PRINCIPAL FINANCIAL GROUP INC
Form 10-Q
July 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

1-16725

(Commission file number)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**42-1520346**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

711 High Street, Des Moines, Iowa 50392
(Address of principal executive offices)

(515) 247-5111
(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The total number of shares of the registrant s Common Stock, $0.01 par value, outstanding as of July 22, 2015, was 294,744,654.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Principal Financial Group, Inc.

Consolidated Statements of Financial Position

	June 30, 2015 (Unaudited)	December 31, 2014
	(in millions)	
Assets		
Fixed maturities, available-for-sale (2015 and 2014 include $269.5 million and $278.2 million related to consolidated variable interest entities)	**$ 48,949.7**	$ 49,670.8
Fixed maturities, trading (2015 and 2014 both include $100.4 million related to consolidated variable interest entities)	**560.3**	604.6
Equity securities, available-for-sale	**176.1**	123.0
Equity securities, trading (2015 and 2014 include $347.7 million and $345.3 million related to consolidated variable interest entities)	**891.8**	840.2
Mortgage loans	**12,070.7**	11,811.6
Real estate (2015 and 2014 include $343.9 million and $284.9 million related to consolidated variable interest entities)	**1,435.1**	1,344.6
Policy loans	**824.9**	829.2
Other investments (2015 and 2014 include $37.6 million and $40.6 million related to consolidated variable interest entities and $55.4 million and $127.2 million measured at fair value under the fair value option)	**3,268.0**	3,209.8
Total investments	**68,176.6**	68,433.8
Cash and cash equivalents	**2,264.4**	1,863.9
Accrued investment income	**498.7**	505.9
Premiums due and other receivables	**1,282.7**	1,213.0
Deferred acquisition costs	**3,162.4**	2,993.0
Property and equipment	**601.9**	590.2
Goodwill	**970.7**	1,007.4
Other intangibles	**1,268.8**	1,323.5
Separate account assets (2015 and 2014 include $34,886.5 million and $34,655.4 million related to consolidated variable interest entities)	**142,993.6**	140,072.8
Other assets	**1,050.9**	1,083.5
Total assets	**$ 222,270.7**	$ 219,087.0
Liabilities		
Contractholder funds	**$ 34,041.8**	$ 34,726.7
Future policy benefits and claims	**24,952.7**	24,036.6
Other policyholder funds	**807.0**	812.7
Short-term debt	**26.6**	28.0
Long-term debt (2015 and 2014 include $68.1 million and $82.3 million related to consolidated variable interest entities)	**3,315.9**	2,531.2
Income taxes currently payable	**16.0**	11.5
Deferred income taxes	**819.7**	1,035.3
	142,993.6	140,072.8

Separate account liabilities (2015 and 2014 include $34,886.5 million and $34,655.4 million related to consolidated variable interest entities)				
Other liabilities (2015 and 2014 include $346.5 million and $344.0 million related to consolidated variable interest entities, of which $66.7 million and $71.0 million are measured at fair value under the fair value option)		**5,463.2**		5,542.2
Total liabilities		**212,436.5**		208,797.0
Redeemable noncontrolling interest		**71.6**		58.0
Stockholders equity				
Series A preferred stock, par value $.01 per share with liquidation preference of $100 per share 0.0 million and 3.0 million authorized, issued and outstanding in 2015 and 2014				
Series B preferred stock, par value $.01 per share with liquidation preference of $25 per share 0.0 million and 10.0 million authorized, issued and outstanding in 2015 and 2014				0.1
Common stock, par value $.01 per share 2,500.0 million shares authorized, 465.0 million and 462.7 million shares issued, and 294.7 million and 293.9 million shares outstanding in 2015 and 2014		**4.6**		4.6
Additional paid-in capital		**9,473.8**		9,945.5
Retained earnings		**6,547.9**		6,114.1
Accumulated other comprehensive income (loss)		**(326.6)**		50.4
Treasury stock, at cost (170.3 million and 168.8 million shares in 2015 and 2014)		**(6,006.3)**		(5,930.7)
Total stockholders equity attributable to Principal Financial Group, Inc.		**9,693.4**		10,184.0
Noncontrolling interest		**69.2**		48.0
Total stockholders equity		**9,762.6**		10,232.0
Total liabilities and stockholders equity	**$**	**222,270.7**	$	219,087.0

