City of Hallandale Beach
Commissioner Workshop

September 14, 2011

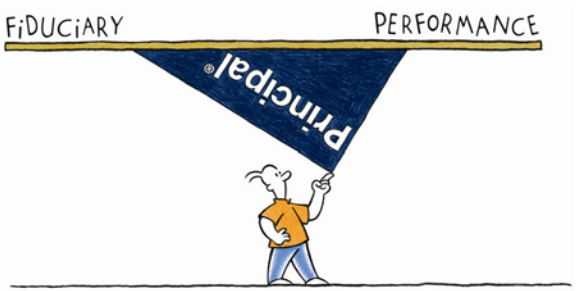
CITY OF
HALLANDALE BEACH
City of Choice ™

Principal®

Agenda

1. Overview Principal Due Diligence Program
2. Investment Review – Underlying Investment Options
3. Performance and Peer Comparison Data
4. Asset Liability Modeling – Dynamic Asset Allocation Strategy

Principal Due Diligence Program℠



Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.

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Overview

- **Definition**: The Principal Due Diligence Program is a proprietary investment review process designed by PFG to manage internal and external investment managers.

- **Purpose:** Provide a rigorous and disciplined framework for identifying, selecting and monitoring premier investment management firms within each asset class and investment style.

Key Elements of Principal’s Due Diligence Program®

- Internal expertise
- Holistic evaluation framework
- Specialty managers offered in a sub-advised structure

Internal Expertise

- Dedicated Staff
  - Analysts assigned to specific asset classes
  - Comprehensive quarterly review
  - Annual face-to-face portfolio reviews
- Advanced Investment Analytics
  - Wilshire Compass
  - FactSet
  - Morningstar Direct
  - Zephyr Style Advisor

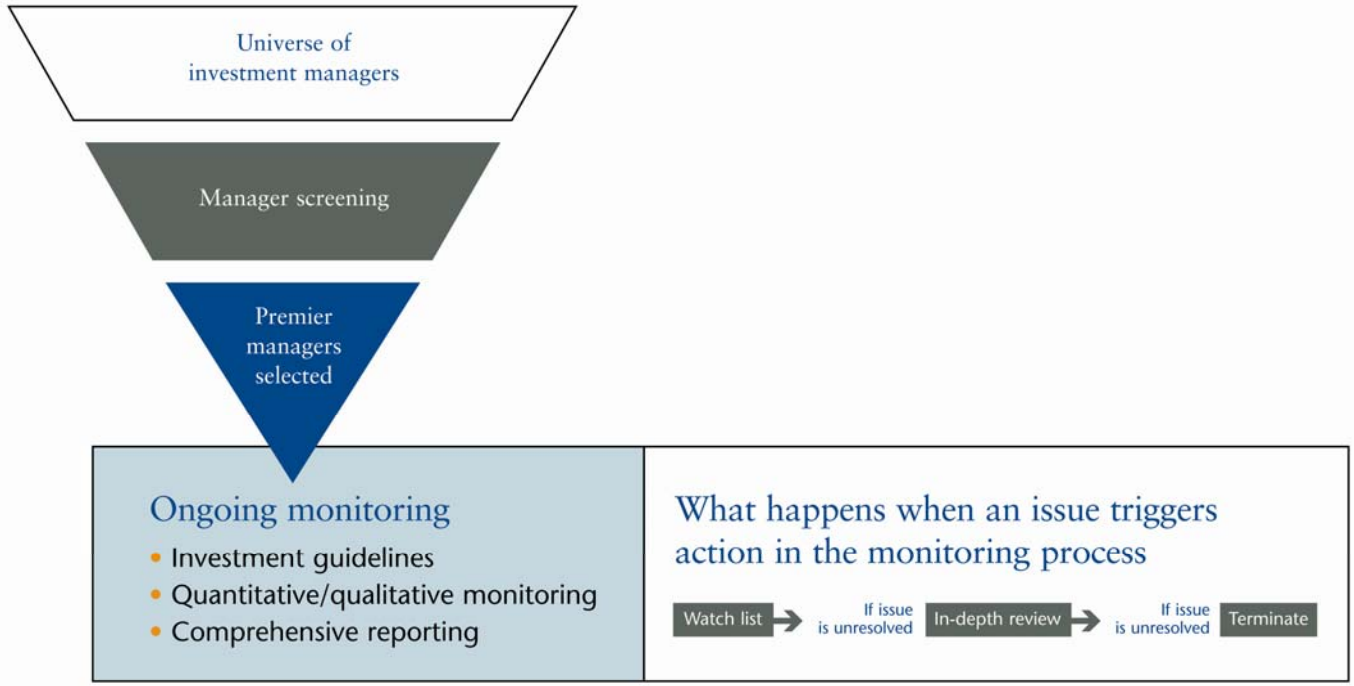
Holistic Approach

- Qualitative, Forward-Looking Factors
  - Organization
  - Investment Philosophy and Process
  - People
- Quantitative Factors, Retrospective View
  - Information Ratio
  - Peer Rankings
  - Consistency Factor

Specialty Managers Offered in a Sub-Advised Structure

- "Best-in-Class" approach
  - Broad manager diversification
  - Avoid dependence on single investment philosophy and research platform
- Measure consistency of excess returns
- Utilize appropriate time periods for manager evaluations

Manager Selection Process



Monitoring Process

- Investment mandate clearly defined
- Performance expectations set

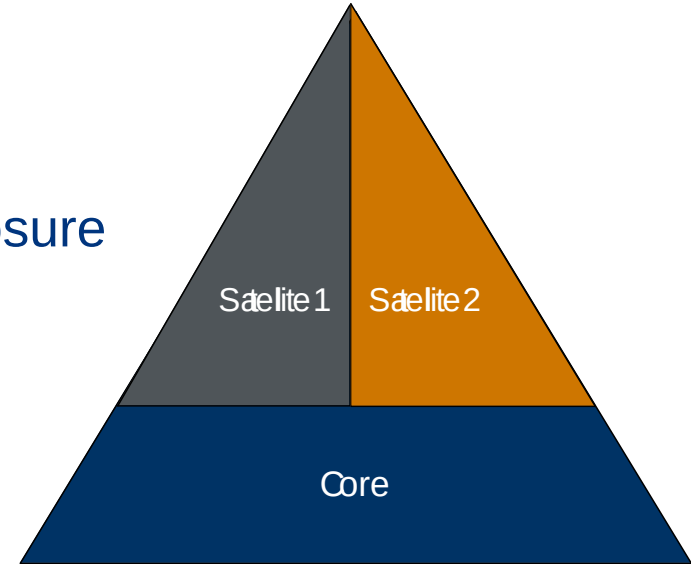
- Review performance relative to benchmarks and peers
- Style consistency
- Risk monitoring

- Quarterly, evaluate changes in organization, investment process, and resources
- Annual on-site reviews
- Ad-hoc meetings as needed

- Principal Due Diligence Program Quarterly Review
- Investment bulletins
- Website
- Comprehensive plan-specific investment reviews

Core/Satellite Concept

- Core Manager:
  - Purpose is to improve performance consistency via enhanced index exposure to the market
- Satellite Managers:
  - Purpose is to provide diversified source of excess return
  - Implemented with 2 - 4 complementary managers in varying weights



Manager Performance Conundrum

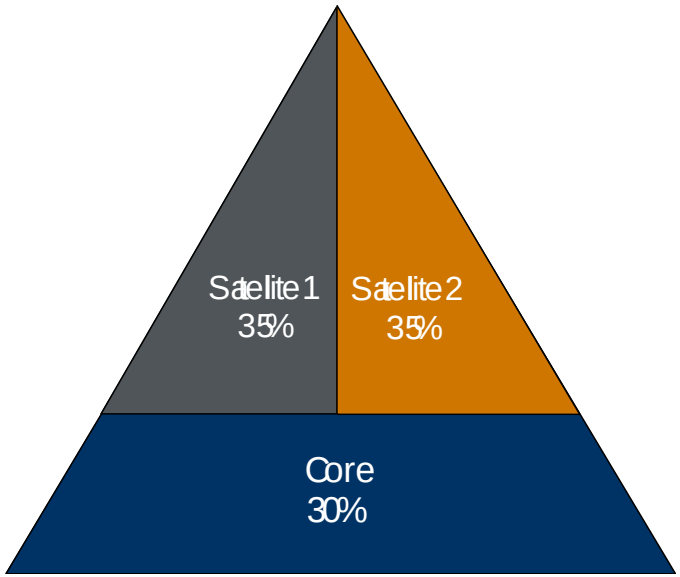
- Solution for investor impatience is better performance consistency
  - Hitting first and second quartile performance more consistently
  - Reduce the probability the investment option falls into the “Red Zone” (or 4th quartile) on a three-year basis

Playing Better Defense – Core Evaluation

LargeCap Value Example

Assumptions:

	Alpha	Tracking Error	Return/Risk
Satellite Manager 1	2%	5%	.40
Satellite Manager 2	3%	7%	.43
Core Manager	1%	2%	.50



This example is for illustrative purposes only and does not reflect the structure or performance of specific investment options or portfolios. Portfolios can change over time and there is no guarantee that future risk/return statistics will be consistent or that the goals of the portfolios will be met, especially over shorter time periods. No portfolio has zero risk, and none guarantees any specific reward. Past performance is no guarantee of future results.

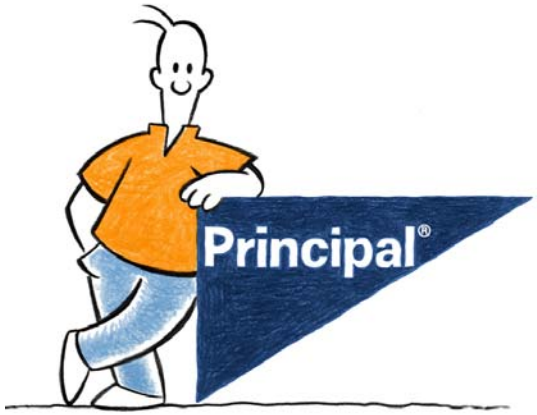
Playing Better Defense – Core Evaluation

We believe a Core/Satellite model can do a better job of reducing the total investment option risk while providing competitive excess returns (i.e. highest Return/Risk ratio).

Fund Scenarios	Alpha	Tracking Error	Return/Risk
Satellite Manager 1 – 100%	2%	5%	.40
Satellite Manager 2 – 100%	3%	7%	.43
Satellite Manager 1 & 2 – 50/50	2.5%	4.7%	.53
Core Manager 30%/Satellite 1 35%/Satellite 2 35%	2.1%	3.6%	.58

This example is for illustrative purposes only and does not reflect the structure or performance of specific investment options or portfolios. Portfolios can change over time and there is no guarantee that future risk/return statistics will be consistent or that the goals of the portfolios will be met, especially over shorter time periods. No portfolio has zero risk, and none guarantees any specific reward. Past performance is no guarantee of future results.

Individual Investment Option Performance



WE'LL GIVE YOU AN EDGE℠

Investment Performance
Hallandale Beach - 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.

The gross total investment expense figure does not reflect any waivers or caps on the mutual fund or underlying mutual fund in which a Separate Account invests. 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 Client Contact Center at 1-800-547-7754.

		Average Annual Total Returns through 06/30/2011							Percentile Rankings as of 06/30/2011					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 16, 21, 30]	5.31	28.14	0.36	-1.53	2.53	2.90	12/29/2000	-	54	80	93	76	0.94
TS&W / Herndon	LargeCap Value I Separate Account-R6 [15, 30, 40]	5.38	27.99	0.10	-0.23	-	3.35	06/01/2004	-	56	83	83	-	0.94
	Russell 1000 Value Index	5.92	28.94	2.28	1.15	3.99	-	-	-	-	-	-	-	
	Morningstar Category Average - Large Value	5.69	28.87	2.46	1.59	3.60	Total Funds in Category		1289	1239	1114	964	543	-
	Large Blend													
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	5.88	30.26	3.04	2.66	2.41	8.25	01/01/1990	-	43	42	46	54	0.31
	Standard & Poor's 500 Index	6.02	30.69	3.34	2.94	2.72	-	-	-	-	-	-	-	
	Morningstar Category Average - Large Blend	5.45	29.68	2.60	2.49	2.68	Total Funds in Category		1974	1893	1675	1434	813	-
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6	3.98	31.94	0.09	3.59	1.87	6.21	06/01/1995	-	57	80	57	56	0.71
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 25, 30, 32]	6.17	35.81	8.08	6.34	2.80	1.59	12/29/2000	-	25	7	15	36	0.79
	Russell 1000 Growth Index	6.83	35.01	5.01	5.33	2.24	-	-	-	-	-	-	-	
	Morningstar Category Average - Large Growth	5.65	33.08	3.02	4.07	2.24	Total Funds in Category		1709	1657	1476	1276	803	-
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	9.90	35.02	6.71	4.09	7.03	10.34	01/01/1991	-	31	40	51	53	0.81
	Russell Midcap Value Index	6.69	34.28	6.35	4.01	8.42	-	-	-	-	-	-	-	
	Morningstar Category Average - Mid Cap Value	6.16	32.92	6.38	4.01	7.24	Total Funds in Category		434	421	348	281	124	-
	Mid Cap Growth													
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 13, 30]	9.88	45.53	4.69	5.79	3.96	4.42	10/28/1999	-	15	55	50	66	1.14
	Russell Midcap Growth Index	9.59	43.25	6.58	6.28	5.52	-	-	-	-	-	-	-	
	Morningstar Category Average - Mid Cap Growth	8.08	39.49	5.18	5.59	4.77	Total Funds in Category		791	768	681	609	404	-
	Small Value													
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30]	4.89	35.72	8.56	2.10	-	6.07	06/01/2004	-	23	48	71	-	1.36
	Russell 2000 Value Index	3.77	31.35	7.09	2.24	7.53	-	-	-	-	-	-	-	
	Morningstar Category Average - Small Value	4.58	32.28	8.73	3.49	8.31	Total Funds in Category		363	344	305	255	141	-
	Small Growth													
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 30, 31]	9.75	45.44	5.53	2.82	3.55	2.21	12/29/2000	-	33	72	81	75	1.19
	Russell 2000 Growth Index	8.59	43.50	8.35	5.79	4.63	-	-	-	-	-	-	-	
	Morningstar Category Average - Small Growth	9.35	42.52	7.81	5.08	5.05	Total Funds in Category		779	746	666	565	358	-

