
RETIREMENT PLAN TRENDS REPORT

The Total View

2009

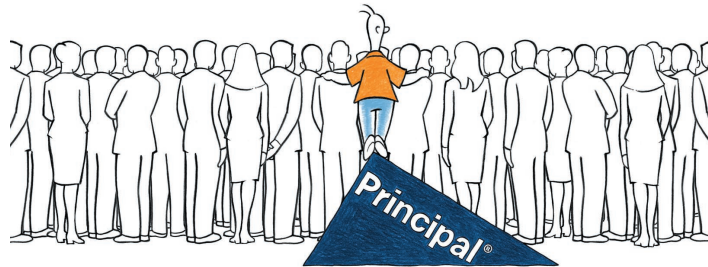


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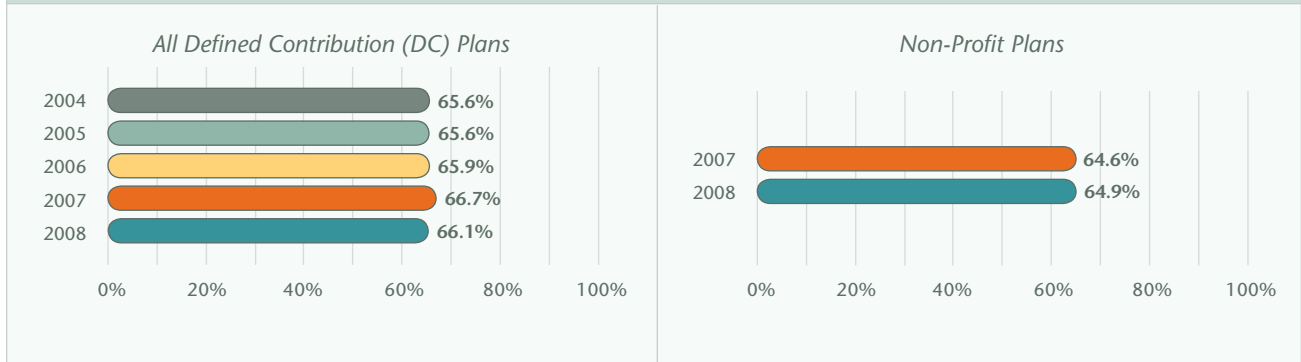


The Total View 2009 Data

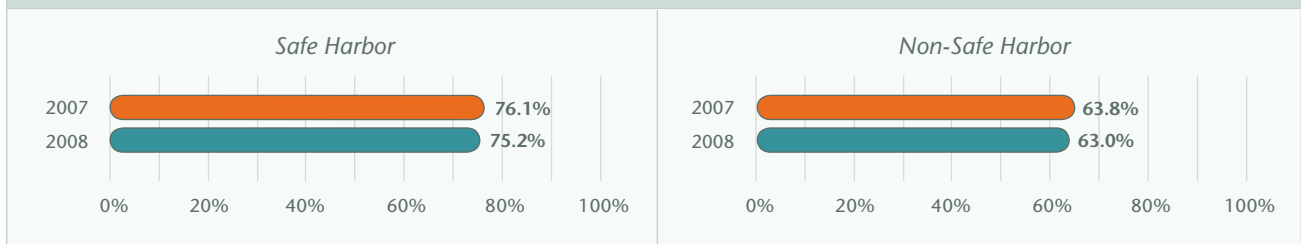
The following data is based on 2007 and 2008 calendar years, providing benchmarks for retirement program trends among almost 44,000 retirement plans in 2007 and more than 43,000 plans in 2008 with services provided by the Principal Financial Group® to approximately 4.5 million (2007) and 4.7 million participants (2008) across four core retirement plan designs: defined contribution, including 401(k) and 403(b), defined benefit, nonqualified and employee stock ownership plans (ESOP), in addition to third-party research.

Participation Rates

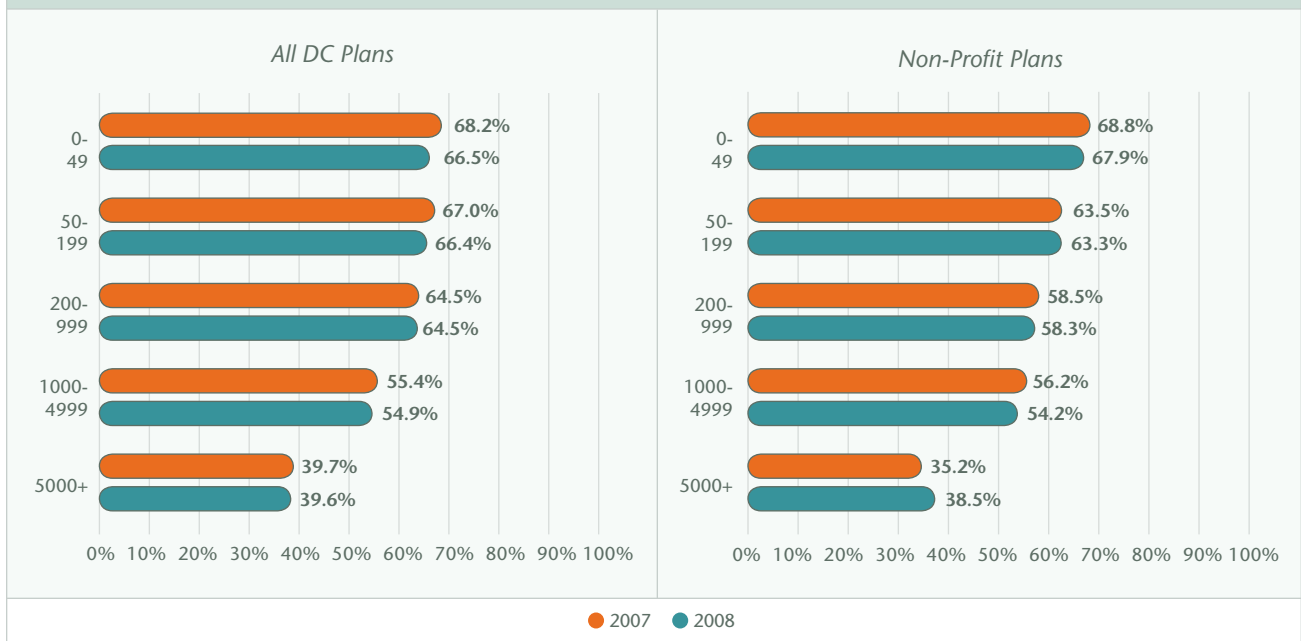
PARTICIPATION RATE *by Year*



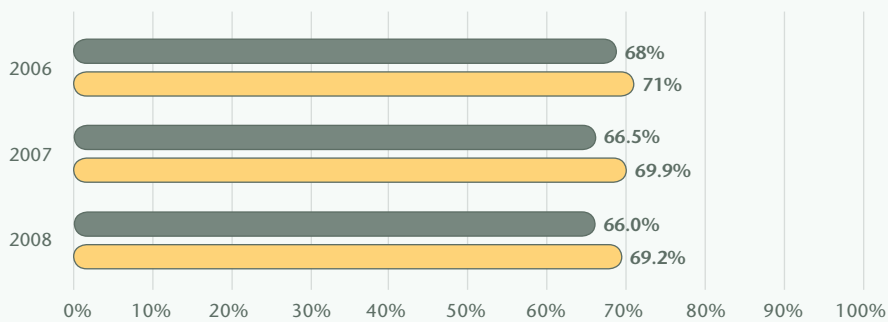
PARTICIPATION RATE *Safe Harbor vs. Non-Safe Harbor*



AVERAGE PARTICIPATION RATE *by Plan Size (Based on Number of Lives)*



AVERAGE PARTICIPATION RATE *by Gender*



While females deferred at a lower rate than males, their participation rates were 3% or more higher than those of males.

● Male ● Female

AVERAGE PARTICIPATION RATE *by Compensation Range*

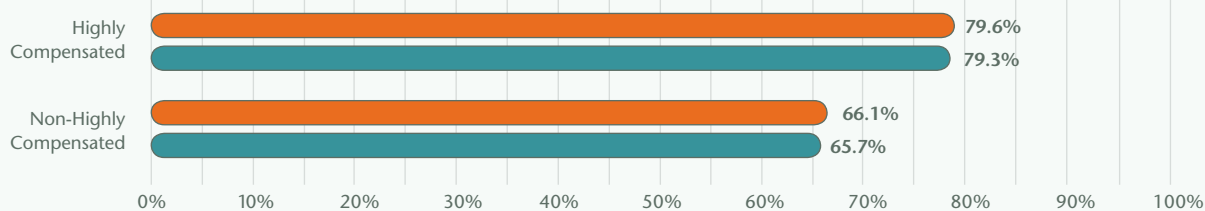


Employees with an annual compensation of \$50,000 - \$75,000 tended to participate at nearly double the rate of those with an annual compensation of \$30,000 - \$50,000.



● 2007 ● 2008

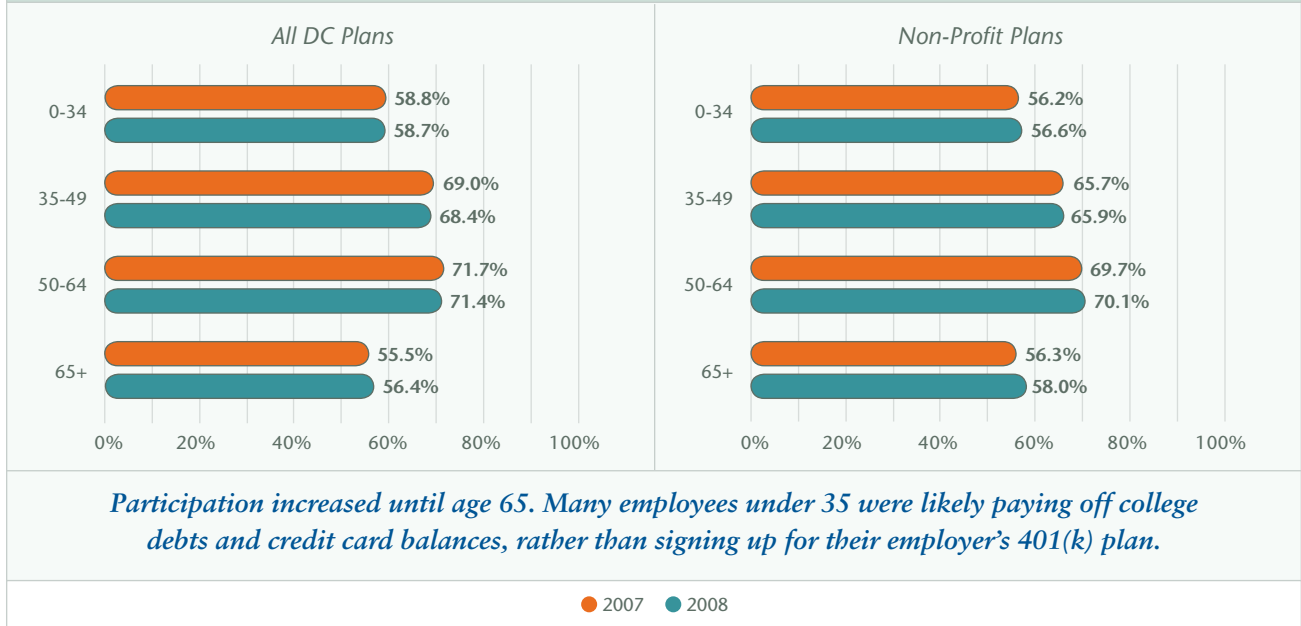
AVERAGE PARTICIPATION RATE *by Compensation Status**



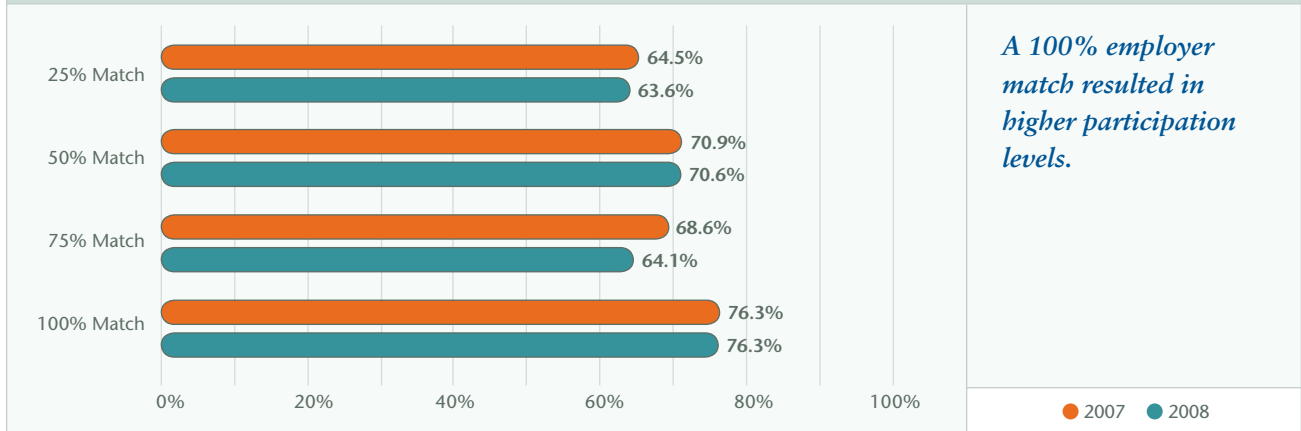
*Highly Compensated defined per Section 414 of the Internal Revenue Code.

● 2007 ● 2008

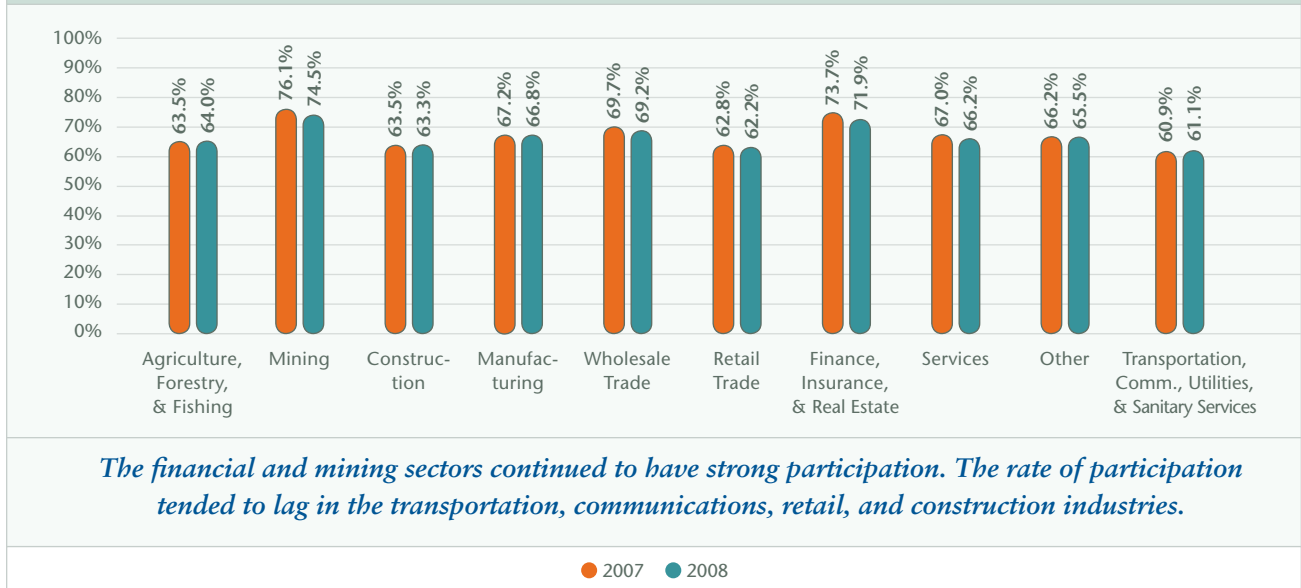
AVERAGE PARTICIPATION RATE by Age Group



AVERAGE PARTICIPATION RATE by Stated Match



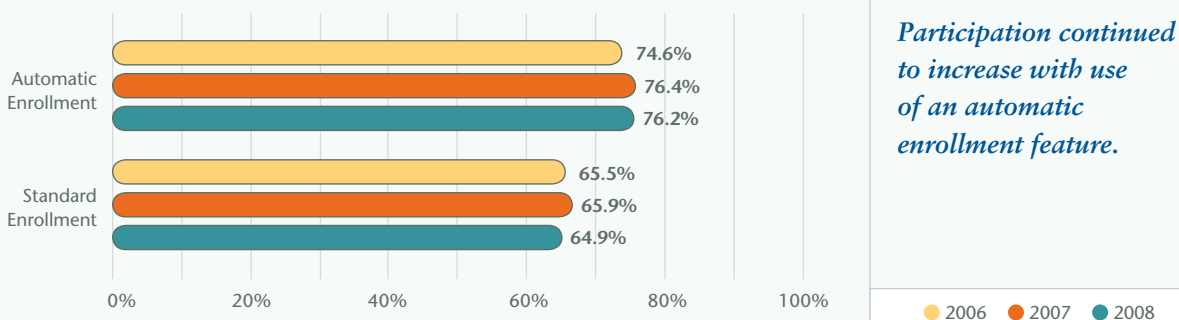
AVERAGE PARTICIPATION RATE by Industry



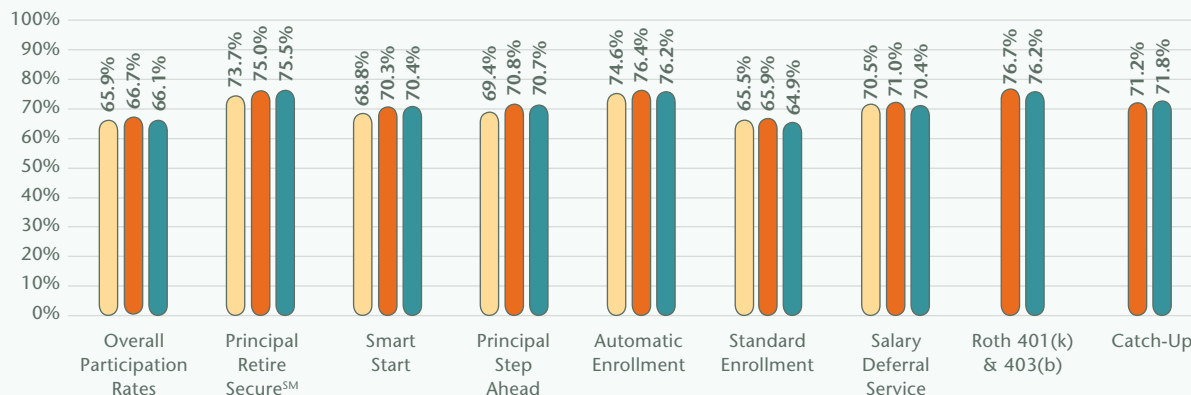
DO-IT-FOR-ME Options*

	2007	2008
# plans offering	11,700	13,752

AVERAGE PARTICIPATION RATE by Enrollment Selection



PARTICIPATION RATE by Plan Features



Participation rates were higher with The Principal® Retire Secure (Retire Secure) and “do-it-for-me” features.