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Operations

(Unaudited)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
	(in millions, except per share data)			
Revenues				
Premiums and other considerations	**$ 1,682.4**	$ 835.4	**$ 2,598.8**	$ 1,639.0
Fees and other revenues	**901.5**	855.5	**1,852.3**	1,685.2
Net investment income	**789.9**	829.0	**1,513.8**	1,673.7
Net realized capital gains (losses), excluding impairment losses on available-for-sale securities	**(108.6)**	109.7	**(34.9)**	129.5
Net other-than-temporary impairment (losses) recoveries on available-for-sale securities	**(0.6)**	14.9	**13.4**	25.8
Other-than-temporary impairment losses on fixed maturities, available-for-sale reclassified from other comprehensive income	**(5.4)**	(37.8)	**(26.9)**	(67.9)
Net impairment losses on available-for-sale securities	**(6.0)**	(22.9)	**(13.5)**	(42.1)
Net realized capital gains (losses)	**(114.6)**	86.8	**(48.4)**	87.4
Total revenues	**3,259.2**	2,606.7	**5,916.5**	5,085.3
Expenses				
Benefits, claims and settlement expenses	**2,054.6**	1,268.4	**3,290.9**	2,495.9
Dividends to policyholders	**41.1**	44.6	**82.8**	90.3
Operating expenses	**869.0**	886.2	**1,790.2**	1,715.2
Total expenses	**2,964.7**	2,199.2	**5,163.9**	4,301.4
Income before income taxes	**294.5**	407.5	**752.6**	783.9
Income taxes	**29.6**	88.3	**58.6**	140.6
Net income	**264.9**	319.2	**694.0**	643.3
Net income attributable to noncontrolling interest	**7.3**	4.6	**14.0**	26.8
Net income attributable to Principal Financial Group, Inc.	**257.6**	314.6	**680.0**	616.5
Preferred stock dividends	**8.3**	8.3	**16.5**	16.5
Excess of redemption value over carrying value of preferred shares redeemed	**8.2**		**8.2**	
Net income available to common stockholders	**$ 241.1**	$ 306.3	**$ 655.3**	$ 600.0
Earnings per common share				
Basic earnings per common share	**$ 0.82**	$ 1.04	**$ 2.22**	$ 2.00
Diluted earnings per common share	**$ 0.81**	$ 1.03	**$ 2.20**	$ 1.98
Dividends declared per common share	**$ 0.38**	$ 0.32	**$ 0.74**	$ 0.60

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Comprehensive Income

(Unaudited)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
	(in millions)			
Net income	**$ 264.9**	$ 319.2	**$ 694.0**	$ 643.3
Other comprehensive income (loss), net:				
Net unrealized gains (losses) on available-for-sale securities	**(306.4)**	178.3	**(249.3)**	370.5
Noncredit component of impairment losses on fixed maturities, available-for-sale	**3.4**	20.4	**16.9**	37.9
Net unrealized gains (losses) on derivative instruments	**(16.1)**	4.1	**11.7**	13.1
Foreign currency translation adjustment	**(42.5)**	33.0	**(175.1)**	(12.6)
Net unrecognized postretirement benefit obligation	**12.0**	3.6	**24.0**	7.1
Other comprehensive income (loss)	**(349.6)**	239.4	**(371.8)**	416.0
Comprehensive income (loss)	**(84.7)**	558.6	**322.2**	1,059.3
Comprehensive income attributable to noncontrolling interest	**8.9**	6.4	**9.3**	26.6
Comprehensive income (loss) attributable to Principal Financial Group, Inc.	**$ (93.6)**	$ 552.2	**$ 312.9**	$ 1,032.7

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Stockholders Equity

(Unaudited)