		Average Annual Total Returns through 06/30/2011							Percentile Rankings as of 06/30/2011					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	1.23	30.52	1.05	9.91	15.57	11.33	01/01/1995	-	15	62	39	42	1.51
	MSCI - Emerging Markets NDTR D Index	0.88	27.80	4.22	11.42	16.20	-	-	-	-	-	-	-	
	Morningstar Category Average - Diversified Emerging Markets	-0.42	26.76	1.97	9.54	14.92	Total Funds in Category		452	396	291	225	138	-
	Foreign Large Value													
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 15, 30, 35]	6.91	33.42	-	-	-	9.73	09/30/2008	-	24	-	-	-	1.28
	MSCI EAFE Value Index	5.58	29.35	-1.74	0.36	5.96	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Value	5.23	30.35	-1.89	0.94	5.83	Total Funds in Category		376	361	310	247	145	-
	Foreign Large Blend													
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 18, 30, 34]	5.48	34.53	-3.31	1.50	5.06	3.78	07/01/1999	-	16	75	54	50	1.29
	MSCI - EAFE Index NDTR D	4.98	30.36	-1.77	1.48	5.66	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Blend	4.19	30.80	-1.65	1.70	5.14	Total Funds in Category		863	826	714	539	303	-
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	7.55	36.37	-5.40	-0.16	5.98	4.02	12/29/2000	-	12	94	93	45	1.18
	MSCI World Ex US Growth Index	3.84	31.18	-2.20	2.92	5.73	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Growth	4.05	31.68	-0.10	3.49	6.09	Total Funds in Category		254	246	209	168	103	-
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	8.95	20.71	-9.07	-1.90	4.08	5.89	01/01/1982	-	-	-	-	-	1.15
	NFI-ODCE Equal-Weight	8.33	19.30	-9.20	-1.30	4.30	-	-	-	-	-	-	-	
	Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 12]	11.15	33.31	7.33	2.93	12.01	12.23	12/31/2002	-	49	15	23	8	1.15
	MSCI US REIT Index	10.32	34.09	5.41	2.41	10.57	-	-	-	-	-	-	-	
	Morningstar Category Average - Real Estate	9.74	32.51	4.77	1.59	9.65	Total Funds in Category		268	258	228	201	111	-
	Short-Term Fixed Income													
	Money Market													
Principal Global Investors	Money Market Separate Account-R6 [6, 24, 26]	0.00	0.03	0.38	1.96	1.92	5.47	12/10/1980	-	-	-	-	-	0.56
	7-Day Simple Yield as of 06/30/2011 is 0.00 ***	-	-	-	-	-	-		-	-	-	-	-	
	Barclays Capital Treasury Bellwethers 3 Month Index	0.09	0.18	0.47	2.07	2.16	-	-	-	-	-	-	-	
	Morningstar Category Average - Money Market	0.01	0.03	0.33	1.84	1.78	Total Funds in Category		1027	1020	920	835	615	-
	Fixed Income													
	High Yield Bond													
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 17, 19, 20]	4.30	15.64	13.76	9.72	-	8.41	12/31/2004	-	32	3	3	-	0.81
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	4.98	15.53	12.80	9.42	9.10	-	-	-	-	-	-	-	
	Morningstar Category Average - High Yield Bond	4.28	15.00	9.25	6.99	7.15	Total Funds in Category		592	568	507	432	279	-
	Intermediate-Term Bond													
PIMCO	Core Plus Bond I Separate Account-R6 [15, 17, 20]	3.00	4.77	-	-	-	8.27	09/30/2008	-	56	-	-	-	0.74
Principal Global Investors	Bond and Mortgage Separate Account-I2 [17, 20]	3.72	7.84	7.87	6.09	5.66	8.51	02/01/1983	-	12	28	54	34	0.55
	Barclays Capital Aggregate Bond Index	2.72	3.90	6.46	6.52	5.74	-	-	-	-	-	-	-	
	Morningstar Category Average - Intermediate-Term Bond	2.84	5.33	6.69	5.99	5.30	Total Funds in Category		1232	1159	1017	871	567	-
	Inflation-Protected Bond													
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 17, 20, 22]	4.89	6.89	-0.23	1.13	-	0.93	12/31/2004	-	47	94	94	-	0.57
	Barclays Capital US Treas TIPS Index	5.81	7.74	5.28	6.91	6.95	-	-	-	-	-	-	-	
	Morningstar Category Average - Inflation-Protected Bond	5.02	7.03	4.33	5.78	6.05	Total Funds in Category		194	189	154	129	19	-

Must be accompanied by disclosures on the following page.

Risk and Return Statistics for Hallandale Beach - Investment Option Performance

Risk and Return Statistics through 06/30/2011														
		3 Year						5 Year						
Investment Advisor	Investment Option	Alpha	Beta	R2	Sharpe Ratio	Std Dev	Mean	Alpha	Beta	R2	Sharpe Ratio	Std Dev	Mean	Inception Date
	Large U.S. Equity													
	Large Value													
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 16, 21, 30]	-1.89	0.98	99.20	0.11	22.15	0.36	-2.68	0.99	98.94	-0.08	18.98	-1.53	12/29/2000
	Relative to Russell 1000 Value Index													
TS&W / Herndon	LargeCap Value I Separate Account-R6 [15, 30, 40]	-2.07	1.02	97.78	0.11	23.37	0.10	-1.26	1.02	96.82	0.00	19.62	-0.23	06/01/2004
	Relative to Russell 1000 Value Index													
	Large Blend													
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	-0.28	1.00	100.00	0.23	21.15	3.04	-0.28	1.00	100.00	0.14	17.83	2.66	01/01/1990
	Relative to Standard & Poor's 500 Index													
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6	-4.73	1.00	96.08	0.10	21.85	0.09	-1.58	1.01	93.86	0.19	18.90	3.59	06/01/1995
	Relative to Russell 1000 Growth Index													
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 25, 30, 32]	2.83	1.08	96.39	0.44	23.38	8.08	0.91	1.08	96.16	0.32	19.84	6.34	12/29/2000
	Relative to Russell 1000 Growth Index													
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	0.78	0.86	97.88	0.39	23.08	6.71	0.10	0.87	97.86	0.21	19.31	4.09	01/01/1991
	Relative to Russell Midcap Value Index													
	Mid Cap Growth													
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 13, 30]	-1.84	1.03	98.71	0.30	26.37	4.69	-0.45	1.03	97.09	0.29	22.30	5.79	10/28/1999
	Relative to Russell Midcap Growth Index													
	Small Value													
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30]	1.32	1.03	98.69	0.42	29.11	8.56	-0.04	1.03	98.18	0.13	24.08	2.10	06/01/2004
	Relative to Russell 2000 Value Index													
	Small Growth													
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 30, 31]	-2.48	0.98	98.10	0.33	27.02	5.53	-2.74	0.98	97.64	0.16	22.62	2.82	12/29/2000
	Relative to Russell 2000 Growth Index													
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	-3.01	1.01	98.74	0.18	31.56	1.05	-1.33	1.00	98.58	0.42	27.62	9.91	01/01/1995
	Relative to MSCI - Emerging Markets NDTR D Index													
	Foreign Large Value													
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 15, 30, 35]	-	-	-	-	-	-	-	-	-	-	-	-	09/30/2008
	Relative to MSCI EAFE Value Index													
	Foreign Large Blend													
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 18, 30, 34]	-1.37	1.02	98.46	0.00	26.62	-3.31	0.14	1.02	98.16	0.10	22.04	1.50	07/01/1999
	Relative to MSCI - EAFE Index NDTR D													
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	-2.94	1.05	98.55	-0.09	26.35	-5.40	-2.91	1.05	97.96	0.02	21.94	-0.16	12/29/2000
	Relative to MSCI World Ex US Growth Index													
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	-	-	-	-	10.19	-9.07	-	-	-	-	8.44	-1.90	01/01/1982
	Relative to NFI-ODCE Equal-Weight													

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

Risk and Return Statistics through 06/30/2011														
		3 Year						5 Year						
Investment Advisor	Investment Option	Alpha	Beta	R2	Sharpe Ratio	Std Dev	Mean	Alpha	Beta	R2	Sharpe Ratio	Std Dev	Mean	Inception Date
	Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 12]	1.53	0.87	99.32	0.37	34.89	7.33	0.01	0.89	99.04	0.19	29.52	2.93	12/31/2002
	Relative to MSCI US REIT Index													
	Short-Term Fixed Income													
	Money Market													
Principal Global Investors	Money Market Separate Account-R6 [6, 24, 26]	-	-	-	-	-	-	-	-	-	-	-	-	12/10/1980
	Relative to Barclays Capital Treasury Bellwethers 3 Month Index													
	Fixed Income													
	High Yield Bond													
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 17, 19, 20]	2.63	0.83	98.37	0.97	14.03	13.76	1.32	0.84	98.27	0.71	11.34	9.72	12/31/2004
	Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index													
	Intermediate-Term Bond													
PIMCO	Core Plus Bond I Separate Account-R6 [15, 17, 20]	-	-	-	-	-	-	-	-	-	-	-	-	09/30/2008
	Relative to Barclays Capital Aggregate Bond Index													
Principal Global Investors	Bond and Mortgage Separate Account-I2 [17, 20]	1.17	1.06	35.83	1.03	7.33	7.87	-0.43	1.03	38.15	0.70	6.00	6.09	02/01/1983
	Relative to Barclays Capital Aggregate Bond Index													
	Inflation-Protected Bond													
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 17, 20, 22]	-5.64	1.08	84.82	0.00	9.98	-0.23	-5.68	1.04	82.68	-0.04	8.45	1.13	12/31/2004
	Relative to Barclays Capital US Treas TIPS Index													

Risk and return statistics for Mutual Fund Network options are calculated relative to Morningstar's Category Index.

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

Risk and Return Statistics for Hallandale Beach - Investment Option Performance

Risk and Return Statistics through 06/30/2011								
		3 Year			5 Year			
Investment Advisor	Investment Option	Excess Return	Excess Std Dev	Info Ratio	Excess Return	Excess Std Dev	Info Ratio	Inception Date
	Large U.S. Equity							
	Large Value							
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 16, 21, 30]	-1.92	2.05	-0.93	-2.68	1.96	-1.37	12/29/2000
	Relative to Russell 1000 Value Index							
TS&W / Herndon	LargeCap Value I Separate Account-R6 [15, 30, 40]	-2.18	3.52	-0.62	-1.38	3.52	-0.39	06/01/2004
	Relative to Russell 1000 Value Index							
	Large Blend							
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	-0.29	0.07	-4.14	-0.27	0.06	-4.61	01/01/1990
	Relative to Standard & Poor's 500 Index							
	Large Growth							
Columbus Circle Investors	LargeCap Growth Separate Account-R6	-4.92	4.34	-1.14	-1.74	4.68	-0.37	06/01/1995
	Relative to Russell 1000 Growth Index							
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 25, 30, 32]	3.07	4.74	0.65	1.01	4.13	0.25	12/29/2000
	Relative to Russell 1000 Growth Index							
	Small/Mid U.S. Equity							
	Mid Cap Value							
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	0.35	5.02	0.07	0.08	4.02	0.02	01/01/1991
	Relative to Russell Midcap Value Index							
	Mid Cap Growth							
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 13, 30]	-1.88	3.07	-0.61	-0.48	3.85	-0.13	10/28/1999
	Relative to Russell Midcap Growth Index							
	Small Value							
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30]	1.46	3.46	0.42	-0.13	3.31	-0.04	06/01/2004
	Relative to Russell 2000 Value Index							
	Small Growth							
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 30, 31]	-2.82	3.76	-0.75	-2.97	3.52	-0.85	12/29/2000
	Relative to Russell 2000 Growth Index							
	International Equity							
	Diversified Emerging Markets							
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	-3.17	3.56	-0.89	-1.50	3.29	-0.46	01/01/1995
	Relative to MSCI - Emerging Markets NDTR D Index							
	Foreign Large Value							
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 15, 30, 35]	-	-	-	-	-	-	09/30/2008
	Relative to MSCI EAFE Value Index							
	Foreign Large Blend							
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 18, 30, 34]	-1.53	3.36	-0.46	0.01	3.01	0.01	07/01/1999
	Relative to MSCI - EAFE Index NDTR D							
	Foreign Large Growth							
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	-3.20	3.41	-0.94	-3.08	3.27	-0.94	12/29/2000
	Relative to MSCI World Ex US Growth Index							
	Real Estate							
	Owned Real Estate							
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	-	-	-	-	-	-	01/01/1982
	Relative to NFI-ODCE Equal-Weight							

