



February 9, 2007

Office of Exemption Determinations  
Employee Benefits Security Administration (EBSA)  
Room N-5700  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, DC 20210

Re: Prohibited Transaction Exemption for Provision of Investment Advice to Individual Retirement and Similar Plans

Ladies and Gentlemen:

The Principal Financial Group® (The Principal®) is a leader in offering businesses, individuals, and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance and banking through a diverse family of financial services companies. A member of the Fortune 500, the Principal Financial Group has \$256.9 billion in assets under management and serves some 16.4 million customers worldwide from offices in 11 countries throughout Asia, Australia, Europe, Latin America and the United States. The Principal Financial Group, Inc., is traded on the New York Stock Exchange under the ticker symbol PFG. For more information, visit [www.principal.com](http://www.principal.com).

Principal Life Insurance Company (Principal Life) and Delaware Charter Guarantee & Trust Company, conducting business as Principal Trust Company (Principal Trust), appreciate the opportunity to respond to the Request for Information issued by the Department of Labor (Department) to Principal Financial Group, Inc. seeking information regarding the use of a computer model to provide investment advice to participants and beneficiaries of Individual Retirement Accounts and similar plans (IRAs). Principal Life is an indirect wholly-owned subsidiary of Principal Financial Group, Inc. and incorporated under Iowa law with its headquarters and registered office in Des Moines, Iowa. Principal Trust is also an indirect wholly-owned subsidiary of Principal Financial Group, Inc. and incorporated under Delaware law with its headquarters and registered office in Wilmington, Delaware.

The Principal offers a number of products that may be used to fund IRAs, of which Principal Life or its securities broker dealer's clearing firm serves as custodian. Principal Trust serves as the directed trustee of self-directed IRAs.

The Pension Protection Act of 2006 (PPA) created a statutory exemption for the provision of investment advice to IRAs. The PPA requires the Secretary of Labor (Secretary) to determine the feasibility of a computer model investment advice program that could be used to provide investment advice to IRA beneficiaries. Specifically, the Secretary must determine whether there is any computer model investment advice program that (i) utilizes relevant information about the account beneficiary, including age, life expectancy, retirement age, risk tolerance, other assets or sources of income, and preferences for certain types of investments; (ii) takes into account the full range of investments, including equities and bonds, in determining the options for the investment portfolio of the beneficiary; and (iii) allows the

beneficiary, in directing the investment of assets, sufficient flexibility in obtaining advice to evaluate and select investment options.

We do not have a proprietary computer model investment advice program and are not aware of an existing computer program that may be utilized to provide investment advice to beneficiaries of IRAs that applies the factors identified in the Request for Information, such as: generally accepted investment theories that take into account the historic returns of different asset classes over defined periods of time; information about the beneficiary, including age, life expectancy, retirement age, and risk tolerance; and consideration of the full range of investments.

Principal Life does offer asset allocation assistance in the form of portfolios pre-established by a third party based on a finite universe of mutual funds, including proprietary and non-proprietary mutual funds, but not individual equities and bonds. The pre-established portfolios take into consideration some relevant information about the beneficiary and do not allow the beneficiary flexibility in evaluating and selecting investment options. We do not believe it would be possible to develop a model that considers the full range of investment options or allow IRA beneficiaries to express qualitative personal preferences.

We believe the Department should replace the computer model with a class exemption that would allow IRA beneficiaries to receive investment advice without limitation. We encourage the Department to establish criteria upon which the class exemption would be based, coupled with adequate disclosure, and allow the IRA beneficiary to determine whether the criteria are met. We believe a third-party certification of a computer model that encompasses the full range of investment options would be difficult or even unfeasible.

Thank you for the opportunity to respond to these important questions. If you have additional questions, please contact Jeff Vorwerk at 515-247-4896 or [Vorwerk.Jeff@principal.com](mailto:Vorwerk.Jeff@principal.com).

Sincerely,

Jim Lang  
Compliance Director  
Retirement and Investor Services  
Principal Life Insurance Company

Arthur J. Bacci  
President  
Chief Executive Officer  
Principal Trust Company