment managers and customized investment strategies.

The investment advisory services of Principal Financial Advisors are consistent with the following core beliefs:

- 1) Strategic asset allocation selection and implementation play key roles in a retirement plan's ability to successfully meet its obligations over the long term.
- 2) Careful analysis of a retirement plan's assets, liabilities and unique attributes guides asset allocation decisions.
- 3) Diversifying by asset class, style and investment manager is one of the most effective ways to control investment risk.
- 4) A portfolio's long-term success depends substantially on selecting appropriate managers and carefully monitoring their performance over time.

Principal Financial Advisors provides:

- 1) A customized investment strategy based on the plan's unique situation.
- 2) Assumption of fiduciary responsibility for asset allocation decisions.¹
- 3) Benefits of the due diligence process of Principal Life Insurance Company.²
- 4) Experienced investment personnel, comprehensive reporting and top-tier client service.

¹The plan sponsor remains the plan's named fiduciary, but Principal Financial Advisors, Inc. has been appointed as the plan's ERISA Section 3(38) investment manager.

²Principal Life Insurance Company is responsible for the hiring and monitoring of investment managers made available to you through the due diligence process. Principal Financial Advisors selects from these investment options for retirement portfolios.

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2016 through 03/31/2017				
Inv Manager or Sub-Advisor	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
Investment Option				
Large U.S. Equity				
Large Value				
<i>Edge Asset Management, Inc.</i> Equity Income Separate Account-R6 ^{3, 11}	\$3,982,292	7.12%	\$3,982,049	6.99%
<i>Principal Global Investors</i> LargeCap Value Separate Account-R6	\$3,864,150	6.91%	\$3,864,169	6.78%
Large Blend				
<i>Principal Global Investors</i> LargeCap S&P 500 Index Separate Account-R6 ^{2, 8, 24}	\$3,331,438	5.95%	\$3,404,378	5.98%
Large Growth				
<i>T. Rowe Price/Brown Advisory</i> LargeCap Growth I Separate Account-R6 ^{3, 18}	\$7,656,521	13.68%	\$8,210,371	14.41%
Small/Mid U.S. Equity				
Mid Cap Value				
<i>Principal Global/Barrow Hanley</i> MidCap Value III Separate Account-R6 ¹	\$1,134,165	2.03%	\$1,155,434	2.03%
Mid Cap Growth				
<i>Robert Baird/William Blair</i> MidCap Growth III Separate Account-R6 ^{1, 3, 18, 27}	\$1,147,428	2.05%	\$1,176,550	2.07%
Small Value				
<i>DFA/Vaughan Nelson/LA Capital</i> SmallCap Value II Separate Account-R6 ^{1, 3, 18}	\$581,254	1.04%	\$555,975	0.98%
Small Growth				
<i>AB/Brown/Emerald</i> SmallCap Growth I Separate Account-R6 ^{1, 3, 18, 32}	\$595,410	1.06%	\$590,053	1.04%
International Equity				
Diversified Emerging Markets				
<i>Principal Global Investors</i> International Emerging Markets Separate Account-R6 ⁴	\$909,428	1.63%	\$993,665	1.74%
Foreign Large Value				
<i>Causeway / Barrow Hanley</i> Overseas Separate Account-R6 ^{3, 4, 18}	\$6,213,930	11.10%	\$5,864,020	10.29%

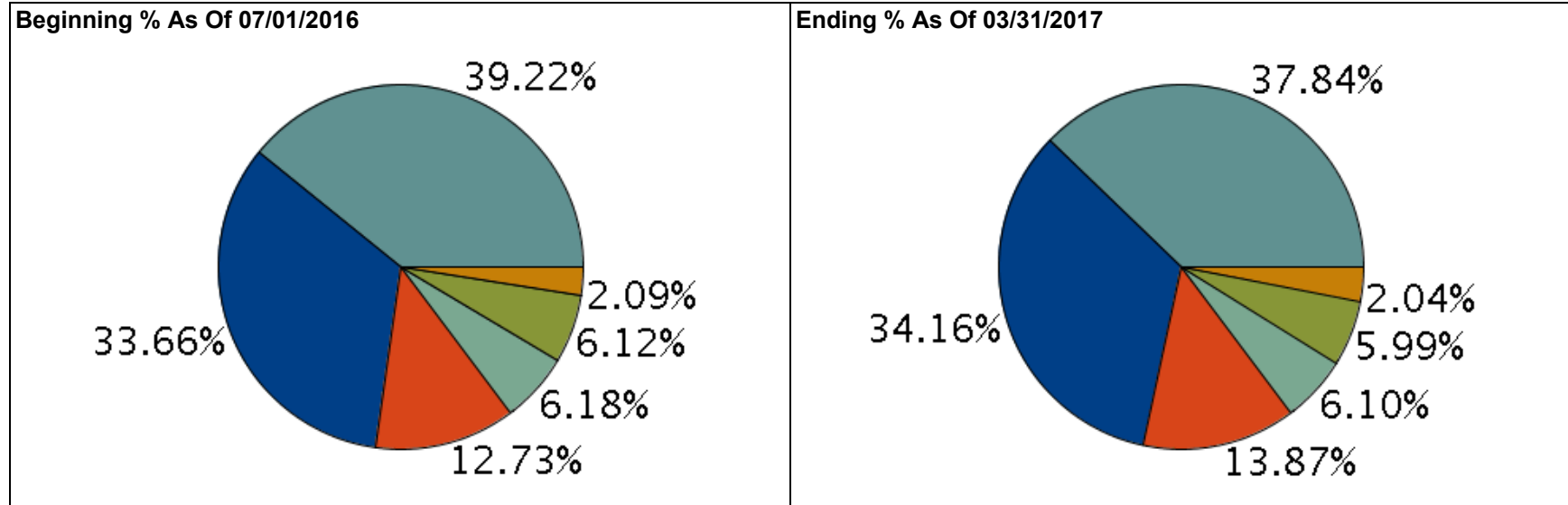
Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2016 through 03/31/2017				
<i>Inv Manager or Sub-Advisor</i>	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
Foreign Small/Mid Blend				
<i>Principal Global Investors/DFA</i> International SmallCap Separate Account-R6 ^{1, 4, 13}	\$0	0.00%	\$1,042,082	1.83%
Real Estate				
Owned Real Estate				
<i>Principal Real Estate Inv</i> U.S. Property Separate Account-R6 ²¹	\$3,426,492	6.12%	\$3,410,244	5.99%
Balanced/Asset Allocation				
Allocation--30% to 50% Equity				
<i>Multiple Sub-Advisors</i> Diversified Real Asset Separate Account-R6 ^{3, 11, 20, 24}	\$1,169,349	2.09%	\$1,164,752	2.04%
Fixed Income				
High Yield Bond				
<i>JP Morgan / Neuberger Berman</i> High Yield I Separate Account-R6 ^{3, 5, 14, 15}	\$2,322,275	4.15%	\$2,283,262	4.01%
Intermediate-Term Bond				
<i>Mellon Capital Mgmt</i> Bond Market Index Separate Account-R6 ^{2, 14, 15}	\$4,886,495	8.73%	\$4,805,358	8.43%
<i>Principal Global Investors</i> Core Plus Bond Separate Account-I2 ^{14, 15, 24, 31}	\$14,740,545	26.34%	\$14,471,314	25.40%
TOTAL	\$55,961,172	100%	\$56,973,676	100%

Please see important information at the end of this presentation.

Portfolio and Strategic Asset Allocation Review

Allocation of Assets



- Fixed Income
- Large U.S. Equity
- International Equity
- Small/Mid U.S. Equity
- Real Estate
- Balanced/Asset Allocation

Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation at the beginning and end of the reporting period.

Your plan's assets and liabilities are reviewed periodically during the year and we make changes as needed. We will continue to monitor your plan and adjust its allocation as necessary.

Target Allocation 07/01/2016 through 03/31/2017			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Large U.S. Equity	33.00%	33.00%
	Large Value		
Edge Asset Management, Inc.	Equity Income Separate Account-R6 ^{3, 11}	6.80%	6.80%
Principal Global Investors	LargeCap Value Separate Account-R6	6.80%	6.80%
	Large Blend		
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 ^{2, 8, 24}	5.80%	5.80%
	Large Growth		
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 ^{3, 18}	13.60%	13.60%
	Small/Mid U.S. Equity	6.00%	6.00%
	Mid Cap Value		
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 ¹	2.00%	2.00%
	Mid Cap Growth		
Robert Baird/William Blair	MidCap Growth III Separate Account-R6 ^{1, 3, 18, 27}	2.00%	2.00%
	Small Value		
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 ^{1, 3, 18}	1.00%	1.00%
	Small Growth		
AB/Brown/Emerald	SmallCap Growth I Separate Account-R6 ^{1, 3, 18, 32}	1.00%	1.00%
	International Equity	13.00%	13.00%
	Diversified Emerging Markets		
Principal Global Investors	International Emerging Markets Separate Account-R6 ⁴	1.60%	1.60%
	Foreign Large Value		
Causeway / Barrow Hanley	Overseas Separate Account-R6 ^{3, 4, 18}	11.40%	9.70%
	Foreign Small/Mid Blend		
Principal Global Investors/DFA	International SmallCap Separate Account-R6 ^{1, 4, 13}	0.00%	1.70%
	Real Estate	6.00%	6.00%
	Owned Real Estate		
Principal Real Estate Inv	U.S. Property Separate Account-R6 ²¹	6.00%	6.00%

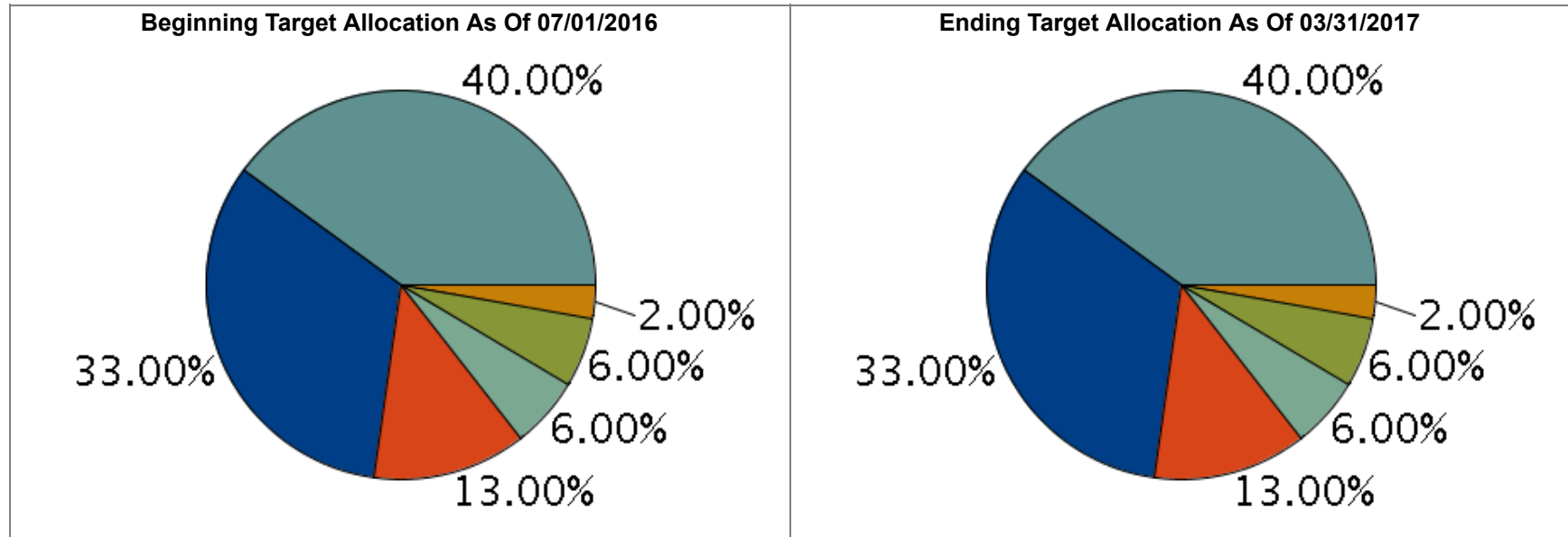
Portfolio and Strategic Asset Allocation Review

Target Allocation 07/01/2016 through 03/31/2017			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Balanced/Asset Allocation	2.00%	2.00%
	Allocation--30% to 50% Equity		
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6 ^{3, 11, 20, 24}	2.00%	2.00%
	Fixed Income	40.00%	40.00%
	High Yield Bond		
JP Morgan / Neuberger Berman	High Yield I Separate Account-R6 ^{3, 5, 14, 15}	4.00%	4.00%
	Intermediate-Term Bond		
Mellon Capital Mgmt	Bond Market Index Separate Account-R6 ^{2, 14, 15}	9.00%	9.00%
Principal Global Investors	Core Plus Bond Separate Account-I2 ^{14, 15, 24, 31}	27.00%	27.00%

Please see important information at the end of this presentation.

Portfolio and Strategic Asset Allocation Review















Please note that a slight variance between your plan's target allocation displayed in this report and its weightings is normal. This variance is due to changes in your account values caused by fluctuations in the market. We periodically initiate rebalancing transfers to bring the plan's assets back to its target allocation.












- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Balanced/Asset Allocation
- Fixed Income

Portfolio and Strategic Asset Allocation Review

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Large U.S. Equity		
Large Value	Large Blend	Large Growth
Equity Income Separate Account-R6 ^{3, 11}  LargeCap Value Separate Account-R6 	LargeCap S&P 500 Index Separate Account-R6 ^{2, 8, 24 ++}	LargeCap Growth I Separate Account-R6 ^{3, 18}  
Small/Mid U.S. Equity		
Mid Cap Value	Mid Cap Blend	Mid Cap Growth
MidCap Value III Separate Account-R6 ¹  		MidCap Growth III Separate Account-R6 ^{1, 3, 18, 27}  
Small Value	Small Blend	Small Growth
SmallCap Value II Separate Account-R6 ^{1, 3, 18}   		SmallCap Growth I Separate Account-R6 ^{1, 3, 18, 32}   

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
<p>Overseas Separate Account-R6^{3, 4, 18}</p>  <p>BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC</p> <p>International Emerging Markets Separate Account-R6⁴</p>  <p>International SmallCap Separate Account-R6^{1, 4, 13}</p> 	<p>U.S. Property Separate Account-R6²¹</p> 	<p>Diversified Real Asset Separate Account-R6^{3, 11, 20, 24}</p> 
Short-Term Fixed Income	Fixed Income	
	<p>High Yield I Separate Account-R6^{3, 5, 14, 15}</p>   <p>Bond Market Index Separate Account-R6^{2, 14, 15}</p>  <p>Core Plus Bond Separate Account-I2^{14, 15, 24, 31}</p> 	

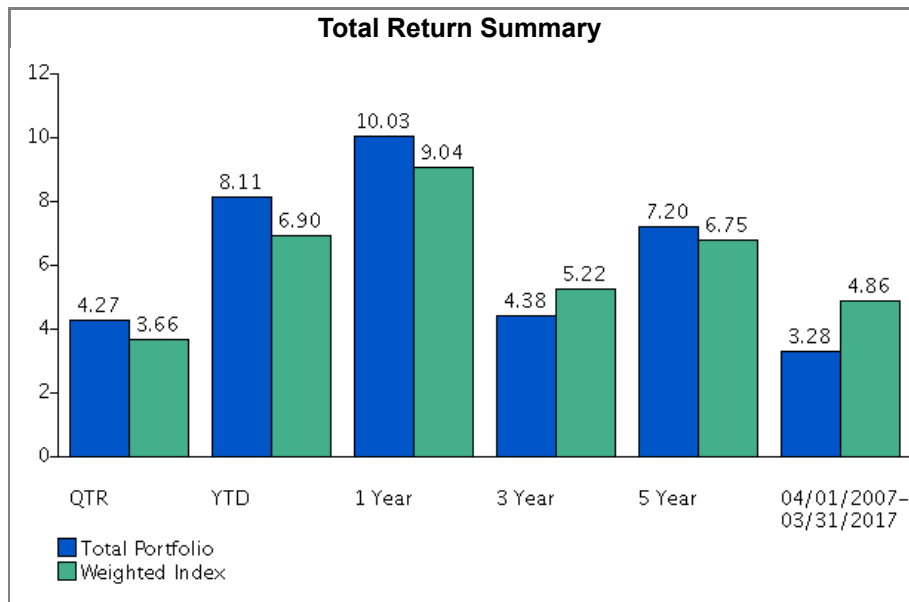
Please see important information at the end of this presentation.