	Series A preferred stock	Series B preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest	Total stockholders equity
					(in millions)				
Balances at January 1, 2014	$	$ 0.1	$ 4.6	$ 9,798.9	$ 5,405.4	$ 183.2	$ (5,708.0)	$ 92.8	$ 9,777.0
Common stock issued				26.1					26.1
Stock-based compensation and additional related tax benefits				41.7	(2.9)				38.8
Treasury stock acquired, common							(149.8)		(149.8)
Dividends to common stockholders					(176.8)				(176.8)
Dividends to preferred stockholders					(16.5)				(16.5)
Distributions to noncontrolling interest								(22.3)	(22.3)
Contributions from noncontrolling interest								8.2	8.2
Purchase of subsidiary shares from noncontrolling interest				(0.4)				(39.7)	(40.1)
Adjustments to redemption amount of redeemable noncontrolling interest				(27.1)	(9.4)				(36.5)
Net income (excludes $5.2 million attributable to redeemable noncontrolling interest)					616.5			21.6	638.1
Other comprehensive income (excludes $2.9 million attributable to redeemable noncontrolling interest)						416.2		(3.1)	413.1
Balances at June 30, 2014	$	$ 0.1	$ 4.6	$ 9,839.2	$ 5,816.3	$ 599.4	$ (5,857.8)	$ 57.5	$ 10,459.3
Balances at January 1, 2015	**$**	**$ 0.1**	**$ 4.6**	**$ 9,945.5**	**$ 6,114.1**	**$ 50.4**	**$ (5,930.7)**	**$ 48.0**	**$ 10,232.0**
Common stock issued				**29.6**					**29.6**
Stock-based compensation and additional related tax benefits				**53.4**	**(3.2)**				**50.2**
Treasury stock acquired, common							**(75.6)**		**(75.6)**
Dividends to common stockholders					**(218.3)**				**(218.3)**
Dividends to preferred stockholders					**(16.5)**				**(16.5)**
Preferred stock redemption		**(0.1)**		**(541.7)**	**(8.2)**				**(550.0)**
Distributions to noncontrolling interest								**(11.6)**	**(11.6)**
Contributions from noncontrolling interest								**4.9**	**4.9**
Purchase of subsidiary shares from noncontrolling interest				**(9.7)**		**(9.9)**		**15.1**	**(4.5)**

Adjustments to redemption amount of redeemable noncontrolling interest				**(3.3)**					**(3.3)**
Net income (excludes $2.1 million attributable to redeemable noncontrolling interest)					**680.0**			**11.9**	**691.9**
Other comprehensive loss (excludes $(5.6) million attributable to redeemable noncontrolling interest)						**(367.1)**		**0.9**	**(366.2)**
Balances at June 30, 2015	**$**	**$**	**$ 4.6**	**$ 9,473.8**	**$ 6,547.9**	**$ (326.6)**	**$ (6,006.3)**	**$ 69.2**	**$ 9,762.6**

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
	(in millions)	
Operating activities		
Net income	$ **694.0**	$ 643.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred acquisition costs	**101.6**	143.0
Additions to deferred acquisition costs	**(191.9)**	(193.6)
Accrued investment income	**7.2**	35.0
Net cash flows for trading securities	**(33.3)**	(86.5)
Premiums due and other receivables	**(48.2)**	50.9
Contractholder and policyholder liabilities and dividends	**1,546.2**	829.4
Current and deferred income taxes (benefits)	**(75.4)**	114.3
Net realized capital (gains) losses	**48.4**	(87.4)
Depreciation and amortization expense	**83.3**	81.5
Mortgage loans held for sale, sold or repaid, net of gain		8.4
Real estate acquired through operating activities	**(29.3)**	(35.5)
Real estate sold through operating activities	**51.6**	146.0
Stock-based compensation	**50.3**	39.3
Other	**(87.1)**	(310.8)
Net adjustments	**1,423.4**	734.0
Net cash provided by operating activities	**2,117.4**	1,377.3
Investing activities		
Available-for-sale securities:		
Purchases	**(4,828.5)**	(4,593.1)
Sales	**983.1**	1,385.6
Maturities	**3,636.1**	2,966.0
Mortgage loans acquired or originated	**(1,057.1)**	(956.9)
Mortgage loans sold or repaid	**775.3**	865.2
Real estate acquired	**(204.1)**	(193.9)
Net purchases of property and equipment	**(67.3)**	(93.3)
Net change in other investments	**(174.6)**	123.8
Net cash used in investing activities	**(937.1)**	(496.6)
Financing activities		
Issuance of common stock	**29.6**	26.1
Acquisition of treasury stock	**(75.6)**	(149.8)
Proceeds from financing element derivatives	**0.2**	14.6
Payments for financing element derivatives	**(39.5)**	(25.6)
Excess tax benefits from share-based payment arrangements	**14.1**	5.8
Purchase of subsidiary shares from noncontrolling interest	**(11.0)**	(40.1)
Dividends to common stockholders	**(218.3)**	(176.8)
Dividends to preferred stockholders	**(16.5)**	(16.5)
Preferred stock redemption	**(550.0)**	
Issuance of long-term debt	**797.4**	27.4
Principal repayments of long-term debt	**(19.8)**	(100.1)
Net repayments of short-term borrowings		(0.3)
Investment contract deposits	**2,722.9**	2,648.1