2006 data is not available for all the categories.

● 2006 ● 2007 ● 2008

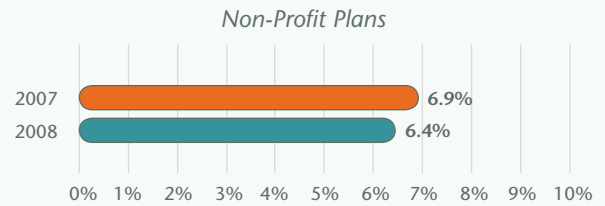
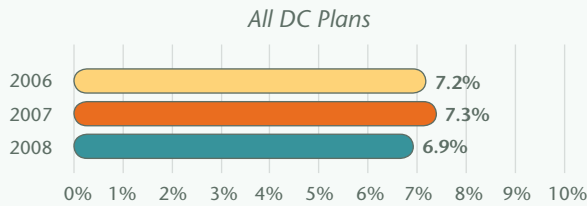
PARTICIPATION RATE Retire Secure vs. Non-Retire Secure, Non-Profit Plans Only



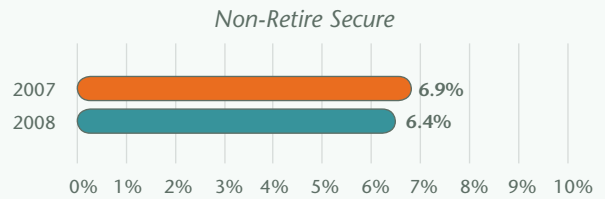
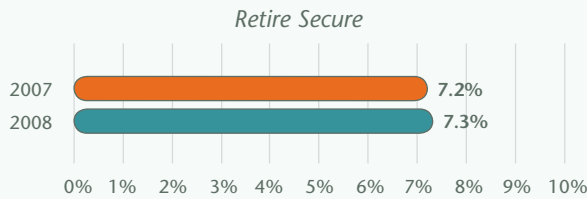
*Includes automatic enrollment, Lifecycle investment options, automatic deferral increases and simplified enrollment forms.

Deferral Rates

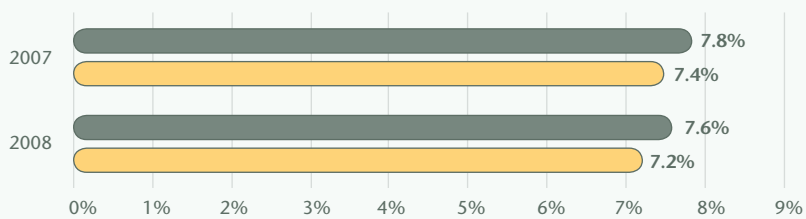
OVERALL AVERAGE DEFERRAL RATE



AVERAGE DEFERRAL RATE *Retire Secure vs. Non-Retire Secure, Non-Profit Plans Only*



AVERAGE DEFERRAL RATE *by Gender*

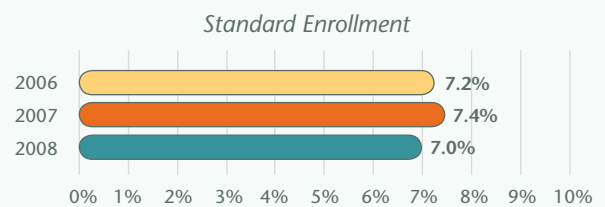
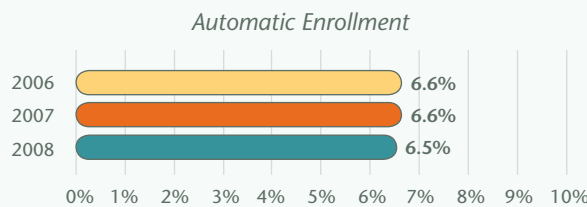


Gender.

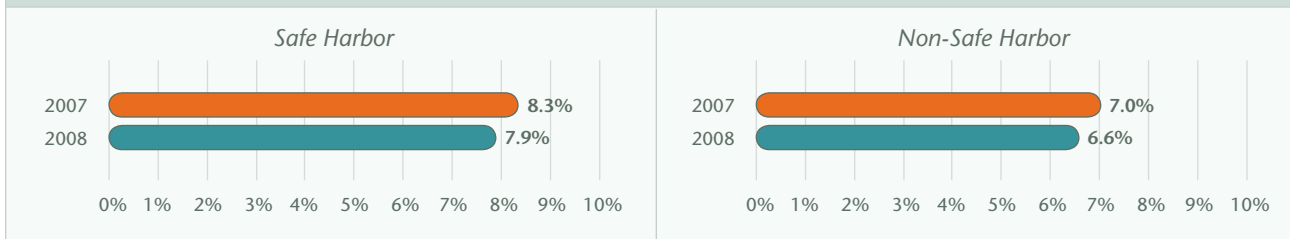
Men on average defer at a greater rate than women.

● Male ● Female

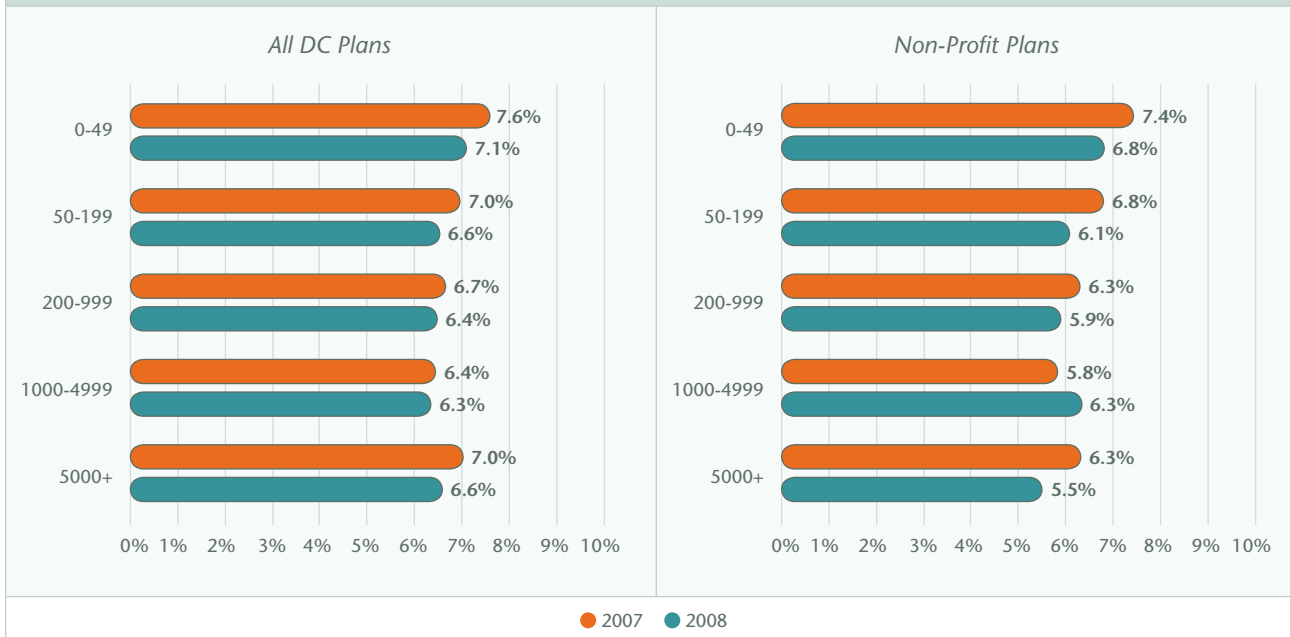
AVERAGE DEFERRAL RATE *Automatic Enrollment vs. Standard Enrollment*



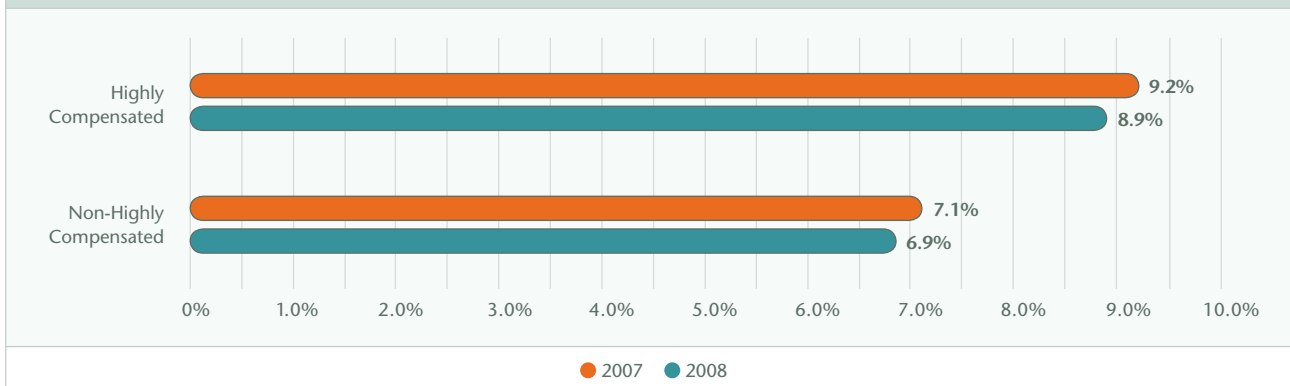
AVERAGE DEFERRAL RATE *Safe Harbor vs. Non-Safe Plans Harbor*



AVERAGE DEFERRAL RATE by Plan Size (Based on Number of Lives)

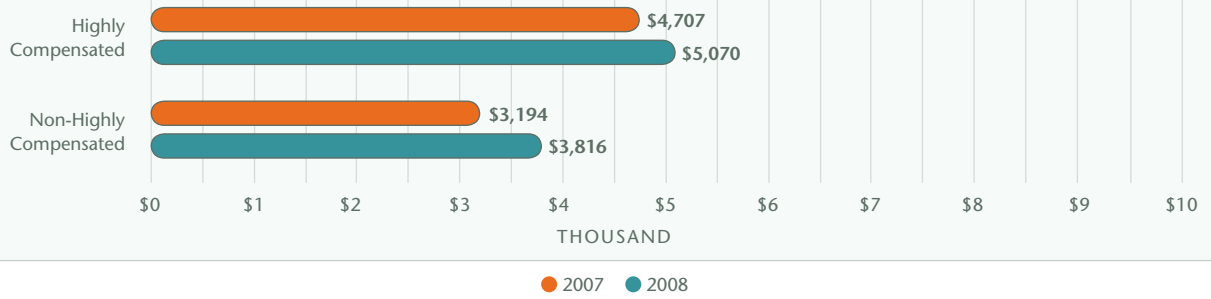


AVERAGE DEFERRAL RATE by Compensation Status*

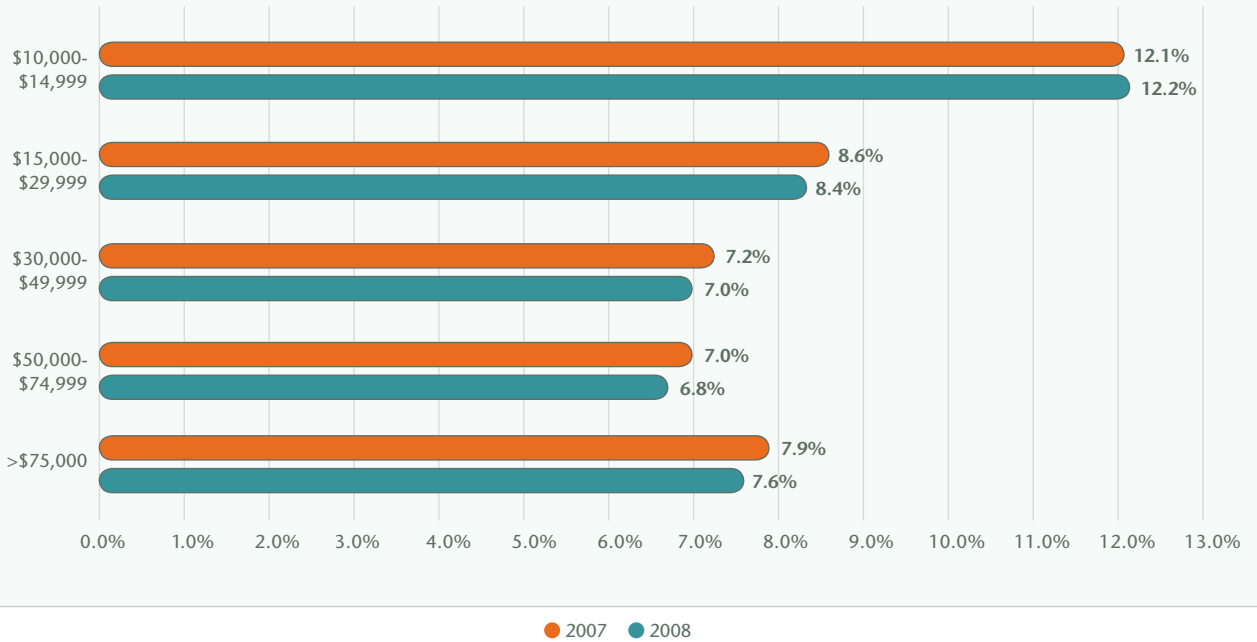


*Highly Compensated defined per Section 414 of the Internal Revenue Code.

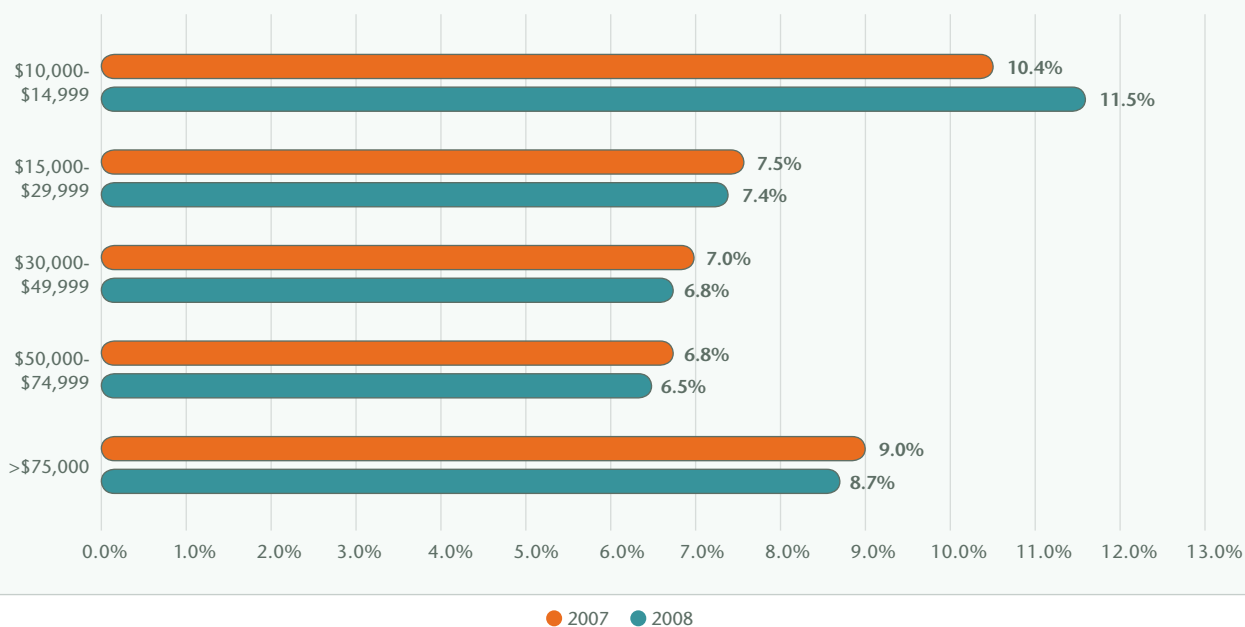
AVERAGE ANNUAL DEFERRAL AMOUNT *by Compensation Status*