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

Risk and Return Statistics through 06/30/2011								
		3 Year			5 Year			
Investment Advisor	Investment Option	Excess Return	Excess Std Dev	Info Ratio	Excess Return	Excess Std Dev	Info Ratio	Inception Date
	Real Estate							
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 12]	1.92	5.84	0.33	0.52	4.70	0.11	12/31/2002
	Relative to MSCI US REIT Index							
	Short-Term Fixed Income							
	Money Market							
Principal Global Investors	Money Market Separate Account-R6 [6, 24, 26]	-	-	-	-	-	-	12/10/1980
	Relative to Barclays Capital Treasury Bellwethers 3 Month Index							
	Fixed Income							
	High Yield Bond							
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 17, 19, 20]	0.95	3.31	0.29	0.29	2.66	0.11	12/31/2004
	Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index							
	Intermediate-Term Bond							
PIMCO	Core Plus Bond I Separate Account-R6 [15, 17, 20]	-	-	-	-	-	-	09/30/2008
	Relative to Barclays Capital Aggregate Bond Index							
Principal Global Investors	Bond and Mortgage Separate Account-I2 [17, 20]	1.40	5.92	0.24	-0.42	4.79	-0.09	02/01/1983
	Relative to Barclays Capital Aggregate Bond Index							
	Inflation-Protected Bond							
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 17, 20, 22]	-5.51	3.97	-1.39	-5.78	3.53	-1.64	12/31/2004
	Relative to Barclays Capital US Treas TIPS Index							

Risk and return statistics for Mutual Fund Network options are calculated relative to Morningstar's Category Index.

Please see important disclosures at the end of this presentation.

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

Investment Options for Hallandale Beach - Investment Option Performance 4-47771
As Of 06/30/2011

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
LargeCap Value III Separate Account-R6 [3, 16, 21, 30] AllianceBernstein Investments Westwood Management LargeCap Value I Separate Account-R6 [15, 30, 40] Herndon Capital Management TSW Thompson, Siegel & Walmsley LLC	LargeCap S&P 500 Index Separate Account-R6 [2, 8 ++]	LargeCap Growth Separate Account-R6 Columbus Circle Investors LargeCap Growth I Separate Account-R6 [3, 25, 30, 32] T.RowePrice Invest with Confidence Brown Advisory
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value III Separate Account-R6 [1] Principal Global Investors Barrow, Hanley, Mewhinney & Strauss, LLC		MidCap Growth III Separate Account-R6 [1, 13, 30] Turner investment partners Mellon Capital Management Jacobs Levy Equity Management
Small Value	**Small Blend**	**Small Growth**
SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30] Dimensional Vaughan Nelson Investment Management, LP Los Angeles Capital Management		SmallCap Growth II Separate Account-R6 [1, 3, 30, 31] Emerald Advisers, Inc. Essex

International Equity	Real Estate	Balanced/Asset Allocation
International Value I Separate Account-R6 [4, 15, 30, 35] Causeway Capital Management LLC Barrow, Hanley, Mewhinney & Strauss, LLC International I Separate Account-R6 [4, 15, 18, 30, 34] Fidelity Investments Schroders International Emerging Markets Separate Account-R6 [4] International Growth Separate Account-R6 [3, 4] Principal Global Investors℠	Real Estate Securities Separate Account-R6 [3, 7, 12] U.S. Property Separate Account-R6 [37] Principal® Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
Money Market Separate Account-R6 [6, 24, 26] Principal Global Investors℠	Inflation Protection Separate Account-R6 [15, 17, 20, 22] BlackRock High Yield I Separate Account-R6 [5, 15, 17, 19, 20] J.P.Morgan Asset Management Neuberger Berman Core Plus Bond I Separate Account-R6 [15, 17, 20] PIMCO The Authority On Bonds™ Bond and Mortgage Separate Account-I2 [17, 20] Principal Global Investors℠	

Must be accompanied by disclosures at the end of this presentation.

Sub-Advised Investment Option Scores as of 06/30/2011 for Hallandale Beach - Investment Option Performance

Investment Advisor	Investment Option	Qualitative Investment Advisor(s) Score	Qualitative Investment Advisor(s) Grade	Qualitative Investment Advisor(s) Cautionary Status	Quantitative Investment Option Score	Quantitative Investment Option Grade	Quantitative Investment Option Cautionary Status	Comments
	Large U.S. Equity							
	Large Value							
TS&W / Herndon	LargeCap Value I Separate Account-R6 [15, 30, 40]	1.78	Favorable		3.44	Less Favorable	PR	Option removed from Quantitative Watch List and placed on probation on 06/30/2011. TS&W was added as a sub-advisor in September 2009. Herndon was added as a sub-advisor in June 2011.
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 16, 21, 30]	1.86	Favorable		3.46	Less Favorable	PR	Option placed on Probation status 03/31/11. Westwood Management was added as a sub-advisor in July 2008.
	Large Blend							
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	1.00	Favorable		2.00	Favorable		
	Large Growth							
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 25, 30, 32]	1.87	Favorable		1.22	Favorable		Brown Advisory was added as a sub-advisor in July 2009.
Columbus Circle Investors	LargeCap Growth Separate Account-R6	2.00	Favorable		3.31	Less Favorable	WL	Option placed on Quantitative Watch List on 03/31/2011 due to under-performance.
	Small/Mid U.S. Equity							
	Mid Cap Value							
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	1.91	Favorable		2.33	Favorable		Quantitative Grade improved to Favorable as five-year information ratio and five-year percentile ranking improved.
	Mid Cap Growth							
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 13, 30]	1.98	Favorable		2.68	Neutral		Mellon Capital was added as a sub-advisor in November 2008. Jacobs Levy was added as a sub-advisor in May 2009.
	Small Value							
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30]	1.81	Favorable		2.17	Favorable		LA Capital was added as a sub-advisor in May 2009.
	Small Growth							
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 30, 31]	2.05	Favorable		3.33	Less Favorable	PR	Option placed on Probation status 03/31/11. UBS was removed as a sub-advisor in June 2009. Essex was added as a sub-advisor in June 2006.
	International Equity							
	Diversified Emerging Markets							
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	1.88	Favorable		2.98	Neutral		
	Foreign Large Value							
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 15, 30, 35]	1.92	Favorable		1.15	Favorable		Barrow Hanley was added as a sub-advisor in August 2010.
	Foreign Large Blend							
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 18, 30, 34]	1.81	Favorable		2.75	Neutral		Schroders was added as a sub-advisor in January 2010.

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Investment Advisor	Investment Option	Qualitative Investment Advisor(s) Score	Qualitative Investment Advisor(s) Grade	Qualitative Investment Advisor(s) Cautionary Status	Quantitative Investment Option Score	Quantitative Investment Option Grade	Quantitative Investment Option Cautionary Status	Comments
	Foreign Large Growth							
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	1.79	Favorable		3.77	Less Favorable	PR	Option placed on Probation status 03/31/11.
	Real Estate							
	Owned Real Estate							
Principal Real Estate Inv	U.S. Property Separate Account-R6 [10, 37]	1.74	Favorable		2.80	Neutral		
	Real Estate							
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 12]	1.76	Favorable		1.46	Favorable		
	Short-Term Fixed Income							
	Money Market							
Principal Global Investors	Money Market Separate Account-R6 [6, 24, 26]	1.74	Favorable		1.32	Favorable		
	Fixed Income							
	High Yield Bond							
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 17, 19, 20]	1.68	Favorable		1.41	Favorable		JP Morgan and Neuberger Berman took over portfolio management responsibilities in January 2008.
	Intermediate-Term Bond							
PIMCO	Core Plus Bond I Separate Account-R6 [15, 17, 20]	1.62	Favorable		1.75	Favorable		
Principal Global Investors	Bond and Mortgage Separate Account-I2 [17, 20]	1.91	Favorable		2.31	Favorable		
	Inflation-Protected Bond							
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 17, 20, 22]	1.74	Favorable		3.65	Less Favorable	PR	Option placed on Probation status 03/31/11. BlackRock took over portfolio management responsibilities in December 2008.

Please see important disclosures at the end of this presentation.

WL denotes applicable Watch List status

PR denotes Probation status

Balanced/Asset Allocation investment options will not be scored using our methodology. Instead, our review for these investment strategies focuses on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Therefore, no Balanced/Asset Allocation options are displayed here. However, Sub-Advised Balanced/Asset Allocation investment options are still subject to the oversight of our due diligence process.

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Investment Option Quantitative Score - Last Four Quarters for Hallandale Beach - Investment Option Performance

Investment Advisor	Investment Option	06/30/2011 Investment Option Score	06/30/2011 Investment Option Grade	03/31/2011 Investment Option Score	03/31/2011 Investment Option Grade	12/31/2010 Investment Option Score	12/31/2010 Investment Option Grade	09/30/2010 Investment Option Score	09/30/2010 Investment Option Grade
	Large U.S. Equity								
	Large Value								
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 16, 21, 30]	3.46	Less Favorable	3.58	Less Favorable	3.63	Less Favorable	3.70	Less Favorable
TS&W / Herndon	LargeCap Value I Separate Account-R6 [15, 30, 40]	3.44	Less Favorable	3.35	Less Favorable	3.28	Less Favorable	3.11	Less Favorable
	Large Blend								
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	2.00	Favorable	2.00	Favorable	2.00	Favorable	2.00	Favorable
	Large Growth								
Columbus Circle Investors	LargeCap Growth Separate Account-R6	3.31	Less Favorable	3.29	Less Favorable	3.14	Less Favorable	3.12	Less Favorable
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 25, 30, 32]	1.22	Favorable	1.25	Favorable	1.38	Favorable	1.38	Favorable
	Small/Mid U.S. Equity								
	Mid Cap Value								
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	2.33	Favorable	2.52	Neutral	2.98	Neutral	2.51	Neutral
	Mid Cap Growth								
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 13, 30]	2.68	Neutral	2.74	Neutral	2.89	Neutral	2.93	Neutral
	Small Value								
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30]	2.17	Favorable	2.37	Favorable	2.65	Neutral	2.70	Neutral
	Small Growth								
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 30, 31]	3.33	Less Favorable	3.18	Less Favorable	3.32	Less Favorable	3.45	Less Favorable
	International Equity								
	Diversified Emerging Markets								
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	2.98	Neutral	2.73	Neutral	2.67	Neutral	2.78	Neutral
	Foreign Large Value								
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 15, 30, 35]	1.15	Favorable	1.15	Favorable	2.15	Favorable	1.16	Favorable
	Foreign Large Blend								
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 18, 30, 34]	2.75	Neutral	2.56	Neutral	2.49	Favorable	2.56	Neutral
	Foreign Large Growth								
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	3.77	Less Favorable	3.75	Less Favorable	3.75	Less Favorable	3.78	Less Favorable
	Real Estate								
	Owned Real Estate								
Principal Real Estate Inv	U.S. Property Separate Account-R6 [10, 37]	2.80	Neutral	2.80	Neutral	2.80	Neutral	2.80	Neutral
	Real Estate								
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 12]	1.46	Favorable	1.50	Favorable	1.46	Favorable	1.21	Favorable

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Investment Advisor	Investment Option	06/30/2011 Investment Option Score	06/30/2011 Investment Option Grade	03/31/2011 Investment Option Score	03/31/2011 Investment Option Grade	12/31/2010 Investment Option Score	12/31/2010 Investment Option Grade	09/30/2010 Investment Option Score	09/30/2010 Investment Option Grade
	Short-Term Fixed Income								
	Money Market								
Principal Global Investors	Money Market Separate Account-R6 [6, 24, 26]	1.32	Favorable	1.59	Favorable	1.49	Favorable	1.29	Favorable
	Fixed Income								
	High Yield Bond								
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 17, 19, 20]	1.41	Favorable	1.28	Favorable	1.27	Favorable	1.25	Favorable
	Intermediate-Term Bond								
PIMCO	Core Plus Bond I Separate Account-R6 [15, 17, 20]	1.75	Favorable	1.77	Favorable	1.77	Favorable	1.73	Favorable
Principal Global Investors	Bond and Mortgage Separate Account-I2 [17, 20]	2.31	Favorable	2.24	Favorable	2.71	Neutral	2.90	Neutral
	Inflation-Protected Bond								
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 17, 20, 22]	3.65	Less Favorable	3.62	Less Favorable	3.68	Less Favorable	3.71	Less Favorable

Please see important disclosures at the end of this presentation.

Balanced/Asset Allocation investment options will not be scored using our methodology. Instead, our review for these investment strategies focuses on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Therefore, no Balanced/Asset Allocation options are displayed here. However, Sub-Advised Balanced/Asset Allocation investment options are still subject to the oversight of our due diligence process.

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Investment Option Scoring Criteria

We analyze investment options both qualitatively and quantitatively.