Investment contract withdrawals		**(3,414.7)**		(3,701.3)
Net increase (decrease) in banking operation deposits		**8.2**		(15.3)
Other		**(6.8)**		(6.4)
Net cash used in financing activities		**(779.8)**		(1,510.2)
Net increase (decrease) in cash and cash equivalents		**400.5**		(629.5)
Cash and cash equivalents at beginning of period		**1,863.9**		2,371.8
Cash and cash equivalents at end of period	**$**	**2,264.4**	$	1,742.3

See accompanying notes.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements

June 30, 2015
(Unaudited)

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of Principal Financial Group, Inc. (PFG), its majority-owned subsidiaries and its consolidated variable interest entities (VIEs), have been prepared in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2015, are not necessarily indicative of the results that may be expected for the year ended December 31, 2015. These interim unaudited consolidated financial statements should be read in conjunction with our annual audited financial statements as of December 31, 2014, included in our Form 10-K for the year ended December 31, 2014, filed with the United States Securities and Exchange Commission (SEC). The accompanying consolidated statement of financial position as of December 31, 2014, has been derived from the audited consolidated statement of financial position but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

In February 2015, we announced planned changes to our organizational structure to better align businesses, distribution teams and product offerings for future growth. We plan to implement these changes during 2015 and will report our consolidated financial statements under the new structure in our December 31, 2015, Form 10-K. The changes are not expected to have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements

[redacted]		
Standards not yet adopted:		
[redacted]		
Revenue recognition This authoritative guidance replaces all general and most industry specific revenue recognition guidance currently prescribed by U.S. GAAP. The core principle is that an entity recognizes revenue to reflect the transfer of a promised good or service to	January 1, 2018	We are currently evaluating the impact this guidance will have on our consolidated financial statements.

customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for that good or service.		
[redacted]		
Consolidations This authoritative guidance makes changes to both the variable interest and voting interest consolidation models and eliminates the investment company deferral for portions of the variable interest model. The amendments in the standard impact the consolidation analysis for interests in investment companies and limited partnerships and similar entities.	January 1, 2016	We are currently evaluating the impact this guidance will have on our consolidated financial statements.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements
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(Unaudited)

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Standards adopted:		
Discontinued operations This authoritative guidance amends the definition of discontinued operations and requires entities to provide additional disclosures associated with discontinued operations, as well as disposal transactions that do not meet the discontinued operations criteria. The guidance requires discontinued operations treatment for disposals of a component or group of components of an entity that represents a strategic shift that has or will have a major impact on an entity s operations or financial results. The guidance also expands the scope to disposals of equity method investments and businesses that, upon initial acquisition, qualify as held for sale.	January 1, 2015	This guidance was adopted prospectively and did not have a material impact on our consolidated financial statements.
Foreign currency cumulative translation adjustment This authoritative guidance clarifies how the cumulative translation adjustment related to a parent s investment in a foreign entity should be released when certain transactions related to the foreign entity occur.	January 1, 2014	The guidance was adopted prospectively and did not have a material impact on our consolidated financial statements.

Separate Accounts

The separate accounts are legally segregated and are not subject to the claims that arise out of any of our other business. The client, rather than us, directs the investments and bears the investment risk of these funds. The separate account assets represent the fair value of funds that are separately administered by us for contracts with equity, real estate and fixed income investments and are presented as a summary total within the consolidated statements of financial position. An equivalent amount is reported as separate account liabilities, which represent the obligation to return the monies to the client. We receive fees for mortality, withdrawal and expense risks, as well as administrative, maintenance and investment advisory services that are included in the consolidated statements of operations. Net deposits, net investment income and realized and unrealized capital gains and losses of the separate accounts are not reflected in the consolidated statements of operations.

Separate account assets and separate account liabilities include certain retirement accumulation products where the segregated funds and associated obligation to the client are consolidated within our financial statements. We have determined that summary totals are the most meaningful presentation for these funds.