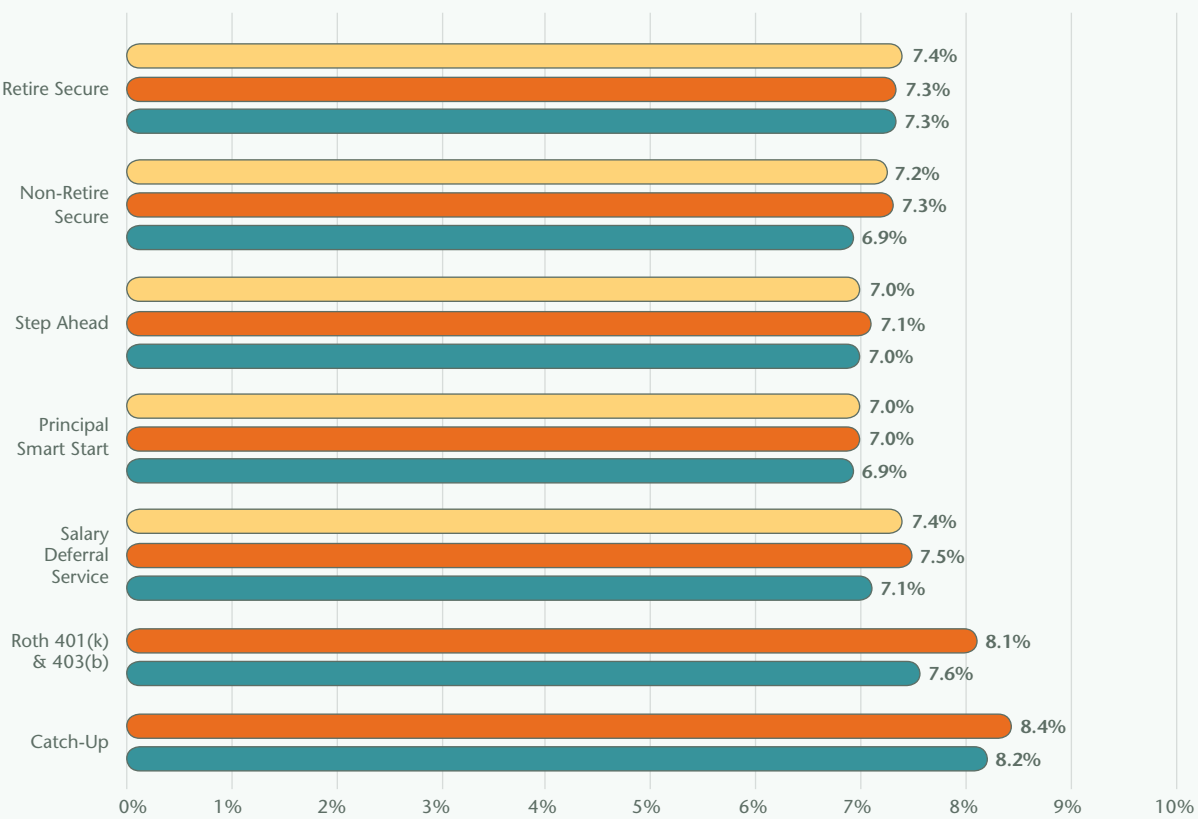
AVERAGE DEFERRAL RATE *by Compensation*



AVERAGE DEFERRAL RATE by Compensation, Non-Profit Plans Only



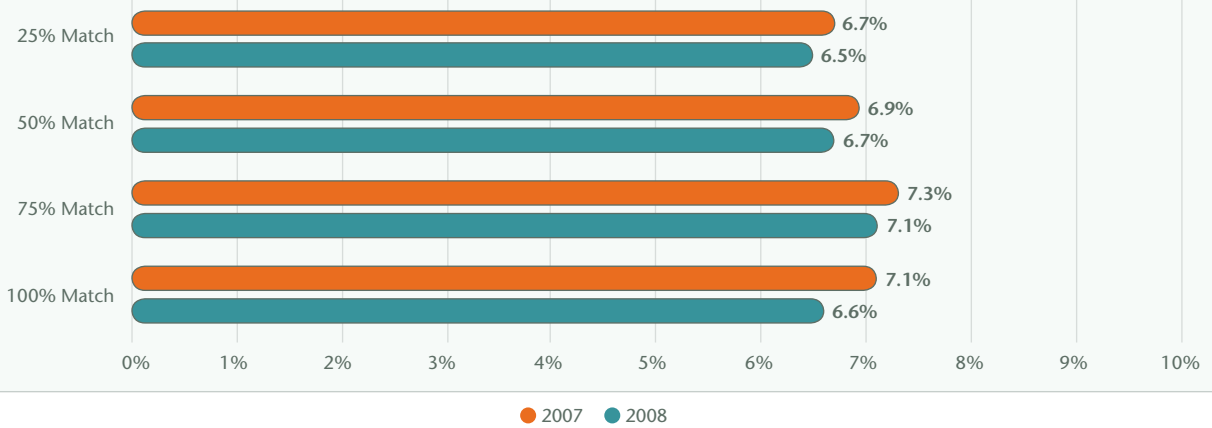
AVERAGE DEFERRAL RATE



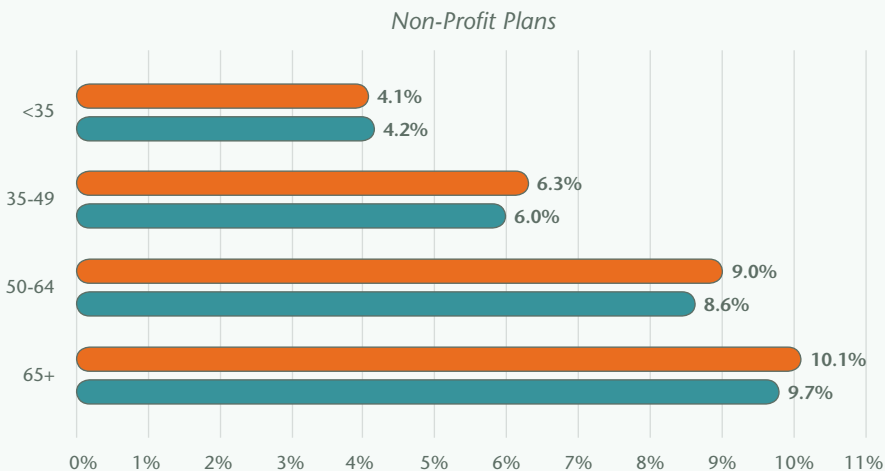
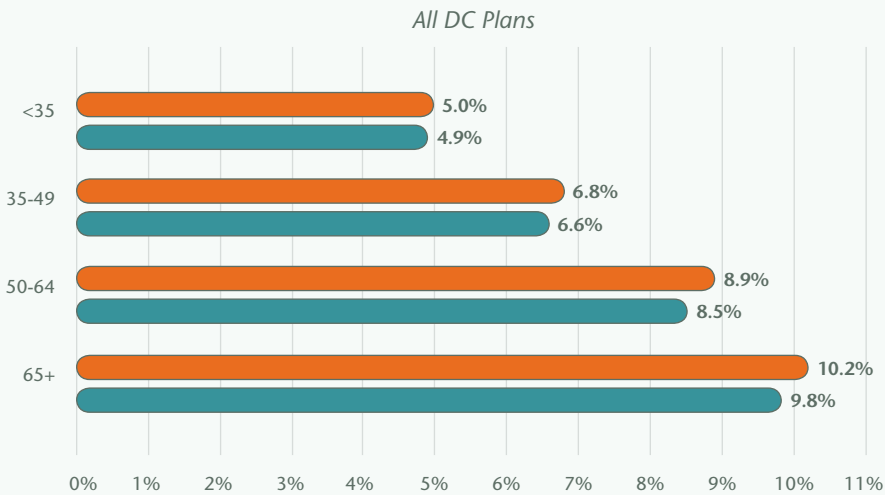
2006 data is not available for all the categories.

2006 2007 2008

AVERAGE DEFERRAL RATE *by Stated Match*



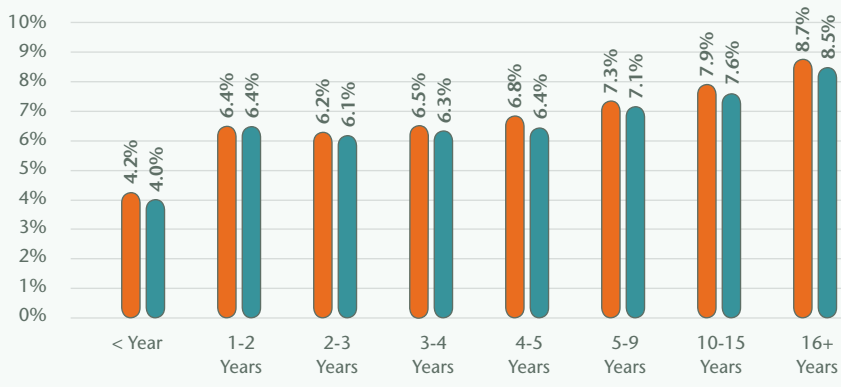
AVERAGE DEFERRAL RATE *by Participant Age*



Age.
Typically, average salary deferral rate increased with the age of the participant.

● 2007 ● 2008

AVERAGE DEFERRAL RATE by Years of Service



Average salary deferral rates among employees with 16 or more years of service far exceeded that of relatively new hires.

● 2007 ● 2008

AVERAGE DEFERRAL RATE by Industry



In 2008, mining led all industries for average deferral.

● 2007 ● 2008

CHANGES IN PARTICIPANT BEHAVIOR

% of participants that increased/decreased deferrals

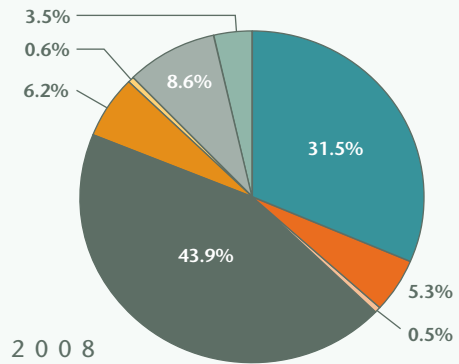
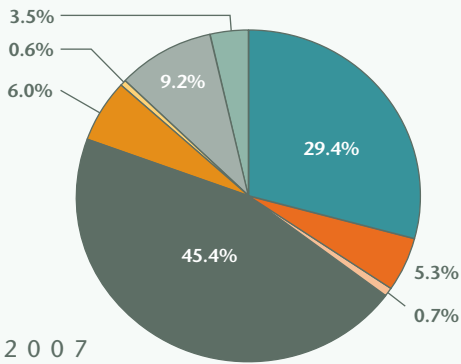
	2007	2008
# increased	139,883	158,822
% of participants	19.9%	19.2%
# decreased	40,752	73,154
% of participants	5.8%	8.8%
# stopped	33,139	63,893
% of participants	4.7%	7.7%

Data is specific to salary deferral service plan sponsors. 2007 number of participants – 702,255; 2008 number of participants – 829,156.

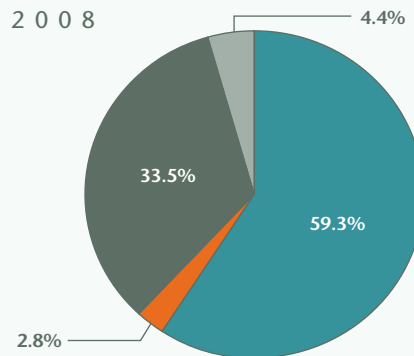
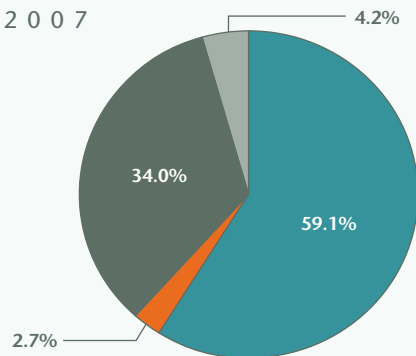
Total Retirement Plans

*The most common total retirement solution offered through
The Principal combines two defined contribution (DC) plans.*

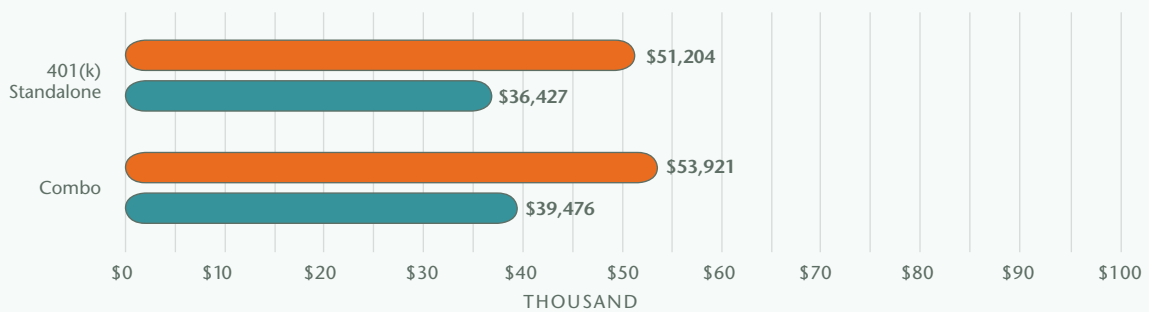
PERCENT of All Combination Plan Types



PERCENT of Combination Non-Profit Plan Types

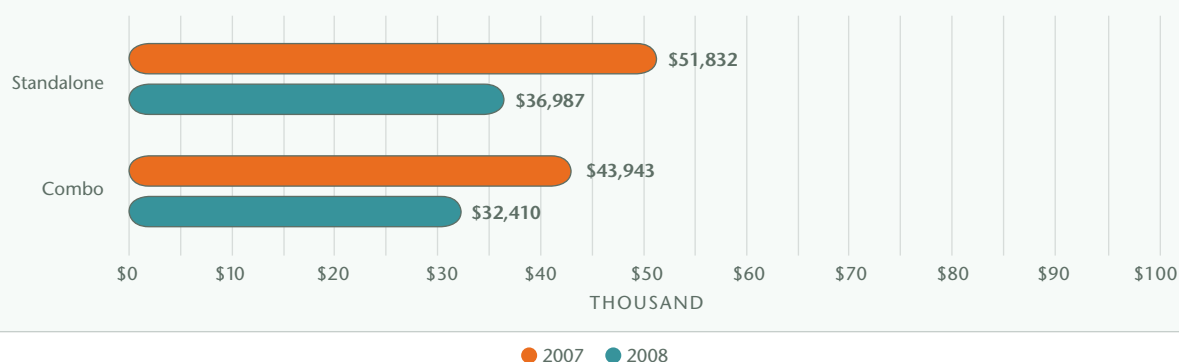


401(k) COMBINATION vs. 401(k) STANDALONE Average Account Balance

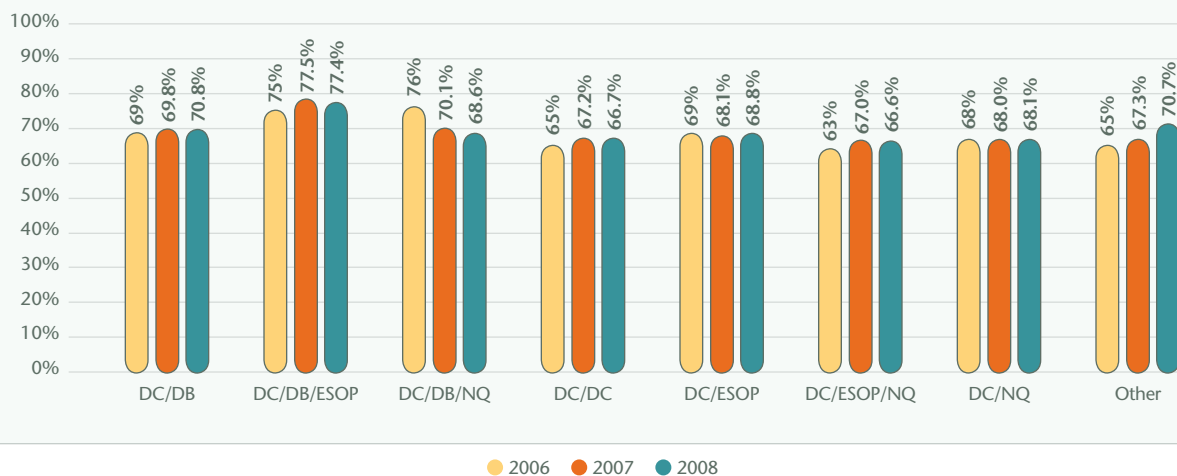


● 2007 ● 2008

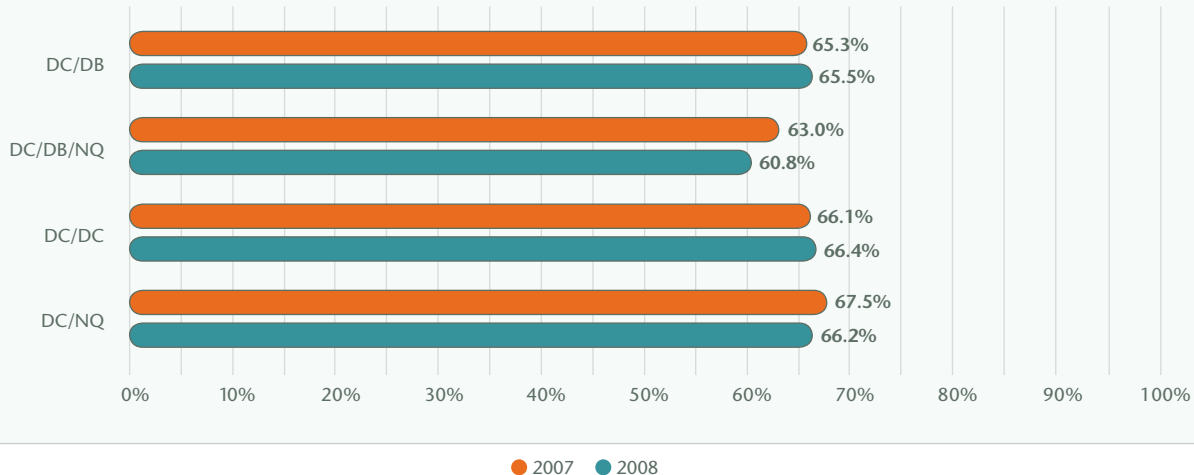
403(b) COMBINATION vs. 403(b) STANDALONE Average Account Balance



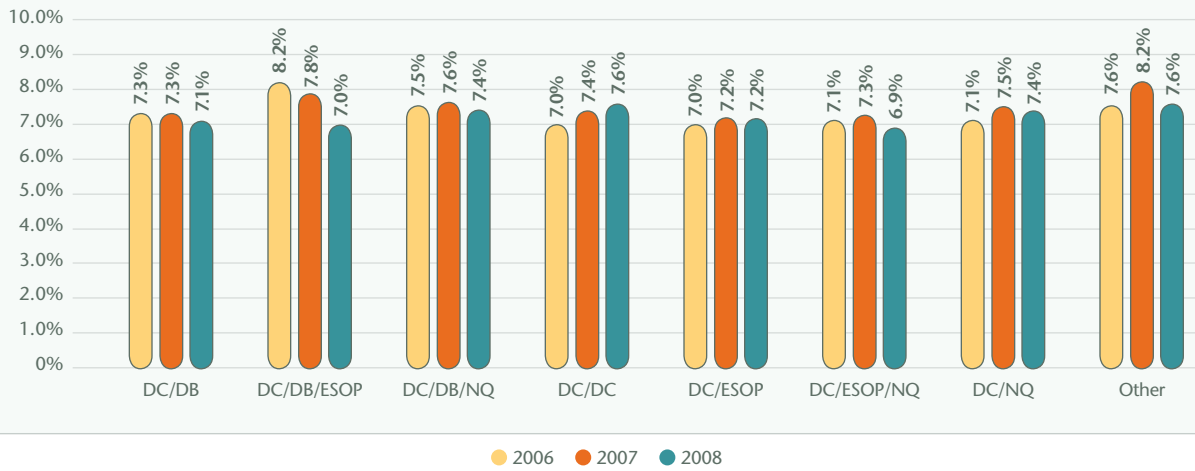
DC COMBINATION Participation Rate



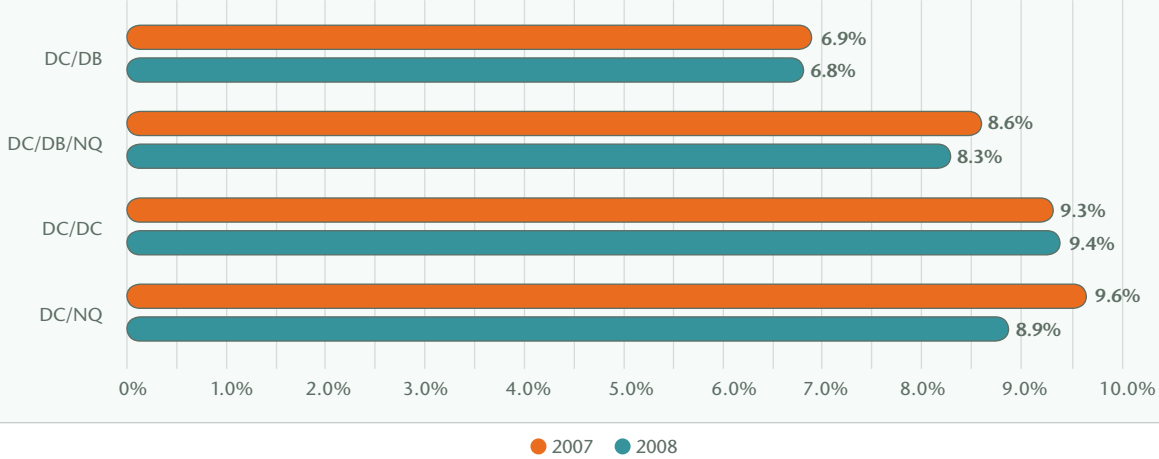
NON-PROFIT COMBINATION Participation Rate