Qualitative Analysis
We look at an investment manager's investment philosophy and process, and resources. This evaluation helps to ensure an investment manager retains the same organizational and investment characteristics that were the basis for our original selection decision. Analyzing qualitative factors is perhaps the most critical aspect of the monitoring process for our sub-advised investment options because we believe the factors we analyze can help determine the investment manager's ability to add value in the future.

Quantitative Analysis
In contrast, our quantitative analysis focuses on the elements of the investment option that can be measured objectively and compared to certain benchmarks or peer groups, such as historical performance. Quantitative assessments are necessary because they provide valuable insight into the level of historical investment performance of the investment option.

Investment Manager Scoring

Based on our qualitative analysis, we score each investment manager every quarter. Likewise, we provide a quantitative score for each investment option on a quarterly basis. Our methodology scores them on a scale of 1.0-4.0 (with 1.0 being the best). The scores, grades, and explanations are as follows:

Scores	Grades	Explanation
1.00 - 2.50	Favorable	Meeting or exceeding our expectations
2.51 – 3.00	Neutral	Not exceeding expectations but still in good standing
3.01 – 4.00	Less Favorable	Significantly below our expectations

Qualitative Score

Organization, Investment Philosophy and Process, and People
This part of the evaluation focuses on the investment manager's ability to add value in the future given the state of their existing organization, the soundness of their investment philosophy and process, and the depth and quality of their people. For multi-manager investment options, the Qualitative Score is based on a weighted average of scores for all managers. End of quarter market values are used to derive the appropriate advisor weights.

Qualitative Score		
30% Organization	50% Investment Philosophy and Process	20% People

Quantitative Score

Performance[#]
The purpose of analyzing historical performance is to determine whether an investment option has delivered acceptable investment results and the manager(s) that comprise the investment option have demonstrated skill. We score an investment option's gross performance[****] based on their three- and five-year risk-adjusted excess returns relative to a passive index (i.e. information ratio), three- and five-year Morningstar percentile rankings within an appropriate peer group, and three-year consistency of performance relative to a passive index[***]. For example, if ABC Investment Option is a large growth investment option, we'll typically compare it to the Russell 1000 Growth Index for a passive index. We'll then compare it to the Morningstar Large Growth Category for a peer group comparison.

If the investment option's performance tenure is less than three years, the actual performance may be combined with the manager's performance history in managing other mutual funds or portfolios which have substantially similar mandates and were identified by our team of investment analysts in the selection and retention process.

Quantitative Score				
35% Risk-Adjusted Passive Index Performance		50% Peer Performance		15% Consistency
50% Three-year Returns	50% Five-year Returns	50% Three-year Returns	50% Five-year Returns	100% Three-year Returns

Please see important information on the next page.

[***] If an investment option has at least a three-year performance record, but not a five-year performance record, we will weight 50% of the historical performance score based on three-year performance and 50% based on inception-to-date performance. If an investment option does not have at least a three-year performance record, we will weight 100% of the historical performance score based on inception-to-date performance. However, an investment option must at least have 12 months of performance to be scored.

[#]We generally score our sub-advised investment options based on the Institutional class shares of the Principal Funds.

[****] Gross returns are not indicative of the returns for any specific rate level or share class available to the public. Performance and expenses for other share classes or rate levels may differ.

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Cautionary Status

Cautionary Status means that our due diligence process has uncovered a concern with the investment option that requires further monitoring. For quantitative, or performance-related concerns, there are two levels of cautionary status: The Watch List and Probation. For qualitative concerns, only Watch List status is applicable.

The Watch List

Investment options may be placed on the Watch List for quantitative reasons (performance), qualitative reasons (firm or process) or both. Quantitative Watch List Status will be triggered if long-term performance is significantly below our expectations. Performance results of the investment option are used to determine Quantitative Watch List status. Qualitative Watch List status typically arises from a significant event that is a major change in the organization, the investment process, or a compliance issue. Being placed on the Watch List does not necessarily mean that the option is no longer an appropriate investment option. Instead, this status is meant to communicate our increased level of concern about a particular issue or event, which if left unresolved, could endanger the relationship. An investment manager is placed on the Watch List for a length of time that will not exceed 12 months. After 12 months the manager may be removed from the Watch List or terminated. If the investment option is on the Watch List for quantitative or performance concerns and the due diligence process determines removal from the Watch List is appropriate, the investment option may be placed on Probation until such time that the manager's performance improves.

The Watch List - What signs do we look for?	
Qualitative Signals	**Quantitative Signals**
There are a variety of organizational or investment process-related events that may cause us to place an investment manager on our Watch List. The most common issues and events are: • A change in the investment manager's ownership structure • A loss of key investment personnel • A major shift in the investment manager's investment philosophy • Significant changes in key aspects of the investment process (i.e., style drift, risk controls) • Client losses and/or declining assets under management • Compliance and investment guideline violations	Over short time periods, an unskilled manager can outperform a skilled manager simply due to luck. Over longer time periods, though, this short-term randomness diminishes and a more accurate picture of an investment manager's skill emerges. Accordingly, we use longer time periods - three and five years - to evaluate investment performance. For active investment strategies, an investment option is placed on the Watch List if the Investment Option Grade is "Less Favorable" for two of three consecutive quarters. Note: To make sure we provide an accurate picture of a "newly" hired investment manager, they will be given an appropriate time frame (approximately two to three years) before placing the investment option on the Watch List for quantitative reasons. This will help to prevent unnecessary action immediately after hiring a new investment manager, and allow for evaluation over longer periods.

Probation - How does it work?
The cautionary status of Probation may be assigned to an investment option for the following reasons: • An investment option has been removed from the Quantitative Watch List because the due diligence process has determined that the manager(s) has made improvements in the short-term that have the potential to be sustainable over the long term. However, long-term performance is still below our expectations and requires addititonal monitoring. • An investment option has been removed from the Quantitative Watch List because the due diligence process has determined that the underperformance that led to Watch List status is explainable in light of the process used by the manager(s) based on the market environment at that time. However, long-term performance is still below our expectations and requires additional monitoring. • A manager(s) is removed from an investment option due to performance reasons but the investment option's long-term performance is still below our expectations and requires additional monitoring. In this situation, the due diligence process recognizes that while removal of the underperforming manager(s) has the potential to improve performance, the long-term performance history still contains the manager(s) that have led to the underperformance. The status of Probation is conferred on an investment option for an indefinite period of time. However, the due diligence process can remove a manager at any time, including while on Probation. Probation status is lifted only after the investment option scores "Favorable" for one quarter based on the quantitative scoring criteria of the due diligence process, which focuses on three- and five-year results.

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Your Portfolio Repositioning

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
LargeCap Value III Separate Account-R6 [3, 16, 21, 30] AllianceBernstein Investments Westwood Management LargeCap Value I Separate Account-R6 [15, 30, 40] Herndon Capital Management TS&W Thompson, Siegel & Walmsley LLC	LargeCap S&P 500 Index Separate Account-R6 [2, 8 ++]	LargeCap Growth Separate Account-R6 Columbus Circle Investors LargeCap Growth I Separate Account-R6 [3, 25, 30, 32] T.Rowe Price Invest with Confidence Brown Advisory
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value III Separate Account-R6 [1] Principal Global Investors Barrow, Hanley, Mewhinney & Strauss, LLC		MidCap Growth III Separate Account-R6 [1, 13, 30] Turner Investment Partners Mellon Capital Management Jacobs Levy Equity Management
Small Value	**Small Blend**	**Small Growth**
SmallCap Value II Separate Account-R6 [1, 15, 25, 28, 30] Dimensional Vaughan Nelson Investment Management, LP Los Angeles Capital Management		SmallCap Growth II Separate Account-R6 [1, 3, 30, 31] Emerald Advisers, Inc. Essex

Your Portfolio Repositioning

International Equity	Real Estate	Balanced/Asset Allocation
International Value I Separate Account-R6 [4, 15, 30, 35] Causeway Capital Management LLC Barrow, Hanley, Mewhinney & Strauss, LLC International I Separate Account-R6 [4, 15, 18, 30, 34] Fidelity Investments Schroders International Emerging Markets Separate Account-R6 [4] International Growth Separate Account-R6 [3, 4] Principal Global Investors℠	Real Estate Securities Separate Account-R6 [3, 7, 12] U.S. Property Separate Account-R6 [37] Principal Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
Money Market Separate Account-R6 [6, 24, 26] Principal Global Investors℠	Inflation Protection Separate Account-R6 [15, 17, 20, 22] BlackRock High Yield I Separate Account-R6 [5, 15, 17, 19, 20] J.P.Morgan Asset Management Neuberger Berman Core Plus Bond I Separate Account-R6 [15, 17, 20] PIMCO The Authority On Bonds™ Bond and Mortgage Separate Account-I2 [17, 20] Principal Global Investors℠	

Consider adding or re-opening investment options in green.
Consider eliminating options in red.

You are responsible for the selection of specific investment options for your retirement plan. While the investment options above provide a starting point for you to consider, we also offer additional investment options other than those illustrated above.

Please see important disclosures at the end of this presentation.

Your Portfolio Repositioning continued

Here is some additional information on
Investment Options you may wish to consider

Investment Options 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.

The gross total investment expense figure does not reflect any waivers or caps on the mutual fund or underlying mutual fund in which a Separate Account invests. 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 Client Contact Center at 1-800-547-7754.

		Average Annual Total Returns through 06/30/2011							Percentile Rankings as of 06/30/2011						
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross	Consider Adding or Removing
	Large U.S. Equity														
	Large Value														
Edge Asset Management, Inc.	Equity Income Separate Account-R6 [2, 5]	6.52	27.72	4.75	2.84	6.16	8.35	06/30/2009	-	60	18	23	5	0.68	Add
TS&W / Herndon	LargeCap Value I Separate Account-R6 [6, 11, 15]	5.38	27.99	0.10	-0.23	-	3.35	06/01/2004	-	56	83	83	-	0.94	Remove
	Russell 1000 Value Index	5.92	28.94	2.28	1.15	3.99	-	-	-	-	-	-	-		
	Morningstar Category Average - Large Value	5.69	28.87	2.46	1.59	3.60	Total Funds in Category		1289	1239	1114	964	543	-	
	Small/Mid U.S. Equity														
	Small Growth														
AllianceBernstein/CCI/Brown	SmallCap Growth I Separate Account-R6 [1, 2, 10, 11, 14]	11.21	50.95	10.78	7.20	3.88	2.88	12/29/2000	-	13	23	21	72	1.28	Add
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 2, 11, 12]	9.75	45.44	5.53	2.82	3.55	2.21	12/29/2000	-	33	72	81	75	1.19	Remove
	Russell 2000 Growth Index	8.59	43.50	8.35	5.79	4.63	-	-	-	-	-	-	-		
	Morningstar Category Average - Small Growth	9.35	42.52	7.81	5.08	5.05	Total Funds in Category		779	746	666	565	358	-	
	International Equity														
	Foreign Large Growth														
Principal Global Investors	International Growth Separate Account-R6 [2, 3]	7.55	36.37	-5.40	-0.16	5.98	4.02	12/29/2000	-	12	94	93	45	1.18	Remove
	MSCI World Ex US Growth Index	3.84	31.18	-2.20	2.92	5.73	-	-	-	-	-	-	-		
	Morningstar Category Average - Foreign Large Growth	4.05	31.68	-0.10	3.49	6.09	Total Funds in Category		254	246	209	168	103	-	
	Real Estate														
	Real Estate														
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [2, 4, 5]	11.15	33.31	7.33	2.93	12.01	12.23	12/31/2002	-	49	15	23	8	1.15	Remove
	MSCI US REIT Index	10.32	34.09	5.41	2.41	10.57	-	-	-	-	-	-	-		
	Morningstar Category Average - Real Estate	9.74	32.51	4.77	1.59	9.65	Total Funds in Category		268	258	228	201	111	-	

Your Portfolio Repositioning continued

		Average Annual Total Returns through 06/30/2011							Percentile Rankings as of 06/30/2011						
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross	Consider Adding or Removing
	Balanced/Asset Allocation														
	Moderate Allocation														
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6 [2, 5, 13]	3.53	23.25	-	-	-	14.91	12/31/2010	-	16	-	-	-	1.06	Add
	Diversified Real Asset Custom Index	4.60	25.09	-	-	-	-	-	-	-	-	-	-		
	Morningstar Category Average - Moderate Allocation	4.27	20.44	4.09	3.92	4.11	Total Funds in Category		991	949	830	705	384	-	
	Fixed Income														
	Inflation-Protected Bond														
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [6, 7, 8, 9]	4.89	6.89	-0.23	1.13	-	0.93	12/31/2004	-	47	94	94	-	0.57	Remove
	Barclays Capital US Treas TIPS Index	5.81	7.74	5.28	6.91	6.95	-	-	-	-	-	-	-		
	Morningstar Category Average - Inflation-Protected Bond	5.02	7.03	4.33	5.78	6.05	Total Funds in Category		194	189	154	129	19	-	

Please see important disclosures at the end of the Repositioning section.

Repositioning Disclosures

This information must be accompanied by performance results for 1, 5, and 10 year/since inception time periods as of the most recent calendar quarter end.

Sub-advised Investment Options include Separate Accounts available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

Percentile rankings are based on total returns.