Portfolio Performance Review

Time & Dollar Weighted Rates of Return March 31, 2017

Time & Dollar Weighted Returns	QTR	YTD*	1 Year	3 Year	5 Year	10 Year
Total Portfolio Return	4.27	8.11	10.03	4.38	7.20	3.28
Weighted Index	3.66	6.90	9.04	5.22	6.75	4.86
Excess Return	0.61	1.21	0.99	-0.84	0.45	-1.58

Asset Class Return Information	QTR	YTD*	1 Year	3 Year	5 Year	10 Year
Your Plan's U.S. Equity Return	6.37	13.43	15.45	7.61	12.35	4.57
Standard & Poor's 1500 Total Market Stock Index	5.74	14.69	17.67	10.25	13.33	7.67
Your Plan's International Equity Return	8.64	15.99	13.73	-0.41	4.39	0.53
MSCI ACWI Ex USA Index	7.86	13.87	13.13	0.56	4.36	1.35
Your Plan's Real Asset Return	2.20	5.79	8.76	4.36	6.69	2.55
Blended Real Asset Index	1.18	3.09	5.34	0.70	1.70	0.34
Your Plan's Fixed Income Return	1.13	0.61	3.50	2.76	3.17	2.84
Bloomberg Barclays Aggregate Bond Index	0.82	-1.73	0.44	2.68	2.34	4.28



We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your March 31, 2017 Contractholder Fund Statement.

Your portfolio's returns are net of investment management expenses and are based on your plan's specific activity. The returns take into consideration contributions, benefit payments, transfers and other withdrawals. The index returns do not include any expenses or cash flows.

*YTD is plan year return from 7/1/2016 thru 03/31/2017.

Please see important information at the end of this presentation.

Investment Option Performance

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.

In situations where the net and gross total investment expense figures are different, the mutual fund or 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 always based on net total investment expense.

For more performance information, including most recent month-end performance, visit www.principal.com, contact your representative of the Principal Financial Group® (The Principal®), or call our participant contact center at 1-800-547-7754.

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 03/31/2017							Percentile Rankings as of 03/31/2017					Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
Large U.S. Equity														
Large Value														
Edge Asset Management, Inc. Equity Income Separate Account-R6 ^{3, 11}	5.02	18.06	8.18	11.62	6.52	8.57	06/30/2009	-	44	31	52	27	0.68 / 0.68	-
Russell 1000 Value Index	3.27	19.22	8.67	13.13	5.93	-	-	-	-	-	-	-	-	-
Principal Global Investors LargeCap Value Separate Account-R6	2.68	12.10	5.57	10.63	4.80	7.49	06/01/1995	-	91	86	76	71	0.61 / 0.61	-
Russell 1000 Value Index	3.27	19.22	8.67	13.13	5.93	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Large Value	3.70	17.44	7.32	11.47	5.59	Total Funds in Category		1310	1258	1084	936	679	-	-
Large Blend														
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 ^{2, 8, 24}	5.98	16.77	9.99	12.91	7.18	9.17	01/01/1990	-	42	15	24	31	0.31 / 0.31	-
Standard & Poor's 500 Index	6.07	17.17	10.37	13.30	7.51	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Large Blend	5.57	15.97	8.14	11.74	6.52	Total Funds in Category		1503	1404	1248	1113	822	-	-
Large Growth														
T. Rowe Price/Brown Advisory LargeCap Growth I Separate Account-R6 ^{3, 18}	9.83	14.61	8.99	11.77	9.09	5.20	12/29/2000	-	54	48	49	15	0.78 / 0.80	02/28/2018 02/28/2018
Russell 1000 Growth Index	8.91	15.76	11.27	13.32	9.13	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Large Growth	8.63	14.85	8.53	11.55	7.71	Total Funds in Category		1500	1454	1306	1154	800	-	-
Small/Mid U.S. Equity														
Mid Cap Value														
Principal Global/Barrow Hanley MidCap Value III Separate Account-R6 ¹	4.30	16.25	6.24	12.42	6.95	10.58	01/01/1991	-	78	71	44	39	0.81 / 0.81	-
Russell Midcap Value Index	3.76	19.82	8.94	14.07	7.47	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Mid Cap Value	3.50	18.86	7.04	12.02	6.68	Total Funds in Category		406	398	341	301	212	-	-

Investment Option Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 03/31/2017							Percentile Rankings as of 03/31/2017					Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
Mid Cap Growth														
Robert Baird/William Blair MidCap Growth III Separate Account-R6 ^{1, 3, 18, 27}	6.87	11.67	5.09	8.69	6.55	5.39	10/28/1999	-	83	69	79	67	1.12 / 1.15	02/28/2018 02/28/2018
Russell Midcap Growth Index	6.89	14.07	7.88	11.95	8.13	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Mid Cap Growth	7.30	15.58	6.06	10.30	7.12	Total Funds in Category		659	635	580	500	368	-	-
Small Value														
DFA/Vaughan Nelson/LA Capital SmallCap Value II Separate Account-R6 ^{1, 3, 18}	-0.50	23.18	7.51	13.02	6.16	8.38	06/01/2004	-	54	35	22	59	1.21 / 1.23	02/28/2018 02/28/2018
Russell 2000 Value Index	-0.13	29.37	7.62	12.54	6.09	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Small Value	0.29	23.43	6.11	11.38	6.43	Total Funds in Category		437	412	353	309	199	-	-
Small Growth														
AB/Brown/Emerald SmallCap Growth I Separate Account-R6 ^{1, 3, 18, 32}	6.46	23.71	5.79	11.11	8.50	5.43	12/29/2000	-	34	46	44	19	1.19 / 1.27	02/28/2018 02/28/2018
Russell 2000 Growth Index	5.35	23.03	6.72	12.10	8.06	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Small Growth	5.56	22.41	5.34	10.73	7.31	Total Funds in Category		693	670	599	527	386	-	-
International Equity														
Diversified Emerging Markets														
Principal Global Investors International Emerging Markets Separate Account-R6 ⁴	12.32	17.36	1.00	0.25	1.66	8.01	01/01/1995	-	45	50	68	63	1.51 / 1.51	- -
MSCI Emerging Markets NR Index	11.45	17.22	1.18	0.81	2.72	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Diversified Emerging Markets	11.59	16.40	0.71	1.20	2.22	Total Funds in Category		873	811	629	429	177	-	-
Foreign Large Value														
Causeway / Barrow Hanley Overseas Separate Account-R6 ^{3, 4, 18}	8.16	13.25	-0.85	5.10	-	5.25	09/30/2008	-	40	55	43	-	1.23 / 1.27	02/28/2018 02/28/2018
MSCI EAFE Value Index	6.05	15.98	-0.61	5.56	0.05	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Foreign Large Value	7.00	12.41	-0.58	4.68	0.10	Total Funds in Category		344	328	269	223	136	-	-
Foreign Small/Mid Blend														
Principal Global Investors/DFA International SmallCap Separate Account-R6 ^{1, 4, 13}	7.98	10.99	3.18	8.93	3.13	11.04	01/01/1995	-	46	21	22	30	1.46 / 1.46	- -
MSCI World Ex US Small Cap Index	7.61	11.58	2.70	7.78	2.72	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Foreign Small/Mid Blend	8.85	11.28	1.94	7.52	2.92	Total Funds in Category		125	108	79	65	28	-	-

Investment Option Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 03/31/2017							Percentile Rankings as of 03/31/2017							Total Inv. Exp. Net / Gross	Contractual Cap/Waiver / Expire Date
	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.				
Real Estate																
Owned Real Estate																
<i>Principal Real Estate Inv</i> U.S. Property Separate Account-R6 ²¹	1.81	8.79	11.48	11.76	4.52	6.82	01/01/1982	-	-	-	-	-	1.15 / 1.15	-		
NFI-ODCE Equal-Weight	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Balanced/Asset Allocation																
Allocation--30% to 50% Equity																
<i>Multiple Sub-Advisors</i> Diversified Real Asset Separate Account-R6 ^{3, 11, 20, 24}	3.38	8.68	-1.93	1.30	-	3.65	12/31/2010	-	32	98	99	-	1.05 / 1.05	12/30/2017 12/30/2017		
Diversified Real Asset Strategic Index	2.40	8.81	-0.55	0.91	-	-	-	-	-	-	-	-	-	-		
Morningstar Category Average - Allocation--30% to 50% Equity	2.99	8.03	3.25	5.13	4.25	Total Funds in Category		528	513	408	350	243	-	-		
Fixed Income																
High Yield Bond																
<i>JP Morgan / Neuberger Berman</i> High Yield I Separate Account-R6 ^{3, 5, 14, 15}	2.33	13.27	3.28	5.70	7.18	7.10	12/31/2004	-	53	49	48	8	0.82 / 0.82	-		
Bloomberg Barclays US Corp High Yld 2% Issuer Capped Index	2.70	16.39	4.58	6.82	7.54	-	-	-	-	-	-	-	-	-		
Morningstar Category Average - High Yield Bond	2.31	13.52	3.15	5.56	5.86	Total Funds in Category		727	697	596	471	318	-	-		
Intermediate-Term Bond																
<i>Mellon Capital Mgmt</i> Bond Market Index Separate Account-R6 ^{2, 14, 15}	0.69	-0.11	2.17	1.82	-	3.03	12/30/2009	-	91	67	83	-	0.41 / 0.41	-		
Bloomberg Barclays Aggregate Bond Index	0.82	0.44	2.68	2.34	4.27	-	-	-	-	-	-	-	-	-		
<i>Principal Global Investors</i> Core Plus Bond Separate Account-I2 ^{14, 15, 24, 31}	1.10	2.59	2.65	2.99	4.33	7.64	02/01/1983	-	25	37	26	43	0.55 / 0.55	-		
Bloomberg Barclays Aggregate Bond Index	0.82	0.44	2.68	2.34	4.27	-	-	-	-	-	-	-	-	-		
Morningstar Category Average - Intermediate-Term Bond	1.07	1.74	2.41	2.52	4.06	Total Funds in Category		1025	972	851	750	538	-	-		

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Please see important information at the end of this presentation.

Important Information

Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative, if applicable, services are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. 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.

+ *This is not a sub-advised investment option. Guarantees are backed by all the assets in the Principal Life general account.*

++ *Investment options sub-advised by Principal Global Investors.*

Investment Advisory Services are provided by Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of the Principal Financial Group®.

No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

Asset allocation strategies are developed using Separate Accounts available through a group annuity contract of Principal Life Insurance Company.

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.

Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost. This does not apply, however, to the guaranteed portions of group annuity contracts issued by Principal Life that constitute guaranteed benefit policies as defined in ERISA §401(b)(2)(B).

This report includes investment options that contain information from a variety of sources. A primary source is Morningstar which provides holdings information, operations data, and rankings or statistics proprietary to Morningstar. Morningstar is generally the source of information on mutual funds unaffiliated with the Principal.

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Compliance number: t14092601zk

1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

3. *This Separate Account invests solely in the Institutional class shares of the Principal Funds. 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.*
4. *International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.*
5. *High yield investment options are subject to greater credit risk and volatility that is associated with high yield bonds.*
6. *Liquid asset investment options are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although the investment option may seek to preserve the value of an investment, it is possible to lose money by investing in the portfolio.*
8. *S&P 500 is a trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.*
11. *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. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund's 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.*
13. *Effective November 13, 2006, Dimensional Fund Advisors (DFA) was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*
14. *Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.*
15. *Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.*
18. *This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.*
20. *Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. or any other government entity. Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic developments, the success of exploration projects, tax and other government regulations and other factors. Investment in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration. An MLP that invests in a particular industry (e.g., oil and gas) may be harmed by detrimental economic events within that industry. As partnerships, MLPs may be subject to less regulation (and less protection for investors) under state laws than corporations. In addition, MLPs may be subject to state taxation in certain jurisdictions, which may reduce the amount of income paid by an MLP to its investors.*
21. *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.*

23. The net return experienced may be negative if the costs to maintain and operate the Liquid Assets Separate Account exceed returns. Participants may also see negative returns if plan expenses, if applicable, are netted or deducted from their accounts.

24. The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

27. Effective January 13, 2014, this portfolio is sub-advised by Baird and William Baird and William Blair. Prior to January 13, 2014, this portfolio was sub-advised by Turner and Jacobs Levy. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

31. Formerly known as Bond and Mortgage Separate Account.

32. Effective September 30, 2016, this portfolio is sub-advised by AB LP, Brown Advisory and Emerald Advisors, Inc. Prior to September 30, 2016, the portfolio was sub-advised by AB LP, Brown Advisory, Emerald Advisors, Inc. and Columbus Circle Investors. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

33. Prior to January 1, 2017, the name of this investment option was Principal Money Market Separate Account.

Benchmark Descriptions

Balanced Strategy Composite Index is composed of 30% Russell 1000 Index, 4% Russell 2500 Index, 14% MSCI EAFE Index, 3% MSCI Emerging Markets Index, 4% MSCI World Index, 5% NAREIT Equity Index, and 40% Barclays Capital Aggregate Bond Index.

Blended Real Asset Index through September 30, 2011, is as follows: 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index-Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and Leverage. The return series is net of the average fee charged by accounts that make up the index. The MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance. Effective October 1, 2011, the Blended Real Asset Index is comprised of 60% Consumer Price Index (CPI) plus 1.5% and 40% Diversified Real Asset Strategic Index. Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. The Diversified Real Asset Strategic Index is composed of 35% Bloomberg Barclays U.S. Treasury TIPS Index, 20% S&P Global Infrastructure Index, 20% S&P Global Natural Resources Index, 15% Bloomberg Commodity Index, and 10% FTSE EPRA/NAREIT Developed Markets Index. Effective July 1, 2012, the Blended Real Asset Index is comprised of 50% Consumer Price Index (CPI) plus 1.5% and 50% Diversified Real Asset Strategic Index. Effective April 1, 2016, the Blended Real Asset Index is comprised of 75% Consumer Price Index (CPI) plus 1.5% and 25% Diversified Real Asset Strategic Index.

Bloomberg 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.

Bloomberg Barclays Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Bloomberg Barclays U.S. Corporate High Yield Index is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Bloomberg Barclays US Corp High Yld 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Conservative Strategy Composite Index is composed of 11% Russell 1000 Index, 4% MSCI EAFE Index, 2% MSCI World Index, 3% NAREIT Equity Index, 60% Barclays Capital Aggregate Bond Index, and 20% Merrill Lynch US Treasury 1-3 year Index.

Diversified Real Asset Strategic Index is composed of 35% Bloomberg Barclays U.S. Treasury TIPS Index, 20% S&P Global Infrastructure Index, 20% S&P Global Natural Resources Index, 15% Bloomberg Commodity Index, and 10% FTSE EPRA/NAREIT Developed Markets Index.

FTSE EPRA/NAREIT Developed Index is designed to represent general trends in eligible real estate equities worldwide.

FTSE EPRA/NAREIT Developed Index NR is designed to represent general trends in eligible real estate equities worldwide.

Growth Strategy Composite Index is composed of 41% Russell 1000 Index, 6% Russell 2500 Index, 17% MSCI EAFE Index, 4% MSCI Emerging Markets Index, 6% MSCI World Index, 6% NAREIT Equity Index, and 20% Barclays Capital Aggregate Bond Index.

Moderate Strategy Composite Index is composed of 20% Russell 1000 Index, 3% Russell 2500 Index, 9% MSCI EAFE Index, 2% MSCI Emerging Markets Index, 3% MSCI World Index, 3% NAREIT Equity Index, and 60% Barclays Capital Aggregate Bond Index.

MSCI EAFE NR Index is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

MSCI EAFE Value Index is a subset of the MSCI EAFE Index, which is an unmanaged index that measures the stock returns of companies in developed economies outside of North America. The MSCI EAFE Value Index consists of securities classified by MSCI as most representing the value style.

MSCI Emerging Markets NR Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

MSCI World Ex US Small Cap Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. It offers an exhaustive representation of the Small Cap segment by targeting companies that are in the Investable Market Index but not in the Standard Index in a particular market.

NFI-ODCE Equal-Weight is the NCREIF Fund Index - Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage. The return series is net of the average fee charged by accounts that make up the index.

Real Asset Index through September 30, 2011, is as follows: 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index-Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and Leverage. The return series is net of the average fee charged by accounts that make up the index. The MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance. Effective October 1, 2011, the Real Asset Index is comprised of 60% Consumer Price Index (CPI) plus 1.5% and 40% Diversified Real Asset Strategic Index. Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. The Diversified Real Asset Strategic Index is composed of 35% Bloomberg Barclays U.S. Treasury TIPS Index, 20% S&P Global Infrastructure Index, 20% S&P Global Natural Resources Index, 15% Bloomberg Commodity Index, and 10% FTSE EPRA/NAREIT Developed Markets Index. Effective July 1, 2012, the Real Asset Index is comprised of 50% Consumer Price Index (CPI) plus 1.5% and 50% Diversified Real Asset Strategic Index. Effective April 1, 2016, the Real Asset Index is comprised of 100% Consumer Price Index (CPI) plus 1.5%.

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.

Russell 1000 Index consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose.

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.

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

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization.

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.

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

Russell Midcap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

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

Standard & Poor's 1500 Total Market Stock Index is an index of small, medium and large stocks. It is comprised of stocks from the Standard & Poor's 500, 400 and 600 stock indices.

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.

The Russell 3000 Index is constructed to provide a comprehensive barometer of the broad market and accounts for nearly 98% of the total value of all equity traded on the U.S. exchanges. It measures the stocks that are also members of either the Russell 1000 or the Russell 2000 indexes.

Weighted Index is composed of:

04/01/2007 - 12/31/2010: 34% BBgBarc Aggregate Bond Index, 44% S&P 1500 Index, 13.90% MSCI ACWI Ex USA Index, 6% NFI-ODCE Equal Weight Index and 2.10% MSCI US REIT Index.

