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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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JUN 27 2003
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FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2002**

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **1-16725**

The Principal Select Savings Plan for Employees

(Full title of the plan)

Principal Financial Group, Inc.

(Name of Issuer of the securities held pursuant to the plan)

**711 High Street
Des Moines, Iowa 50392**

(Address of principal executive offices) (Zip Code)

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The Principal Select Savings Plan for Employees

Statements of Net Assets Available for Benefits

	December 31	
	2002	2001
Assets		
Investments:		
Unallocated investment contracts, at fair value:		
General account of insurance company	\$ 62,900,501	\$ 62,405,703
Separate accounts of insurance company	432,172,109	469,361,775
Principal Financial Group, Inc. ESOP	29,653,930	10,005,216
Notes receivable from participants	13,371,157	12,207,423
Total invested assets	<u>538,097,697</u>	<u>553,980,117</u>
Contribution receivable from Principal Life Insurance Company	501	3,724
Contributions receivable from participants	2,515	10,174
Net assets available for benefits	<u>\$538,100,713</u>	<u>\$553,994,015</u>

See accompanying notes.

The Principal Select Savings Plan for Employees

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31	
	2002	2001
Additions:		
Investment income (loss):		
Interest	\$ 4,088,800	\$ 4,504,351
Dividends	236,930	-
Net realized and unrealized depreciation in aggregate value of unallocated investment contracts	(52,738,720)	(36,557,397)
	(48,412,990)	(32,053,046)
Contributions:		
Principal Life Insurance Company	18,156,647	16,995,983
Employees	53,854,147	51,477,839
	72,010,794	68,473,822
Receipt of demutualization compensation <i>(Note 8)</i>	-	16,170,462
Transfers from affiliated and unaffiliated plans, net	1,397,686	352,790
	24,995,490	52,944,028
Deductions:		
Benefits paid to participants	40,282,232	26,525,945
Administrative expenses	606,560	524,280
	40,888,792	27,050,225
Net (decrease) increase	(15,893,302)	25,893,803
Net assets available for benefits at beginning of year	553,994,015	528,100,212
Net assets available for benefits at end of year	\$538,100,713	\$553,994,015

See accompanying notes.

The Principal Select Savings Plan for Employees

Notes to Financial Statements

December 31, 2002

1. Significant Accounting Policies

The accounting records of The Principal Select Savings Plan for Employees (the Plan) are maintained on the accrual basis of accounting.

Valuation of Investments

The unallocated investment contracts represent investments in the general and pooled separate accounts of Principal Life Insurance Company (Principal Life). The general and separate accounts are reported at fair value as determined by the insurance company. The Principal Financial Group Inc. ESOP is reported at market value as determined by the trustee, Bankers Trust Company.

The unallocated investment contracts are non-benefit responsive and are valued at fair value as determined by Principal Life. The general account fair value is the amount plan participants would receive currently if they were to withdraw or transfer funds within the plan prior to their maturity for an event other than death, disability, termination or retirement. This fair value represents contract value adjusted to reflect current market interest rates only to the extent such market rates exceed contract crediting rates. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay plan benefits and the insurance company's administrative expenses. The pooled separate accounts represent contributions invested in domestic and international common stocks, high-quality short-term debt securities, real estate, private market bonds and mortgages, and high yield fixed income securities which are slightly below investment grade, valued at market.

The notes receivable from participants are reported at cost (unpaid balances) which approximates fair value.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Principal Select Savings Plan for Employees

Notes to Financial Statements (continued)

2. Description of the Plan

The Plan is a defined contribution plan (401(k) plan) that was established January 1, 1985. The Plan is available to substantially all home office and field employees of Principal Life or its subsidiaries (the Company) who are 21 years of age or over. Participants are eligible for immediate entry into the Plan with a one-year employer match vesting clause. Eligible employees may contribute up to 20% of their annual compensation which the Company matches with a 50% contribution up to a maximum Company contribution of 3% of the participant's eligible salary. The funds accumulate along with interest and investment return and are available for withdrawal by participants at retirement, termination, or when certain hardship withdrawal specifications are met. The participants may also obtain loans of their vested accrued benefit, subject to certain limitations described in the Plan document. The federal and state income taxes of the participant are deferred on the contributions until the funds are withdrawn from the Plan.

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In the event of plan termination, participants will become fully vested in their accounts.

Information about the Plan agreement, eligibility, and benefit provisions is contained in the *Benefit Program Booklet*. Copies of this pamphlet are available from the Benefit Administration Department.

3. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated February 28, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

The Principal Select Savings Plan for Employees

Notes to Financial Statements (continued)

4. Investments

Contributions are invested in unallocated investment contracts in the Principal Life general account, a pooled account invested primarily in fixed income securities having a range of maturities, and in separate accounts, whose portfolios are primarily invested in domestic and international common stocks, high-quality short-term debt securities, long-term debt securities, real estate, and private market bonds and mortgages. Participants elect the portfolio(s) in which to have their contributions invested.

The following Principal Life investment accounts represent 5% or more of the fair value of net assets available for benefits in 2002 and 2001:

	December 31	
	2002	2001
General account of insurance company	\$62,900,501	\$62,405,703
Money Market Separate Account	39,516,098	34,845,984
Large Cap Stock Index Separate Account	52,495,090	68,997,211
Bond and Mortgage Separate Account	68,041,719	54,972,883
Small Company Growth Separate Account	*	27,919,047
International Stock Separate Account	36,610,648	35,379,754
Large Company Blend Separate Account	*	46,515,661
Real Estate Separate Account	42,001,028	37,442,905
Small Company Blend Separate Account	*	28,552,894
Partner Large Cap Blend I Separate Account	32,910,541	*
Small Cap Stock Index Separate Account	31,244,524	*
Principal Financial Group, Inc. ESOP	29,653,930	*

*Less than 5% of the fair value of net assets available for benefits at respective date.

The Principal Select Savings Plan for Employees

Notes to Financial Statements (continued)

4. Investments (continued)

During 2002 and 2001, the Plan's Principal Life investment accounts depreciated in value by \$52,738,720 and \$36,557,397, respectively, as follows:

	Year Ended December 31	
	2002	2001
General account of insurance company	\$ 2,237	\$ 139,989
Separate accounts of insurance company	(57,212,633)	(37,397,011)
Principal Financial Group, Inc. ESOP	4,471,676	699,625
	<u>\$ (52,738,720)</u>	<u>\$ (36,557,397)</u>

5. Notes Receivable From Participants

The Plan Agreement provides for loans to active participants, which are considered a participant-directed investment of his/her account. The loan is a trust investment but only the borrowing participant's account shall share in the interest paid on the loan, or bear any expense or loss incurred because of the loan. The rate of interest is 2% higher than the prime rate at the time of the loan. The rate is set the day a loan is approved and the rate for the loans issued in 2002 and 2001 ranged from 6.25% to 11.0%. The notes receivable balance was reduced by \$1,376,397 and \$940,928 in 2002 and 2001, respectively, for terminated participants that received their account balance, net of the outstanding loans, as a benefit distribution.

6. Transactions With Party In Interest

In addition to those transactions discussed in Notes 2 and 4, all significant administrative costs of the Plan are paid by Principal Life, the Plan sponsor. With regard to the demutualization of Principal Mutual Holding Company (See Note 8), Principal Life received a prohibited transaction exemption from the Department of Labor for actions taken on behalf of the Plan that may be presumed to be prohibited transactions.

7. Form 5500

Certain line items of net asset additions and deductions in the 2002 and 2001 Forms 5500 differ from similar classifications in the accompanying financial statements. However, such differences are not considered material and create no differences in net asset balances at December 31, 2002 and 2001.

The Principal Select Savings Plan for Employees

Notes to Financial Statements (continued)

8. Receipt of Demutualization Compensation

Effective October 26, 2001, Principal Mutual Holding Company, the ultimate parent of Principal Life, converted from a mutual insurance holding company to a stock company and concurrent therewith, Principal Financial Group, Inc. (PFG) completed its initial public offering. All policyholder membership interests in Principal Mutual Holding Company were extinguished at that date and eligible policyholders received shares of PFG common stock, cash or policy credits as compensation. As a policyholder and as a result of the demutualization, the Plan obtained 874,079 shares of PFG common stock through receipt of a comparable number of units of the Principal Financial Group, Inc. Stock Separate Account issued to eligible qualified employee benefit plans as policy credits, valued at \$16,170,462 on October 26, 2001. Such amounts were then allocated to plan participants on a pro-rata basis.

