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Principal Financial Group, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Nigel Dally of Morgan Stanley.

Nigel Dally – Morgan Stanley

Great. Thank you. Good morning. First question, can you discuss the rationale behind the \$250 million funding agreement with the Federal Home Loan Bank? Was that to bolster your capital? Also, do you have updated number for the amount of capital you got from that facility through the end of the third quarter? And I've just got couple of follow ups as well.

Larry Zimpleman

Okay. Good morning, Nigel. This is Larry. The FHLB program is not really a program focused around building up capital. It is rather just a program focused around making sure that liquidity is where it needs to be, and market conditions like these are. And maybe I'll just have Terry comment a little further about that.

Terry Lillis

Good morning, Nigel. The \$250 million issuance was at the end of the second quarter, since the second quarter, in the third quarter we've added an additional \$750 million to bring it up to a total of \$1 billion. They are all in the form of funding agreements at this time.

Nigel Dally – Morgan Stanley

Okay. Then second question is just on the political landscape. I wonder Obama's policy is just to allow planned participants to withdraw 15% of their account balance, up to \$10,000 without any penalty. Can you discuss how that will likely impact your pension business if that is enacted?

Larry Zimpleman

Yes, Nigel. This is Larry. I'll comment on that. I mean I think that obviously at this time in a political season, and by the way I hope everybody takes advantages of their opportunity to get out and vote today. But this is the season for anybody and everybody to sort of throw their ideas out there, and the one that you mentioned is just one of a couple of handfuls of legislative ideas that everybody has. But as I think as you know, we have a very dedicated staff in Washington that is in very close contact with all the legislators and all the policy makers and I don't think that we foresee that in the near term. And I would say near term would be at least through 2009 onto 2010, there is going to be anything

that's going to be very significant or in any way disruptive to 401(k) system. I think the policy makers understand that 401(k) system has actually put a nice safety net, if you will, into our capital markets, given the regular flow of capital that comes into both the equity and debt markets, and I think they are very reluctant to want to do too much to tinker with that. So, appreciate your questions.

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