DC COMBINATION Average Deferral Rate



NON-PROFIT COMBINATION Deferral Rate



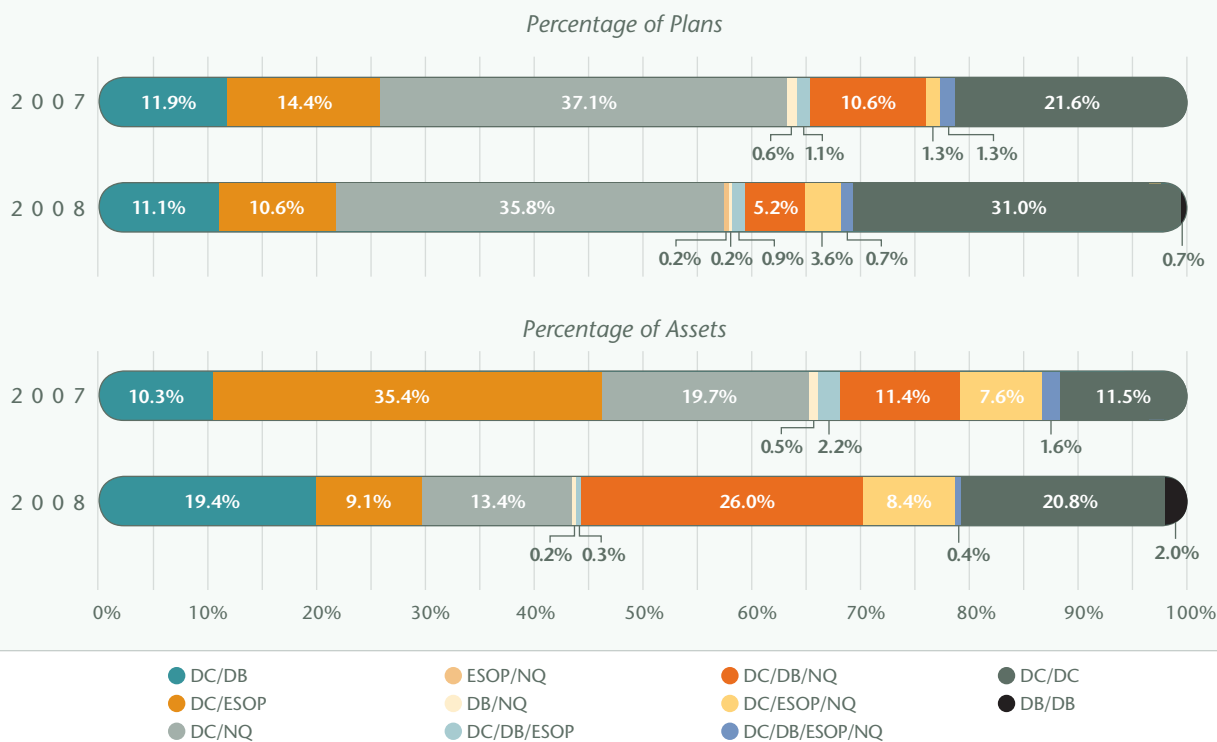
DC COMBINATION Average Account Balance



NON-PROFIT COMBINATION *Average Account Balance*



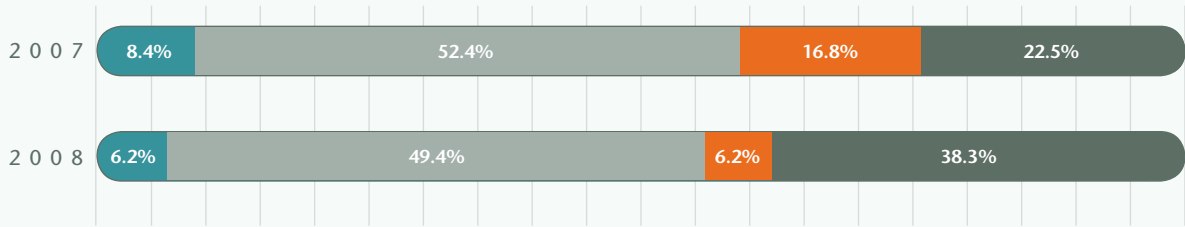
NEW SALES of Plan Combinations*



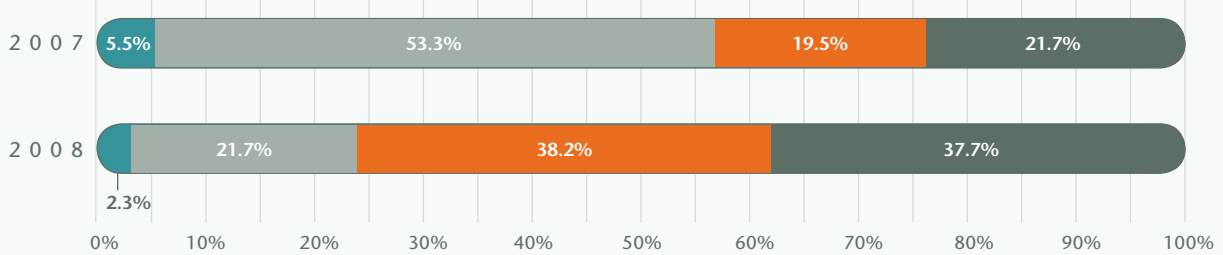
*Data is reflective of both for-profit and non-profit sales.

NON-PROFIT NEW SALES of Plan Combinations

Percentage of Plans



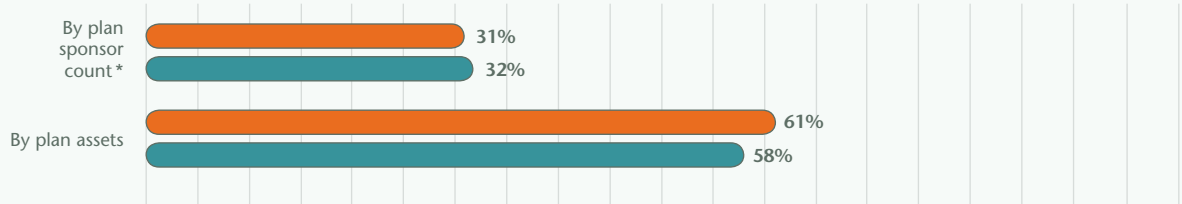
Percentage of Assets



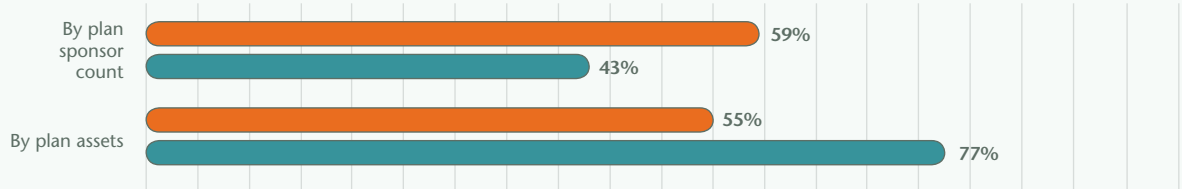
● DC/DB ● DC/NQ ● DC/DB/NQ ● DC/DC

TOTAL RETIREMENT SOLUTION Sales

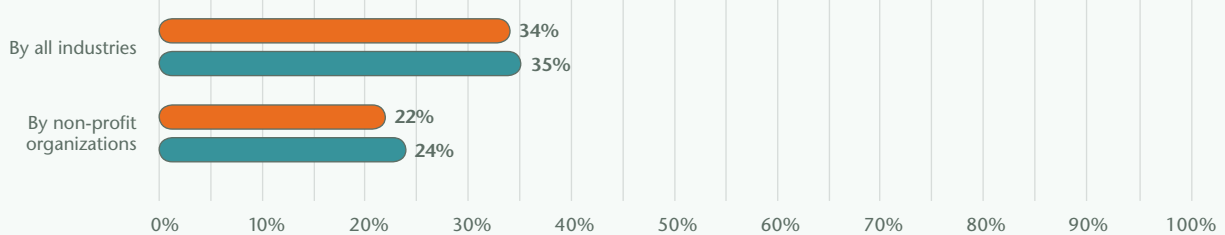
Total Retirement Solution Sales as a Percent of Total Sales



Non-Profit Total Retirement Solution Sales as a Percent of Total Non-Profit Sales



Total Retirement Solution Sales as a Percentage of Total Retirement Solution Quotes

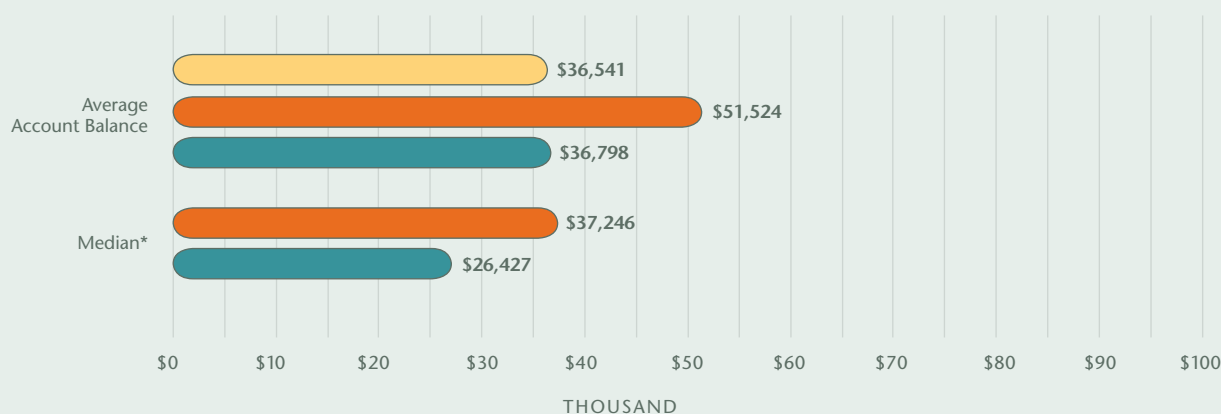


● 2007 ● 2008

Defined Contribution Plans

2008 average account balances experienced decline as a result of the volatile market.

AVERAGE ACCOUNT BALANCE



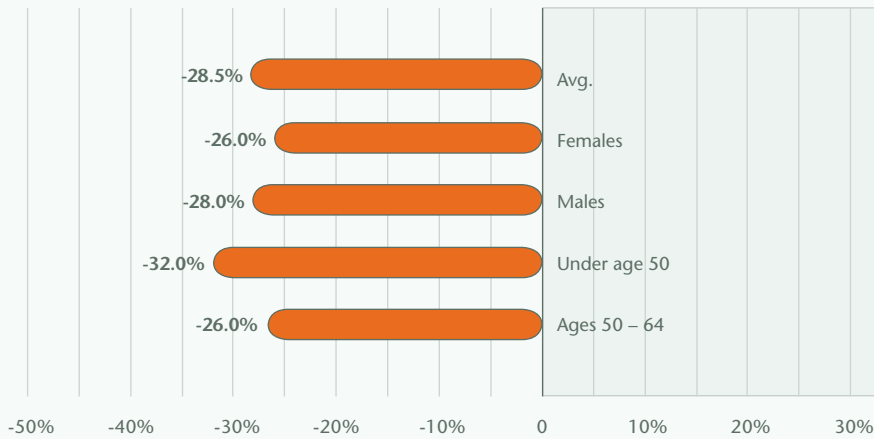
● 2006 ● 2007 ● 2008



● 2004 ● 2005 ● 2006 ● 2007 ● 2008

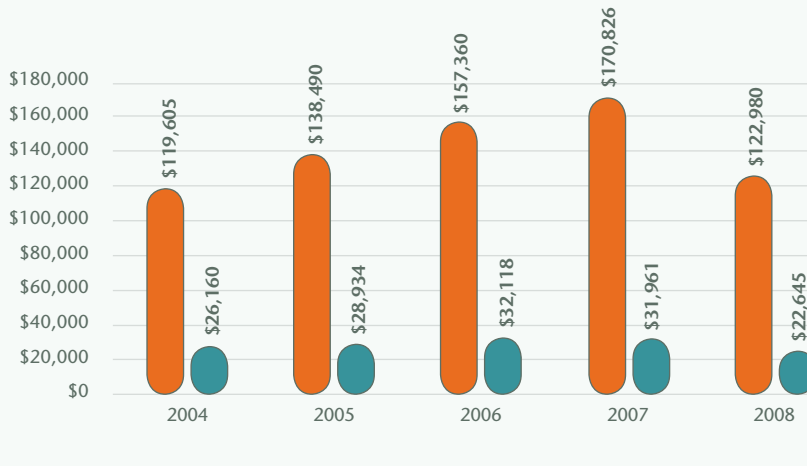
*2006 Median is not available.

ACCOUNT BALANCE Declines from 2007 Year-End to 2008 Year-End



Participants under age 50 took the biggest hit to their retirement assets during the market downturn.

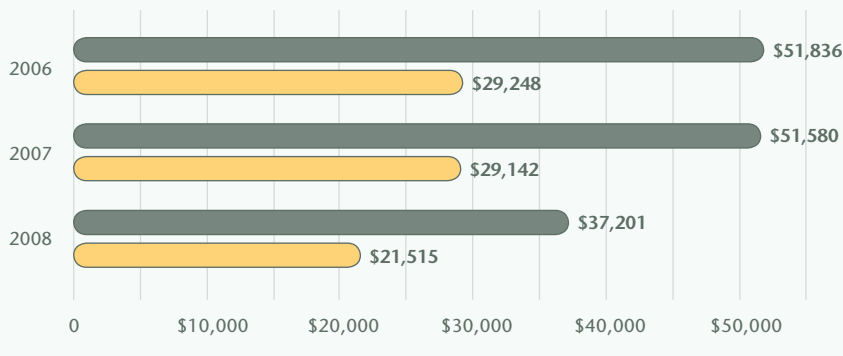
AVERAGE ACCOUNT BALANCE by Compensation Status*



The greater the participant's compensation, generally the higher the account balance.

● Highly Compensated
● Non-Highly Compensated

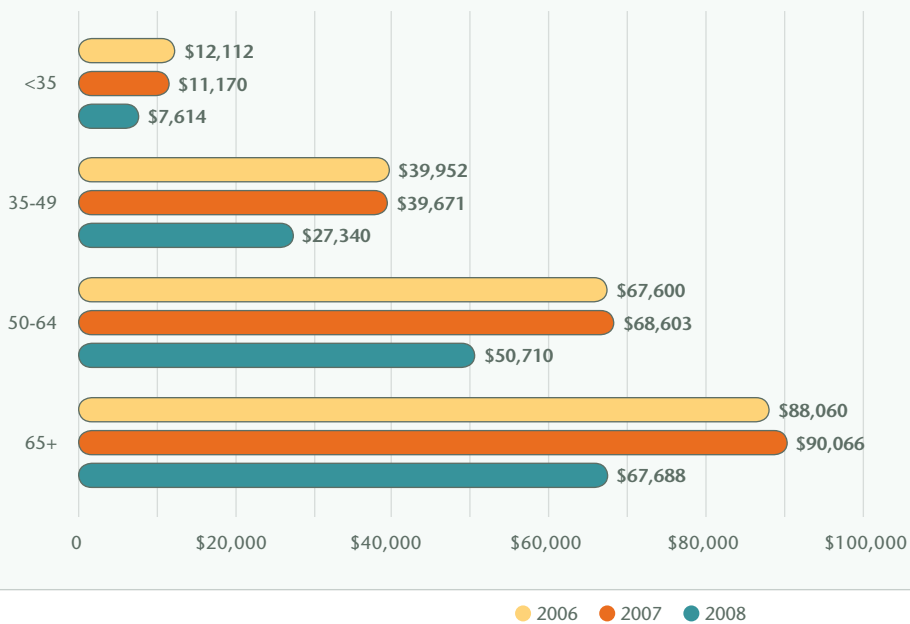
AVERAGE ACCOUNT BALANCE by Gender



The average account balance for men remained consistently higher than the average account balance for women.