The Principal Select Savings Plan for Employees
E.I.N. 42-0127290, Plan 003

Schedule H, Line 4(i) – Schedule of Assets
(Held at End of Year)

December 31, 2002

Identity of Issuer	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in unallocated contracts held in general account of insurance company	\$ 62,900,501
Principal Life Insurance Company*	Deposits in insurance company Partner Small Cap Value Separate Account	895,095
Principal Life Insurance Company*	Deposits in insurance company Large Company Growth Separate Account	15,756,746
Principal Life Insurance Company*	Deposits in insurance company Money Market Separate Account	39,516,098
Principal Life Insurance Company*	Deposits in insurance company Real Estate Separate Account	42,001,028
Principal Life Insurance Company*	Deposits in insurance company Bond and Mortgage Separate Account	68,041,719
Principal Life Insurance Company*	Deposits in insurance company International Stock Separate Account	36,610,648
Principal Life Insurance Company*	Deposits in insurance company Large Cap Stock Index Separate Account	52,495,090
Principal Life Insurance Company*	Deposits in insurance company Government Securities Separate Account	3,503,342
Principal Life Insurance Company*	Deposits in insurance company Medium Company Blend Separate Account	21,129,173
Principal Life Insurance Company*	Deposits in insurance company International Emerging Markets Separate Account	12,352,546

The Principal Select Savings Plan for Employees
E.I.N. 42-0127290, Plan 003

Schedule H, Line 4(i) – Schedule of Assets
(Held at End of Year) (continued)

December 31, 2002

Identity of Issuer	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in insurance company Large Company Value Separate Account	\$ 889,661
Principal Life Insurance Company*	Deposits in insurance company Partner Large Cap Blend I Separate Account	32,910,541
Principal Life Insurance Company*	Deposits in insurance company Partner Large Cap Growth I Separate Account	616,787
Principal Life Insurance Company*	Deposits in insurance company Lifetime Strategic Separate Account	681,471
Principal Life Insurance Company*	Deposits in insurance company Partners Mid-Cap Growth Separate Account	10,936,595
Principal Life Insurance Company*	Deposits in insurance company Partners Small Cap Growth II Separate Account	14,573,932
Principal Life Insurance Company*	Deposits in insurance company Small Cap Stock Index Separate Account	31,244,524
Principal Life Insurance Company*	Deposits in insurance company Partners Large Cap Value Separate Account	18,678,450
Principal Life Insurance Company*	Deposits in insurance company Principal Financial Group, Inc. Stock Separate Account	21,993,428
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2010 Separate Account	1,490,715

The Principal Select Savings Plan for Employees
E.I.N. 42-0127290, Plan 003

Schedule H, Line 4(i) – Schedule of Assets
(Held at End of Year) (continued)

December 31, 2002

Identity of Issuer	Description of Investment	Current Value
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2020 Separate Account	\$ 2,385,121
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2030 Separate Account	2,133,381
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2040 Separate Account	1,163,572
Principal Life Insurance Company*	Deposits in insurance company Lifetime 2050 Separate Account	172,446
Principal Financial Group, Inc.*	984,199 shares of Principal Financial Group, Inc. ESOP	29,653,930
Various participants	Notes receivable from participants with interest rates ranging from 6.25% to 11.0%	<u>13,371,157</u>
Total invested assets		<u><u>\$538,097,697</u></u>

*Indicates party in interest to the Plan.

Report of Independent Auditors

The Management Resources Committee
Principal Life Insurance Company

We have audited the accompanying statements of net assets available for benefits of The Principal Select Savings Plan for Employees as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the 2002 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2002 financial statements taken as a whole.

Des Moines, Iowa
June 6, 2003

Ernst & Young LLP

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the administrator of the Principal Select Savings Plan for Employees has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE PRINCIPAL SELECT SAVINGS PLAN FOR
EMPLOYEES
by Benefit Plans Administration Committee

Date: June 24, 2003

By /s/ Mary A. O'Keefe
Mary A. O'Keefe
Chairperson

Exhibit Index

The following exhibits are filed herewith:

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99	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code	16

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333-72002) pertaining to The Principal Select Savings Excess Plan, Nonqualified Defined Contribution Plan for Designated Participants, The Principal Select Savings Plan for Individual Field, and the Principal Select Savings Plan for Employees of our report dated June 6, 2003, with respect to the financial statements and schedule of The Principal Select Savings Plan for Employees included in this Annual Report (Form 11-K) for the year ended December 31, 2002.

Des Moines, Iowa
June 26, 2003

Ernst & Young LLP

**Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code**

I, Mary A. O'Keefe, Chairperson of the Benefit Plans Administration Committee, certify that, to the best of my knowledge and belief, (i) the Form 11-K for the Principal Select Savings Plan for Employees for the fiscal year ended December 31, 2002 fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 11-K for the fiscal year ended December 31, 2002 fairly presents, in all material respects, the financial condition and results of operations of the Principal Select Savings Plan for Employees.



Mary A. O'Keefe

Chairperson, Benefit Plans Administration Committee

Date: June 24, 2003