

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

01-430

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:

AUGUST 20, 2001

SYNOPSIS -

Approving the Mayor to execute appropriate documents to elect a cash option for a projected 29,637 allocated shares of Principal Financial Group stock resulting from various employee benefit plans administered or purchased through Principal Financial Group.

SUBJECT:

AUTHORIZING
CASH ELECTION IN
LIEU OF STOCK
FROM PRINCIPAL
FINANCIAL GROUP
STOCK OFFERING

FISCAL IMPACT -

No cost to the City. Estimated payment of \$563,103 from Principal Financial Group will be received based upon the published initial offering price of \$19 per share.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval.

SUBMITTED BY:

TOM TURNER
HUMAN
RESOURCES
DIRECTOR

BACKGROUND -

The City of Des Moines provides various benefit plans such as health insurance, life insurance, and long-term disability insurance through the Principal Financial Group. Principal has been operating as a mutual company meaning policyholders were considered to be owners of the company. Recently, Principal has determined their corporate interests would be better served as a stock company that can issue common stock to permit individuals and companies to buy an ownership interest in Principal. Current policyholders with Principal have been allocated shares based upon the extent of the insurance relationship with Principal. Based on the allocation developed by Principal, the City of Des Moines would be entitled to have 29,637 shares with an estimated value of \$563,103 based on the published issue price of \$19 per share. The Constitution of Iowa, the Iowa Code, and the City's investment policy all prohibit the City from owning corporate stock. Accordingly, the City must elect the cash option. It is anticipated the initial offering and resulting cash

payments will be made in early 2002 and before the end of the City's 2002 fiscal year. Funds will be received in the Trust and Agency Fund and will be held pending review of state required reserve requirements of the City's self-insured health plan.