● Male ● Female

AVERAGE ACCOUNT BALANCE by Participant Age



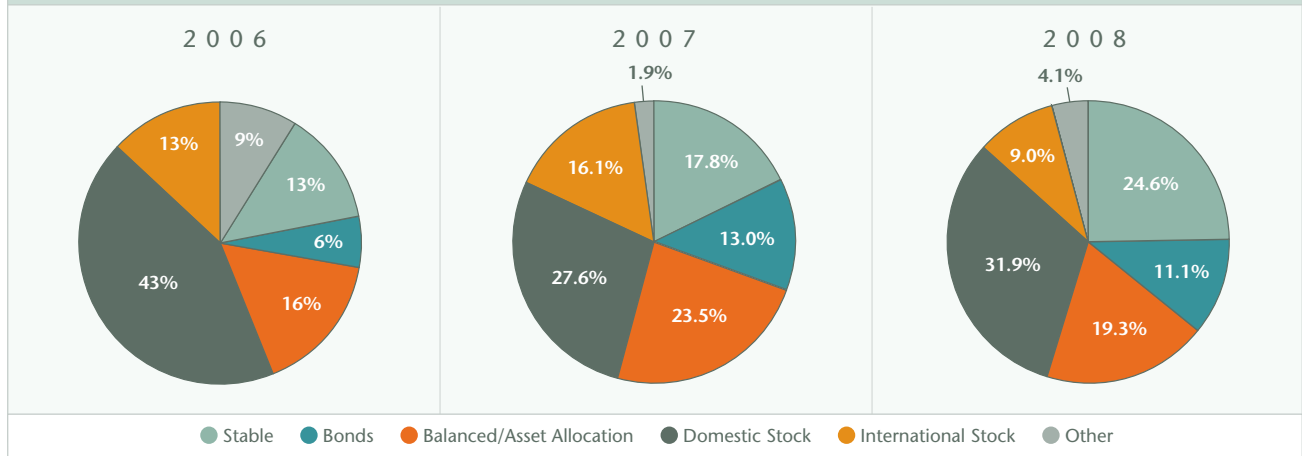
Participants 50 years of age and older had the highest account balances. Younger participants (age 35 or younger) lagged far behind.

AVERAGE ACCOUNT BALANCE by Industry Category

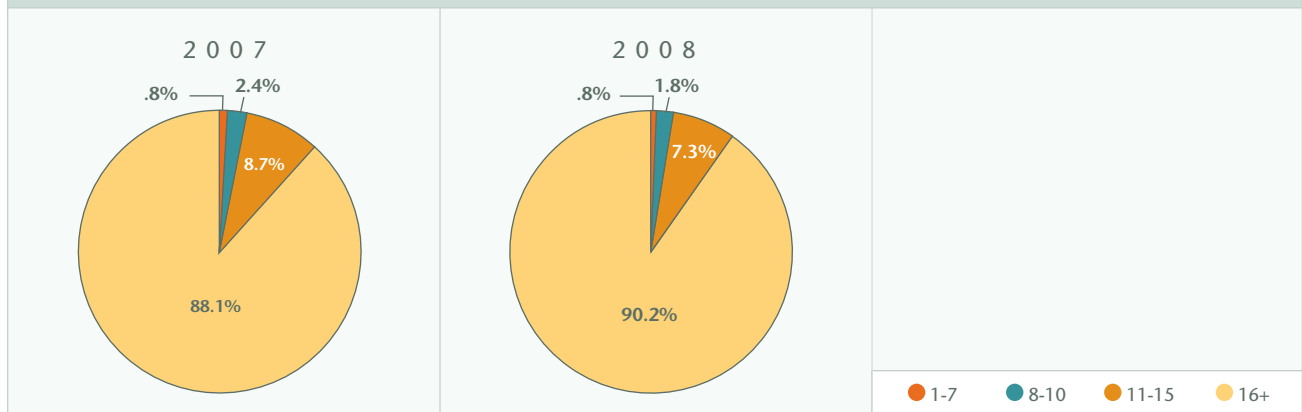


Defined Contribution Investments*

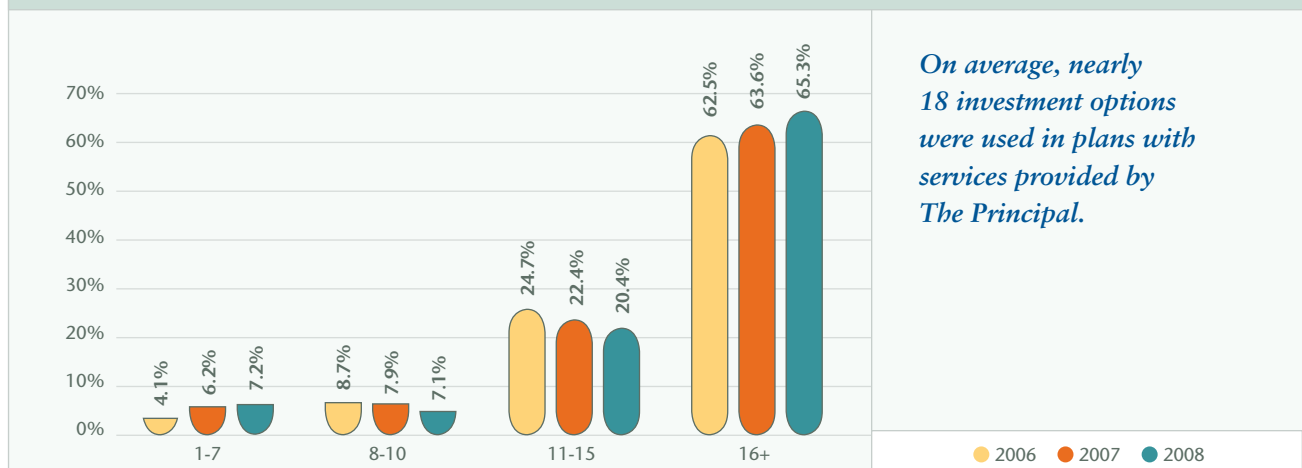
PLAN ASSETS *by Asset Class*



NUMBER OF INVESTMENT CHOICES *Available to Participants*



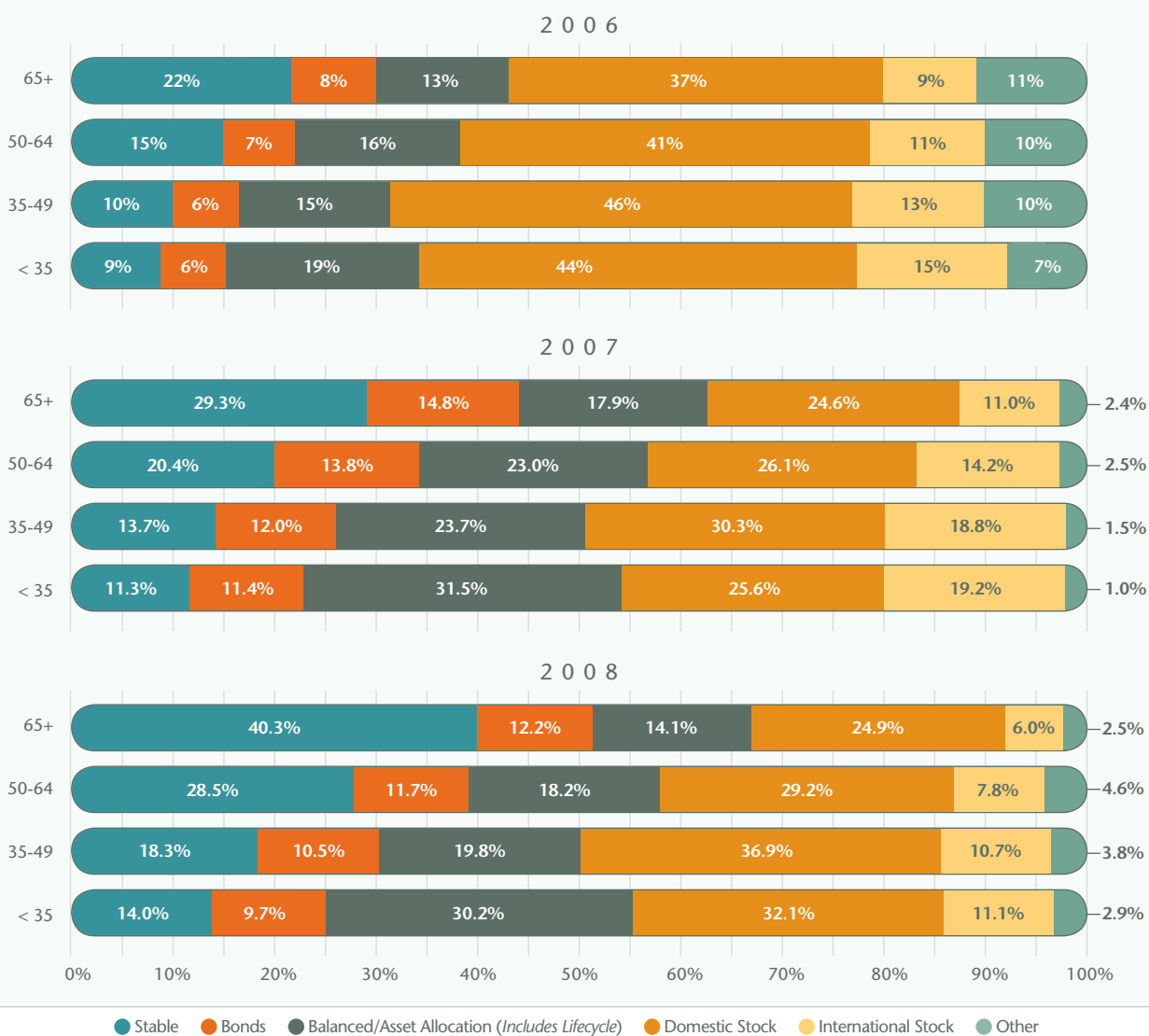
PLANS BY NUMBER of *Investment Options Used*



AVERAGE NUMBER OF INVESTMENT OPTIONS Selected for New Contributions

Account Balance	2007	2008
< \$5,000	2.6	2.5
\$5,000 – 10,000	2.9	2.8
\$10,000 – 20,000	3.2	3.1
\$20,000 – 40,000	3.4	3.2
\$40,000 – 70,000	3.2	2.9
\$70,000 – 150,000	3.2	2.7
\$150,000+	2.5	1.7

INVESTMENT SELECTION by Participant Age



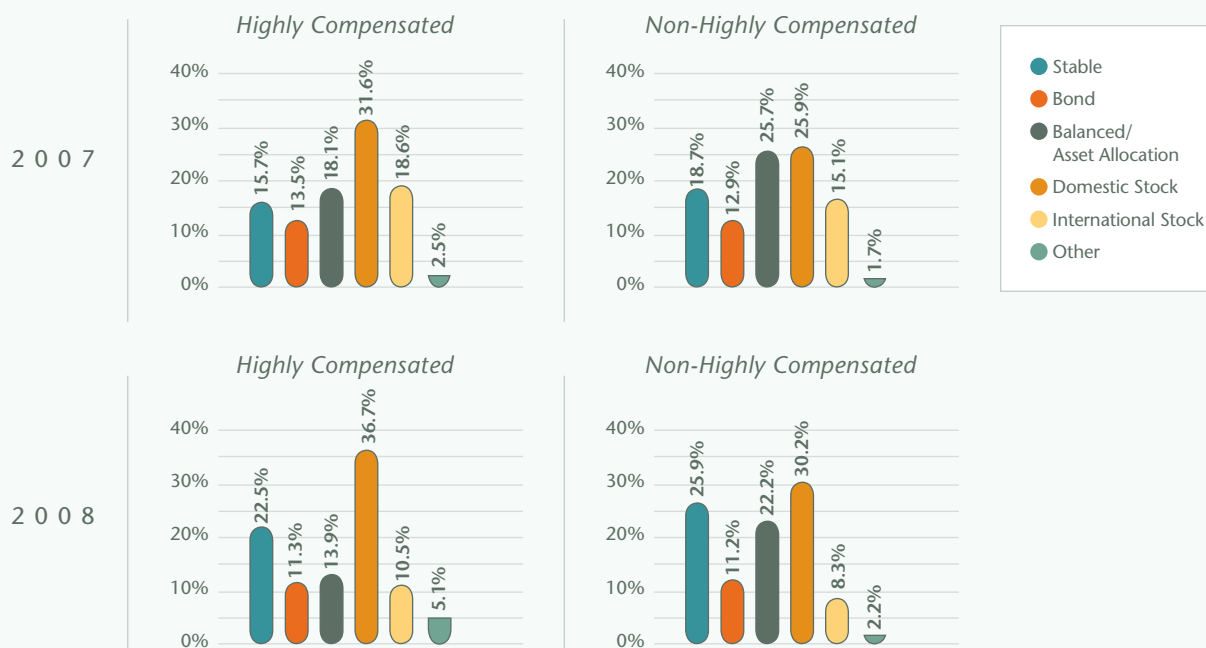
Highly compensated employees had a greater percentage of assets invested in domestic and international stock investment options. Non-highly compensated employees invested more in stable investment options and balanced/asset allocation investment options.



PERSONALIZED RATE OF RETURN

	2007	2008
Personalized Rate of Return*	6.6%	-23.9%
Standard & Poor's 500 Index**	5.5%	-37.0%

HIGHLY COMPENSATED *vs.* NON-HIGHLY COMPENSATED ***



TOTAL ASSETS, PLANS AND PARTICIPANTS****

Using Lifecycle***** Investment Options

	2007	2008
Total Assets (in millions)	\$13,343	\$10,639
Total Plans	23,178	24,636
Total Participants	916,403	1,114,032

*Average personalized rate of return reflects the one year return of participants whose retirement plan is recordkept by The Principal and whose plan year ends on December 31. While not all plans end on December 31 of each year, this figure represented 25,512 plans as of December 31, 2007, and 25,745 plans as of December 31, 2008, recordkept by The Principal. Past performance is not guarantee of future results.

**Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

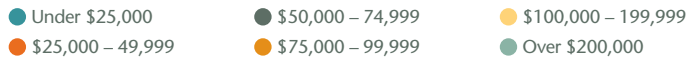
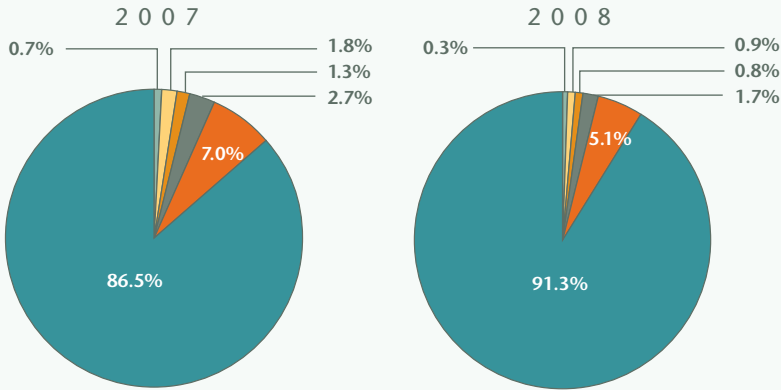
***Highly Compensated defined per Section 414 of the Internal Revenue Code.

****Reflects plans in which at least one participant has a balance in the investment option.

*****Reflects both target date and target risk options.

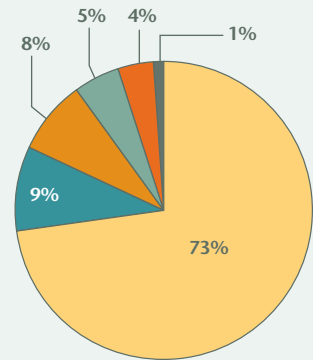
PARTICIPANT ADOPTION OF *Lifecycle** Investment Options

Adoption Rate by Average Account Balance

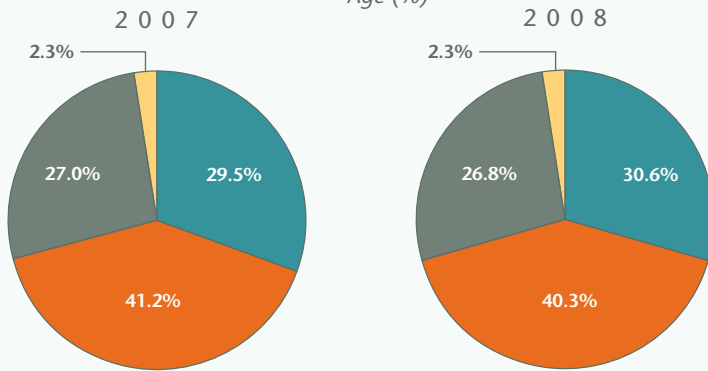


INVESTMENT DEFAULT: *Lifecycle Investment Options* vs. Other Investment Types

As of December 31, 2008

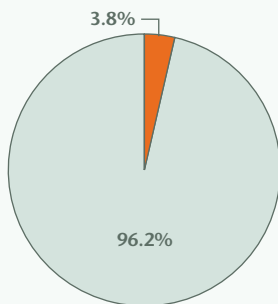


Age (%)

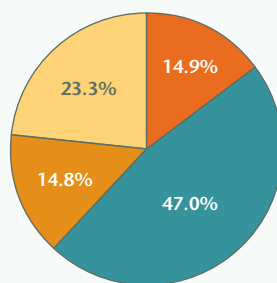


QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)