At June 30, 2015 and December 31, 2014, the separate account assets include a separate account valued at $190.7 million and $205.4 million, respectively, which primarily includes shares of our stock that were allocated and issued to eligible participants of qualified employee benefit plans administered by us as part of the policy credits issued under our 2001 demutualization. These shares are included in both basic and diluted earnings per share calculations. In the consolidated statements of financial position, the separate account shares are recorded at fair value and are reported as separate account assets with a corresponding separate account liability to eligible participants of the qualified plan. Changes in fair value of the separate account shares are reflected in both the separate account assets and separate account liabilities and do not impact our results of operations.

2. Variable Interest Entities

We have relationships with and may have a variable interest in various types of special purpose entities. Following is a discussion of our interest in entities that meet the definition of a VIE. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. The primary beneficiary of a VIE is defined as the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. For VIEs that are investment companies, the primary beneficiary is the enterprise who absorbs the majority of the entity s expected losses, receives a majority of the expected residual returns or both. On an ongoing basis, we assess whether we are the primary beneficiary of VIEs in which we have a relationship.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements
June 30, 2015
(Unaudited)

Consolidated Variable Interest Entities

Grantor Trusts

We contributed undated subordinated floating rate notes to three grantor trusts. The trusts separated the cash flows by issuing an interest-only certificate and a residual certificate related to each note contributed. Each interest-only certificate entitles the holder to interest on the stated note for a specified term, while the residual certificate entitles the holder to interest payments subsequent to the term of the interest-only certificate and to all principal payments. We retained the interest-only certificates and the residual certificates were subsequently sold to third parties. We have determined these grantor trusts are VIEs due to insufficient equity to sustain them. We determined we are the primary beneficiary as a result of our contribution of securities into the trusts and our continuing interest in the trusts.

Collateralized Private Investment Vehicle

We invest in synthetic collateralized debt obligations, collateralized bond obligations, collateralized loan obligations and other collateralized structures, which are VIEs due to insufficient equity to sustain the entities (collectively known as collateralized private investment vehicles). The performance of the notes of these structures is primarily linked to a synthetic portfolio by derivatives; each note has a specific loss attachment and detachment point. The notes and related derivatives are collateralized by a pool of permitted investments. The investments are held by a trustee and can only be liquidated to settle obligations of the trusts. These obligations primarily include derivatives and the notes due at maturity or termination of the trusts. We determined we are the primary beneficiary for one of these entities because we act as the investment manager of the underlying portfolio and we have an ownership interest.

Commercial Mortgage-Backed Securities

We sold commercial mortgage loans to a real estate mortgage investment conduit trust. The trust issued various commercial mortgage-backed securities (CMBS) certificates using the cash flows of the underlying commercial mortgages it purchased. This is considered a VIE due to insufficient equity to sustain itself. We have determined we are the primary beneficiary as we retained the special servicing role for the assets within the trust as well as the ownership of the bond class that controls the unilateral kick out rights of the special servicer.

Mandatory Retirement Savings

We hold an equity interest in Chilean mandatory privatized social security funds in which we provide asset management services. We determined that the mandatory privatized social security funds, which also include contributions for voluntary pension savings, voluntary non-pension savings and compensation savings accounts, are VIEs. This is because the equity holders as a group lack the power, due to voting rights or similar rights, to direct the activities of the entity that most significantly impact the entity s economic performance and also because equity investors are protected from below-average market investment returns relative to the industry s return, due to a regulatory guarantee that we provide. Further we concluded that we are the primary beneficiary through our power to make decisions and our variable interest in the funds. The purpose of the funds, which reside in legally segregated entities, is to provide long-term retirement savings. The obligation to the client is directly related to the assets held in the funds and, as such, we present the assets as separate account assets and the obligation as separate account liabilities within our consolidated statements of financial position.