01/01/2011 - 09/30/2011: 34% BBgBarc Aggregate Bond Index, 43.40% S&P 1500 Index, 14.50% MSCI ACWI Ex USA Index, 6% NFI-ODCE Equal Weight Index and 2.10% MSCI US REIT Index.

10/01/2011 - 03/31/2016: 40% BBgBarc Aggregate Bond Index, 37.50% S&P 1500 Index, 12.50% MSCI ACWI Ex USA Index and 10% Blended Real Asset Index.

04/01/2016 - 03/31/2017: 40% BBgBarc Aggregate Bond Index, 39% S&P 1500 Index, 13% MSCI ACWI Ex USA Index and 8% Blended Real Asset Index.

Fee Discussion

Current Fee Summary

Retirement Plan Fee Summary

As of 05/08/2017

Fee for SOUTH DAKOTA DEPARTMENT OF LABOR	Your Billed Fee	\$0
	Total Investment Expense Net	0.76%
	Total ¹	0.76%

Recordkeeping Services include Core Services and Optional Services. Core Services include benefit calculations and benefit quote services. There are no additional fees from any member company of the Principal Financial Group® for this service package.

* See *Investment Options* on page 2 for more details.

See *Core Service Snapshot and Optional Services* on pages 4 and 5 for more details.

Plan Characteristics	Current Assets: \$56,559,452
	Annual Deposits: \$0
	Current Active Participants: 8
	Vested Terminated Participants: 1
	Retired Lives: 212

How the fee is allocated

Recordkeeping Services ²
\$209,770
Revenue Retained by Investment Provider
0.39%

Investment Options



The investment line-up illustrated below were requested by either the Plan Fiduciary, Financial Professional or Plan Sponsor. Fees are deducted prior to calculating the published return. These fees make up the Total Investment Expense Net. A portion of the Total Investment Expense Net may be retained by the Investment Provider as revenue to help cover the cost of providing professional investment management and the cost of marketing the investment option. The Investment Provider may also pay a portion to the plan Recordkeeper as revenue sharing to help cover the cost of the plan's recordkeeping and service package. **The chart below details the amount of revenue retained by the Investment Provider and paid to the Recordkeeper for each investment option.**

Inv Manager or Sub-Advisor	Investment Option	Current Assets	Revenue Retained by Investment Provider ³	+	Revenue Sharing to Recordkeeper ⁴	=	Total Investment Expense Net ⁵
	General Investment Account	\$0	0.00%	+	0.23%	=	0.23%
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6	\$1,142,501	0.39%	+	0.42%	=	0.81%
Principal Global Investors	Liquid Assets Separate Account-R6	\$0	0.18%	+	0.38%	=	0.56%
Principal Global Investors	International Emerging Markets Separate Account-R6	\$984,135	0.69%	+	0.82%	=	1.51%
Principal Global Investors/DFA	International SmallCap Separate Account-R6	\$1,046,350	0.69%	+	0.77%	=	1.46%
Principal Global Investors	LargeCap Value Separate Account-R6	\$3,817,763	0.25%	+	0.36%	=	0.61%
Principal Real Estate Inv	U.S. Property Separate Account-R6	\$3,416,191	0.75%	+	0.40%	=	1.15%
Principal Global Investors	Core Plus Bond Separate Account-I2	\$14,349,133	0.25%	+	0.30%	=	0.55%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6	\$3,370,943	0.05%	+	0.26%	=	0.31%
Robert Baird/William Blair	MidCap Growth III Separate Account-R6	\$1,170,781	0.69%	+	0.43%	=	1.12%
AB/Brown/Emerald	SmallCap Growth I Separate Account-R6	\$588,218	0.77%	+	0.42%	=	1.19%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6	\$8,218,088	0.41%	+	0.37%	=	0.78%
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6	\$542,971	0.78%	+	0.43%	=	1.21%
JP Morgan / Neuberger Berman	High Yield I Separate Account-R6	\$2,290,658	0.49%	+	0.33%	=	0.82%
Causeway / Barrow Hanley	Overseas Separate Account-R6	\$5,757,753	0.71%	+	0.52%	=	1.23%
Principal Global Investors	Equity Income Separate Account-R6	\$3,930,882	0.30%	+	0.38%	=	0.68%
Mellon Capital Mgmt	Bond Market Index Separate Account-R6	\$4,767,962	0.15%	+	0.26%	=	0.41%

SOUTH DAKOTA DEPARTMENT OF LABOR

Investment Options

Inv Manager or Sub-Advisor	Investment Option	Current Assets	Revenue Retained by Investment Provider ³	+	Revenue Sharing to Recordkeeper ⁴	=	Total Investment Expense Net ⁵
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6	\$1,165,125	0.66%	+	0.39%	=	1.05%
		\$56,559,452					
	Total Expected Fees paid through investment options:⁶		0.39%	+	0.37%	=	0.76%
	Expressed as a dollar amount		\$220,465	+	\$209,770	=	\$430,235

Core Service Snapshot



You receive a package of Core Services to help ensure your retirement plan needs are met. In addition to necessary plan services, our Core Services include a number of value-added features to help make managing your retirement plan easier. Principal Life Insurance Company stands behind our services with our Service Warranty⁷; providing a promise of quality service and level of indemnification protection. The listing of our core services and optional services selected by you can be found in your Service and Expense Agreement. You will also have access to an updated list of available services on principal.com.

Our Core Services are provided as part of the fees for Recordkeeping listed on page 1.

A comprehensive list of Core Services is available upon request.

General Services & Reports	<ul style="list-style-type: none"> Client service team Communication & education plan Comprehensive investment option material & reporting 	<ul style="list-style-type: none"> Electronic fund transfer Eligibility determination (not available for all plan designs) Employer login on principal.com 	<ul style="list-style-type: none"> Plan sponsor newsletter Plan transition services Due diligence process Service Warranty⁷ 	<ul style="list-style-type: none"> Retiree listing Retirement Plan & Investment Review
Data Management	<ul style="list-style-type: none"> Electronic data reporting 	<ul style="list-style-type: none"> Participant required contributions (not available for all plan designs) 	<ul style="list-style-type: none"> Recordkeeping - maintain historical compensation, DOB, DOH, & track years of service 	<ul style="list-style-type: none"> Retirement benefit limitation monitoring Vesting records
Distribution Services	<ul style="list-style-type: none"> Benefit event process - including required tax withholding 	<ul style="list-style-type: none"> Benefit distributions & annuity payments Death claims 	<ul style="list-style-type: none"> QDRO recordkeeping & distributions Required minimum distributions 	<ul style="list-style-type: none"> Small amounts recordkeeping and payouts
Plan Compliance & Government Filing Services	<ul style="list-style-type: none"> 410(b) ratio percentage test 415 limit calculation 	<ul style="list-style-type: none"> Audit package, as required Form 5500 series annual reports 	<ul style="list-style-type: none"> Government relations PBGC filing Plan compliance testing, as needed 	<ul style="list-style-type: none"> Plan qualification forms SOC1 report
Consulting Services	<ul style="list-style-type: none"> Information & resources for fiduciaries Legislative updates 	<ul style="list-style-type: none"> Merger & acquisition assistance Plan benchmarking information 	<ul style="list-style-type: none"> Plan compliance assistance Replacement ratio & needs analysis 	<ul style="list-style-type: none"> Research / technical assistance White papers
Participant Services	<ul style="list-style-type: none"> Annual participant statement Beneficiary notices Benefit calculations & quotes 	<ul style="list-style-type: none"> Communication & education materials Participant contact center (toll-free assistance) 	<ul style="list-style-type: none"> Personal login on principal.com Pre/Post retirement certificates 	<ul style="list-style-type: none"> Restricted benefit calculation Web-based benefits calculator (not available for all plan designs)

Additional Services



Optional Services Elected	Quarterly Reports	Included
	Plan documents - custom	Charged at time of service
	Summary plan description - custom	Included

The Optional Services listed above are included in the fees illustrated on page 1 unless stated otherwise.

To help ensure your specific retirement plan needs are met, you may elect to include Optional Services as part of the overall service package provided for your plan. A comprehensive list of Optional Services is available on request. Additional fees may apply.

Transactional Services/Fees	Defined Benefit (DB) Participant Distributions:	\$40.00 per distribution
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The DB participant distribution fee is a plan-level fee and will be collected according to the collection method established for other plan fees. This fee does not apply to distributions in the form of annuities.

Important Information



- This Fee Summary is based on the following information:
 - This is a Defined Benefit plan.
 - State of Delivery: SOUTH DAKOTA
 - Up to 32 investment options may be used. Additional investments may incur a fee.
 - An individually designed (custom) plan document will be used. Applicable fees for your custom plan draft and any future changes to your plan document will be billed directly to you at the time the service is performed. If summary plan description (SPD) services are provided, applicable fees for SPD draft, future changes and/or printing will be billed at the time the SPD's are mailed.
 - Applicable custom plan SPD fees are included in the illustrated fees for the initial drafting and printing.
 - Coding changes to implement and operate employer requested amended or restated plan provisions on custom plan documents or outside plan documents will be charged at the time the service is performed.
 - We reserve the right to adjust fees if plan characteristics are incorrect or should change. This expense projection is valid for 120 days from the Print Date.
- Deposit Year End Date: 06/30/2018
- The First Deposit Year begins on the stated effective date and ends on the Deposit Year End Date. Subsequent Deposit Years end on the 12-month anniversary of the deposit Year End Date.
- This Fee Summary must be presented by an individual licensed in the applicable State of Delivery. Individual may also need to be a Registered Representative if registered securities are involved.
- This Fee Summary is for illustrative purposes only and does not create, affect or alter any past, present or future agreement or understanding.
- Principal Life is not paying broker compensation to any Financial Professional for your plan. You may direct us to pay third parties from plan assets, including Financial Professionals. If you want information regarding any Financial Professional compensation, please contact your Financial Professional for this information.
- An individual consultative discussion with your actuarial team regarding annual funding results will be provided.
- This Fee Summary Principal Life Insurance Company (Principal Life), a member company of The Principal, is submitting for your consideration is based on information concerning your plan submitted to The Principal by your representative. The proposal reflects specific rate level / share class(es) that you and your representative decided upon. You should consider whether the rate level/share class(es) illustrated is most appropriate for you.
- The Fee Summary is based on our understanding of the plan at this time. We reserve the right to adjust these expenses if any assumptions are incorrect or should change upon a review of your plan documents, most recent actuarial valuation, or plan records. We expect that we will receive data in good-working order and all necessary documents and information in a timely manner.
- Capitalized terms not defined in this Fee Summary have the same meaning assigned to them under other applicable agreements or contracts.

Important Information



- The Investment Providers and distributors of certain products and investment options have chosen to offer for sale fund share classes and rate levels with service-and distribution-related fees that may or may not be higher than other available share classes or rate levels of the same product or investment option.
- Financial Professionals can make available a variety of products and investment options from a variety of Investment Providers.
- Investment information given or made available to your Financial Professional or you is, without regard to the individualized needs of any plan, a platform from which you or another plan fiduciary may select or use to monitor investment alternatives. Principal and its affiliates and their employees will not be undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, unless agreed to separately in writing. You, or another appropriate plan fiduciary, may select a different platform (or set of investment options) which may have an effect on pricing.

- 1 Total is reflected in basis points as a percentage of plan assets being recordkept by Principal Life. It includes the sum of the Total Investment Expense Net, Your Billed/Deducted Fee and is based on the investment options illustrated and chosen service package. It does not include such items as float, slippage/breakage, certain optional services or other qualified plan expenses that may be incurred from other service providers. Fees include Principal Trust Company Directed Trust Services or Custodial Services, if applicable. With respect to the establishment and operation of its separate accounts, Principal Life may receive financial benefits as the result of the application of U.S. Tax law. There is no certainty from year to year what, if any, tax benefits Principal Life will receive. Principal Life cannot provide a meaningful estimate of any tax benefit, if any, that Principal Life may receive. Any such benefit, if received, is dependent on the U.S. tax laws, and is a consequence of activity within a particular separate account. The possibility that Principal Life will receive any financial benefits as a result of the application of U.S. tax laws to the activities of its separate accounts does not influence the investment strategy of Principal Life.
- 2 The fee allocated to Recordkeeping Services is the sum of Your Billed / Deducted Fee and Revenue Sharing to Recordkeeper.
- 3 Affiliates of Principal Life may receive fees as the Investment Provider and/or the Investment Sub-Advisor for certain investment options. These fees are reflected in this column. The term Investment Provider refers to the providers (i.e. manufacturers) of the investment options we make available to employer-sponsored retirement and savings plans. The Investment Provider may or may not be the same entity as the Investment Manager or Sub-Advisor. Please see prospectus for the Investment Provider for mutual fund investment options. Principal Life is the Investment Provider for all Separate Accounts and pays fees for sub-advisory services to the Investment Manager or Sub-Advisor. When affiliates of Principal Life are both Investment Provider and Recordkeeper, amounts in this column and the Revenue Sharing to Recordkeeper column are determined based on internal allocation assumptions.
- 4 These are amounts Principal Life as Recordkeeper or an affiliate expects to receive in connection with the services provided to your plan. In the case of mutual funds, these amounts, which include 12b-1 fees, are paid from the mutual funds, including mutual funds provided by an affiliate of Principal Life. Any 12b-1 fees are paid to Principal Securities, Inc. an affiliate of Principal Life. For investment options other than Separate Accounts, these amounts are paid pursuant to contracts between the investment options and Principal Life or its affiliates for services Principal Life or its affiliates provide to retirement plans on behalf of the investment options. In the case of Separate Accounts, these are amounts that are retained by Principal Life, the Investment Provider of the Separate Accounts, and are allocated to recordkeeping based on internal allocation assumptions. Depending on the rate level or share class selected and the agreements in place, a fee credit may be applied to have the effect of reducing the amount of Revenue Sharing Principal Life attributes to the providing of services to the plan. Amounts shown in this column are taken into consideration in setting the price for the investment and service package and do not offset our fees on a dollar-for-dollar basis. For plans that have not entered into a service agreement with Principal Life to provide recordkeeping services, these amounts are for additional administrative and/or reporting services. The Principal LifeTime investment options, Principal LifeTime Hybrid Collective Investment Funds and Principal Strategic Asset Management (SAM) Portfolios invest in underlying investment options. As a result, Total Investment Expense and revenue figures include expenses incurred by the underlying investment options proportionate to their allocations. These underlying expenses and revenue fluctuate throughout the year and are typically updated on an annual basis. We expect the range of fluctuation in disclosed revenue will be no more than an increase or decrease of 0.03%. If the disclosed revenue changes by more than 0.03%, we will notify the plan fiduciary.
- 5 Total Investment Expense Net is the gross total investment expense less any fee waivers, reimbursements, caps, or reduction of expenses for the investment options, as well as any operating expenses. These are the expenses, as a percentage of net assets, actually borne by the investment option, including interest expense.
- 6 Total expected fees paid through investment options are an estimate based on the expected amount for each investment option as shown in the table. Fees actually paid through investment options will depend on the investment options chosen for the plan and the value of plan assets directed to those investment options.
- 7 For comprehensive warranty details on the levels of coverage we offer, see the Service Warranty document. Principal Life is not a fiduciary in the broader context of operating any plan.

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 calling 1-800-547-7754. Read the prospectus carefully before investing.

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 visit principal.com.

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

Specialty investment options may experience greater volatility than funds with a broader investment strategy due to sector focus. These investment options are not intended to serve as a complete investment program by itself.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

International investing involves increased risks due to currency fluctuations, political or social instability, and differences in accounting standards. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indices reflects the unmanaged result for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked. Investors cannot invest directly in an index.

The Investment Manager or Sub-Advisors will display "Multiple Sub-Advisors" for investment options where the assets are directed by the Investment Manager to multiple underlying investment options. These underlying investment options may use multiple sub-advisors who are responsible for the day-to-day management responsibilities.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal mutual funds are part of the Principal Funds, Inc series. Principal Funds, Inc is distributed by Principal Funds Distributor, Inc. Securities are offered through Principal Securities, Inc., 1-800-547-7754, member SIPC and/or independent broker dealers. Securities sold by a Principal Securities Registered Representative are offered through Principal Securities. Principal Funds Distributor, Principal Securities and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

Disclosures



Any Financial Professional making available any insurance product must be licensed by the appropriate state. Insurance producers are authorized by their license to confer with purchasers about the benefits, terms and conditions of group annuity contracts; to sell group annuity contracts and to obtain group annuity contracts for purchasers. The role of the financial professional in any particular transaction typically involves one or more of these activities.

Depending on the contract(s) the purchaser selects, compensation will be paid by the issuer(s) selling the contract or by another third party to the financial professional. Such compensation may vary depending on a number of factors, including the contract(s) and the issuer(s) the purchaser selects, the volume of business a financial professional provides and the profitability of business sold.

The purchaser may obtain information about compensation expected to be received by the financial professional by requesting such information from the financial professional.

New Fee Summary Effective 7/1/17

Retirement Plan Fee Summary

As of 04/21/2017

Fee for SOUTH DAKOTA DEPARTMENT OF LABOR	Your Deducted Fee	\$115,000
	Total Investment Expense Net	0.39%
	Total ¹	0.59%

Recordkeeping Services include Core Services and Optional Services. Core Services include benefit calculations and benefit quote services. There are no additional fees from any member company of the Principal Financial Group® for this service package.