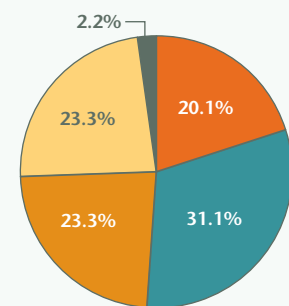
% of Plans Offering a QDIA



QDIA by Plan Size

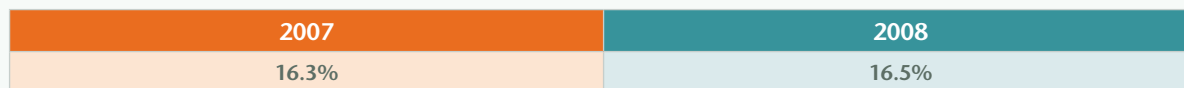


QDIA Participation Rate by Age

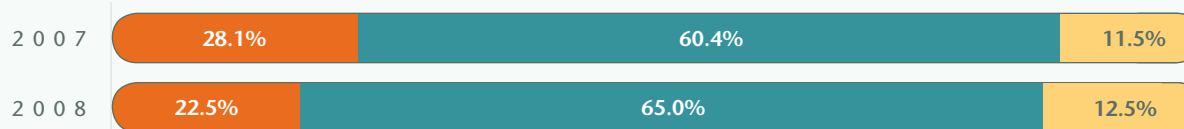


Loan Provisions

PERCENT OF ALL ASSETS LOANED vs. Overall Plan Assets

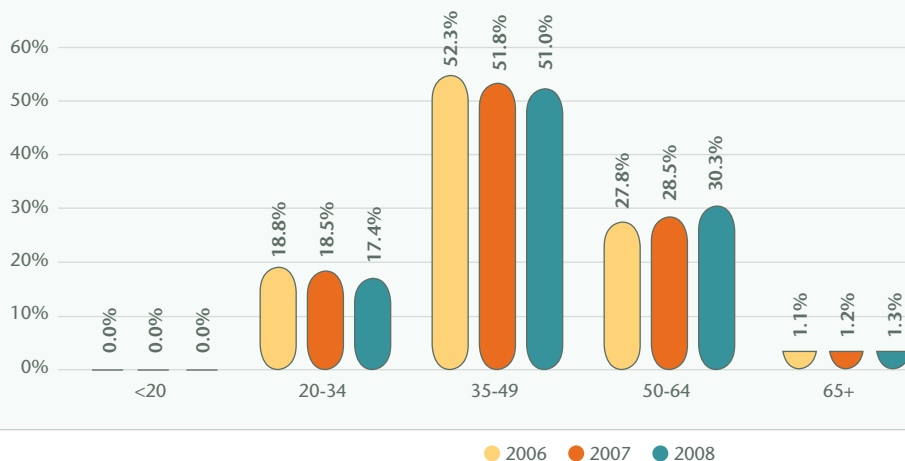


ONE LOAN vs. MULTIPLE LOANS



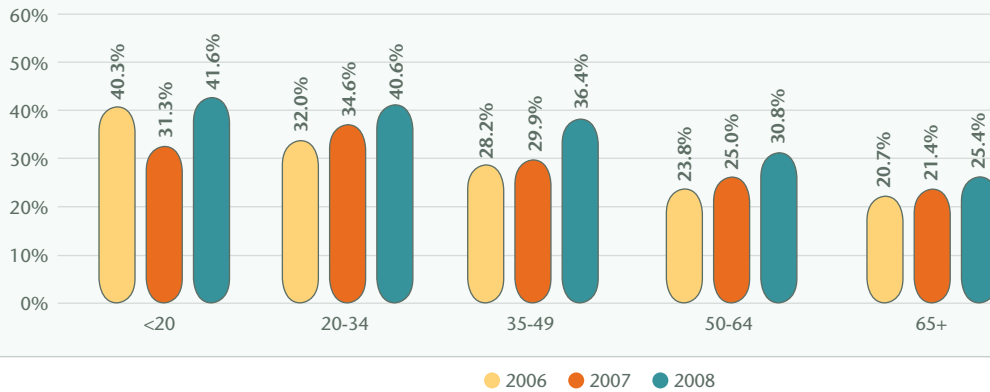
● Loan Not Allowed ● 1 Loan Allowed ● More Than 1 Loan Allowed

OUTSTANDING LOANS by Age Group

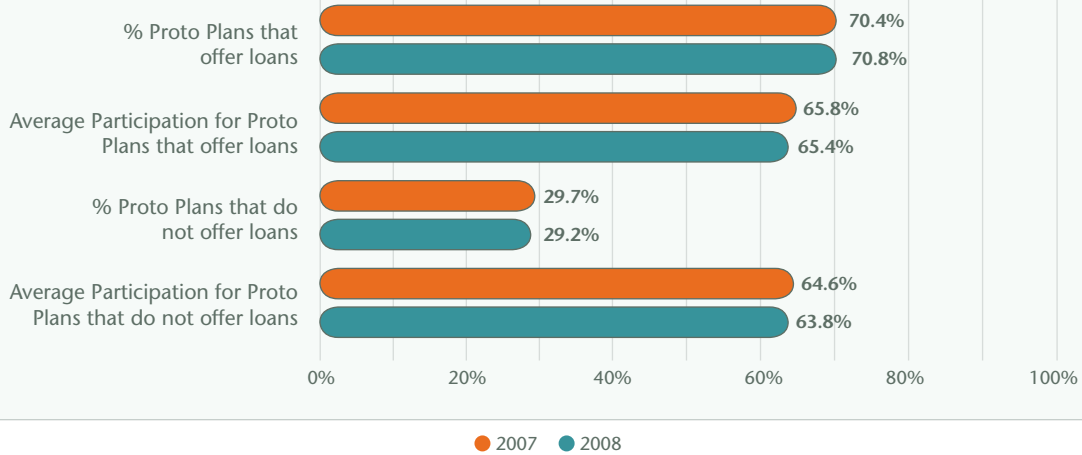


The majority of participants with a loan from the retirement account the plan holds for their benefit were between the ages of 35-49.

AVERAGE LOAN BALANCE as Percent of Total Account Balance by Age Group



PERCENT PROTO PLANS Offering Loans & Usage

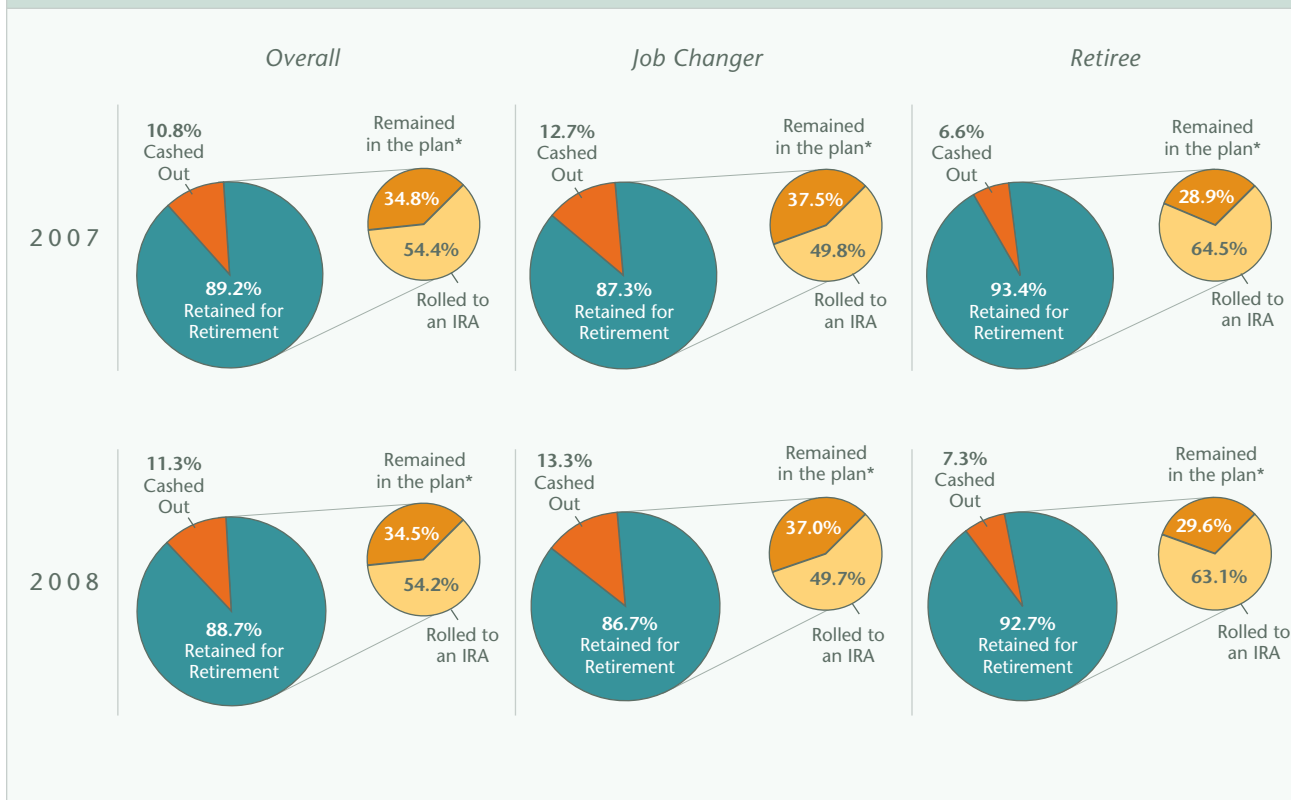


PARTICIPANT LOAN & HARDSHIP Withdrawal Usage

		2007	2008	
Participants with loans	Average number of participants per contract with a loan	17	18	
	Average loan balance	\$7,399	\$7,506	
Participant loan usage	Loan Withdrawals		2007	2008
	# of participants taking loans	149,666	148,946	
	Active participants with an account balance (eligible)	2,353,072	2,481,601	
	% of participants taking loans	6.4%	6.0%	
Participant hardship withdrawal usage	Hardship Withdrawals		2007	2008
	# of participants taking hardships	25,785	30,857	
	Active participants with an account balance (eligible)	2,353,072	2,481,601	
	% of participants taking hardships	1.1%	1.2%	

Rollovers & Cash Withdrawals

ROLLOVERS AND CASH WITHDRAWALS *Assets Cashed Out vs. Retained for Retirement*



*Defined as remained in the plan 60 days post date employer informs The Principal of employee termination notice.



Plan Design

Among plans with services provided by The Principal, the most common eligibility requirement was one year of employment.

ELIGIBILITY REQUIREMENTS

Eligibility Category	The Principal Overall			Industry Benchmark*
	2006	2007	2008	2008
Immediate	12%	11.3%	11.8%	36.7%
6 Months	16%	16.0%	15.5%	12.0%
1 Year	53%	50.5%	49.9%	34.7%
Other	19%	22.2%	22.7%	16.6%

MATCHING CONTRIBUTIONS and Plan Design

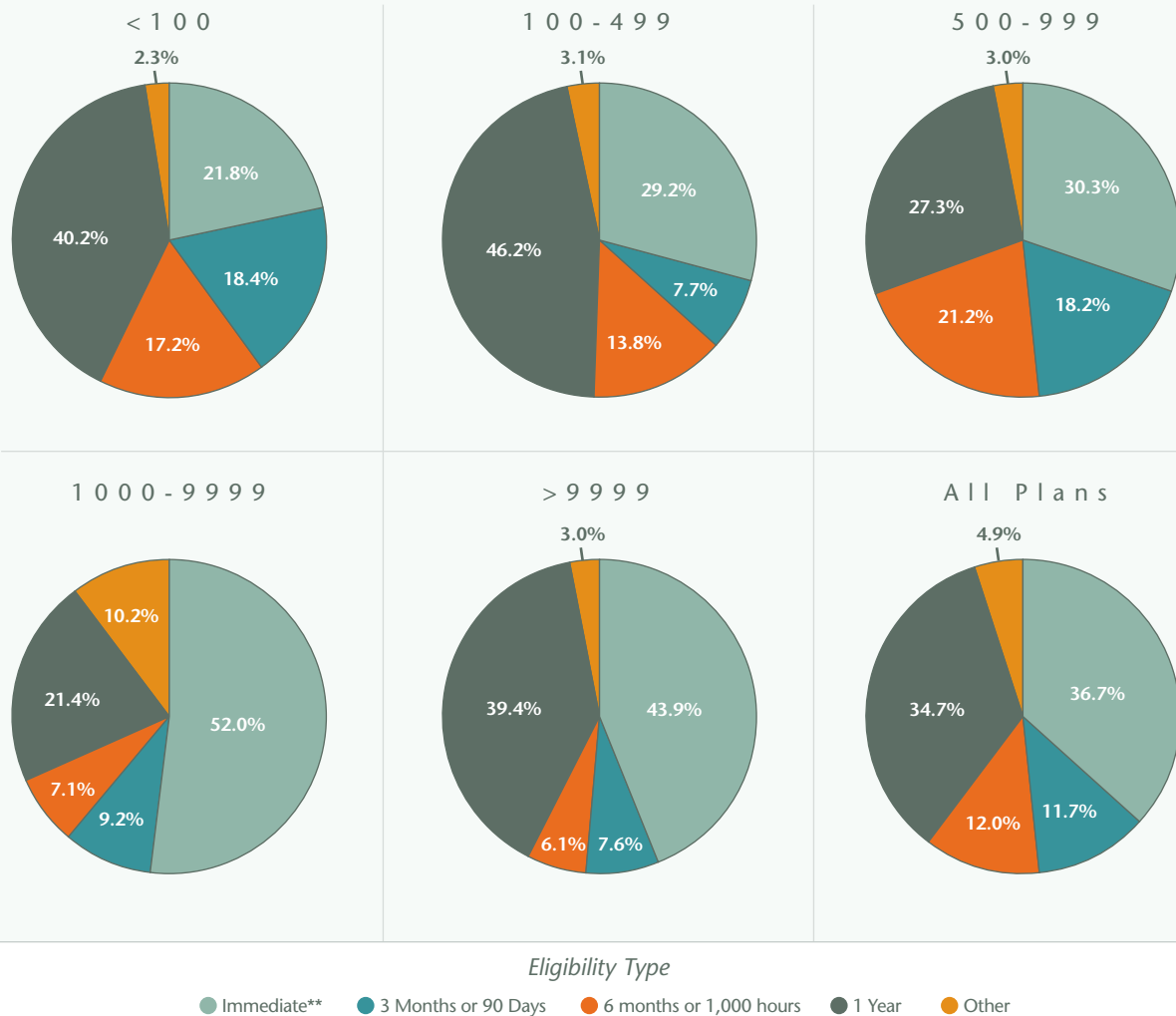
Overall match per dollar of deferral for 401(k) and 403(b) plan sponsors of The Principal is 40 cents.

Industry	Match Contribution Per Dollar of Deferral		
	2004	2006	2008
Agriculture, Forestry and Fishing	\$0.44	\$0.47	\$0.51
Mining	\$0.47	\$0.49	\$0.53
Construction	\$0.36	\$0.37	\$0.38
Manufacturing	\$0.36	\$0.37	\$0.38
Transportation, Comm., Utilities and Sanitary Services	\$0.37	\$0.38	\$0.39
Wholesale Trade	\$0.37	\$0.37	\$0.38
Retail Trade	\$0.33	\$0.34	\$0.34
Finance, Insurance and Real Estate	\$0.46	\$0.45	\$0.46
Services	\$0.39	\$0.42	\$0.46
Non-Profit Organization	\$0.58	\$0.58	\$0.60
Other	NA	NA	\$0.38

Industry	Most Common Stated Match Formula – 2008
Agriculture, Forestry and Fishing	50% up to 6% of pay
Mining	50% up to 6% of pay
Construction	50% up to 6% of pay
Manufacturing	50% up to 6% of pay
Transportation, Comm., Utilities and Sanitary Services	50% up to 6% of pay
Wholesale Trade	50% up to 6% of pay
Retail Trade	50% up to 4% of pay
Finance, Insurance and Real Estate	50% up to 6% of pay
Services	50% up to 6% of pay
Non-Profit Organization	100% up to 4% of pay
Other	50% up to 6% of pay

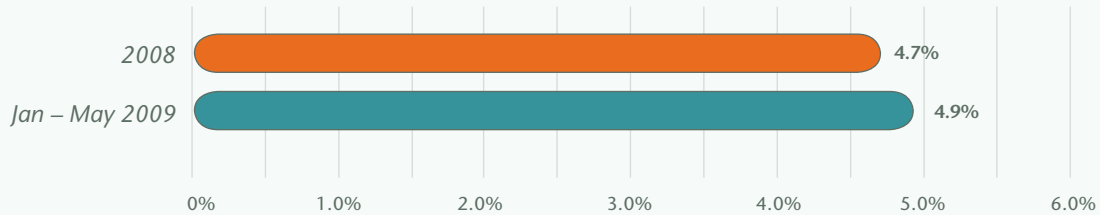
MATCHING CONTRIBUTIONS Eligibility by Size*

Size (Number of Employees)



MATCH CONTRIBUTION Changes in Light of Market Volatility

Percent of DC Plans Making Match Contribution Changes

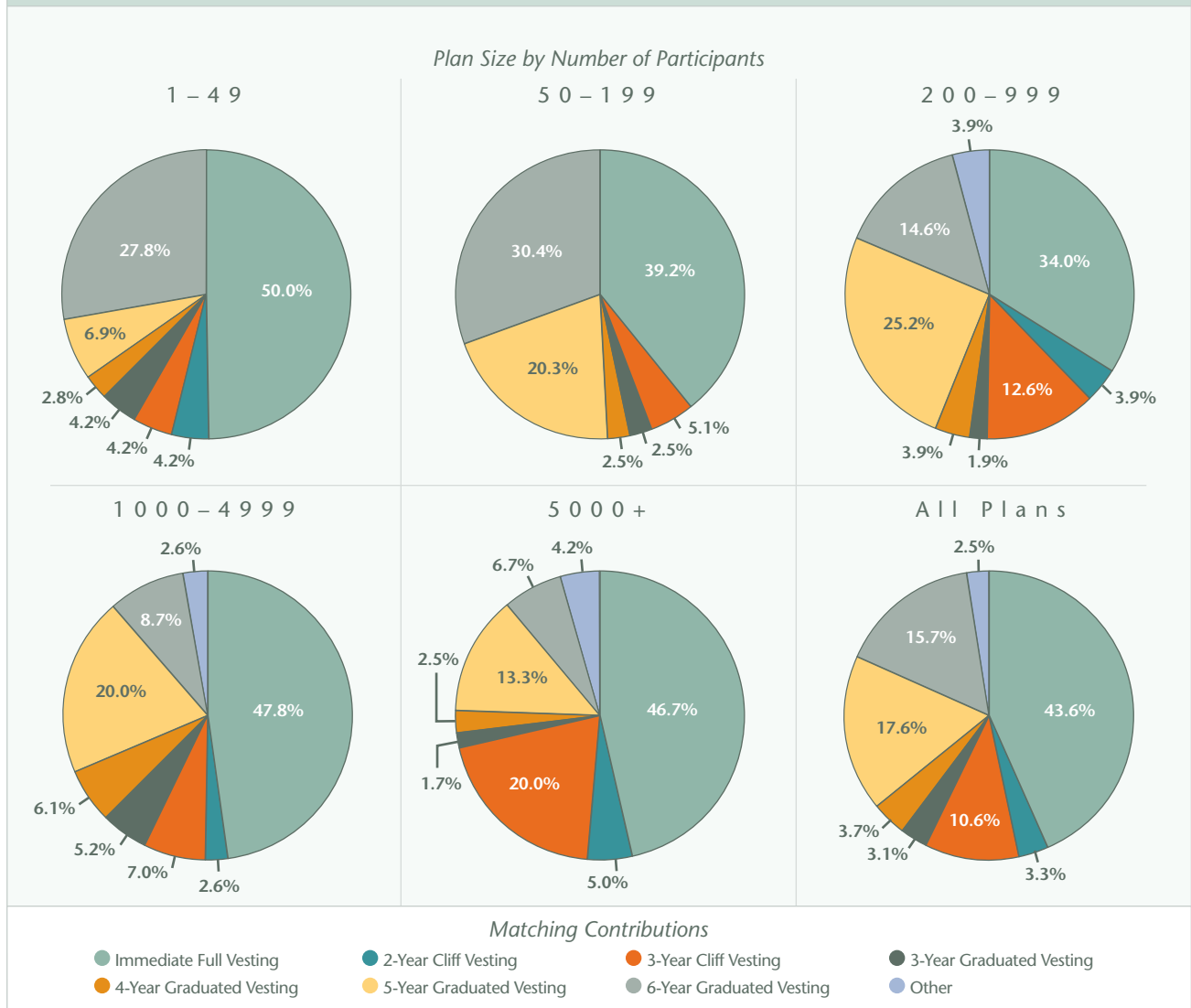


*PSCA 2008 Eligibility Study
 **Immediate is defined as one month or less.