Real Estate

We invest in several real estate limited partnerships and limited liability companies. The entities invest in real estate properties. Certain of these entities are VIEs based on the combination of our significant economic interest and related voting rights. We determined we are the primary beneficiary as a result of our power to control the entities through our significant ownership. Due to the nature of these real estate investments, the investment balance will fluctuate as we purchase and sell interests in the entities and as capital expenditures are made to improve the underlying real estate.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements
June 30, 2015
(Unaudited)

The carrying amounts of our consolidated VIE assets, which can only be used to settle obligations of consolidated VIEs, and liabilities of consolidated VIEs for which creditors do not have recourse are as follows:

	Grantor trusts	Collateralized private investment vehicle	CMBS	Mandatory retirement savings	Real estate	Total
			(in millions)			
June 30, 2015						
Fixed maturities, available-for-sale	$ **269.5**	$	$	$	$	$ **269.5**
Fixed maturities, trading		**100.4**				**100.4**
Equity securities, trading				**347.7**		**347.7**
Real estate					**343.9**	**343.9**
Other investments			**25.7**		**11.9**	**37.6**
Cash					**18.6**	**18.6**
Accrued investment income	**0.4**		**0.2**		**1.2**	**1.8**
Premiums due and other considerations					**2.0**	**2.0**
Separate account assets				**34,886.5**		**34,886.5**
Other assets					**0.3**	**0.3**
Total assets	$ **269.9**	$ **100.4**	$ **25.9**	$ **35,234.2**	$ **377.9**	$ **36,008.3**
Long-term debt	$	$	$	$	$ **68.1**	$ **68.1**
Income taxes currently payable					**3.3**	**3.3**
Deferred income taxes	**1.6**				**(0.4)**	**1.2**
Separate account liabilities				**34,886.5**		**34,886.5**
Other liabilities (1)	**237.0**	**85.1**	**(0.8)**		**25.2**	**346.5**
Total liabilities	$ **238.6**	$ **85.1**	$ **(0.8)**	$ **34,886.5**	$ **96.2**	$ **35,305.6**
December 31, 2014						
Fixed maturities, available-for-sale	$ 278.2	$	$	$	$	$ 278.2
Fixed maturities, trading		100.4				100.4
Equity securities, trading				345.3		345.3
Real estate					284.9	284.9
Other investments			35.0		5.6	40.6
Cash					4.7	4.7
Accrued investment income	0.4		0.2		1.4	2.0
Separate account assets				34,655.4		34,655.4
Other assets					0.3	0.3
Total assets	$ 278.6	$ 100.4	$ 35.2	$ 35,000.7	$ 296.9	$ 35,711.8
Long-term debt	$	$	$	$	$ 82.3	$ 82.3
Income taxes currently payable					10.6	10.6
Deferred income taxes	1.5				(0.4)	1.1

Separate account liabilities								34,655.4				34,655.4
Other liabilities (1)		239.1		85.6		4.8				14.5		344.0
Total liabilities	$	240.6	$	85.6	$	4.8	$	34,655.4	$	107.0	$	35,093.4

(1) Grantor trusts contain an embedded derivative of a forecasted transaction to deliver the underlying securities; the collateralized private investment vehicle includes derivative liabilities and an obligation to redeem notes at maturity or termination of the trust.

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We did not provide financial or other support to investees designated as VIEs for the periods ended June 30, 2015 and December 31, 2014.

Unconsolidated Variable Interest Entities

Invested Securities

We hold a variable interest in a number of VIEs where we are not the primary beneficiary. Our investments in these VIEs are reported in fixed maturities, available-for-sale; fixed maturities, trading and other investments in the consolidated statements of financial position and are described below.

Unconsolidated VIEs include CMBS, residential mortgage-backed pass-through securities (RMBS) and other asset-backed securities (ABS). All of these entities were deemed VIEs because the equity within these entities is insufficient to sustain them. We determined we are not the primary beneficiary in the entities within these categories of investments. This determination was based primarily on the fact we do not own the class of security that controls the unilateral right to replace the special servicer or equivalent function.

As previously discussed, we invest in several types of collateralized private investment vehicles, which are VIEs. These include cash and synthetic structures that we do not manage. We have determined we are not the primary beneficiary of these collateralized private investment vehicles primarily because we do not control the economic performance of the entities and were not involved with the design of the entities.

We have invested in various VIE trusts as a debt holder. All of these entities are classified as VIEs due to insufficient equity to sustain them. We have determined we are not the primary beneficiary primarily because we do not control the economic performance of the entities and were not involved with the design of the entities.

We have invested in partnerships and other funds, some of which are classified as VIEs. Some of these entities have returns in the form of income tax credits. These entities are classified as VIEs as the general partners do not have equity investments at risk in the entities. We have determined we are not the primary beneficiary because we are not the general partner, who makes all the significant decisions for the entities. Other limited partnerships and fund interests have returns from investment income. These entities are classified as VIEs as the decision makers do not have equity investments at risk in the entities. We have determined we are not the primary beneficiary because we do not make the significant decisions for the entities, or our variable interest does not absorb the majority of the variability of the entities net assets.