* See *Investment Options* on page 2 for more details.

See *Core Service Snapshot and Optional Services* on pages 4 and 5 for more details.

Plan Characteristics	Current Assets: \$56,559,452
	Annual Deposits: \$0
	Current Active Participants: 8
	Vested Terminated Participants: 1
	Retired Lives: 212

How the fee is allocated

Recordkeeping Services ²
\$115,000
Revenue Retained by Investment Provider
0.39%

Investment Options



The investment line-up illustrated below were requested by either the Plan Fiduciary, Financial Professional or Plan Sponsor. Fees are deducted prior to calculating the published return. These fees make up the Total Investment Expense Net. A portion of the Total Investment Expense Net may be retained by the Investment Provider as revenue to help cover the cost of providing professional investment management and the cost of marketing the investment option. The Investment Provider may also pay a portion to the plan Recordkeeper as revenue sharing to help cover the cost of the plan's recordkeeping and service package. **The chart below details the amount of revenue retained by the Investment Provider and paid to the Recordkeeper for each investment option.**

Inv Manager or Sub-Advisor	Investment Option	Current Assets	Revenue Retained by Investment Provider ³	+	Revenue Sharing to Recordkeeper ⁴	=	Total Investment Expense Net ⁵
Principal Global/Barrow Hanley	MidCap Value III Separate Account-Z	\$1,142,501	0.39%	+	0.00%	=	0.39%
Principal Global Investors	Liquid Assets Separate Account-Z	\$0	0.18%	+	0.00%	=	0.18%
Principal Global Investors	International Emerging Markets Separate Account-Z	\$984,135	0.69%	+	0.00%	=	0.69%
Principal Global Investors/DFA	International SmallCap Separate Account-Z	\$1,046,350	0.69%	+	0.00%	=	0.69%
Principal Global Investors	LargeCap Value Separate Account-Z	\$3,817,763	0.25%	+	0.00%	=	0.25%
Principal Real Estate Inv	U.S. Property Separate Account-Z	\$3,416,191	0.75%	+	0.00%	=	0.75%
Principal Global Investors	Core Plus Bond Separate Account-Z	\$14,349,133	0.25%	+	0.00%	=	0.25%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-Z	\$3,370,943	0.05%	+	0.00%	=	0.05%
Robert Baird/William Blair	MidCap Growth III Separate Account-Z	\$1,170,781	0.69%	+	0.00%	=	0.69%
AB/Brown/Emerald	SmallCap Growth I Separate Account-Z	\$588,218	0.77%	+	0.00%	=	0.77%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-Z	\$8,218,088	0.41%	+	0.00%	=	0.41%
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-Z	\$542,971	0.78%	+	0.00%	=	0.78%
JP Morgan / Neuberger Berman	High Yield I Separate Account-Z	\$2,290,658	0.49%	+	0.00%	=	0.49%
Causeway / Barrow Hanley	Overseas Separate Account-Z	\$5,757,753	0.71%	+	0.00%	=	0.71%
Edge Asset Management, Inc.	Equity Income Separate Account-Z	\$3,930,882	0.30%	+	0.00%	=	0.30%
Mellon Capital Mgmt	Bond Market Index Separate Account-Z	\$4,767,962	0.15%	+	0.00%	=	0.15%

SOUTH DAKOTA DEPARTMENT OF LABOR

Investment Options

Inv Manager or Sub-Advisor	Investment Option	Current Assets	Revenue Retained by Investment Provider ³	+	Revenue Sharing to Recordkeeper ⁴	=	Total Investment Expense Net ⁵
Multiple Sub-Advisors	Diversified Real Asset Separate Account-Z	\$1,165,125	0.66%	+	0.00%	=	0.66%
		\$56,559,452					
	Total Expected Fees paid through investment options:⁶		0.39%	+	0.00%	=	0.39%
	Expressed as a dollar amount		\$220,465	+	\$0	=	\$220,465

Core Service Snapshot



You receive a package of Core Services to help ensure your retirement plan needs are met. In addition to necessary plan services, our Core Services include a number of value-added features to help make managing your retirement plan easier. Principal Life Insurance Company stands behind our services with our Service Warranty⁷; providing a promise of quality service and level of indemnification protection. The listing of our core services and optional services selected by you can be found in your Service and Expense Agreement. You will also have access to an updated list of available services on principal.com.

Our Core Services are provided as part of the fees for Recordkeeping listed on page 1.

A comprehensive list of Core Services is available upon request.

General Services & Reports	<ul style="list-style-type: none"> Client service team Communication & education plan Comprehensive investment option material & reporting 	<ul style="list-style-type: none"> Electronic fund transfer Eligibility determination (not available for all plan designs) Employer login on principal.com 	<ul style="list-style-type: none"> Plan sponsor newsletter Plan transition services Due diligence process Service Warranty⁷ 	<ul style="list-style-type: none"> Retiree listing Retirement Plan & Investment Review
Data Management	<ul style="list-style-type: none"> Electronic data reporting 	<ul style="list-style-type: none"> Participant required contributions (not available for all plan designs) 	<ul style="list-style-type: none"> Recordkeeping - maintain historical compensation, DOB, DOH, & track years of service 	<ul style="list-style-type: none"> Retirement benefit limitation monitoring Vesting records
Distribution Services	<ul style="list-style-type: none"> Benefit event process - including required tax withholding 	<ul style="list-style-type: none"> Benefit distributions & annuity payments Death claims 	<ul style="list-style-type: none"> QDRO recordkeeping & distributions Required minimum distributions 	<ul style="list-style-type: none"> Small amounts recordkeeping and payouts
Plan Compliance & Government Filing Services	<ul style="list-style-type: none"> 410(b) ratio percentage test 415 limit calculation 	<ul style="list-style-type: none"> Audit package, as required Form 5500 series annual reports 	<ul style="list-style-type: none"> Government relations PBGC filing Plan compliance testing, as needed 	<ul style="list-style-type: none"> Plan qualification forms SOC1 report
Consulting Services	<ul style="list-style-type: none"> Information & resources for fiduciaries Legislative updates 	<ul style="list-style-type: none"> Merger & acquisition assistance Plan benchmarking information 	<ul style="list-style-type: none"> Plan compliance assistance Replacement ratio & needs analysis 	<ul style="list-style-type: none"> Research / technical assistance White papers
Participant Services	<ul style="list-style-type: none"> Annual participant statement Beneficiary notices Benefit calculations & quotes 	<ul style="list-style-type: none"> Communication & education materials Participant contact center (toll-free assistance) 	<ul style="list-style-type: none"> Personal login on principal.com Pre/Post retirement certificates 	<ul style="list-style-type: none"> Restricted benefit calculation Web-based benefits calculator (not available for all plan designs)

Additional Services



Optional Services Elected	Quarterly Reports	Included
	Plan documents - custom	Charged at time of service
	Summary plan description - custom	Included

The Optional Services listed above are included in the fees illustrated on page 1 unless stated otherwise.

To help ensure your specific retirement plan needs are met, you may elect to include Optional Services as part of the overall service package provided for your plan. A comprehensive list of Optional Services is available on request. Additional fees may apply.

Transactional Services/Fees	Defined Benefit (DB) Participant Distributions:	\$40.00 per distribution
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The DB participant distribution fee is a plan-level fee and will be collected according to the collection method established for other plan fees. This fee does not apply to distributions in the form of annuities.

Important Information



- This Fee Summary is based on the following information:
 - This is a Defined Benefit plan.
 - Deducted fees are determined and processed monthly.
 - State of Delivery: SOUTH DAKOTA
 - Up to 32 investment options may be used. Additional investments may incur a fee.
 - An individually designed (custom) plan document will be used. Applicable fees for your custom plan draft and any future changes to your plan document will be billed directly to you at the time the service is performed. If summary plan description (SPD) services are provided, applicable fees for SPD draft, future changes and/or printing will be billed at the time the SPD's are mailed.
 - Applicable custom plan SPD fees are included in the illustrated fees for the initial drafting and printing.
 - Coding changes to implement and operate employer requested amended or restated plan provisions on custom plan documents or outside plan documents will be charged at the time the service is performed.
 - We reserve the right to adjust fees if plan characteristics are incorrect or should change. This expense projection is valid for 120 days from the Print Date.
- Deposit Year End Date: 06/30/2018
- The First Deposit Year begins on the stated effective date and ends on the Deposit Year End Date. Subsequent Deposit Years end on the 12-month anniversary of the deposit Year End Date.
- This Fee Summary must be presented by an individual licensed in the applicable State of Delivery. Individual may also need to be a Registered Representative if registered securities are involved.
- This Fee Summary is for illustrative purposes only and does not create, affect or alter any past, present or future agreement or understanding.
- Principal Life is not paying broker compensation to any Financial Professional for your plan. You may direct us to pay third parties from plan assets, including Financial Professionals. If you want information regarding any Financial Professional compensation, please contact your Financial Professional for this information.
- An individual consultative discussion with your actuarial team regarding annual funding results will be provided.
- This Fee Summary Principal Life Insurance Company (Principal Life), a member company of The Principal, is submitting for your consideration is based on information concerning your plan submitted to The Principal by your representative. The proposal reflects specific rate level / share class(es) that you and your representative decided upon. You should consider whether the rate level/share class(es) illustrated is most appropriate for you.
- The Fee Summary is based on our understanding of the plan at this time. We reserve the right to adjust these expenses if any assumptions are incorrect or should change upon a review of your plan documents, most recent actuarial valuation, or plan records. We expect that we will receive data in good-working order and all necessary documents and information in a timely manner.

Important Information



- Capitalized terms not defined in this Fee Summary have the same meaning assigned to them under other applicable agreements or contracts.
- The Investment Providers and distributors of certain products and investment options have chosen to offer for sale fund share classes and rate levels with service-and distribution-related fees that may or may not be higher than other available share classes or rate levels of the same product or investment option.
- Financial Professionals can make available a variety of products and investment options from a variety of Investment Providers.
- Investment information given or made available to your Financial Professional or you is, without regard to the individualized needs of any plan, a platform from which you or another plan fiduciary may select or use to monitor investment alternatives. Principal and its affiliates and their employees will not be undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, unless agreed to separately in writing. You, or another appropriate plan fiduciary, may select a different platform (or set of investment options) which may have an effect on pricing.

- 1 Total is reflected in basis points as a percentage of plan assets being recordkept by Principal Life. It includes the sum of the Total Investment Expense Net, Your Billed/Deducted Fee and is based on the investment options illustrated and chosen service package. It does not include such items as float, slippage/breakage, certain optional services or other qualified plan expenses that may be incurred from other service providers. Fees include Principal Trust Company Directed Trust Services or Custodial Services, if applicable. With respect to the establishment and operation of its separate accounts, Principal Life may receive financial benefits as the result of the application of U.S. Tax law. There is no certainty from year to year what, if any, tax benefits Principal Life will receive. Principal Life cannot provide a meaningful estimate of any tax benefit, if any, that Principal Life may receive. Any such benefit, if received, is dependent on the U.S. tax laws, and is a consequence of activity within a particular separate account. The possibility that Principal Life will receive any financial benefits as a result of the application of U.S. tax laws to the activities of its separate accounts does not influence the investment strategy of Principal Life.
- 2 The fee allocated to Recordkeeping Services is the sum of Your Billed / Deducted Fee and Revenue Sharing to Recordkeeper.
- 3 Affiliates of Principal Life may receive fees as the Investment Provider and/or the Investment Sub-Advisor for certain investment options. These fees are reflected in this column. The term Investment Provider refers to the providers (i.e. manufacturers) of the investment options we make available to employer-sponsored retirement and savings plans. The Investment Provider may or may not be the same entity as the Investment Manager or Sub-Advisor. Please see prospectus for the Investment Provider for mutual fund investment options. Principal Life is the Investment Provider for all Separate Accounts and pays fees for sub-advisory services to the Investment Manager or Sub-Advisor. When affiliates of Principal Life are both Investment Provider and Recordkeeper, amounts in this column and the Revenue Sharing to Recordkeeper column are determined based on internal allocation assumptions.
- 4 These are amounts Principal Life as Recordkeeper or an affiliate expects to receive in connection with the services provided to your plan. In the case of mutual funds, these amounts, which include 12b-1 fees, are paid from the mutual funds, including mutual funds provided by an affiliate of Principal Life. Any 12b-1 fees are paid to Principal Securities, Inc. an affiliate of Principal Life. For investment options other than Separate Accounts, these amounts are paid pursuant to contracts between the investment options and Principal Life or its affiliates for services Principal Life or its affiliates provide to retirement plans on behalf of the investment options. In the case of Separate Accounts, these are amounts that are retained by Principal Life, the Investment Provider of the Separate Accounts, and are allocated to recordkeeping based on internal allocation assumptions. Depending on the rate level or share class selected and the agreements in place, a fee credit may be applied to have the effect of reducing the amount of Revenue Sharing Principal Life attributes to the providing of services to the plan. Amounts shown in this column are taken into consideration in setting the price for the investment and service package and do not offset our fees on a dollar-for-dollar basis. For plans that have not entered into a service agreement with Principal Life to provide recordkeeping services, these amounts are for additional administrative and/or reporting services. The Principal LifeTime investment options, Principal LifeTime Hybrid Collective Investment Funds and Principal Strategic Asset Management (SAM) Portfolios invest in underlying investment options. As a result, Total Investment Expense and revenue figures include expenses incurred by the underlying investment options proportionate to their allocations. These underlying expenses and revenue fluctuate throughout the year and are typically updated on an annual basis. We expect the range of fluctuation in disclosed revenue will be no more than an increase or decrease of 0.03%. If the disclosed revenue changes by more than 0.03%, we will notify the plan fiduciary.
- 5 Total Investment Expense Net is the gross total investment expense less any fee waivers, reimbursements, caps, or reduction of expenses for the investment options, as well as any operating expenses. These are the expenses, as a percentage of net assets, actually borne by the investment option, including interest expense.
- 6 Total expected fees paid through investment options are an estimate based on the expected amount for each investment option as shown in the table. Fees actually paid through investment options will depend on the investment options chosen for the plan and the value of plan assets directed to those investment options.
- 7 For comprehensive warranty details on the levels of coverage we offer, see the Service Warranty document. Principal Life is not a fiduciary in the broader context of operating any plan.

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 calling 1-800-547-7754. Read the prospectus carefully before investing.

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 visit principal.com.

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

Specialty investment options may experience greater volatility than funds with a broader investment strategy due to sector focus. These investment options are not intended to serve as a complete investment program by itself.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

International investing involves increased risks due to currency fluctuations, political or social instability, and differences in accounting standards. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indices reflects the unmanaged result for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked. Investors cannot invest directly in an index.

The Investment Manager or Sub-Advisors will display "Multiple Sub-Advisors" for investment options where the assets are directed by the Investment Manager to multiple underlying investment options. These underlying investment options may use multiple sub-advisors who are responsible for the day-to-day management responsibilities.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal mutual funds are part of the Principal Funds, Inc series. Principal Funds, Inc is distributed by Principal Funds Distributor, Inc. Securities are offered through Principal Securities, Inc., 1-800-547-7754, member SIPC and/or independent broker dealers. Securities sold by a Principal Securities Registered Representative are offered through Principal Securities. Principal Funds Distributor, Principal Securities and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

Disclosures



Any Financial Professional making available any insurance product must be licensed by the appropriate state. Insurance producers are authorized by their license to confer with purchasers about the benefits, terms and conditions of group annuity contracts; to sell group annuity contracts and to obtain group annuity contracts for purchasers. The role of the financial professional in any particular transaction typically involves one or more of these activities.

Depending on the contract(s) the purchaser selects, compensation will be paid by the issuer(s) selling the contract or by another third party to the financial professional. Such compensation may vary depending on a number of factors, including the contract(s) and the issuer(s) the purchaser selects, the volume of business a financial professional provides and the profitability of business sold.

The purchaser may obtain information about compensation expected to be received by the financial professional by requesting such information from the financial professional.

Investment Change Letter

[Required to be on the plan sponsor's company stationery, not the financial professional's.]

05/15/2017

Justin Pittman
PrincipalLife Insurance Company

RE: South Dakota Department of Labor
Contract / Plan ID Number: 4-15193

Dear Justin,

The investment committee or other appropriate plan fiduciary of South Dakota Department of Labor Pension Plan has decided to make the following changes to the investment options currently available in the plan.

We have reviewed and we accept the pricing proposal number 536868 that outlines the following investment option changes.

CHANGE RATE LEVEL

Effective 06/01/2017, please process a rate level conversion for the separate accounts in our line-up as outlined below.