VESTING SCHEDULE (Match Only)

Eligibility Category	The Principal Overall	Industry Benchmark*
	2008	2008
6-Year Graded	39.4%	15.7%
5-Year Graded	18.7%	17.6%
100% Immediate	15.6%	43.6%
7-Year Graded	6.3%	N/A
4-Year Graded	4.0%	3.7%
3-Year Cliff	4.3%	10.6%
3-Year Graded	2.7%	3.1%
5-Year Cliff	1.7%	N/A
Other	1.4%	5.8%

VESTING SCHEDULES by Plan Size and Contribution Type (Industry Data*)

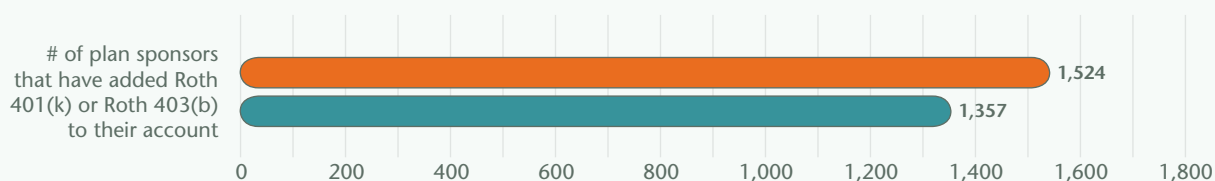


		2007	2008
<i>Safe Harbor Plan Design</i>	Safe Harbor	20.8%	25.5%
	Non-Safe Harbor	79.3%	74.5%

		2007	2008
<i>Individual 401(k) Plans</i>	# of individual 401(k) plans at The Principal	665	805
	% of individual 401(k) plans at The Principal	2.4%	2.9%

		2007	2008
<i>Employer Contributions</i>	% offering employer contributions	79.5%	82.0%
	% funded an employer contribution	18.3%	12.0%

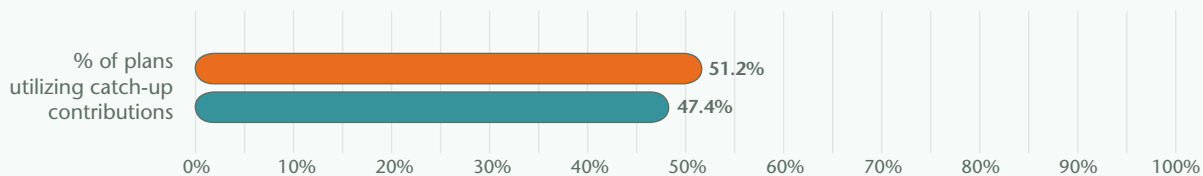
ROTH 401(k) & 403(b)



	2007	2008
% of participants who have access to Roth 401(k) or Roth 403(b) contributions	6.0%	6.5%
Number of participants contributing	18,509	28,198
Average deferral % of participants deferring	8.1%	7.6%

● 2007 ● 2008

CATCH-UP CONTRIBUTIONS

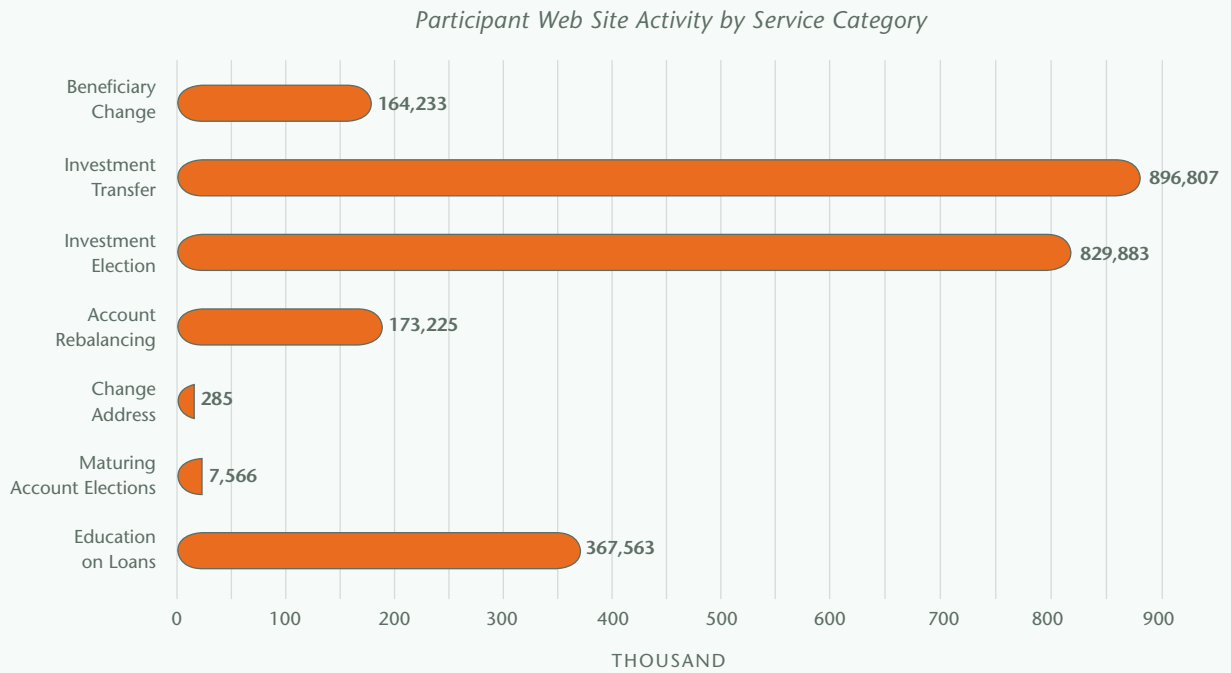


	2007	2008
# of plans utilizing catch-up contributions	13,182	12,219
# of participants using feature	59,166	56,362
# of participants age 50+ deferring under plans that offer catch-up	395,181	407,200
% of participants using feature	15.0%	13.8%
Average amount	\$3,680	\$3,729
% that contribute to max	48%	50%

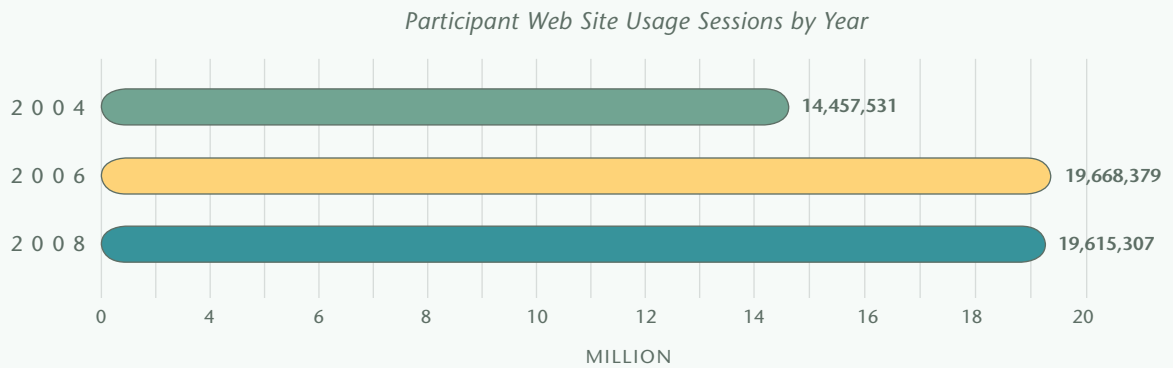
● 2007 ● 2008

Participant Services

THE PRINCIPAL WEB SITE *Unique Users (2008)*



THE PRINCIPAL WEB SITE



Defined Benefit Plans

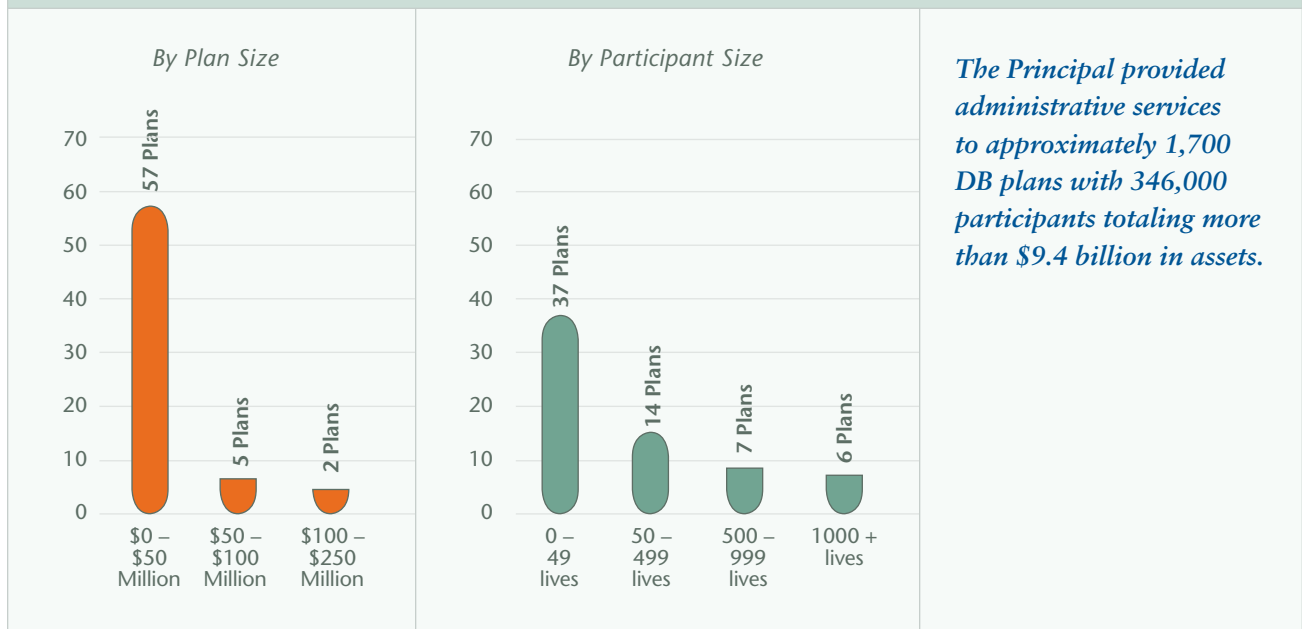
The largest percentage of union defined benefit (DB) plans (65.4%) was in the manufacturing industry. The non-union DB plans were spread out across industries more evenly, with the more common industries being non-profit organizations (23.6%), manufacturing (27.1%), and financial, insurance, and real estate (16.1%).

DB PLAN BY INDUSTRY BY UNION Percent of Plans

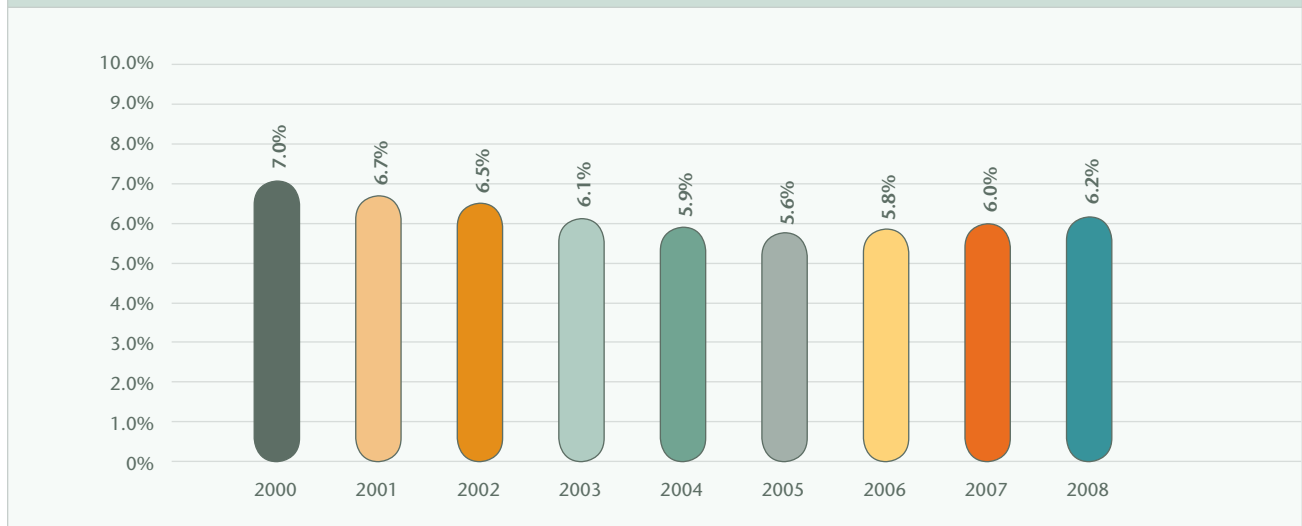




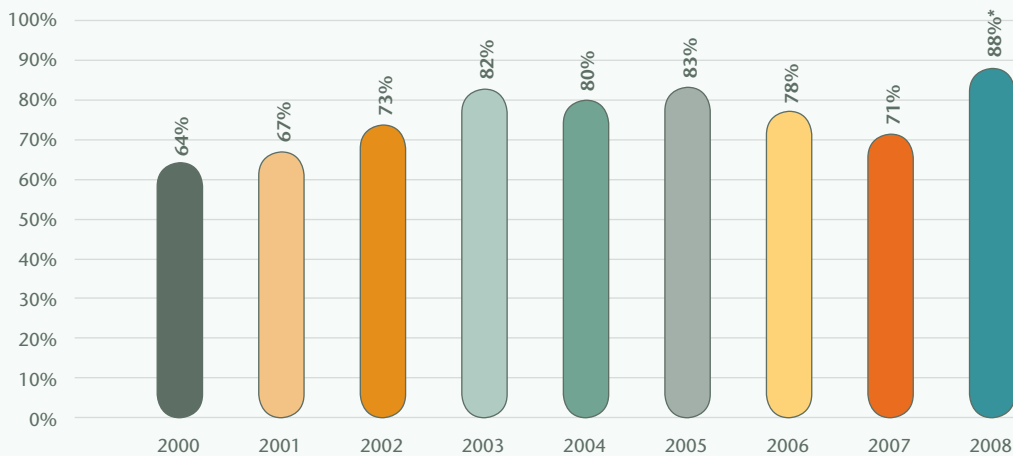
DB 2008 SALES



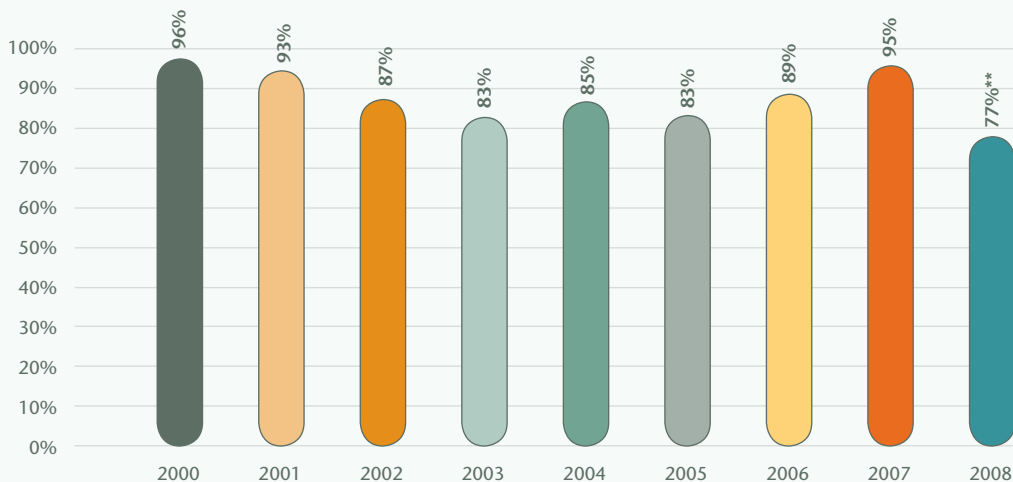
AVERAGE DISCOUNT RATE *by Measurement Year*