Returns shown for periods of less than one year are not annualized.

We generally score our Sub-advised Investment Options based on the Institutional class shares of the Principal Funds.

Gross returns are not indicative of the returns for any specific rate level or share class available to the public. Performance and expenses for other share classes or rate levels may differ.

Past performance is not a guarantee of future results.

The Total Investment Expense - Gross percentage reflected in the repositioning section is displaying the most recent information available.

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. 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.

3. 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.

4. 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.

5. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the 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.

6. 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.

7. 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.

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

9. Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

10. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

11. 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.

12. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. 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.

13. 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.

14. Effective September 20, 2010, Brown Advisory was added as an additional sub-advisor. Effective May 1, 2009, Columbus Circle Investors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

15. Effective June 27, 2011, this portfolio is sub-advised by TS&W and Herndon. Prior to June 27, 2011, the portfolio was sub-advised by UBS Global Asset Management and TS&W. 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.

Disclosures

Sub-advised Investment Options include Separate Accounts available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

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

Percentile rankings are based on total returns.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option.

**** The 7-Day Simple Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.*

Separate Accounts are made available through a group annuity contract with the Principal Life Insurance Company, Des Moines, IA 50392. They may not be available in all states. Ask your representative for more details.

Past performance is not a guarantee of future results.

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

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For a Separate Account investment option, Total Investment Expense gross equals the sum of these expenses: (a)the amount of money, expressed as a percentage, deducted for the costs of managing a separate account where applicable, fees for plan administrative services and agent compensation, plus (b) if the separate account invests in an underlying mutual fund, the total fund operating expenses of the underlying mutual fund, plus (c) if an underlying mutual funds invests in other mutual funds, the weighted-average management fee of those other mutual funds, as listed in the most recent prospectus. The actual Total Investment Expense may change if an underlying mutual fund's allocation of assets to other mutual funds changes.

Any operating expenses of a mutual fund or underlying mutual fund that are part of net Total Investment Expense are obtained from the mutual fund's most recent prospectus. The operating expenses shown as part of net Total Investment Expense include voluntary expense limits and fee credit.

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 associated with high yield bonds.

6. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.

7. 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.

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.

10. Due to the unique composition of this portfolio, the quantitative score displayed is based solely on its risk adjusted-performance relative to an index because a suitable peer group is not available to properly score this investment option.

12. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the 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. 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 holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.

15. 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.

16. From March 1, 2006, to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.

17. 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.

18. Effective March 31, 2007, references to Fidelity Management & Research as investment advisor were replaced with Fidelity (Pyramis Global Adv). This is a name change only and does not affect the management, objective, or strategy of this investment option.

19. Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

21. Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

22. Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

24. Principal Life Insurance Company may voluntarily waive a certain portion of its fees collected from the Money Market Separate Account on a temporary basis. The Total Investment Expense - Net may be lower when fees are waived.

25. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

26. The Money Market investment option is closed to new sales and existing clients not currently offering the option within their retirement plans, effective April 1, 2009. Existing clients already offering the money market investment option within their plan can continue to have contributions directed to this investment option at this time. As of July 1, 2009 the money market investment option will be closed for any client that does not have retirement funds in the investment on that date.

28. Effective May 1, 2009, LA Capital was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

30. 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.

31. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. 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.

32. Effective July 14, 2009, Brown Advisory was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

34. Effective January 11, 2010, Schroders was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

35. Effective August 10, 2010, this portfolio is sub-advised by Causeway and Barrow Hanley. Prior to August 10, 2010, the portfolio was sub-advised by AXA Rosenberg and Causeway. 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.

37. 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, you may not be able to immediately withdraw them.

40. Effective June 27, 2011, this portfolio is sub-advised by TS&W and Herndon. Prior to June 27, 2011, the portfolio was sub-advised by UBS Global Asset Management and TS&W. 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.

Benchmark Descriptions

Barclays Capital 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.

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

Barclays Capital US Corp High Yld 2% Issuer Capped Index is an unmanaged in ex 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%.

Barclays Capital US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

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

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.

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

Glossary of Terms

7 Day Yield - The 7-Day Simple Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

Alpha - Alpha measures the difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). A positive alpha figure indicates that the investment has performed better than expected. In contrast, a negative alpha indicates that an investment has underperformed, given the expectations established by the investment's beta. Many investors see alpha as a measurement of the value added or subtracted by an investment's manager.

Beta - Beta is a measure of an investment's sensitivity to market movements. It measures the relationship between an investment's excess return over T-bills and the excess return of the benchmark index. By definition, the beta of the benchmark (in this case, an index) is 1.00. Accordingly, an investment with a 1.10 beta has performed 10% better than its benchmark index - after deducting the T-bill rate - than the index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the investment has performed 15% worse than the index in up markets and 15% better in down markets. A low beta does not imply that the investment has a low level of volatility, though; rather, a low beta means only that the investment's returns do not move in step with the chosen index.

Category Average Return - Morningstar takes the average return of the funds that exist in a category for the time period and divide by the number of funds that exist for that time period. For calendar year category average returns Morningstar includes funds that have merged, liquidated, or changed categories when calculating category averages.

Excess Return - The difference between an investment option's return and the return of an external standard such as a passive index.

Excess Standard Deviation - Also known as "excess risk" or "tracking error", is defined as the standard deviation or volatility of excess returns.

Total Investment Expense Gross - The maximum expense ratio that can be applied to an investment option. This includes expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the investment option, except brokerage costs.

Inception Date - Date on which the investment option began its operations.

Information Ratio - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It is defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Mean - Represents the annualized total return for a fund over a certain time period; usually in years.

Morningstar Category - The Morningstar Category identifies investment options based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years).

Percentile Rankings - Each investment’s total returns are compared to other investments in the same Morningstar category for various time periods. Total returns are ranked on a scale from 1 to 100 where 1 represents the highest-returning 1% of investments and 100 represents the lowest returning investments.

R-squared - R-squared ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. An R-squared of 100 means that all movements of an investment are completely correlated with movements in the index. For example, mutual funds that invest only in S&P 500 stocks will have an R-squared very close to 100 relative to the S&P 500 index. Conversely, a low R-squared indicates that very few of the investment's movements are explained by movements in its benchmark index.

Scorebook - Comments - Provides additional information on sub-advised investment options that may be relevant to the sub-advisor, investment option, or both.

Scorebook - Qualitative Grade - Qualitative rating that is assigned to Sub-Advised investment managers based on organization, investment philosophy and process, and resources. Scale is Favorable, Neutral, and Less Favorable.

Scorebook - Qualitative Score - Numerical qualitative rating that is assigned to Sub-Advised investment managers based on organization, investment philosophy and process, and resources. Scale is 1.0 – 4.0 (with 1.0 being the best).

Scorebook - Qualitative Cautionary Status - If a Sub-Advised investment manager is on the Watch List for qualitative reasons, this will be indicated by WL.

Scorebook - Quantitative Grade - Numerical quantitative rating that is assigned to investment option based on risk-adjusted index performance, peer performance, and consistency. Scale is Favorable, Neutral, and Less Favorable. See Performance Review sections for greater detail about computation methodology and additional factors.

Scorebook - Quantitative Score - Numerical quantitative rating that is assigned to investment option based on risk-adjusted index performance, peer performance, and consistency. Scale is 1.0 – 4.0 (with 1.0 being the best). See Performance Review sections for greater detail about computation methodology and additional factors.

Scorebook - Quantitative Cautionary Status - If a sub-advised investment option is on the Watch List for quantitative reasons, this will be indicated by WL. If a sub-advised investment option is placed on Probation for quantitative reasons, this will be indicated by PR.

Watch List - Cautionary status of a sub-advised investment option which is meant to communicate an increased level of concern about a particular issue or event.

Probation - Cautionary status of a sub-advised investment option when long-term performance is below expectations and requires additional monitoring.

Information Ratio - The information ratio is a risk-adjusted measure commonly used to evaluate an active manager's investment skill. It is defined as the manager's excess return divided by the variability or standard deviation of the excess return. Information ratio is an excellent tool for evaluating a manager's level of skill because it simultaneously considers both the level of excess return as well as consistency in which the excess return was delivered to investors. Managers should strive for a positive information ratio, with higher numbers representing better results.

Consistency Ratio - A measure of how consistently the manager is able to exhibit positive excess returns. To calculate the consistency ratio, the number of months the manager had positive excess returns is divided by the total number of months. The higher the number, the better.

Up-Market Capture Ratio - A statistical measure of an investment option's performance relative to a comparative index in months in which that index has risen. An up-market capture ratio of greater than 100 would indicate that the investment option performed better than the comparative index during months in which the index had risen over a specified time period.

Down-Market Capture Ratio - A statistical measure of an investment option's performance relative to a comparative index in months in which that index has fallen. A down-market capture ratio of greater than 100 would indicate that the investment option performed worse than the comparative index during months in which the index had fallen over a specified time period.

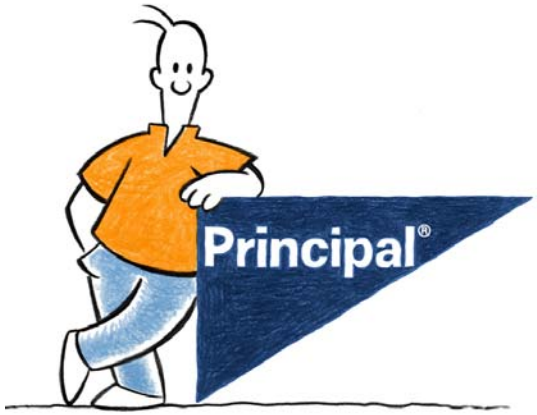
Morningstar Category - The Morningstar Category identifies investment options based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years).

Sharpe Ratio - The Sharpe ratio is a measure developed by Nobel Laureate William Sharpe to evaluate how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. It is calculated using standard deviation and excess return to determine reward per unit of risk. First, the average monthly return of the 90-day Treasury bill (over the defined time period) is subtracted from the investment's average monthly return. The difference in total return represents the investment's excess return beyond that of the 90-day Treasury bill, a risk-free investment. An arithmetic annualized excess return is then calculated by multiplying this monthly return by 12. To show a relationship between excess return and risk, this number is divided by the standard deviation of the investment's annualized excess returns.

Standard Deviation - Standard deviation is a statistical measure of how much an investment's returns are likely to fluctuate. These ranges assume that an investment's returns fall in a typical bell-shaped distribution. In any case, the greater the standard deviation, the greater the volatility. When an investment has a high standard deviation, its range of performance has been very wide, indicating that there is a greater potential for volatility.

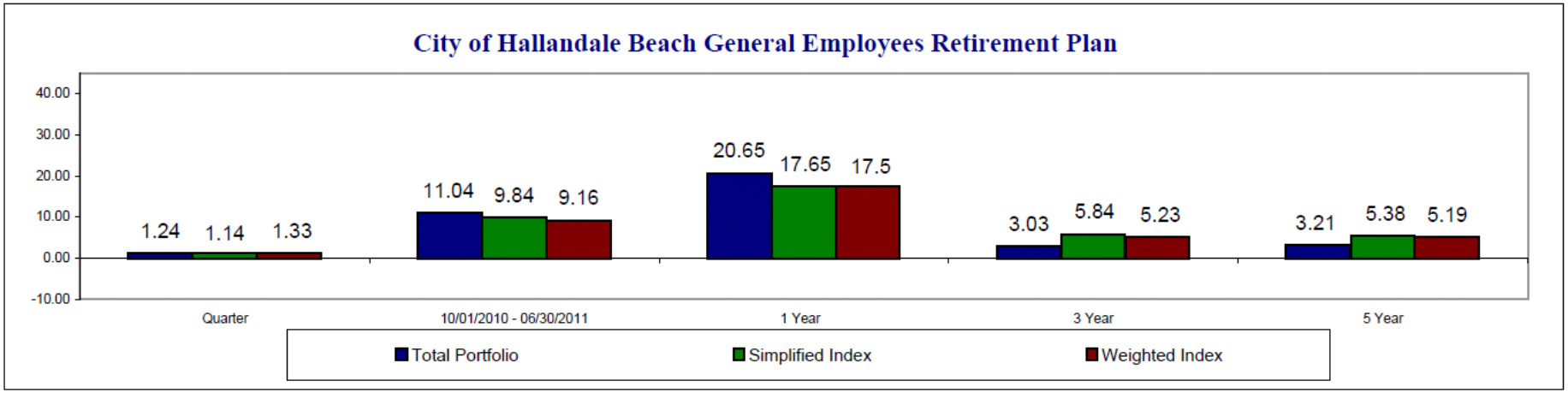
Investment Advisor - May include Registered Investment Advisers as defined in the Advisers Act of 1940, Investment Advisers as defined in the Investment Company Act of 1940, as well as a company employed by the investment option's advisor to handle the investment option's day-to-day management. In these instances, the portfolio manager generally works for the fund's subadvisor, and not the advisor. See definition of Multiple Sub-Advisor appearing else where in this presentation for greater detail about Sub-Advisors.