INVESTMENT ADVISOR	INVESTMENT OPTION	CURRENT RATE LEVEL	NEW RATE LEVEL
Principal Global Investors	Equity Income Separate Account-R6	R6	Z
Principal Global Investors	LargeCap Value Separate Account-R6	R6	Z
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6	R6	Z
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6	R6	Z
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6	R6	Z
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6	R6	Z
AB/Brown/Emerald	SmallCap Growth I Separate Account-R6	R6	Z
Robert Baird/William Blair	MidCap Growth III Separate Account-R6	R6	Z
Principal Global Investors	International Emerging Markets Separate Account-R6	R6	Z
Causeway / Barrow Hanley	Overseas Separate Account-R6	R6	Z
Principal Global Investors/DFA	International SmallCap Separate Account-R6	R6	Z
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6	R6	Z
Principal Global Investors	Liquid Assets Separate Account-R6	R6	Z
JP Morgan / Neuberger Berman	High Yield I Separate Account-R6	R6	Z
Mellon Capital Mgmt	Bond Market Index Separate Account-R6	R6	Z

Principal Global Investors	Core Plus Bond Separate Account-I2	R6	Z
Principal Real Estate Inv	U.S. Property Separate Account-R6	R6	Z

This letter serves as my request to Principal Life Insurance Company to process these investment option changes. Please forward any necessary contract documents to my attention. If you have any questions, please contact me.

Sincerely,

cc: Paula Zellmer

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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Fee Credit

Fee Credit Attachment

This attachment is designed to provide additional information about selected Investment Options (Separate Account rate levels or Collective Investment Trust (CIT) share classes) that is not described in any other current attachment to the Agreement. This attachment is not designed to replace or modify any other attachment or any part of the Agreement, except as may be expressly set out below. This attachment applies to the Investment Options illustrated both on the Fee Summary and the Notice of Fee Credit supplied.

This attachment can be added to the Agreement and, once added, will become a binding part of this Agreement, modified, or severed from and cease to be a part of this Agreement, if the Parties agree, in a signed writing, with regard to the Plan.

The provisions outlined in this attachment apply to the following Plan: SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT DIVISION, AND OFFICE OF ADMIN SVCS RET PLAN A

Fee Credit

A rate level of the Separate Account or share class of the CIT which may provide a Fee Credit has been selected. Such Fee Credit will be based on, and limited to, the amount of revenue sharing, if any, provided to us as the recordkeeper by the underlying investment holding(s) in which the Separate Account or CIT invests and has the effect of reducing the total expense of the Separate Account or CIT. The amount of the Fee Credit associated with the Separate Accounts or CIT selected will be reflected in the Notice of Fee Credit which is provided to you electronically through the employer login at www.principal.com. The amounts reflected in the Revenue Sharing to Recordkeeper and Total Investment Expense Net columns of your Fee Summary are net of any applicable Fee Credits.

The Separate Account's or CIT's Fee Credit, if any, is credited pro rata (i.e., 1/365th of x percent) on each valuation date for the number of calendar days within the "Valuation Period" ending on such valuation date. "Valuation Period" means the number of days between the end of one valuation date and the end of the next following valuation date.

A change in the Fee Credit may occur as a result of a change in the amount of revenue sharing provided by the underlying investment holding(s). As a result, we will change the Fee Credit in order to maintain the agreed upon revenue sharing paid to us as the recordkeeper. Notice of such a change will be made electronically via the Sponsor Service Center.

The Plan may terminate this arrangement at any time by selecting Investment Options to which a Fee Credit does not apply. Information regarding the revenue sharing available can be provided on any Investment Option available under the Plan.

By signing this attachment, you agree to have this attachment made a part of the Agreement for all purposes. You also represent that you have the authority to sign this attachment and that this attachment, once fully signed, will constitute a binding and valid part of the Agreement. Each individual signing this attachment represents and warrants that she or he has, by themselves or together with any other persons signing this attachment for the same Party, the authority to sign this attachment and make it binding on the Party for whom that person is signing.

No change is made to the Agreement other than as specifically set out in this attachment.

Effective date of this attachment: 06/01/2017

Plan Fiduciary Signature

Date

Print Name and Title

Notice of Fee Credit

Notice of Fee Credit

This notice lists the Fee Credit for the investment option(s) which Principal Life Insurance Company (we, us, our) makes available. A Fee Credit is dependent on the investment option(s) selected for the retirement plan. Fee Credits are not applicable to all investment options or rate levels.

Availability of Investment Options

Investment options may or may not be available to you as some investment options may not be available to all plan types, or in all states and the District of Columbia. For information regarding the availability of an investment option, please contact your representative from the Principal Financial Group®.

Future Changes - Notification

We will notify you of any changes in the Fee Credit amount for affected investment options. A Fee Credit change may occur as a result of a change in the amount of revenue sharing provided to us as the recordkeeper by the underlying investment holding(s) (Total Amount of Revenue Sharing).

Principal Separate Account¹	Total Amount of Revenue Sharing	Amount of Fee Credit	Revenue Sharing to Recordkeeper²
Bond Market Index Separate Account-Z ⁴	0.00%	N/A	0.00%
Core Plus Bond Separate Account-Z ⁴	0.00%	N/A	0.00%
Diversified Real Asset Separate Account-Z ³	0.23%	0.23%	0.00%
Equity Income Separate Account-Z ³	0.22%	0.22%	0.00%
High Yield I Separate Account-Z ³	0.17%	0.17%	0.00%
International Emerging Markets Separate Account-Z ⁴	0.00%	N/A	0.00%
International SmallCap Separate Account-Z ⁴	0.00%	N/A	0.00%
LargeCap Growth I Separate Account-Z ³	0.21%	0.21%	0.00%
LargeCap S&P 500 Index Separate Account-Z ⁴	0.00%	N/A	0.00%
LargeCap Value Separate Account-Z ⁴	0.00%	N/A	0.00%
Liquid Assets Separate Account-Z ⁴	0.00%	N/A	0.00%
MidCap Growth III Separate Account-Z ³	0.27%	0.27%	0.00%
MidCap Value III Separate Account-Z ⁴	0.00%	N/A	0.00%
Overseas Separate Account-Z ³	0.36%	0.36%	0.00%
SmallCap Growth I Separate Account-Z ³	0.26%	0.26%	0.00%
SmallCap Value II Separate Account-Z ³	0.27%	0.27%	0.00%
U.S. Property Separate Account-Z ⁴	0.00%	N/A	0.00%

¹See the group annuity contract for the full name of the Separate Account.

²Amounts are also reflected in the Retirement Plan Fee Summary.

³The assets of these Separate Accounts consist of shares of an underlying Mutual Fund. Management fees are paid from the Mutual Fund. Please see the appropriate prospectus for such charges. In addition to these charges, the underlying Mutual Fund will bear a pro-rata share of the expenses of any other fund in which it may invest, if applicable. The management fee may be all of part of the Total Investment Expense paid by the plan, and the Fee Credit has the effect of reducing the Total Investment Expense.

⁴A Fee Credit is not applicable to these Separate Accounts.

Plan Analysis & Trends

Retirement Program Overview

SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT DIVISION, AND OFFICE OF ADMIN SVCS RET PLAN A

Defined Benefit Plan		
SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT Contract/Plan ID Number 4-15193		
Participant Details	06/30/2016	03/31/2017
Total Plan Participants	10	9
Active Participants	8	7
Terminated Participants	2	2
Retired Participants	215	209

Internet Usage	2016	2017	
Internet Sessions	1	2	
Internet Users	1	1	
Number of Quotes produced via the Estimated Benefit Calculator			

Investment Demographics & Investment Review Defined Benefit Plan		
SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT Contract/Plan ID Number 4-15193		
Total Plan Assets	06/30/2015	06/30/2016
	60683663.91	55961172.48

Investment Balances by Asset Class			
		03/31/2017	
Asset Class	06/30/2016	Total	Percent of Total Assets
Large U.S. Equity	\$18,834,401	\$19,460,967	34.2%
Small/ Mid U.S. Equity	\$3,458,257	\$3,478,013	6.1%
International Equity	\$7,123,358	\$7,899,767	13.9%
Balanced/ Asset Allocation	\$1,169,349	\$1,164,752	2%
Fixed Income	\$25,375,807	\$24,970,178	43.8%

Disclosures

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

High-yield investment options are subject to greater credit risk associated with high yield bonds.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

Specialty investment options may experience greater volatility than funds with a broader investment strategy due to sector focus. These investment options are not intended to serve as a complete investment program by itself.

Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Each index-based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged result for the market segment the selected stocks or bonds represent. There is no assurance an index-based investment option will match the performance of the index tracked.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation/diversification does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risk.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

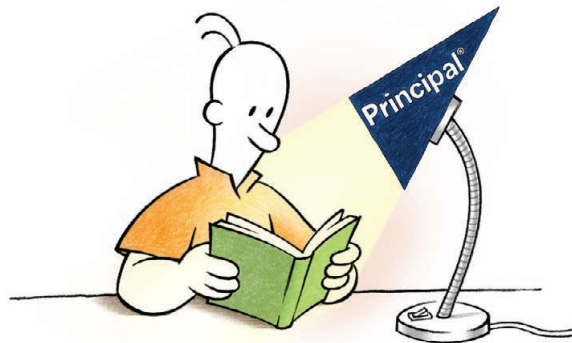
Insurance products and plan administrative services are provided by Principal Life Insurance Company, a member of the Principal Financial Group® (The Principal®), Des Moines, IA 50392.

Plan design – action guided by vision

Every retirement program is different – just as every organization is different. Your retirement program has to reflect the unique needs of your organization and employee base, a competitive environment and cost constraints.

We take a consultative approach to your retirement program plan design. Our goal is to help make your job easier and your retirement program more effective.

We provide you with targeted support to help you explore various plan design solutions to respond to your needs as well as the needs of your participants.



We will continue to work with you to incorporate the latest thinking in plan design, administrative outsourcing, support for your fiduciary compliance, and much more for your retirement program.

Vision. Collaboration. Action. | The Principal Financial Group®

Your Plan Provisions

Entry Requirements

- A minimum age is not required.
- Service is not required.
- Any Employee of the Employer, including an Employee who is on probationary status (providing his employment commenced before July 1, 1980), and excluding the following: An Employee who is not employed on a full-time permanent status. Full-time permanent status means an Employee works an average of 20 hours per week, or in the opinion of the Employer, can be expected to work an average of 20 hours per week over the next year). An Employee who has elected to become a member of the state retirement system of the state of South Dakota on or after July 1, 1980 and before July 1, 1981. An Employee who retired prior to January 1, 1987.
- Entry date is the first day of the pay period on which he is an Eligible Employee.
- However, in no event may an Employee whose employment begins on or after July 1, 1980, become an Active Participant.

Normal Retirement

- Age 60

Plan Distributions

- Retirement
- Early Retirement
- Death
- Disability
- Termination of employment

Vesting

- Less than 5 years, 0%; 5 years or more, 100%.

Average Compensation

- The average of an Employee's Monthly Compensation for the 5 consecutive Compensation Dates (all Compensation Dates, if less than 5) with the highest average out of all Compensation Dates.

Accrual Service

Credited Service

- The sum of (a) and (b) below: (a) His Credited Past Service before August 1, 1961. (b) The total of his continuous service with the Employer on and after August 1, 1961, expressed in whole years and fractional parts of a year.

Retirement Benefit

- Normal retirement benefit. An Active Participant's monthly Accrued Benefit will be equal to the product of (a) and (b) below: (a) An amount equal to 2% of his Average Compensation. (b) His Credited Service on such date.
- Early retirement benefit. Within 10 years of Normal Retirement Date (age 50 and completed 20 years of Credited Service or completed 25 years of Credited Service for a Participant who ceased to be an Employee as a result of his Involuntary Termination of Employment). Accrued benefit on early retirement date reduced by 1/6 of 1% for each month his early retirement date precedes his normal retirement date (the date he would reach age 55, if his early retirement date is the result of his Involuntary Termination of Employment).

Death Benefits

If married at least one year, is survived by a Dependent Child, and has not ceased to be an Employee, monthly payments will be made to the surviving spouse (if there is not a surviving spouse, to the person who in the Plan Administrator's opinion, has assumed the principal support of the Dependent Child) as follows:

- The amount of payments to the surviving spouse are equal to: (1) for a Participant whose latest date of employment occurred before he attained age 47, the greater of (i) 55% of his Accrued Benefit on the date of his death, or (ii) 22% of his Average Compensation on the date of his death. (2) for a Participant whose latest date of employment occurred after he attained age 47, 55% of the amount of monthly retirement benefit expected to become payable to him on the date he attains age 60, assuming his employment continues and his Monthly Compensation remains unchanged.
- The amount of payments to the Dependent Child are equal to: (1) for each Dependent Child of a Participant who has a spouse on the date of his death, the least of (i) 60% of his Average Compensation on the date of his death, divided by the number of Dependent Children, or (ii) \$75, or (iii) \$225, divided by the number of Dependent Children. The above payments to a Dependent Child are in addition to the payments made to the surviving spouse. (2) for each Dependent Child of a Participant who does not have a spouse on the date of his death, the least of (i) 75% of his Average Compensation on the date of his death, divided by the number of Dependent Children, or (ii) \$90, or (iii) \$270, divided by the number of Dependent Children.
- The above death benefits shall begin on the first day of the month after the Participant dies and shall continue until the later of (a) the date the surviving spouse dies, or (b) the date there no longer is a Dependent Child. In any event, if the surviving spouse remarries prior to the attainment of age 60, no further monthly payments shall be made after the first day of the month immediately preceding the date of the spouse's remarriage.

- Benefits payable to the Dependent Children of a Participant who did not have a spouse on the date of his death shall be assumed to continue until the date the youngest Dependent Child attains age 22.

In addition, a single sum benefit equal to the Participant's Required Contribution Account is payable to his Beneficiary.

Please see the plan document or summary plan description for more information. This summary is not meant to replace the plan document or summary plan description. If any part of this summary conflicts with the terms of the plan, the terms of the plan will be followed. The plan is much more detailed.

Plan analysis and trends - helping achieve desired outcomes

Insight you value - outcome you seek

We are dedicated to helping you provide a retirement program that does what it's supposed to: prepare your participants for retirement. By opening the door to all we've learned over the years we put our expertise to work helping you and your participants realize more successful long-term outcomes.



Our desire is to help you and your participants realize the full potential of your retirement program and achieve the long-term outcome you seek.

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Plan Participants

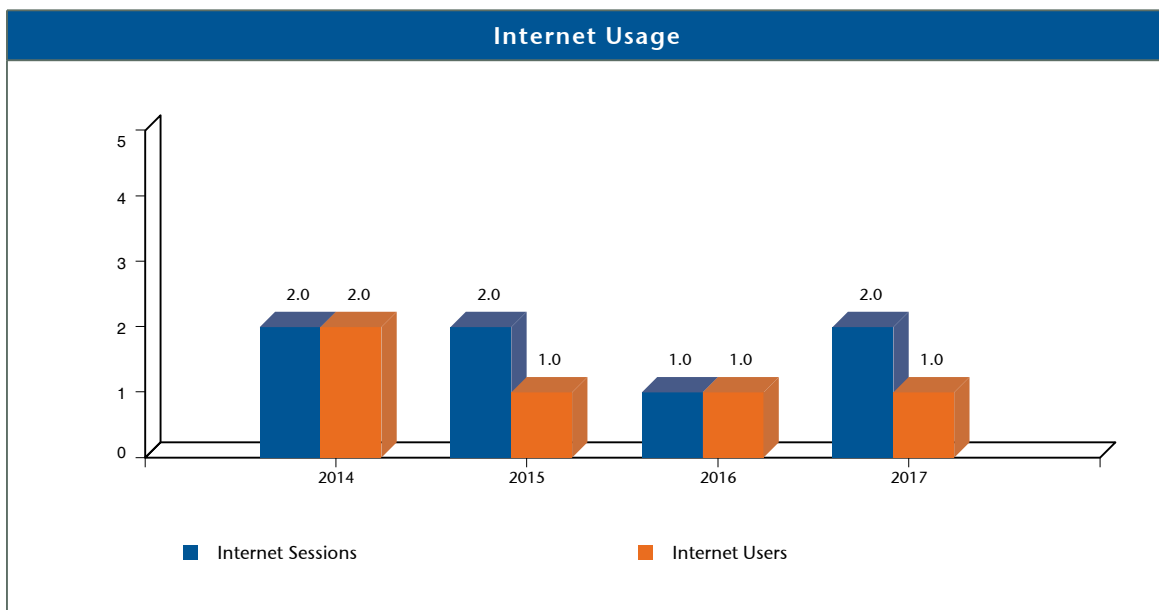
Breakdown of Plan Participants

This chart shows the active, terminated, retired, and total plan participants.

Breakdown of Participants				
	2013	2014	2015	2016
Active Participants	15	11	8	7
Terminated Participants	2	2	2	2
Retired Participants (Data Available 2007 Forward)	221	221	215	209
Total Plan Participants	238	234	225	218

Internet Usage

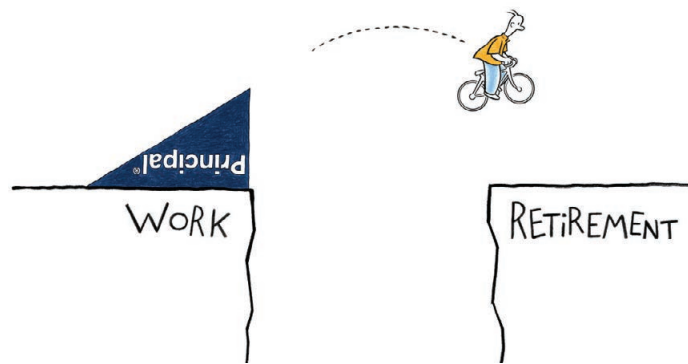
This chart shows how many times the internet has been accessed by plan participants and the total number of participants and the total number of participants that have accessed the information.