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The carrying value and maximum loss exposure for our unconsolidated VIEs were as follows:

	Asset carrying value	Maximum exposure to loss (1)
	(in millions)	
June 30, 2015		
Fixed maturities, available-for-sale:		
Corporate	**$ 447.6**	**$ 354.5**
Residential mortgage-backed pass-through securities	**2,666.5**	**2,573.3**
Commercial mortgage-backed securities	**3,875.2**	**3,810.5**
Collateralized debt obligations	**642.0**	**660.1**
Other debt obligations	**4,525.1**	**4,494.3**
Fixed maturities, trading:		
Residential mortgage-backed pass-through securities	**29.5**	**29.5**
Commercial mortgage-backed securities	**1.6**	**1.6**
Collateralized debt obligations	**39.4**	**39.4**
Other investments:		
Other limited partnership and fund interests	**203.4**	**203.4**
December 31, 2014		
Fixed maturities, available-for-sale:		
Corporate	$ 456.7	$ 353.3
Residential mortgage-backed pass-through securities	2,822.9	2,702.9
Commercial mortgage-backed securities	3,975.5	3,896.9
Collateralized debt obligations	504.1	521.2
Other debt obligations	4,616.4	4,583.4
Fixed maturities, trading:		
Residential mortgage-backed pass-through securities	34.4	34.4
Commercial mortgage-backed securities	1.5	1.5
Collateralized debt obligations	39.4	39.4
Other debt obligations	0.2	0.2
Other investments:		
Other limited partnership and fund interests	188.2	188.2

(1) Our risk of loss is limited to our initial investment measured at amortized cost for fixed maturities, available-for-sale and other investments. Our risk of loss is limited to our investment measured at fair value for our fixed maturities, trading.

Sponsored Investment Funds

We are the investment manager for certain money market mutual funds that are deemed to be VIEs. We are not the primary beneficiary of these VIEs since our involvement is limited primarily to being a service provider, and our variable interest does not absorb the majority of the variability of the entities net assets. As of June 30, 2015 and December 31, 2014, these VIEs held $1.3 billion and $1.4 billion in total assets, respectively. We have no contractual obligation to contribute to the funds.

We provide asset management and other services to certain investment structures for which we earn performance-based management fees. These structures are considered VIEs. We are not the primary beneficiary of these entities as we do not have the obligation to absorb losses of the entities that could be potentially significant to the VIE or the right to receive benefits from these entities that could be potentially significant.

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3. Investments

Fixed Maturities and Equity Securities

Fixed maturities include bonds, ABS, redeemable preferred stock and certain nonredeemable preferred securities. Equity securities include mutual funds, common stock, nonredeemable preferred stock and regulatory required investments. We classify fixed maturities and equity securities as either available-for-sale or trading at the time of the purchase and, accordingly, carry them at fair value. See Note 10, Fair Value Measurements, for methodologies related to the determination of fair value. Unrealized gains and losses related to available-for-sale securities, excluding those in fair value hedging relationships, are reflected in stockholders equity, net of adjustments associated with deferred acquisition costs (DAC) and related actuarial balances, derivatives in cash flow hedge relationships and applicable income taxes. Unrealized gains and losses related to hedged portions of available-for-sale securities in fair value hedging relationships and mark-to-market adjustments on certain trading securities are reflected in net realized capital gains (losses). Mark-to-market adjustments related to certain securities carried at fair value with an investment objective to realize economic value through mark-to-market changes are reflected in net investment income.

The cost of fixed maturities is adjusted for amortization of premiums and accrual of discounts, both computed using the interest method. The cost of fixed maturities and equity securities classified as available-for-sale is adjusted for declines in value that are other than temporary. Impairments in value deemed to be other than temporary are primarily reported in net income as a component of net realized capital gains (losses), with noncredit impairment losses for certain fixed maturities, available-for-sale reported in other comprehensive income (OCI). For loan-backed and structured securities, we recognize income using a constant effective yield based on currently anticipated cash flows.

The amortized cost, gross unrealized gains and losses, other-than-temporary impairments in accumulated other comprehensive income (AOCI) and fair value of fixed maturities and equity securities available-for-sale are summarized as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Other-than-temporary impairments in AOCI (1)