Performance and Peer Comparison



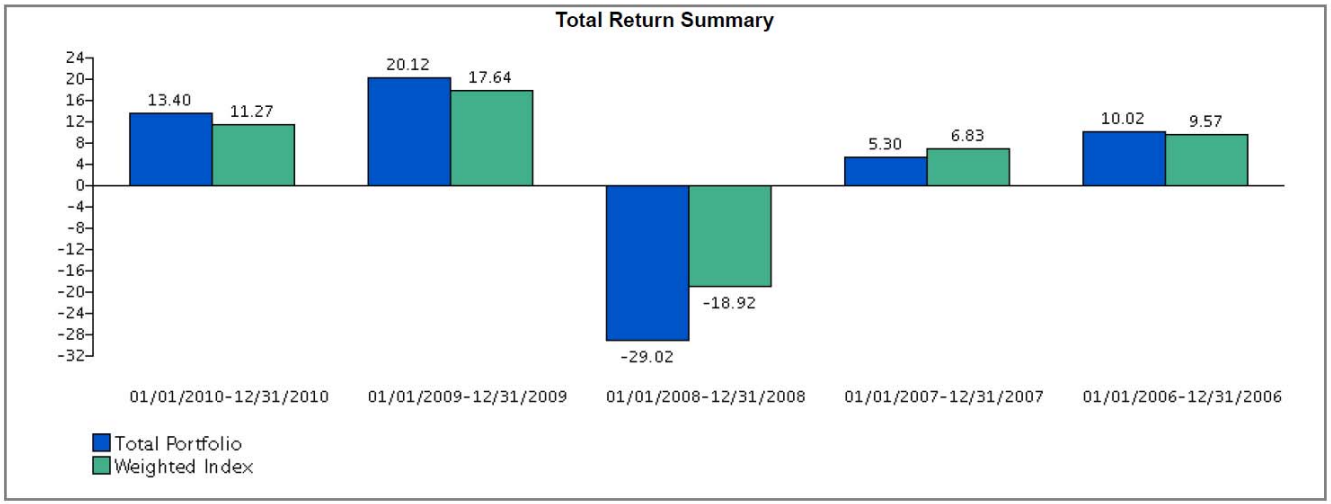
WE'LL GIVE YOU AN EDGE℠

General Employee Plan Performance – 6/30/2011



Calendar Year Performance – General Employee Plan

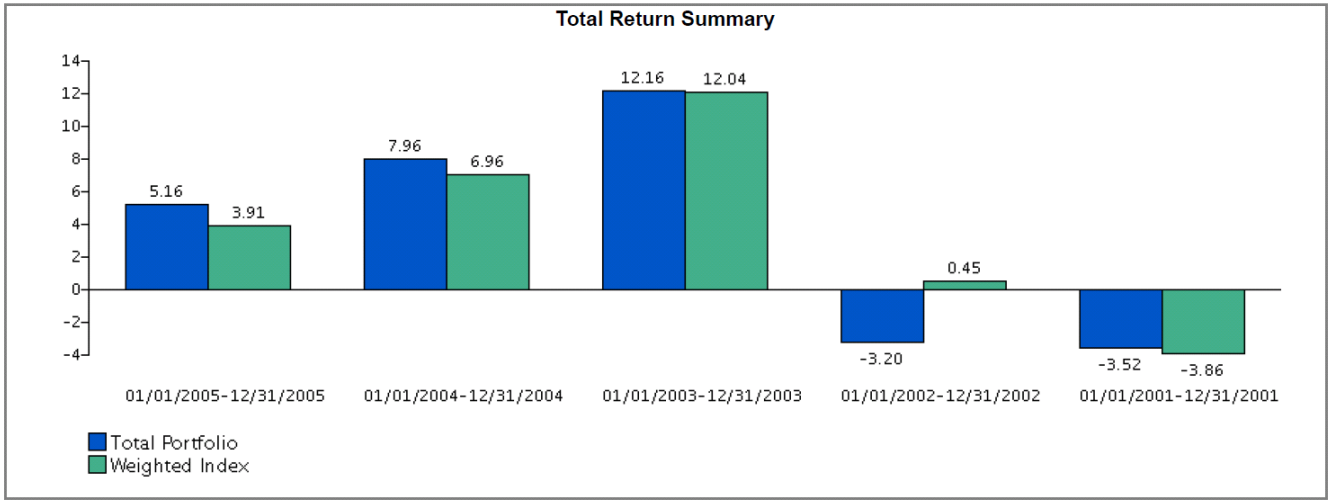
Time & Dollar Weighted Returns	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Total Portfolio Return	13.40	20.12	-29.02	5.30	10.02
Weighted Index	11.27	17.64	-18.92	6.83	9.57
Excess Return	2.13	2.48	-10.10	-1.53	0.45



Asset Class Return Information	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Your Plan's U.S. Equity Return	17.46	29.34	-39.76	3.81	14.93
Russell 3000 Index	16.93	28.34	-37.31	5.14	15.72
Your Plan's International Equity Return	11.21	31.59	-46.16	17.15	26.58
MSCI - EAFE Index NDTR D	7.75	31.78	-43.38	11.17	26.34
Your Plan's Real Estate Return	18.71	-18.38	-16.88	7.33	20.44
Blended Real Estate Index	18.72	-17.85	-14.71	6.67	20.46
Your Plan's Fixed Income Return	9.52	16.36	-15.10	3.31	3.68
Barclays Capital Aggregate Bond Index	6.54	5.93	5.24	6.97	4.33

Calendar Year Performance – General Employee Plan

Time & Dollar Weighted Returns	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Total Portfolio Return	5.16	7.96	12.16	-3.20	-3.52
Weighted Index	3.91	6.96	12.04	0.45	-3.86
Excess Return	1.25	1.00	0.12	-3.65	0.34



Asset Class Return Information	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Your Plan's U.S. Equity Return	6.77	11.53	28.43	-18.15	-9.29
Russell 3000 Index	6.12	11.95	31.06	-21.54	-11.46
Your Plan's International Equity Return	19.06	21.43	34.60	-19.35	8.18
MSCI - EAFE Index NDTR D	13.54	20.25	38.59	-15.94	-21.44
Your Plan's Real Estate Return	17.18	17.43	8.25	3.83	0.85
Blended Real Estate Index	17.45	18.17	8.21	0.58	2.80
Your Plan's Fixed Income Return	2.67	4.83	4.59	9.87	8.08
Barclays Capital Aggregate Bond Index	2.43	4.34	4.10	10.26	8.44

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

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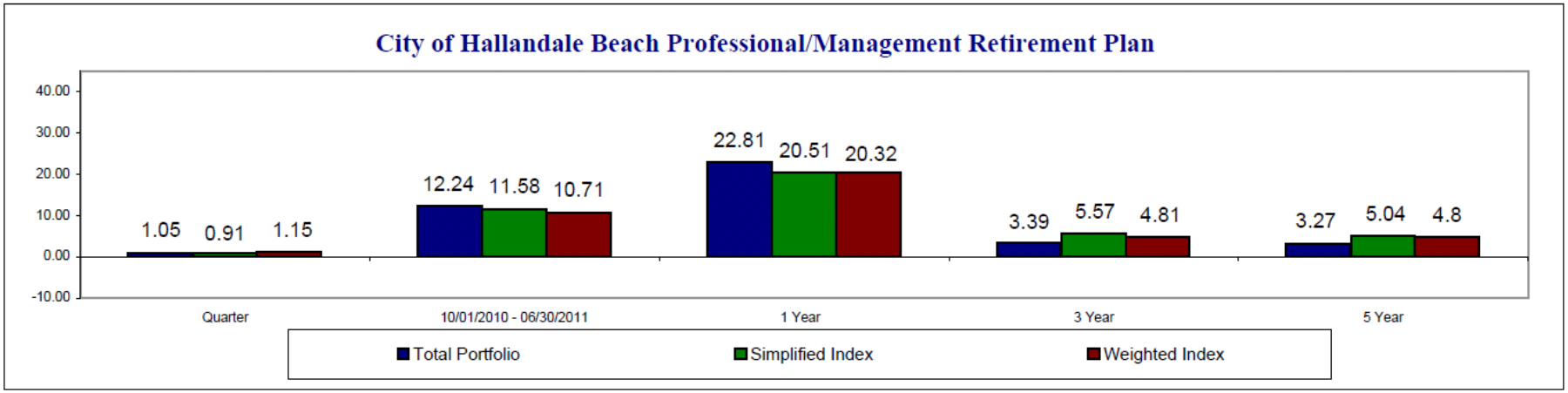
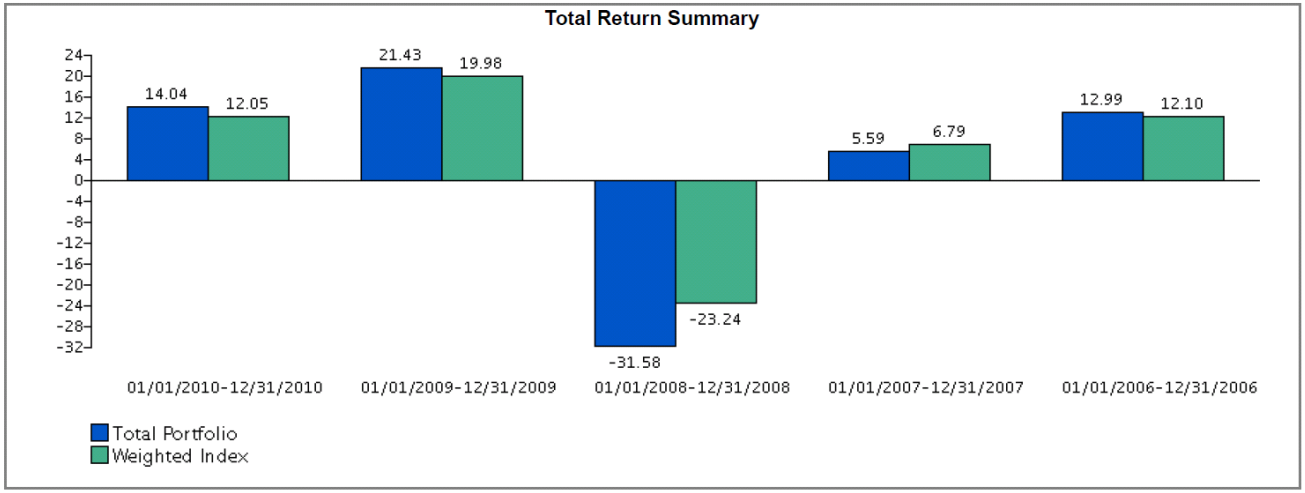
Weighted Index is composed of:
01/01/2001 - 06/30/2004: 33.5% Russell 3000 Index, 8.5% MSCI EAFE Index, and 58% Barclays Capital Aggregate Bond Index.
07/1/2001 - 12/31/2005: 25% Russell 3000 Index, 5% MSCI EAFE Index, and 70% Barclays Capital Aggregate Bond Index.
01/01/2006 - 05/31/2006: 26% Russell 3000 Index, 4% MSCI EAFE Index, and 70% Barclays Capital Aggregate Bond Index.
06/01/2006 - 02/28/2007: 42% Russell 3000 Index, 8% MSCI EAFE Index, and 50% Barclays Capital Aggregate Bond Index.
03/01/2007 - 12/31/2010: 37.3% Russell 3000 Index, 11.2% MSCI EAFE Index, and 50% Barclays Capital Aggregate Bond Index.

Professional/Management Plan Performance – 6/30/2011



Calendar Year Performance – Professional/Management Plan

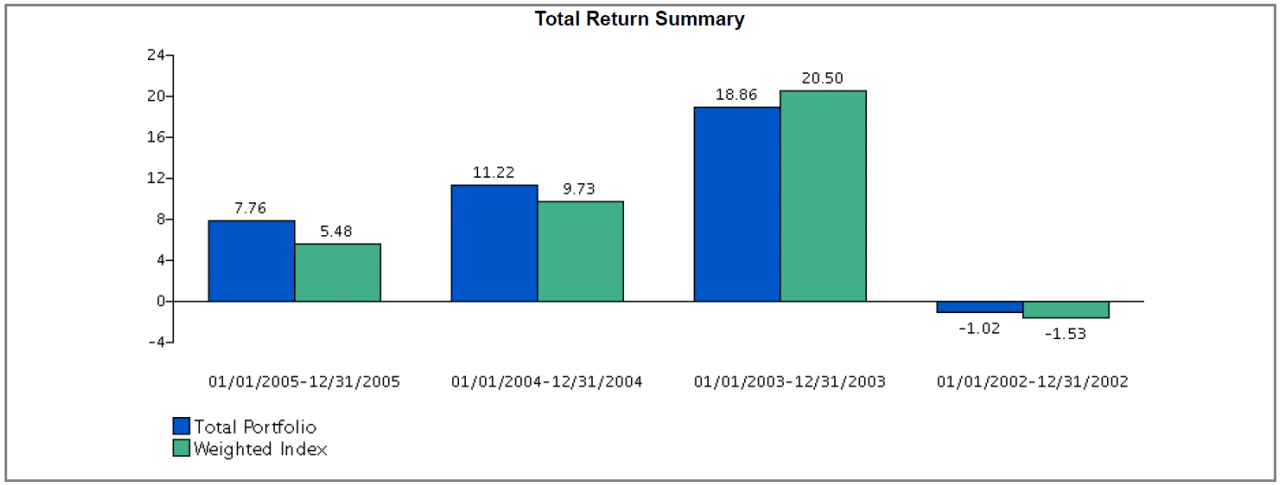
Time & Dollar Weighted Returns	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Total Portfolio Return	14.04	21.43	-31.58	5.59	12.99
Weighted Index	12.05	19.98	-23.24	6.79	12.10
Excess Return	1.99	1.45	-8.34	-1.20	0.89