Frequently Accessed Information (Number of Times Accessed)		
	Internet-2016	Internet-2017
Account Balance	0	0
Activity Detail	0	0
Benefit Estimator	0	0
DB RSC Welcome	1	3
Investment Options	0	0
Loan Information	0	0
Personal Information	0	2
Rollover Information	0	0

Investment Demographics

Selecting and monitoring investment options is a complicated process and fulfilling your fiduciary obligations is one of your biggest challenges in managing your organization's retirement program. We offer extensive choice and flexibility, investment expertise with every step, and a level of indemnification protection so you can build an investment platform best suited to your retirement program.



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Investment Option Balances					
Investment Advisor	Investment Option Name	06/30/2015	06/30/2016	03/31/2017	
				Total	%
Edge Asset Management, Inc.	Equity Income Separate Account-R6	\$3,787,037.33	\$3,982,291.89	\$3,982,048.87	7.0%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6	\$3,453,221.46	\$3,331,438.26	\$3,404,378.21	6.0%
Principal Global Investors	LargeCap Value Separate Account-R6	\$3,795,258.28	\$3,864,150.40	\$3,864,168.73	6.8%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6	\$7,992,533.81	\$7,656,520.70	\$8,210,370.82	14.4%
AB/CCI/Brown/Emerald	SmallCap Growth I Separate Account-R6	\$1,331,783.94	\$595,409.60	\$590,053.29	1.0%
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6	\$1,263,602.38	\$581,254.30	\$555,975.48	1.0%
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6	\$1,212,242.41	\$1,134,164.70	\$1,155,434.32	2.0%
Robert Baird/William Blair	MidCap Growth III Separate Account-R6	\$1,238,058.30	\$1,147,428.34	\$1,176,549.91	2.2%
Causeway / Barrow Hanley	Overseas Separate Account-R6	\$6,277,857.00	\$6,213,929.93	\$5,864,020.40	10.3%
Principal Global Investors	International Emerging Markets Separate Account-R6	\$1,578,901.05	\$909,428.00	\$993,664.75	1.7%
Principal Global Investors/DFA	International SmallCap Separate Account-R6	\$0.00	\$0.00	\$1,042,081.77	1.8%
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6	\$3,044,954.46	\$1,169,349.08	\$1,164,752.29	2.0%
JP Morgan / Neuberger Berman	High Yield I Separate Account-R6	\$2,525,098.51	\$2,322,275.15	\$2,283,262.31	4.0%
Mellon Capital Mgmt	Bond Market Index Separate Account-R6	\$4,942,828.99	\$4,886,494.77	\$4,805,358.20	8.4%
Principal Global Investors	Core Plus Bond Separate Account-I2	\$14,934,220.45	\$14,740,545.06	\$14,471,313.77	25.4%

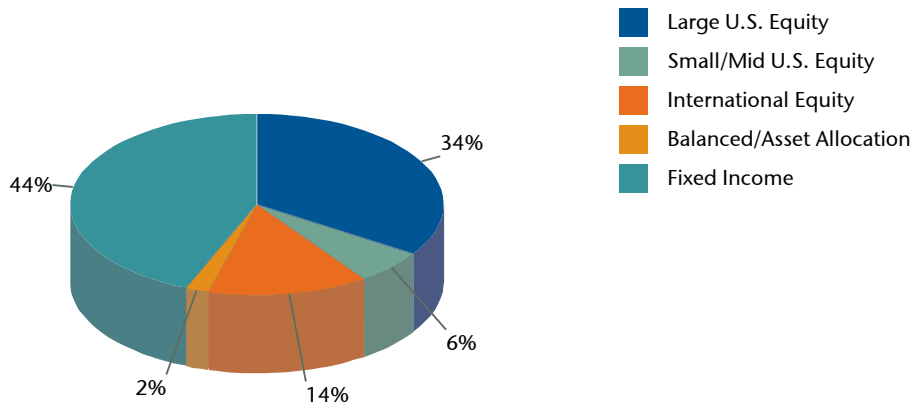
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Investment Option Balances (continued)					
Investment Advisor	Investment Option Name	06/30/2015	06/30/2016	03/31/2017	
				Total	%
Principal Real Estate Inv	U.S. Property Separate Account-R6	\$3,306,065.54	\$3,426,492.30	\$3,410,243.57	6.0%
TOTALS		\$60,683,663.91	\$55,961,172.48	\$56,973,676.69	100%

- Large U.S. Equity
- Small/ Mid U.S. Equity
- International Equity
- Balanced/ Asset Allocation
- Short-Term Fixed Income
- Fixed Income
- Other
- Employer Security

Investment Balances by Asset Class					
Asset Class	06/30/2015	06/30/2016	03/31/2017		
			Total	%	
Large U.S. Equity	\$19,028,050.88	\$18,834,401.25	\$19,460,966.63	34.20%	
Small/ Mid U.S. Equity	\$5,045,687.03	\$3,458,256.94	\$3,478,013.00	6.10%	
International Equity	\$7,856,758.05	\$7,123,357.93	\$7,899,766.92	13.90%	
Balanced/ Asset Allocation	\$3,044,954.46	\$1,169,349.08	\$1,164,752.29	2.00%	
Fixed Income	\$25,708,213.49	\$25,375,807.28	\$24,970,177.85	43.80%	
Totals	\$60,683,663.91	\$55,961,172.48	\$56,973,676.69	100%	

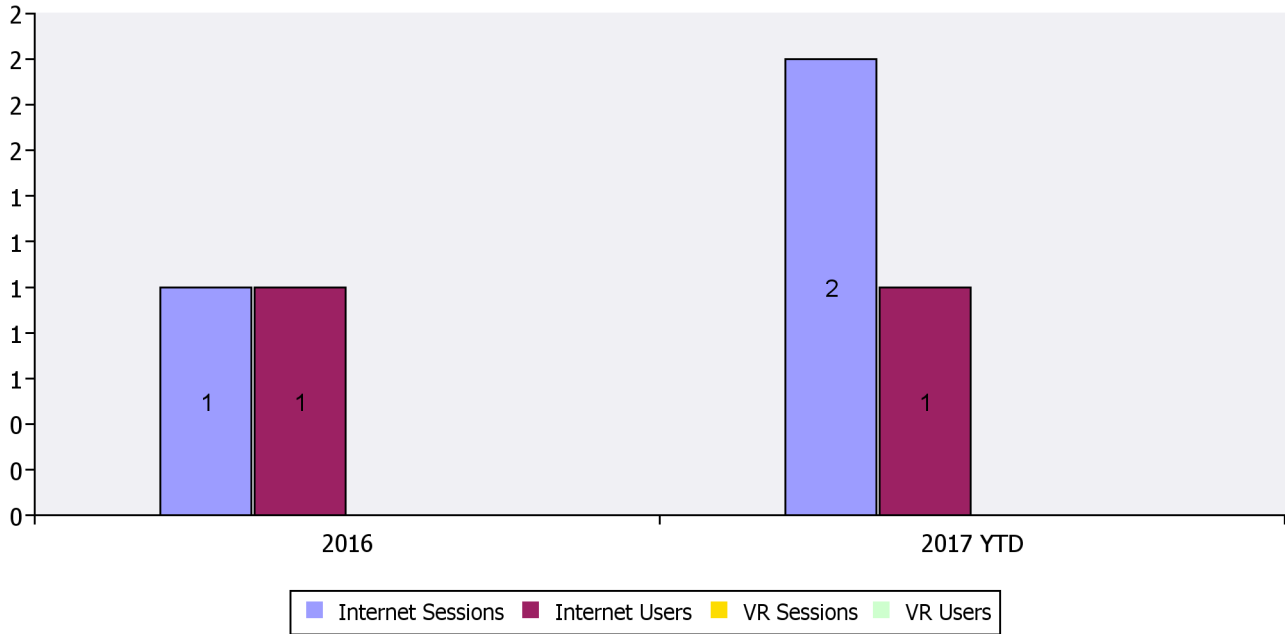
Investment Allocation for Period Ending 03/31/2017



Historical Cash Flow			
	06/30/2015	06/30/2016	03/31/2017
Beginning Balance	\$51,863,129.29	\$60,683,663.91	\$55,961,172.48
Contributions			
Employer Contributions/Additions	\$1,832.82	\$0.00	\$0.00
Total	\$1,832.82	\$0.00	\$0.00
Withdrawals			
Expenses	\$69,714.70	\$46,485.84	\$69,528.30
Benefit Payments/Other	\$-7,356,224.53	\$4,443,560.63	\$3,321,228.74
Total	\$-7,286,509.83	\$4,490,046.47	\$3,390,757.04
Change in Value	\$1,532,191.97	\$-232,444.96	\$4,403,261.25
Percentage of Change	2.95%	-0.38%	7.86%
Ending Balance	\$60,683,663.91	\$55,961,172.48	\$56,973,676.69

Participant Usage Reporting

SOUTH DAKOTA DEPARTMENT OF LABOR
Internet and Voice Response Usage



Top Information Accessed	Number of Times Accessed			
	Internet		Voice Response	
	2016	2017 YTD	2016	2017 YTD
DB RSC Welcome	1	3	N/A	N/A
Personal Information	N/A	2	N/A	N/A

Top Transactions Initiated	Number of Times Accessed			
	Internet		Voice Response	
	2016	2017 YTD	2016	2017 YTD
	N/A	N/A	N/A	N/A

Compliance Update

In This Issue:

- **PBGC Announced 2017 Guarantees**
The 2017 maximum guarantees were announced for single employer DB plans covered by PBGC
- **Regulatory Agenda Update**
Regulatory agencies with oversight of employee benefit policies have updated their tentative agendas with key issues expected to be the subject of formal guidance in 2017
- **Savings Arrangements Established by Qualified Political Subdivisions for Non-Governmental Employees**
The DOL issued final regulations on savings arrangements established by QPSs for non-governmental employees; extending the safe harbor established in October 2016
- **IRS and PBGC Disaster Relief Announcements**
The IRS and PBGC issued some penalty and deadline relief for victims of Tennessee wildfires and severe storms in Minnesota
- **PBGC Updates Early Warning Program Website**
PBGC has made some enhancements and reorganization of its single-employer Risk Mitigation and Early Warning Program website and is inviting comments and questions
- **DOL Finalized Disability Claims Regulations**
The DOL finalized regulations addressing the claims procedure requirements for ERISA plans that are intended to mirror claims procedures for group health plans added under the ACA
- **DOL Interpretive Bulletin 2016-1**
The DOL updates guidance for plan fiduciaries as related to proxy voting by replacing IB 2008-2 and reinstating (with modifications) the language of IB 94-2

PBGC Announced 2017 Guarantees

Maximum Monthly Guarantee

The maximum monthly benefit for participants in underfunded single-employer pension plans terminating in 2017 will increase from last year. The 2016 amount was \$5,011.36 per month. The 2017 monthly amount will be \$5,369.32. This is based on a retiree at the age of 65 with a straight-life annuity. Amounts are adjusted depending on the participant's age and option elected.

Present Value of Maximum Guarantee

For single-employer pension plans, when a plan's adjusted funding target attainment percentage (AFTAP), as defined within the Pension Protection Act of 2006 (PPA), is at least 60% but less than 80%, the plan generally may only pay accelerated benefits, like a lump sum distribution, that is limited to the lesser of:

- 50% of the payment that would be paid if the restriction did not apply, *or*
- The present value of the PBGC maximum guarantee

PBGC announced the present value of the maximum guarantee for 2017 is \$913,208 at age 65. This is an increase from the 2016 level of \$795,820.

Additional age ranges and amounts can be found on the PBGC website at: www.pbgc.gov (Technical Update 07-4).

Regulatory Agenda Update

Regulatory agencies with oversight of employee benefit policies have updated their semi-annual agendas to provide awareness on key issues expected to be the subject of formal guidance within the up-coming year. The agencies are not required to act upon anything reported in their agendas, and are considered tentative, especially in light of the up-coming presidential administration change. The agendas for each key agency, however, do provide insight into the priorities and activities expected in the coming months.

The key agencies include:

- U.S. Department of Labor (DOL) and Employee Benefit Security Administration (EBSA)
- Pension Benefit Guaranty Corporation (PBGC)
- U.S. Treasury Department (Treasury) and the Internal Revenue Service (IRS)
- The Securities and Exchange Commission (SEC)
- Health and Human Services Department (HHS) and Centers for Medicare and Medicaid Services (CMS)

Herein is an overview of key topics related to retirement plans.

DOL and EBSA Highlights

The following is a summarized list of agenda topics outlined within the DOL and EBSA:

- Amendments to facilitate use of lifetime income products and feature as, or as part of, Qualified Default Investment Alternatives (QDIAs).
 - Pre-rule request for information scheduled for January 2017 for agency's on-going interest in promoting lifetime income options in workplace retirement plans
- Revision to Form 5500 and Implementing Related Regulations under ERISA
 - Proposed Rule that's part of project partnered with IRS and PBGC to modernize and improve the Form 5500 Annual Return/Report of Employee Benefit Plan
- Amendment to Abandoned Plan Program
 - Interim final rule scheduled for May 2017 expanding the scope of individuals entitled to be a "Qualified Termination Administrator" (QTA)
- Adoption of Amended & Restated Voluntary Fiduciary Correction Program (VFCP)
 - Final Rule to expand the scope of some transactions currently eligible for correction and to streamline correction procedures. EBSA is to issue a restatement of the VFCP in its entirety.

PBGC Highlights

The following retirement policy items are listed on the Pension Benefit Guarantee Corporation (PBGC) agenda:

Proposed Rule Stage:

- **Benefit payments: clarifying and codifying payment and valuation policies (Scheduled for 3/2017)**
- **Amendments to benefit valuation and asset allocation regulations to improve assumptions and methods (could modify mortality rates and interest factors) (Scheduled for 5/2017)**
- **Missing participants under the Pension Protection Act (PPA): allowing certain terminating plans not covered by the existing program to participate in it (Comments being reviewed)**
- **Methods for computing withdrawal liability under the Multiemployer Pension Reform Act of 2014 (Scheduled for 10/2017)**
- **Changes to guarantee of owner-participant benefits in PBGC-trusted plans under PPA (Scheduled for 10/2017)**

Final Rule Stage:

- **Benefit determinations & plan valuations for statutory hybrid plans (Scheduled for 5/2017)**
- **Mergers and transfers between multiemployer plans (Scheduled for 12/2016)**

IRS and Treasury Highlights

The following bulleted list is a condensed summary of agenda topics outlined within the Treasury/IRS agenda as related to employee retirement benefits.

Proposed Rule Stage:

- **Updated mortality tables for determining present value (Expected to be applicable for plan years beginning in 2018)**
- **Additional rules regarding the determination of plan assets and benefit liabilities as related to pension plan funding and benefit restrictions for certain underfunded defined benefit pension plans (Scheduled for 3/2017)**

- Requirements related to “Pick-up” Arrangements per Code §414(h)(2) providing guidance on the treatment of certain elections (for governmental plans)
- Update to minimum present value requirements for defined benefit plan distributions (comments due 2/2017) and modifications to present value requirements (final regulations scheduled for 12/2016)
- Guidance related to a multiemployer plan in endangered or critical status (Scheduled for 12/2016)
- Application of tax code §409A to nonqualified deferred compensation plans (Scheduled for 12/2016)
- Employee Stock Ownership Plan (ESOP) requirement updates (Scheduled for 12/2016)
- Definitions of ‘Qualified Nonelective Contribution’ (QNEC) and ‘Qualified Matching Contribution’ (QMAC/QMC) to defined contribution plans to provide that forfeitures may be used to fund such contributions (Scheduled for 12/2016)

Final Rule Stage:

- Nondiscrimination relief for closed or frozen defined benefit plans (Scheduled 12/2016)
- Accrual rules for defined benefit plans (Scheduled for 12/2016)
- Regulations on use of lump sum payments to replace lifetime income being received by retirees under defined benefit pension plans and lump sum payments post restriction period (Scheduled 12/2016)
- Guidance on participant’s right to defer receipt of an immediately distributable benefit and consequences of failing to defer receipt of the distribution (Scheduled for 3/2017)

Continued Monitoring

We will continue to monitor all items on the regulatory agency agendas as they are applicable to employer plan sponsors and service providers.

Savings Arrangements Established by Qualified Political Subdivisions for Non-Governmental Employees

On December 20, 2016, the Department of Labor (DOL) issued final regulations on savings arrangements established by qualified political subdivisions for non-governmental employees. The regulation extends the safe harbor for “certain state savings programs” that was established on October 31, 2016 to now also cover qualified political subdivisions.

Background History

Some legislatures have shown an interest in establishing a state- based saving arrangement for private sector workers. When the DOL released final regulations for savings arrangements established by states for non-governmental workers in August of 2016, the agency also released proposed regulations that would extend the safe harbor to political subdivisions. The DOL has received letters of interest from a few political subdivisions and estimates that approximately 51 political subdivisions are potentially eligible to utilize the safe harbor. These final regulations will become effective in January 2017.

Summary of Changes

The final regulation extends the safe harbor for certain savings arrangements from ERISA preemption to qualified political subdivisions. Under the safe harbor, the terms “employee pension benefit plan” and “pension” do not include certain individual retirement plans established and maintained pursuant to a payroll deduction savings program by a state or qualified political subdivision, if certain conditions are met. A qualified political subdivision (QPS) must satisfy the following four provisions:

1. **Authority Test:** QPS must have the authority, implicit or explicit, to require participation by employers.
2. **Population Test:** QPS must have a population equal to or greater than the least populated state. (Currently Wyoming)
3. **Overlap Condition:** QPS cannot be within a state that has enacted a mandatory statewide payroll deduction savings program.
4. **Demonstrated Capacity Test:** QPS must administer a retirement plan for its own employees.

In addition, the final rule also clarifies that state and political subdivisions must assume responsibility for the security of payroll deductions, requiring amounts withheld to be transmitted promptly and also an enforcement mechanism to ensure compliance. The final regulations also added a safe harbor for promptness of employer wage withholdings—the earliest date the amount can be reasonably segregated from employer’s assets, but no later than the last day of the month following the month the amount would have been payable to employees.

Other than the conditions for allowing QPS plans, the provisions for the safe harbor afforded to states were effectively unchanged after the amendments from the new regulation.

Effective Date

The final regulation is effective 30 days after its December 20th publication date in the Federal Register; resulting in a January 19, 2017 effective date.

IRS and PBGC Disaster Relief Announcements

In response to severe storms and flooding that began on September 21st in Minnesota as well as wildfires that began November 28th in Tennessee, Pension Benefit Guaranty Corporation (PBGC) and the Internal Revenue Service (IRS) issued disaster relief announcements. Both IRS and PBGC announcements are intended to waive certain penalties and extend certain deadlines for impacted persons in the designated areas.

Designated Areas

Designated areas for the Minnesota disaster relief include the following counties: Blue Earth, Freeborn, Hennepin, Le Sueur, Rice, Steele, and Waseca.

Tennessee disaster relief encompasses individuals who reside or have a business in Sevier County.

PBGC Announcements

PBGC is offering relief from some penalties (not the interest charges, if any) as well as any deadlines that fall between

- September 21, 2016 through January 31, 2017 for Minnesota
- November 28, 2016 through March 31, 2017 for Tennessee

Listed below are some of the items included in both states' relief announcements:

- PBGC premium payments
- Single Employer Plan Termination Forms 500 and 501
- Reportable Event Notices

IRS Announcements

The IRS extended tax relief for deadlines that fall within generally the same dates as listed above and includes Form 5500 extensions as well as other tax filing relief. Also, for any questions on IRS deadlines, affected taxpayers can call: 1-866-562-5227 to speak with an IRS specialist trained to handle disaster-related issues.

PBGC Updates Early Warning Program Website

More than 20 years ago, as part of its mission to preserve pension plans, PBGC established an Early Warning Program (EWP) for single-employer defined benefit plans. PBGC recently enhanced and reorganized their Risk Mitigation and Early Warning Program website and is inviting comments and questions from plan sponsors.

EWP Program Overview

Each year, PBGC identifies about 300 transactions, events, or trends that could potentially affect a plan sponsor's ability to support its pension plan. Some items that could be of concern include:

- A change in controlled group ownership, including a spin-off of a subsidiary
- A leveraged buyout involving the purchase of a company using a large amount of secured debt
- A significant dividend payment to shareholders
- Downgrading of a plan sponsor's credit ratings
- Downward trend in cash flow

Once PBGC learns of a transaction or other event, additional information that is not otherwise publicly available may be requested. If PBGC concludes that there is risk of plan failure, the plan sponsor is contacted to negotiate additional protections such as making additional cash contributions or securing a letter of credit.

PBGC Seeking EWP Questions

PBGC is interested in collecting questions about the Early Warning Program for a Frequently Asked Questions piece they hope to publish on the PBGC.gov website in 2017. Questions may be sent to: webmaster@pbgc.gov.

The DOL Finalized Disability Claims Regulations

In December, the Department of Labor (DOL) Employee Benefits Security Administration (EBSA) finalized regulations regarding the claims procedure requirements for retirement plans under the Employee Retirement Income Security Act of 1974 (ERISA) that provide disability benefits. These final regulations mirror changes made to the claims procedures for group health plans under the Affordable Care Act (ACA) which require plans to satisfy additional procedural and notice requirements for disability benefits.

Highlights of the Final Regulation

Below is a brief summary of changes detailed within the final regulations:

- **Avoid conflicts of interest:**
 - Plans that cover disability benefits must ensure that decisions regarding disability claims are independent and impartial from plan decision makers. This is not limited to individuals that the plan hires directly. It includes individuals hired or compensated by third parties engaged by the plan for disability claims.
 - Whether an individual will support or deny a disability benefit should not influence other decisions such as hiring, compensation, termination, or promotion.
- **Expand notices that deny disability claims to include:**
 - A discussion of the plan's decision, including the basis for disagreeing with the disability determination by the Social Security Administration (SSA), physician, or other third party
 - The plan's internal rules, guidelines, protocols, standards, or other criteria used in denying the claims (or a statement if these do not exist)
 - A statement informing denied claimants of their right to receive relevant documents
- **Strengthen deemed exhaustion rules in the context of disability benefit claims:**
 - Plans may not prohibit court review unless the violation was the result of a minor error
 - If a claimant chooses to pursue court review, the claim or appeal is deemed to be denied

- **Expand the definition of “adverse benefit determination” to include rescissions of disability benefit coverage**
- **Require claims notices be provided in a culturally and linguistically appropriate manner:**
 - **If a claimant’s address is in a county where 10% or more of the population is literate only in the same non-English language (based on federal census information), benefit denial notices must include a prominent statement in the applicable non-English language clearly noting how to access language services**
 - **The plan must also provide a written notice and a customer assistance process, such as a telephone hotline, with non-English oral language services**

Effective Date

These final regulations apply to all claims for disability benefits filed under the retirement plan on or after January 1, 2018.

DOL Interpretive Bulletin 2016-1

The Department of Labor (DOL) Employee Benefits Security Administration (EBSA) published Interpretive Bulletin (IB) 2016-1 on December 29, 2016 to update guidance for plan fiduciaries as related to proxy voting and shareholder engagement. This replaced IB 2008-2 and reinstates (with minor modifications) the language of IB 94-2. IB 2016-1 assists plan fiduciaries in understanding and satisfying their obligations under the Employee Retirement Income and Security Act (ERISA) with respect to proxy voting and shareholder engagement. IB 2016-1 is effective December 29, 2016.

Background History

ERISA establishes standards for plan fiduciaries managing plan assets. Many employee benefit plans have shares in publically held companies. As a result, the DOL has held that it's important for plan administrators to know their responsibilities on those shares when they vote proxies or exercise other shareholder rights. Existing guidance to plan fiduciaries was said to be "out of step" with domestic and international trends in investment management and was thought to have the potential to dissuade fiduciaries from exercising shareholder rights, including the voting of proxies, in areas which are increasingly viewed by the DOL and others as being important to long-term shareholder value.

Summary of Changes

IB 2016-1 broadens the considerations that a fiduciary may take into account for obligations around proxy voting and shareholder engagement, shifting the focus from "cost-benefit analysis" for long-term economic value. It remains, however, that a plan fiduciary cannot increase expenses, sacrifice returns, or jeopardize plan benefits to promote collateral goals. In addition, due to concerns that IB 2008-2 may have caused confusion about whether or how a plan fiduciary may consider environmental, social, and governance (ESG) issues, IB 2016-1 contains less discouraging language for the use of ESG factors in proxy voting, investment policy statements, and shareholder engagement.

Essentially, the intent of IB 2016-1 is to be more conducive to plan fiduciaries voting proxies by engaging in shareholder activism and utilizing ESG factors, while still prudently satisfying the fiduciary obligations of ERISA. Assistant Secretary of Labor for Employee Benefits Security Phyllis C. Borzi commented on this bulletin saying, "This guidance removes the perceived impediments to the prudent management of plans' rights as shareholders, and encourages fiduciaries to manage those rights in the best interest of plan participants and beneficiaries."

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In This Issue:

- **IRS Proposes Mortality Tables**
The IRS and U.S. Treasury published proposed mortality table changes for 2018
- **PBGC Request for Information – Multiemployer Plans**
PBGC posted a RFI about using an alternate method for calculating the unfunded liability
- **RAP Deadline Announced for 403(b) Plans**
Revenue Procedure 2017-18 provides the last day of the RAP as March 31, 2020
- **IRS Proposes Regulation Change to QNEC and QMAC Definitions**
The IRS proposed change would allow plan sponsors to use forfeitures for QNEC and QMAC
- **DOL Finalizes Monetary Penalty Changes**
The DOL published final regulations which revised the monetary penalty for ERISA violations to adjust for inflation
- **IRS and PBGC Disaster Relief Announcements**
The IRS and PBGC issued deadline and penalty relief for victims of Georgia and Mississippi severe storms.

IRS Proposes Mortality Tables

On December 29, 2016, the U.S. Treasury Department and the Internal Revenue Service (IRS) published proposed mortality table changes to begin in 2018. The proposal also includes updated procedures to request IRS approval to use plan-specific mortality tables.

Impacts

The proposal includes changes in the mortality basis for defined benefit retirement plans in calculating minimum funding requirements, benefit restrictions, and Pension Benefit Guaranty Corporation (PBGC) premium payments during the 2018 calendar year and beyond. While it does not impact rates used to determine minimum lump sum distributions at this time, additional guidance is expected for lump sum distributions after this proposal is finalized.

Proposed Mortality Tables

The IRS proposes that beginning in the 2018 calendar year, mortality will be based on the RP-2014 Employee and Healthy Annuitant Mortality Tables. The proposal also indicates that annual updates published by the Society of Actuaries may be included in future years to include any mortality improvement trends.

Like current rules for funding purposes, plans with more than 500 participants may use generational or static tables.

- **Generational tables:** It's proposed that the base table include a nonannuitant or annuitant rate depending on whether the participant is prior to projected or actual retirement.
- **Static tables:** The IRS proposes changing the mortality projection method by varying the static projection period by age. For example, the age-80 rates are determined by projecting base rates eight years beyond the valuation year for males and nine years for females. For ages below 80, the projection period increases one year for each year below 80.

Plans with 500 or fewer participants have a third option for a static combined table that includes weighted factors from tables both before and after benefits begin. Participant count is determined by including both active and inactive participants as well as beneficiaries of deceased participants.

Plan-Specific Mortality

The Bipartisan Budget Act of 2015 allowed for additional flexibility so that a plan could use different mortality tables that followed the plan's mortality experience more closely. One of the items the proposed regulation adds is a new rule that allows plans with partially credible mortality experience to request IRS approval for using a "substitute" table. The proposal defines "partially credible" as 100 deaths within a population subset (such as male annuitants) during a two- to five-year experience study period.

Comment Period

Comments for this proposal must be received by March 29, 2017. A public hearing has been scheduled for April 13, 2017. Comments may be sent to the Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Room 5203, Washington, DC 20044. Electronic submissions may be made via the Federal eRulemaking Portal at: www.regulations.gov. Please note 'IRS REG-112324-15' on your comment submission.

PBGC Request for Information – Multiemployer Plans

When an employer withdraws in part or completely from a multiemployer pension plan, the employer is required to pay its share of unfunded benefit obligations. PBGC has posted a request for information (RFI) about using an alternative method for calculating the unfunded liability that a number of plans have asked to use in the past called a “two pool” method.

Two Pool Method

Under the “two pool” method, there are separate “new” and “old” pools. The old pool includes all of the plan’s past and future liabilities of existing employers, while the new pool consists of the future liabilities of the new employers. So far, there have been a variety of terms and conditions that allow employers within a multiemployer arrangement to move from the old to the new pool.

Some features highlighted by the two pool method include that it may:

- attract new employers who are otherwise hesitant to become a part of a multiemployer plan due to the withdrawal liabilities
- retain existing employers who may be reluctant to continue in a multiemployer plan
- potentially extend plan solvency by providing needed income to the plan
- increase the risk of loss to plan participants and beneficiaries depending on the structure of the alternative

Request for Information

PBGC is requesting information from the general public and all interested stakeholders on specific issues and questions surrounding this matter. For a complete listing of issues and questions, please refer to: <https://federalregister.gov/d/2016-31715>. Comments must be submitted by February 21, 2017 and may be submitted using one of the following methods:

- The Federal eRulemaking Portal at: <http://www.regulations.gov>,
- Emailed to: liebman.daniel@pbgc.gov or: markakis.constance@pbgc.gov, or
- Mailed to: Regulatory Affairs Group, Office of the General Counsel, Pension Benefit Guaranty Corporation, 1200 K Street, NW, Washington, DC 20005-4026.

RAP Deadline Announced for 403(b) Plans

The Internal Revenue Service (IRS) published final 403(b) regulations July 26, 2007 which included a requirement for a written plan document. On March 28, 2013, the IRS issued Revenue Procedure 2013-22 which established a program for issuing opinion and advisory letters for prototype and volume submitter 403(b) plans. However, the last day of the remedial amendment period (RAP) for these plans was reserved until now.

Revenue Procedure 2017-18

On January 13, 2017, the IRS issued Revenue Procedure 2017-18 which provides the last day of the RAP as March 31, 2020. This impacts 403(b) pre-approved prototype and volume submitter plans. The beginning of the RAP was January 1, 2010 or the plan's effective date, if later. Revenue Procedure 2017-18 clarifies that even though a plan has not satisfied the 403(b) requirements in form, it will meet requirements as long as by March 31, 2020, all required provisions are adopted and made effective in form and operation from the beginning of the RAP.

More to Come

Future guidance is expected to address 403(b) plan amendments made after March 31, 2020. We will continue to monitor and report additional guidance when it's made available.

IRS Proposes Regulation Change on QNEC and QMAC Definitions

The Internal Revenue Service (IRS) is proposing amendments to how Qualified Matching Contributions (QMAC) and Qualified Nonelective Contributions (QNEC) are defined in the regulations. Under the proposed regulations, employer contributions made to a plan would qualify as QMACs or QNECs if they satisfy the applicable nonforfeitability and distribution requirements at the time they are allocated to participants' accounts, not when they are contributed to the plan.

Background

Under current guidance, QMACs and QNECs must be fully vested and nonforfeitable when contributed to the plan. This prevents forfeitures from being used to offset QNEC and QMAC amounts in a plan utilizing the 401(k) Safe Harbor plan design [per Code §401(k)(12)] or to help pass nondiscrimination tests because forfeiture amounts result from non-vested contributions. Thus, they do not meet the requirement of being nonforfeitable when contributed to the plan since they were not 100% vested when deposited.

The IRS has received comments on this, where commenters believe that employer contributions should be able to qualify as QMACs and QNECs as long as they satisfy applicable nonforfeitability and distribution requirements at the time they are allocated to participants' accounts, opposed to when such amounts are first contributed to the plan.

Proposed Changes

The IRS proposes amending §1.401(k)-6 of the regulations to provide that amounts used to fund QNECs and QMACs must be nonforfeitable and subject to distribution restrictions when allocated to participants' accounts, and to no longer require that amounts used to fund QNECs and QMACs satisfy the nonforfeitability and distribution requirements when they are first contributed to the plan.

The proposed regulations would also replace “vesting” with “nonforfeitability” in the definitions of QNEC and QMAC to clarify those references. Changes to the regulations would also be made to ensure consistent definitions of QNEC and QMAC in applicable Code sections [§1.401(k)-6 and §1.401(m)-5]. This will allow plan sponsors to use forfeiture amounts to help pass nondiscrimination tests and as safe harbor contributions to a plan utilizing the safe harbor plan design.

Comments Sought

Treasury and the IRS request comments on all aspects of the proposed rules. A public hearing will be scheduled if requested in writing by any person who timely submits written comments by April 18, 2017. Comments as well as details on a public hearing, if any, will be made available at: www.regulations.gov or upon request.

Send submissions to: C:PA:LPD:PR (REG-131643-15) Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044 or submit them electronically via the Federal eRulemaking Portal at: www.regulations.gov (IRS REG-131643-15). Comments and requests for public hearing must be received by April 18, 2017.

DOL Finalizes Monetary Penalty Changes

The U.S. Department of Labor (DOL) released final regulations January 13, 2017 that revised the monetary penalty amounts for ERISA (Employee Retirement Income Security Act) violations to adjust for inflation.

Background

The Employee Benefits Security Administration (EBSA) is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of ERISA. The Federal Civil Monetary Penalties Inflation Adjustment Act of 1990 requires Federal agencies, including the DOL, to adjust their civil monetary penalties for inflation. Beginning this year, the DOL is required to update penalty amounts for inflation annually by January 15th.

New Penalty Amounts

The table below summarizes the most recent penalty amounts enforceable by EBSA as well as the adjusted amounts that are effective for penalties assessed after January 13, 2017. For violations that occurred before November 2, 2015, earlier penalty levels may apply.