Asset Class Return Information	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Your Plan's U.S. Equity Return	17.36	29.54	-39.62	4.04	14.54
Russell 3000 Index	16.93	28.34	-37.31	5.14	15.72
Your Plan's International Equity Return	11.13	31.38	-46.21	16.98	27.39
MSCI - EAFE Index NDTR D	7.75	31.78	-43.38	11.17	26.34
Your Plan's Real Estate Return	19.29	-15.03	-17.98	5.90	20.36
Blended Real Estate Index	18.72	-17.85	-14.71	6.67	20.46
Your Plan's Fixed Income Return	9.69	16.47	-15.67	3.10	4.70
Barclays Capital Aggregate Bond Index	6.54	5.93	5.24	6.97	4.33

Calendar Year Performance – Professional/Management Plan

Time & Dollar Weighted Returns	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Total Portfolio Return	7.76	11.22	18.86	-1.02
Weighted Index	5.48	9.73	20.50	-1.53
Excess Return	2.28	1.49	-1.64	0.51



Asset Class Return Information	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Your Plan's U.S. Equity Return	6.88	11.86	24.48	-14.77
Russell 3000 Index	6.12	11.95	31.06	-21.54
Your Plan's International Equity Return	20.46	22.57	34.25	-11.92
MSCI - EAFE Index NDTR D	13.54	20.25	38.59	-15.94
Your Plan's Real Estate Return	18.03	18.53	8.18	0.75
Blended Real Estate Index	17.45	18.17	8.21	0.58
Your Plan's Fixed Income Return	2.68	4.68	5.03	8.38
Barclays Capital Aggregate Bond Index	2.43	4.34	4.10	10.26

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Weighted Index is composed of:
03/01/2002 - 06/30/2002: 100% Barclays Capital Aggregate Bond Index.
07/01/2002 - 12/31/205: 54% Russell 3000 Index, 12% MSCI EAFE Index, and 34% Barclays Capital Aggregate Bond Index.
01/01/2006 - 02/28/2007: 50% Russell 3000 Index, 10% MSCI EAFE Index, and 40% Barclays Capital Aggregate Bond Index.
03/01/2007 - 12/31/2010: 46.1% Russell 3000 Index, 13.9% MSCI EAFE Index, and 40% Barclays Capital Aggregate Bond Index.

Peer Comparison

- Pension Plan peer comparison data is difficult to get for the following reasons:
  - City and municipal plans historically have had a lack of timeliness and uniformity of reporting data
  - Different liabilities and plan provisions
  - Different asset allocation strategies

- Despite challenges in getting peer comparison data, we have pulled some peer comparison data on the following areas:
  - Funding Ratio
  - Core Asset Allocation Strategy
  - Performance

Peer Comparison – Funding Ratio %

- With 77 City and County plans reporting their funding level data as of 6/30/2009, 99% of the plans were under funded as of their 2009 valuation year.
- The aggregate ratio of pension market value of assets-to-liabilities for the 76 under funded plans was 72%.
- The ratio of pension market value of assets-to-liabilities for the City of Hallandale Beach Pension Plans for their 2009 valuation years were:
  - General Employee Plan – 57%
  - Management/Professional Plan – 63%
- Both plans did show improvement in their funding ratio levels for the 2010 plan years despite continued historically low interest rates.
  - General Employee Plan – 62%
  - Management/Professional Plan – 71%

Source: 2010 Report on City & County Retirement Systems: Funding Levels and Asset Allocation (Wilshire Consulting 9/14/2010)

Peer Comparison – Core Asset Allocation Strategy

- A comparison of the average asset allocation from the 2010 Wilshire report and the Hallandale Beach Pension Plans is shown below.

Asset Allocation Peer Comparison	Average Asset Allocation from 2010 Wilshire Report	Hallandale Beach - General Employee Plan as of 6/30/2011	Hallandale Beach - Professional/Mgmt. Plan - as of 6/30/2011
Equity			
U.S. Equity	37.7%	37.9%	44.5%
International Equity	15.6%	11.5%	14.2%
Real Estate	5.8%	6.9%	8.0%
Private Equity	2.2%	0.0%	0.0%
Equity Sub-Total	61.3%	56.3%	66.7%
Fixed Income			
U.S. Bonds	28.7%	43.7%	33.3%
Non-U.S. Bonds	1.1%	0.0%	0.0%
Other	8.9%	0.0%	0.0%
Fixed Income Sub-Total	38.7%	43.7%	33.3%
Total	100.0%	100.0%	100.0%

- Within the Wilshire study, asset allocation strategies varied widely among the city and county retirement systems. The 25th and 75th percentile ranking for the total equity allocation were 56% and 68% respectively.
- Compared to 2004, the average allocation toward total equities is down about 6%.

Source: 2010 Report on City & County Retirement Systems: Funding Levels and Asset Allocation (Wilshire Consulting 9/14/2010)

Peer Comparison – Calendar Year Performance

- Based on performance over a calendar year basis, the General Employee Plan has usually trailed over the past 5-years primarily due to its more conservative allocation.
- The more aggressive management plan has bounced between being slightly above and below the median performance.

Peer Performance Comparison on a Calendar Year Basis

Performance	2010	2009	2008	2007	2006
25th Percentile	14.72%	25.87%	-25.88%	6.79%	14.35%
50th Percentile	13.35%	21.33%	-28.80%	5.64%	13.03%
75th Percentile	12.43%	19.67%	-31.40%	4.81%	11.98%
Total Number of Funds *	26	59	62	66	68
General Employee Plan	13.40%	20.12%	-29.02%	5.30%	10.02%
Professional/Mgmt. Plan	14.04%	21.43%	-31.58%	5.59%	12.99%

* Performance peer comparison includes both Public and Corporate Plans with asset totals at $500 million or under

- It is hard to draw to a clear cut conclusion on peer performance for the following reasons:
  - Small sample size
  - Large discrepancy in the size of the plans in the database
  - Wide variety of asset allocation strategies implemented by the plans in the database
  - Self reporting bias

Source: Wilshire Compass Total Fund Database

Asset Liability Modeling – Dynamic Asset Allocation Strategy

AON/Hewitt Pension Risk Survey 2011

Survey finds the transformation occurring in attitudes, strategies and governance practices of DB sponsors

"…In our view, this transformation represents one of the most important shifts in pension plan investment management practices since 1980s."

Survey find this transformation has several dimensions

- Investment policy, rather than plan design, has become primary risk management tool
- Traditional asset-based benchmarks are giving way to liability benchmarks
- Greater awareness among DB plan sponsors of liability-hedging characteristics of asset classes and instruments
- Static investment policies are being replaced with dynamic policies that explicitly incorporates plan-specific objectives, such as funded status to optimize

. Source: AON/Hewitt Global Pension Risk Survey 2011

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Importance of Managing Pension Risk

"New Risk Management archetype emerging" – MetLife annual Survey of DB sponsors' views

Risk Factor	Importance Ranking 1-Highest Priority and 18 - Lowest 2011	2010	2009
Understanding of Liabilities	1	2	3
Asset & Liability Mismatch	2	6	4
Asset Allocation	3	4	1
Meeting Return Goals	4	14	2
Ability to Measure Risk	5	8	7
Accounting Implact	6	15	5
Liability Measurement	7	1	6
Plan Governance	8	3	9
Fiduciary Risk & Litigation Exposure	9	9	10
Decision Process Quality	10	10	12
Investment Valuation	11	13	11
Investment Management Style	12	16	8
Longevity Risk	13	10	16
Innapropriate Trading	14	7	14
Advisor Risk	15	5	13
Quality of Participant Data	16	17	15
Mortality Risk	17	17	17
Early Retirement Risk	18	10	18

Fluctuating importance ranking indicate uncertainty

Top four are the same in 2009 and 2011 but notably they switched order

In 2011 top two are "reflecting liability side of the equation, followed by two asset-oriented factors, reflecting both the new appreciation of liabilities and plan sponsors' growing interest in managing plan assets in the context of plan liabilities"

Meeting Return Goals

In 2009 was mostly thought of as investment-related risk but now that sponsors get better sense of understanding liabilities, the return expectation are re-oriented to plan-specific liabilities

Accounting Impact

Highly vulnerable to regulatory and legislative changes

Big jump in priority from 15 to 6 may be related to proposed IASB changes: it is expected that FASB would follow suite

Liability Measurement

Associated with high perceived success in both 2011 and 2011, so as risk factor its priority dropped

Source: MetLife US Pension Risk Behavior Index (Survey of DB Pension Plan Sponsors February 2011)

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A Glance into Your Pension Plan's Future

Projecting assets and liabilities using stochastic and deterministic forecasting tools, we analyze relevant pension financial metrics

- Deterministic Forecast
  - Liabilities and assets are projected using specific scenario assumptions
  - Effective tool for identifying trends or considering worst (best) scenario or stress testing
  - Results are "point" estimates of relevant financial metrics – "one dimensional"
- Stochastic Forecast
  - Monte Carlo simulation is utilized to generate capital markets behavior and economic environment according to specified long term expectations
  - 9,999 "trials - scenarios" (deterministic forecasts) run and relevant financial metrics statistically analyzed
  - Results are confidence intervals around expected financial metrics giving a "two dimensional risk/reward" picture of volatility around expectations

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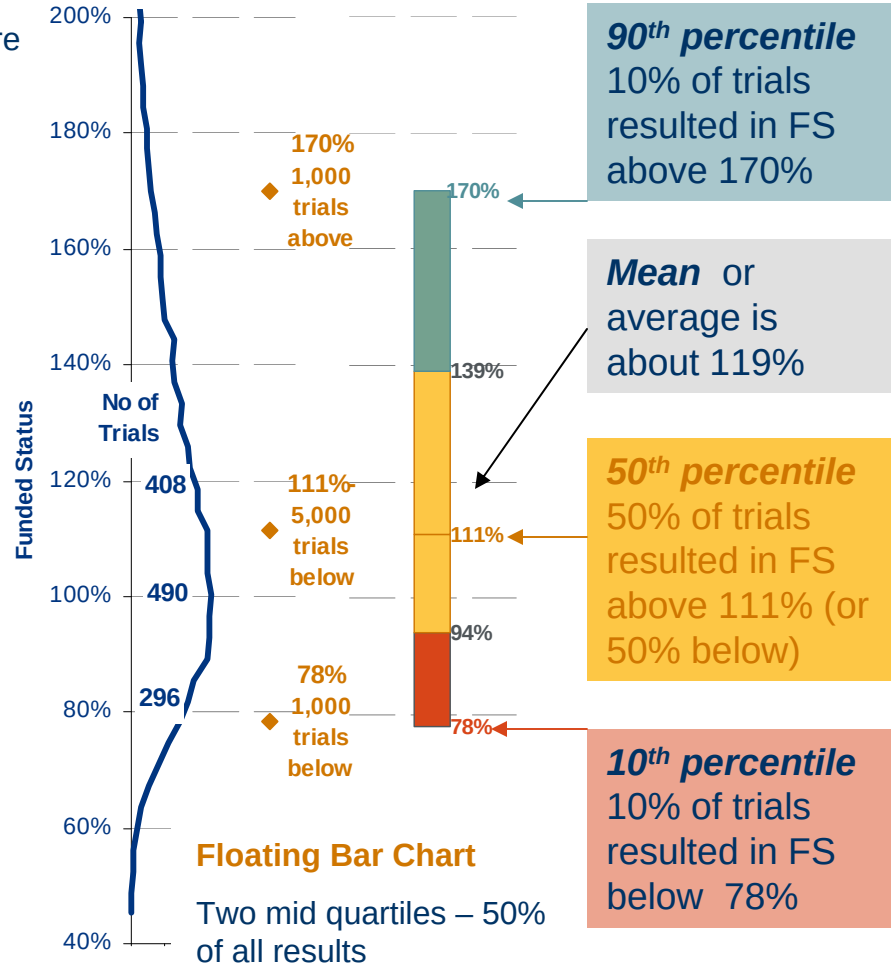
Stochastic Forecasts' Results

Pension Metric's Statistics & Floating Bar Chart Illustration

9,999 trials are simulated, results are ordered from highest to lowest and statistics for relevant pension metrics are computed for each year



Floating Bar Chart

Two mid quartiles – 50% of all results

The entire "bar" typically includes 90% or 80% of all results

Results' Statistics

Mean or expected value

–Average of all values

–For example, here 119% is the mean

"X" Percentile

– X percent of results are at or below the value shown

Value-at-risk

–"Worst" outcome of a metric (over specified horizon)

–For example, 10th percentile of 78% is VAR at 10% level for FS year end 2020 over 10 years

Timing Challenges with LDI

- Many sponsors considering Liability Driven Investing (LDI) due to new pension funding and accounting rules