ERISA Penalty Statute	Description Failure to . . .	2016 Penalty Up to . . .	2017 Penalty Up to . . .
ERISA §209(b)	Furnish reports (benefit statements) to former participants and beneficiaries or to maintain records	\$28 per employee	No Change
ERISA §502(c)(2)	File annual report (Form 5500) required by ERISA §104	\$2,063 per day	\$2,097 per day
	Certify multiemployer plan endangered or critical status per ERISA §305(b)(3)(C)		
ERISA §(502)(c)(4)	Notify participants of benefit restrictions per ERISA §101(j)	\$1,632 per day	\$1,659 per day
	Furnish certain multiemployer financial and actuarial reports per ERISA §101(k)		
	Furnish estimate of withdrawal liability upon request for multiemployer plans per ERISA §101(l)		
	Furnish automatic contribution arrangement (ACA) notice per ERISA §514(e)(3)		
ERISA §502(c)(7)	Furnish blackout notice per ERISA §101(i) or notice of right to divest employer securities per ERISA §101(m)	\$131 per day	\$133 per day
ERISA §502(c)(8)	Adopt funding improvement or rehabilitation plan for multiemployer plans in endangered or critical status.	\$110 per day	\$112 per day
	Also applies to sponsor of endangered status that fails to meet its benchmark by the end of the funding improvement period.		

IRS and PBGC Disaster Relief Announcements

In response to severe storms, tornadoes, and straight-line winds that took place beginning January 2, 2017 in Georgia and January 20, 2017 in Mississippi, the Internal Revenue Service (IRS) and Pension Benefit Guaranty Corporation (PBGC) issued disaster relief announcements intended to waive certain deadlines and penalties for impacted persons in designated areas.

Designated Areas

The designated area within Georgia includes individuals who reside or have a business in Dougherty County. Mississippi area includes individuals who reside or have a business in Forrest, Lamar, Lauderdale, and Perry Counties.

PBGC Announcements

PBGC is offering relief from some penalties (not the interest charges, if any) as well as any deadlines that fall between January 2, 2017 in Georgia and January 20, 2017 in Mississippi through May 31, 2017. Relief includes, but is not limited to

- PBGC premium payments
- Single Employer Plan Termination Forms 500 and 501
- Reportable Event Notices

IRS Announcements

The IRS extended tax relief for deadlines that fall within the same period as noted above. This includes any Form 5500 filing deadlines that fall within this period, as well. For any questions on IRS deadlines, the affected taxpayer may call 1-866-562-5227 to speak with an IRS specialist trained to handle disaster-related issues.

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In This Issue:

- **Relief for Victims of Louisiana Storms**
In response to severe storms that began February 7, 2017, PBGC and the IRS issued disaster relief announcements for parts of Louisiana
- **Executive Order May Impact Federal Rulemaking**
President Trump issued an Executive Order January 30, 2017 that may impact finalizing some retirement plan guidance and regulations [includes update on DOL fiduciary rule]
- **IRS Issues Exam Guidelines for Substantiation of Hardship Distribution Documentation**
The IRS has published new examination guidelines for documenting a hardship distribution
- **FASB Accounting Standards Update**
FASB Update No. 2017-06: Employee Benefit Plan Master Trust Reporting was released

Relief for Victims of Louisiana Storms

In response to severe storms, tornadoes, and straight-line winds that began in Louisiana on February 7, 2017, Pension Benefit Guaranty Corporation (PBGC) and the Internal Revenue Service (IRS) issued disaster relief announcements. Both IRS and PBGC announcements are intended to waive certain penalties and extend some deadlines for impacted persons in the designated areas.

PBGC Announcement

On February 14, 2017, PBGC announced that there may be relief from some penalties (not the interest charges, if any). Also, deadlines that fall from February 7, 2017 through June 30, 2017 may be extended for impacted victims. PBGC relief defines “impacted victims” consistent with the IRS announcement. Extended deadlines include, but are not limited to premium payments, single employer plan termination Form 500 and Form 501, and reportable event notices.

IRS Announcement

The IRS extended tax relief for victims who reside or have a business in the Louisiana parishes of Livingston or Orleans. Similar to the PBGC announcement, the IRS is offering some deadline relief generally up through June 30, 2017. Relief includes deadlines for filing Form 5500 series returns. For any questions on IRS deadlines, the affected taxpayer may call 1-866-562-5227 to speak with an IRS specialist trained to handle disaster-related issues.

Executive Order May Impact Federal Rulemaking

On January 30, 2017, President Trump issued an executive order that may impact finalizing or issuing new retirement plan guidance and regulations.

Impact to New Rulings

The executive order only impacts new rulings government agencies may issue beginning in 2017. It does not have direct impact on rulings that are already finalized. However, other delays may result. For example, the Department of Labor (DOL) fiduciary regulation package [summarized in the May 2016 Compliance Newsletter] finalized with a June 7, 2016 effective date. But its applicability date is April 10, 2017.

On the morning of March 1st, new developments on the DOL fiduciary regulation package occurred. The proposed fiduciary rule delay language that the Office of Management and Budget (OMB) approved and submitted back to the DOL was received. It is anticipated that the proposal to delay the applicability date will be published in the Federal Register on March 2nd. A 15-day comment period will commence at that time; seeking comments on a 60-day delay. While the timeframe involved is tight for the DOL to gather and review comments before April 10th, it appears likely that the rule will be delayed by 60 days and that the DOL could further delay, acting on the executive order to fully review the regulation's impact on investors and the American economy.

New Rulings Call to Action

The Executive Order included a requirement that “unless prohibited by law, whenever an executive department or agency publicly proposes for notice and comment or otherwise [issues] a new regulation, it shall identify at least two existing regulations to be repealed.” This is in support of President Trump's campaign promise to cut back on federal regulations.

More to Come

There are outstanding questions including how a “new regulation” is defined. We will continue to monitor all developments and will provide additional updates as new information becomes available.

IRS Issues Exam Guidelines for Substantiation of Hardship Distribution Documentation

The Internal Revenue Service (IRS) has released a memorandum for EP Examinations employees to utilize when examining whether a hardship distribution is for an immediate and heavy financial need per IRS regulations. The reasons for allowing a hardship distribution and the documentation needed to prove the hardship have not changed. Please note that hardship “distributions” can also be known as hardship “withdrawals.”

Overview of Memorandum

The new exam criteria sets forth substantiation guidelines and standards examiners should follow via a two-step process.

In Step 1, the examiner determines whether the employer or third-party administrator (TPA) has obtained, prior to taking a hardship distribution:

- Source documents (i.e. estimates, contracts, bills, statements from third parties) *or*
- Summary of information contained in source documents (via paper, electronic or telephone records)

If a summary of information on source documents is utilized, the examiner should determine whether the employer or TPA provides required employee notifications prior to taking a hardship distribution. The required notifications accompany the memorandum as Attachment I.

In Step 2, the examiner reviews source documents obtained by the employer or TPA to determine if they substantiate the hardship distribution. Attachment I contains relevant items.

The examiner can ask for source documents from the employer or TPA if the conclusion is that the information in the summary or employee notification is incomplete.

The guidelines indicate that if a TPA replies upon a summary of information from source documents, then the examiner should determine whether the TPA provides a report or other access to data to the employer, at least annually, describing hardship distributions taken during the plan year.

If the requirements in Steps 1 and 2 are satisfied, then the plan should be treated as satisfying the substantiation requirement for taking hardship distributions deemed to be on account of an immediate and heavy financial need.

Overview of Attachment I

Attachment I outlines specific information and notifications the examiner should look for while following the two-step process above. When an employer or TPA replies upon a summary of information (versus source documents), the following notifications contained in Attachment I must be provided to the employee:

- The hardship distribution is taxable and additional taxes could apply
- The amount of distribution cannot exceed the immediate and heavy financial need
- Hardship distributions cannot be made from earnings on elective deferral contributions *or* from Qualified Nonelective Contributions (QNECs) or Qualified Matching Contributions (QMACs), if applicable
- The recipient agrees to preserve source documents and make them available at any time, upon request of the employer or TPA.

Attachment I reflects general information that must be present on all hardship distribution requests (i.e. participant's name and amount needed) and more specific information for all deemed hardship distribution requests.

FASB Accounting Standards Update

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-06 which clarifies the presentation requirement for a plan's interest in a master trust and requires more detailed disclosures of the plan's interest in the master trust.

Plan Accounting Impact

This update impacts the following Plan Accounting:

- **Defined Benefit Pension Plans (Topic 960)**
 - Currently requires investments in master trusts to be presented in a single line item in the statement of net assets available for benefits.
 - The amendments require a plan's interest in the master trust and any change in that interest to be presented in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively
- **Defined Contribution Pension Plans (Topic 962)**
 - Require plans to disclose their percentage interest in the master trust and a list of the investments held by the master trust, presented by general type within the plan's financial statements.
 - The amendments remove the requirement to disclose the percentage interest in the master trust and require that all plans disclose the dollar amount of their interest in each of those general types of investments.
- **Health and Welfare Benefit Plans (Topic 965)**
 - Require plans to disclose their percentage interest in the master trust and a list of the investments held by the master trust, presented by general type within the plan's financial statements.
 - The amendments remove the requirement to disclose the percentage interest in the master trust and require that all plans disclose the dollar amount of their interest in each of those general types of investments.

Currently, GAAP (generally accepted accounting principles) does not require disclosures by plans of the master trust's other assets and liabilities. This amendment requires all plans to disclose: (1) their master trust's other assets and liability balances and (2) the dollar amount of the plan's interest in each of those balances.

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Compliance Newsletter

Monthly Update

May 2017

In This Issue:

- **City-Run Retirement Plan Rule Overturned**
President Trump signed a resolution which overturned the final DOL rule that allowed cities and municipalities of states to offer retirement plans for certain private-sector employees
- **Public Comments Sought for 2017-2018 Priority Guidance Plan**
Notice 2017-28 from the Treasury Department and IRS invites public comment on recommendations for items to include on the next Priority Guidance Plan
- **ERISA Advisory Council – 2017 Focus Topic**
The EAC recently announced that one of its 2017 goals is to offer draft materials and recommendations surrounding various DOL disclosures
- **Advanced Copies of 2017 Form 5500 and 5500-SF**
DOL filed draft copies of the 2017 Form 5500 with the OMB, including the related schedules and instructions

City-Run Retirement Plan Rule Overturned

In April, President Trump signed a resolution which overturned the Department of Labor (DOL) rule that would have allowed cities and municipalities of states to automatically enroll private-sector employees in IRAs without triggering Employee Retirement Income Security Act (ERISA) provisions.

Background History

The overturned regulation was finalized in December 2016. It was an extension to the DOL's October 2016 final regulation allowing automatic enrollment IRAs to be established by states for private sector employees. The overturned regulation would have extended the safe-harbor for "certain state savings programs" to then also cover cities and municipalities.

No Effect

While some cities have proposed such an arrangement, no cities had yet established such plans.

Continued Monitoring

A resolution to overturn the October 2016 DOL rule allowing states to automatically enroll private-sector employees in IRAs without triggering ERISA provisions is currently pending in the Senate. We will continue to monitor and report applicable outcomes as appropriate.

Public Comments Sought for 2017-2018 Priority Guidance Plan

The Department of Treasury and Internal Revenue Service (IRS) seek public comments on recommendations of items that should be included in the 2017-2018 Priority Guidance Plan. The agencies use the Priority Guidance Plan to identify and prioritize tax issues that need to be addressed through regulations, revenue rulings, revenue procedures, notices and other published administrative guidance. The 2017-2018 Priority Guidance Plan will identify guidance projects to be worked on as priorities during the period from July 1, 2017 through June 30, 2018.

Criteria Considerations

The Treasury Department and IRS will consider the following when selecting projects for inclusion on the next Priority Guidance Plan:

Does the recommended guidance:

1. Resolve significant issues relevant to many taxpayers?
2. Promote sound tax administration?
3. Have a manner to be drafted that will be easily understood by and applied to taxpayers?
4. Involve regulations that are outmoded, ineffective, insufficient, or excessively burdensome and that need to be modified, streamlined, expanded or repealed?
5. Have the ability to be recommended on a uniform basis?
6. Reduce controversy and lessen burden on taxpayers or the IRS?

Submission Content

Taxpayers are not required to submit recommendations in any particular format. However, taxpayers should briefly describe the recommended guidance and explain the need for the guidance. Tips the IRS wants taxpayers to keep in mind when submitting recommendations include:

- An analysis of how the issue should be resolved can be included, if so desired
- Taxpayers suggesting more than one guidance project should prioritize their projects by order of importance (e.g. high/medium/low priority labels).

Requests for guidance in the form of petitions for rulemaking will be considered with other recommendations for guidance in accordance with the criteria considerations described in above section.

Submission Deadline

Recommendations must be submitted by June 1, 2017 for possible inclusion in the original 2017-2018 Priority Guidance Plan. Taxpayers can mail comments to: Internal Revenue Service, Attn: CC:PA:LPD:PR (Notice 2017-28), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington D.C. 20044.

Comments can be emailed via the Federal eRulemaking Portal at: www.regulations.gov (type IRS-2017-0008 in the “search” field on the homepage to find the notice and to submit comments). All recommendations for guidance submitted by the public in response to this notice will be available for public inspection and copying in their entirety.

Taxpayers may submit recommendations for guidance at any time during the year. As a result, the Treasury Department and the IRS may periodically update the original 2017-2018 Priority Guidance Plan to reflect additional guidance intended for publication during the plan year.

ERISA Advisory Council – 2017 Focus Topic

The Employee Retirement Income Security Act “ERISA” Advisory Council (EAC) was established by the Department of Labor (DOL) to identify issues impacting benefits for employees. The Council advises the Secretary of Labor on retirement policy and is made up of employee organization representatives, employers, and the general public. They recently announced that one of their 2017 goals is to offer draft materials and recommendations surrounding various DOL disclosures.

2017 Objectives

In an attempt to build on efforts in past years, the EAC is looking for witness testimony that includes recommendations that may improve DOL disclosures, such as the Summary Plan Description (SPD), Summary of Material Modification (SMM), Summary Annual Report (SAR), and Annual Funding Notice (AFN). Disclosures required by agencies other than the DOL are not part of the 2017 EAC initiative. Highlighted below are some of the areas the EAC study will review:

- Duplicative disclosures or whether disclosures could be eliminated or combined
- Disclosure content should be understandable or readable in accordance with federal plain language guidelines
- Whether disclosures are valuable to users and material to a participant’s understanding of the plan
- Whether disclosure timing is optimal to meet its objective
- Effective methods of design and distribution
- What differences, if any, are needed between single and multiemployer plans whether size is small, medium, or large.

Input Requested

The EAC encourages interested parties to submit sample or model disclosures as well as any other tool that can be used to provide plan sponsors, vendors, and plan participants with guidance related to required disclosures for their retirement plans. EAC understands that although a single model notice may not apply to all plans, they do invite examples of communications that are effective for participants.

Advanced Copies of 2017 Form 5500 and 5500-SF

On April 7th, 2017, the Department of Labor (DOL) filed draft copies of the 2017 Form 5500, including the related schedules and instructions with the Office of Management and Budget (OMB).

Advanced Forms for Informational Purposes Only

The advanced copies are for informational purposes only and cannot be used to file an annual return/report. We will monitor and provide appropriate updates regarding the availability of the official electronic versions when they are available.

Form Changes to Note

Modifications to Form 5500 and Form 5500-SF, and their schedules and instructions for 2017 are described under “Changes to Note” in the 2017 instructions. Changes include:

- **IRS-Only Questions:** All IRS-only questions are removed from the Form 5500 and Schedules, including:
 - Preparer information
 - Schedules H and I, Lines 4o, and 6a-6d regarding distribution during working retirement and trust information
 - Schedule R, Part VII regarding IRS Compliance questions
 - Form 5500-SF, Part VIII regarding trust information and Part IX regarding IRS Compliance questions
- **Authorized Service Provider Signatures:** Instructions have been updated to reflect the ability for service providers to sign electronic filings on the plan sponsor and DFE lines, where applicable, in addition to signing on behalf of plan administrators on the ‘Plan Administrator’ line.
- **Administrative Penalties:**
 - The instructions have been updated to reflect that the new maximum penalty for a plan administrator who fails or refuses to file a complete or accurate Form 5500 report has increased to up to \$2,097 a day for penalties assessed after January 13, 2017, whose associated violation(s) occurred after November 2, 2015.
 - Because the Federal Civil Penalties Inflation Adjustment Improvements Act of 2015 requires the penalty amount to be adjusted annually after the Form 5500 and its schedules, attachments, and instructions are published for filing, be sure to check for any possible required inflation adjustments of the maximum penalty amount that may have been published in the Federal Register after the instructions have been posted.

- **Form 5500 and Form 5500 SF Plan Name Change:**
 - Line 4 of the Form 5500 and Form 5500 SF have been changed to provide a field for filers to indicate that the name of the plan has changed. The instructions for Line 4 have been updated to reflect the change.
 - The instructions for Line 1a have also been updated to advise filers that if the plan changed its name from the prior year filing(s), complete Line 4 to indicate that the plan was previously identified by a different name.
- **Schedule MB: Instructions for Line 6c have been updated to add mortality codes for several variants of the RP-2014 mortality table and to add a description of the mortality projection technique and scale to Line 6—*Statement of Actuarial Assumptions/Methods***
- **Form 5500 SF: Line 6c is modified to add a new question to the existing question which asks if the plan is a defined benefit plan, is it covered under the PBGC insurance program. The new question asks filers who checked the box “YES” to enter the ‘My PAA’ generated confirmation number for the PBGC premium filing for this plan year.**

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