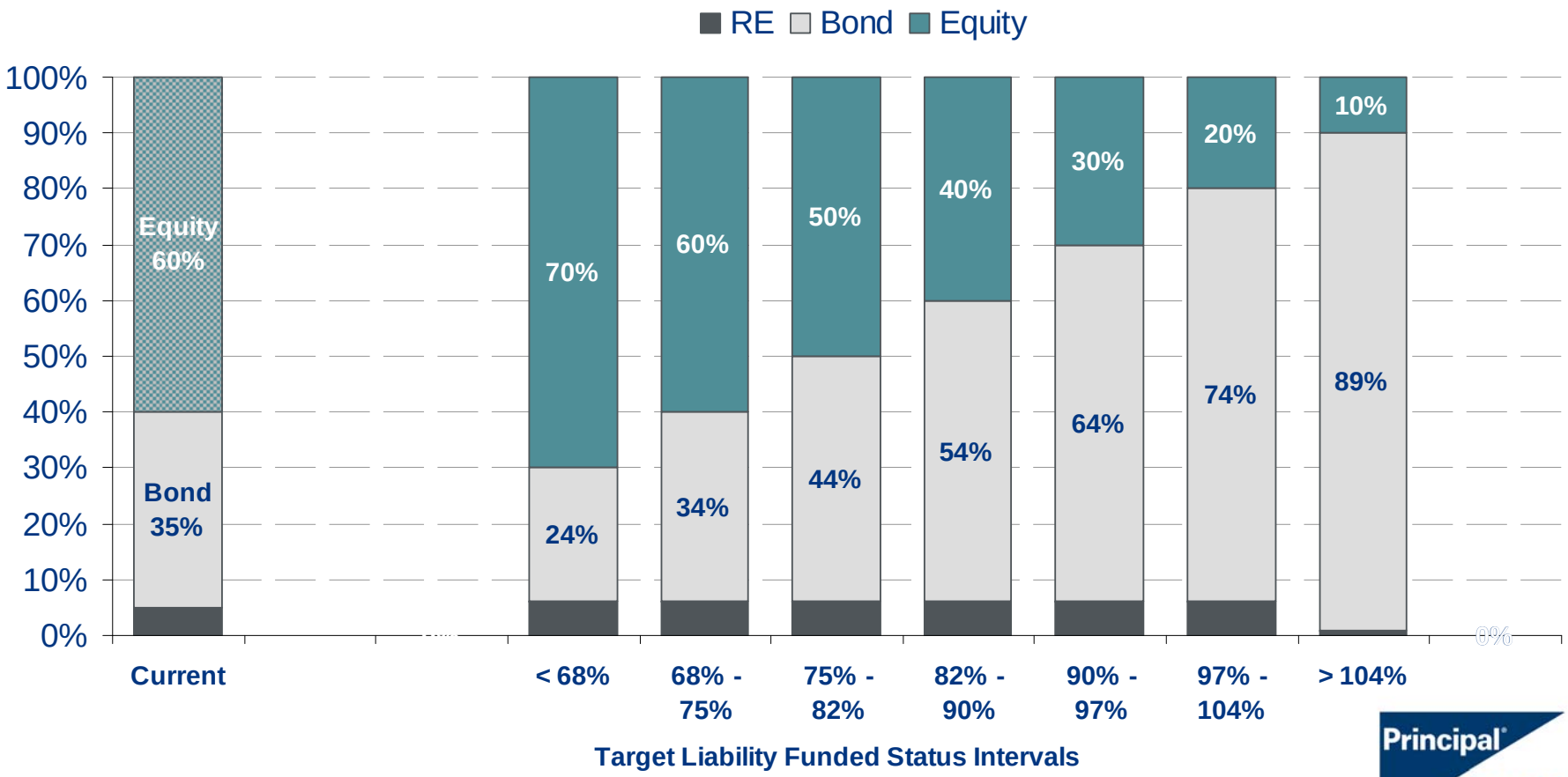
- Difficult to make switch from traditional to LDI today due to:
  - Desire to recoup 2008 market losses
  - Current low interest rate environment
  - How to time the shift to fixed income and duration extension?

- Dynamic Asset Allocation (DAA) provides a structured method for transitioning from traditional to LDI strategy

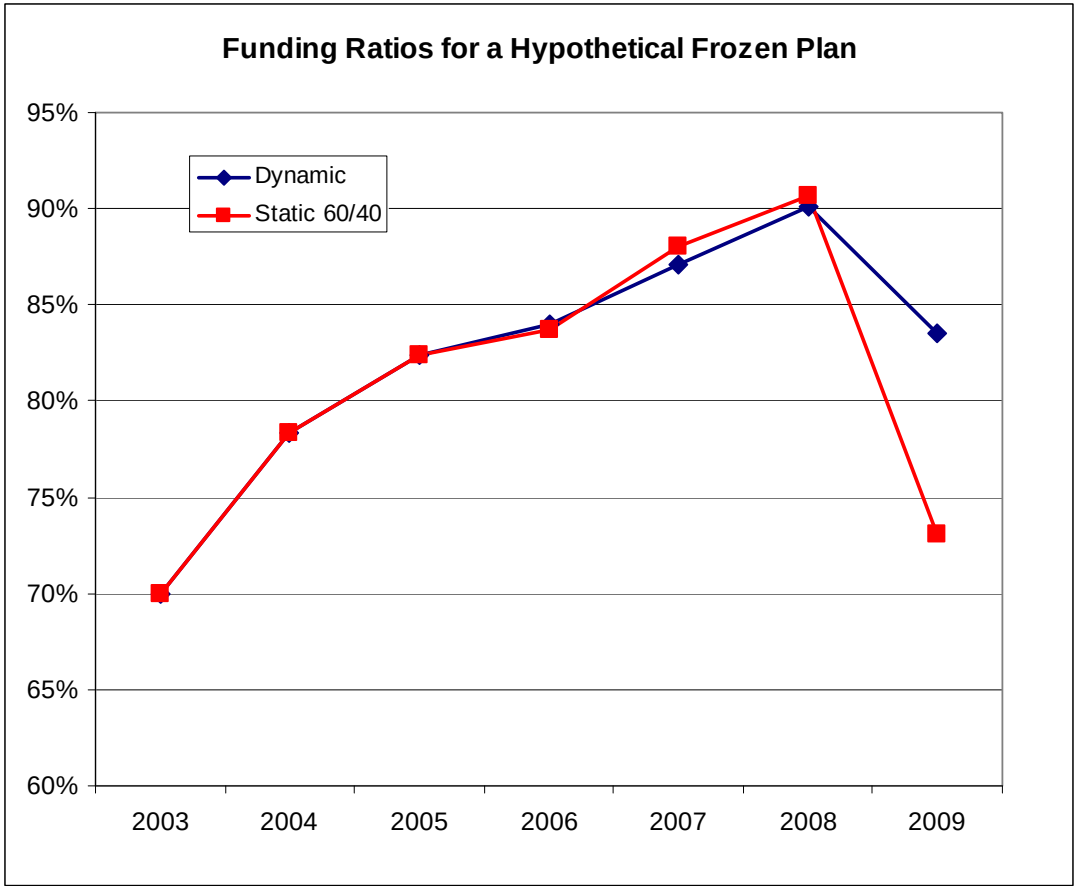
Principal Financial Group

Dynamic Asset Allocation Example

- Schedule established connecting equity exposure to funding ratio of the plan (example):

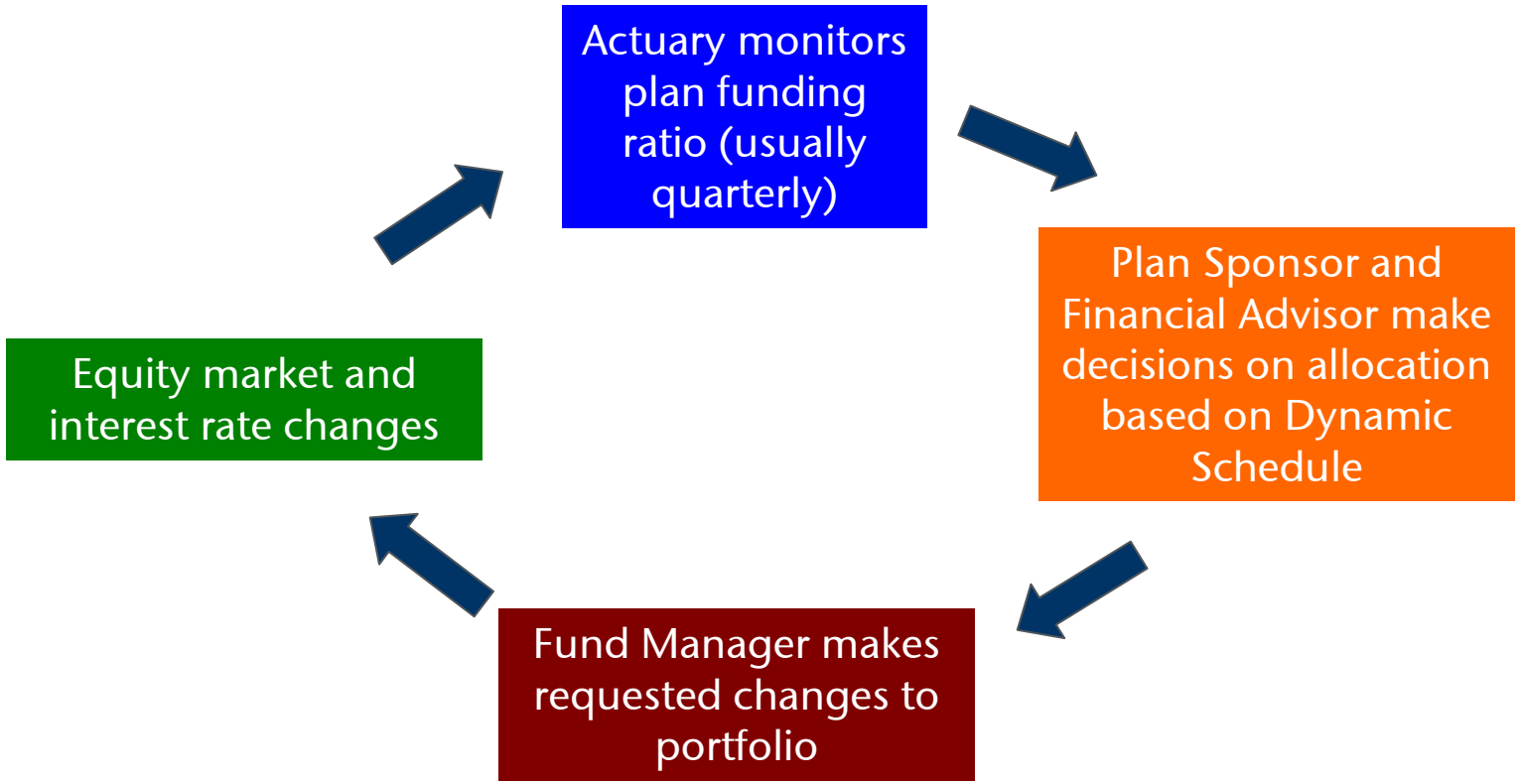


Dynamic Asset Allocation Example
Reducing Downside Risk



- Assumptions
  - 2003 asset = $70
  - 2003 liability = $100
  - Annual contribution = $2
- Static allocation is 60% equity
- Dynamic allocation starts at 60% equity and shifts to more conservative allocation as ratio increases

Dynamic Asset Allocation Process



* The DAA process can also call for interim measurements of the funding ratio in the event of significant changes in economic factors (ex: 50 basis point increase in 10-year treasury rates or 10% increase in the S&P 500)

Dynamic Asset Allocation Process

Funded Status Report

ABC Company

As the plan sponsor, you have made the decision to routinely evaluate your plan's funded status, and use those results to adjust the plan's asset allocation. This page shows your funded status compared to an estimated plan termination liability.

Dynamic Asset Allocation Strategy

The spectrum below shows the equity allocations you have determined to use based on the plan's funded status at 12/31/2010:

When Funded Status is Between:	0%	55%	73%	86%	95%	100%	105%	120%
Then Percent Equities should be:	80%	70%	60%	50%	40%	30%	20%	
Current Funded Status:				91.1%				

Funded Status History

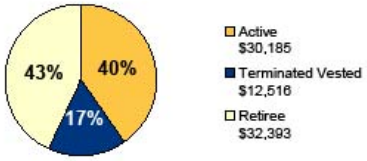
The chart to the right shows how your plan's funded status has changed since January 1, 2009.

In addition to the contributions you make, the market value of assets and the change in liability interest rates affect your plan's funded status.

Development of Funded Status	Funded Status	Assets	Liabilities	Liability interest rate
Last measurement date	88.0%	$88,000	$100,000	6.32%
Additions		15,000	0	
Distributions		-37,500	-31,000	
Effect of market changes and aging		1,569	3,313	
Current measurement date	91.1%	$67,069	$73,621	5.99%

Liabilities by Participant Status

Knowing the value of liabilities by status can help you estimate the potential cost of purchasing annuities for the retiree portion of your plan population.



Whom to Contact for More Information

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- Principal will issue quarterly funded status reports to help gauge progress of dynamic asset allocation strategy
- Statement includes DAA glide path and current funding ratio on an appropriate basis (termination for frozen plans)
- Bundled retirement services provide enhance effectiveness of DAA due to coordination of critical parts:
  - Actuarial expertise
  - Asset information
  - Administrative data