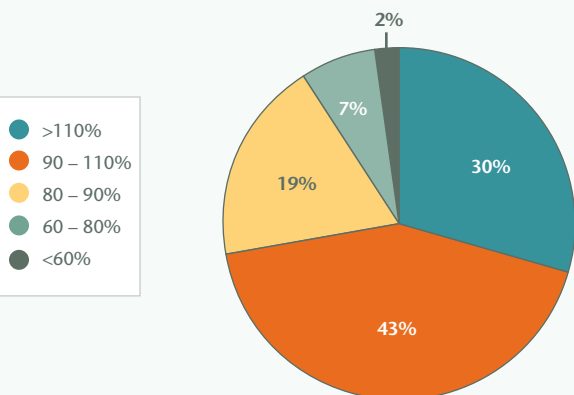
LESS THAN 100% FUNDED STATUS



AVERAGE FUNDED STATUS*



DB FUNDED PERCENTAGE



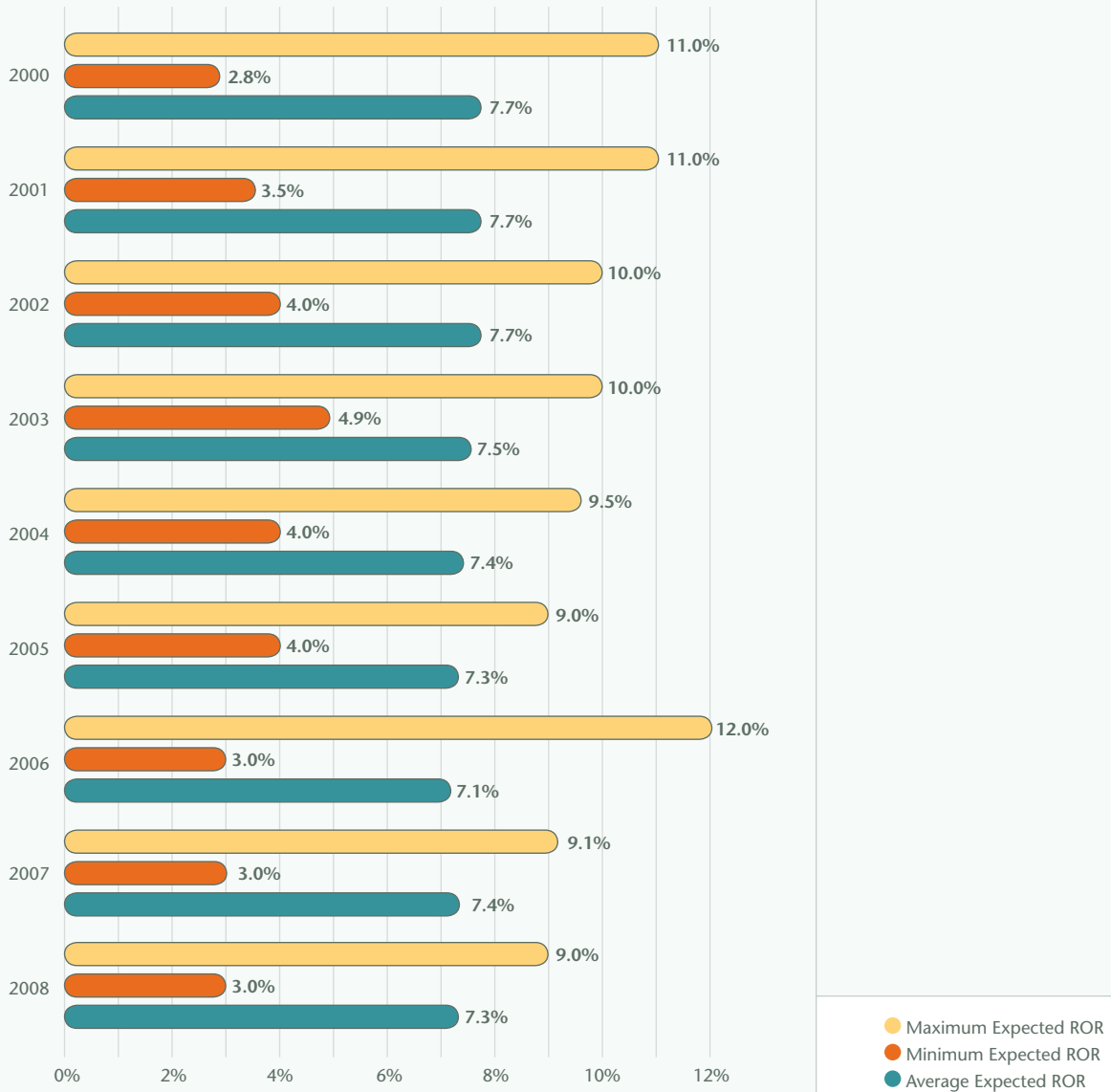
DB PLAN FREEZES

Year of benefit freeze	Number of plans
Prior to 2004	158
2004	17
2005	22
2006	50
2007	46
2008	45
2009 (through May)	14
Total	384

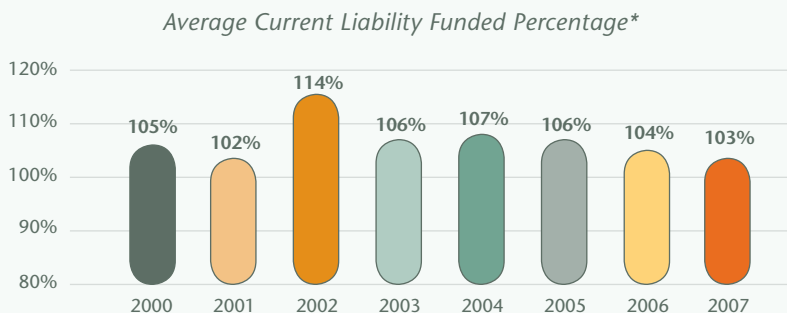
*This is on a FASB PBO basis.

**Majority of DB plans serviced by The Principal operate on calendar years; as such, PBO funded status for most of these plans is determined at 12/31/08.

AVERAGE EXPECTED LONG-TERM Rate of Return on Assets



FUNDED PERCENTAGE Under Retirement Protection Act of 1994



Average Target Liability Funded Percentage**

2008

106%

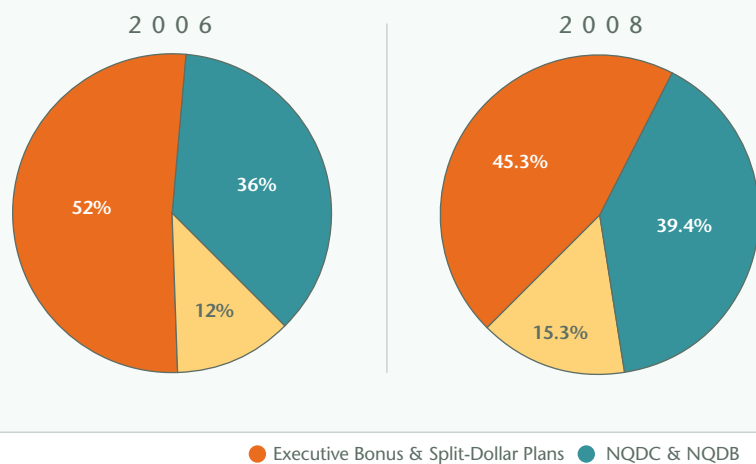
** Majority of DB plans serviced by The Principal operate on calendar years; as such, target liability funded percentage for most of these plans is determined at 1/1/08.

Nonqualified Arrangements

TOTAL NUMBER OF NONQUALIFIED PLANS *Serviced by The Principal*



NONQUALIFIED PLANS *Percent of Plans*



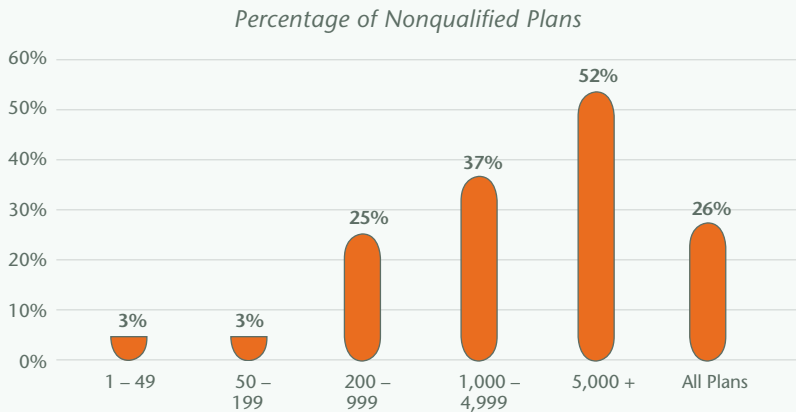
Almost half of nonqualified plans were executive bonus and split-dollar plans.

● Executive Bonus & Split-Dollar Plans ● NQDC & NQDB ● Executive 457(b) & 457(f)

BY PARTICIPANT SIZE vs. BY PLAN SIZE *

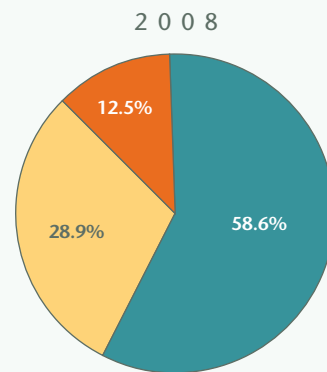
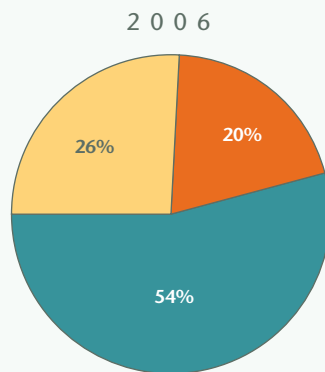
Number of Plans	
1 – 49	508,900
50 – 199	95,500
200 – 999	24,900
1,000 – 4,999	6,500
5,000 +	1,800
All Plans	637,600

The larger an organization's defined contribution plan, the more likely the organization was to have a nonqualified plan for highly compensated employees.



NONQUALIFIED PLANS Percent of Participants*

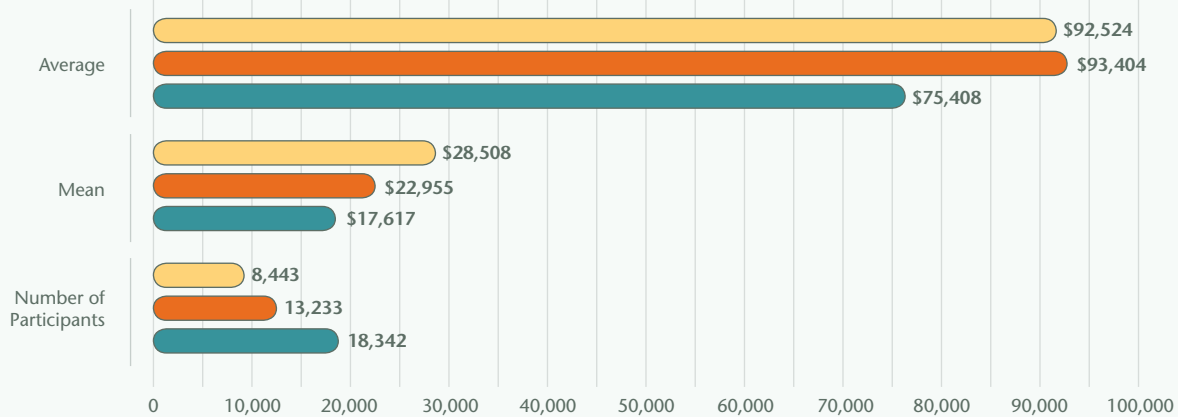
The largest number of nonqualified participants were covered under nonqualified defined contribution and nonqualified defined benefit plans.



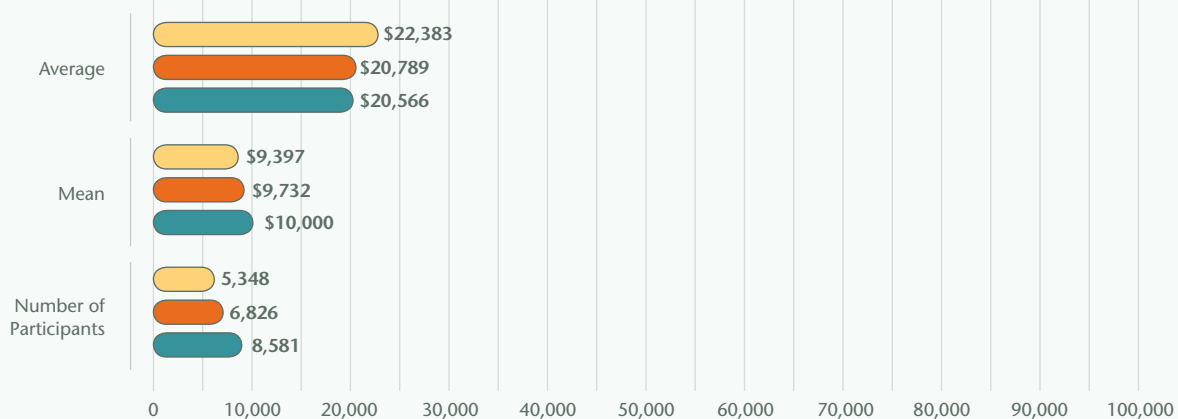
● Executive Bonus & Split-Dollar Plans ● NQDC & NQDB ● Executive 457(b) & 457(f)

NONQUALIFIED DEFERRED COMPENSATION PLANS: *Balances, Deferrals, and Contributions*

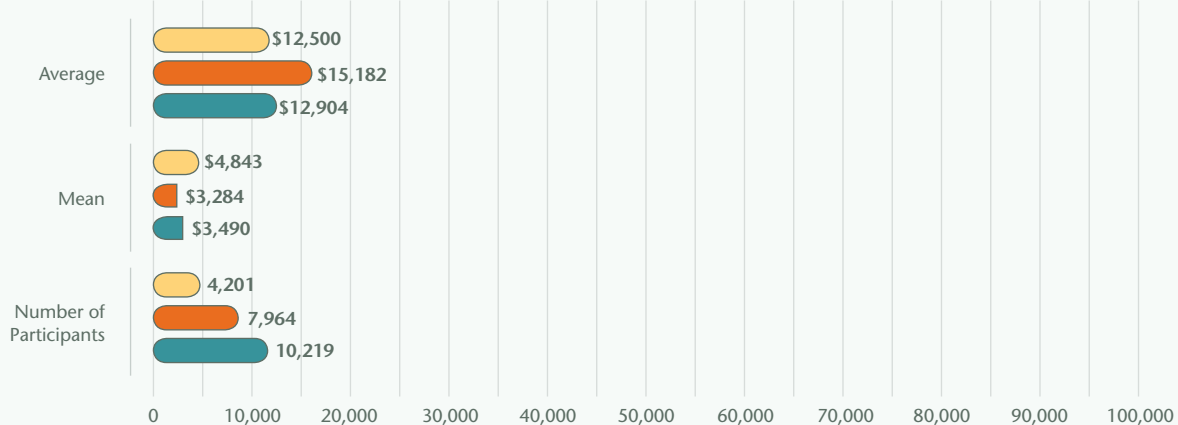
Participant Account Ending Balances



Participant Deferrals



Employer Contributions



● 2006 ● 2007 ● 2008

Employee Stock Ownership Plans

GROWTH OF ESOPS*

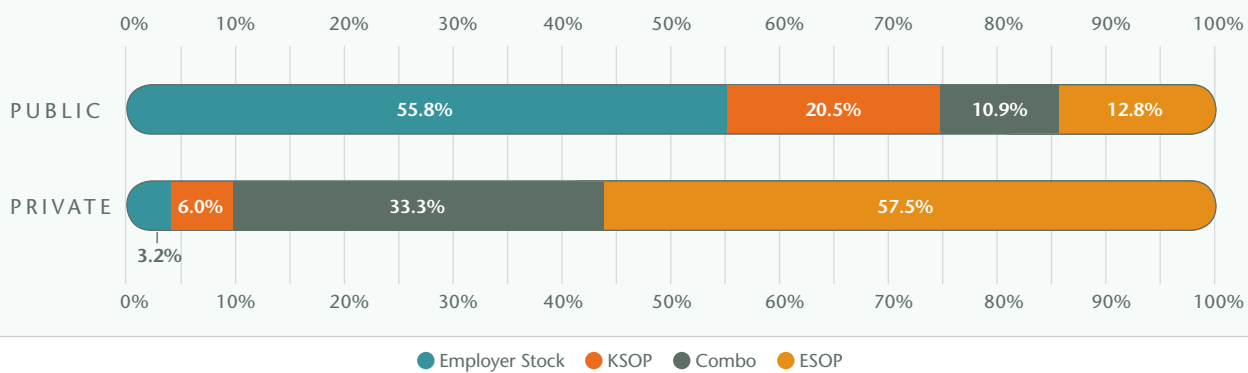
<i>Year</i>	<i>Number of Participants</i>	<i>Number of Plans</i>
2008**	13,700,000	11,400
2006	10,500,000	9,650
2000	8,500,000	7,700
1990	5,000,000	8,080
1980	3,100,000	4,000
1975	250,000	1,600

ESOP PLANS by Participant Size

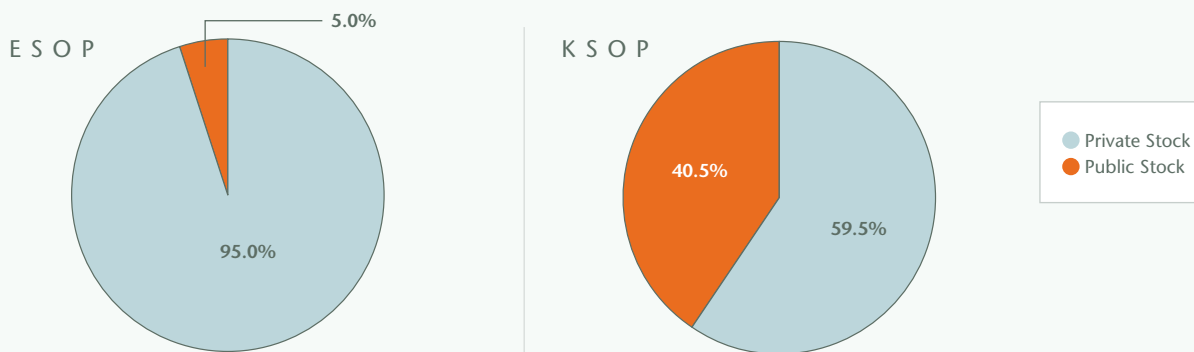
	Private	Public
<200	415	44
200 – 2,000	233	64
2,000+	66	69
Total	714	177

*Source: http://www.nceo.org/library/eo_stat.html
 **As of February 2009

EMPLOYER STOCK PLAN TYPES: *Public vs. Private*



PERCENT OF ESOP/KSOP PLANS: *Public vs. Private*



Methodology

Data Selection

This report includes data on the following:

Full-service retirement plans:

- 2008 data: 35,000 plans with a balance as of year-end 2008. These plans represented approximately 3.7 million plan participants and \$79.9 billion in assets under management.
- 2007 data: 36,000 with a balance as of year-end 2007. These plans represented approximately 3.5 million plan participants and \$102.8 billion in assets under management.

Employer security plans (ESOP and KSOP):

- 2008 data: 891 plans covering 666,193 participants with over \$18.5 billion in assets under management.
- 2007 data: 841 plans covering 656,763 participants with over \$18 billion in assets under management.

Defined benefit plans:

- 2008 data: 2,710 defined benefits contracts covering more than 320,000 lives with assets under management of \$9.8 billion in defined benefit retirement funds.
- 2007 data: 2,745 defined benefits plans covering more than 339,000 lives with assets under management of \$12.7 billion in defined benefit retirement funds.

Nonqualified deferred compensation arrangements:

- **2008 data:** 4,100 nonqualified executive benefit clients with over 4,600 plans covering 53,000 participants with liabilities of \$3.8 billion. Included in this client base are over 1,800 nonqualified deferred compensation plan clients with 2,300 plans covering 35,000 participants with liabilities of \$2.0 billion.
- **2007 data:** 4,000 nonqualified executive benefit clients with over 4,400 plans covering 47,000 participants with liabilities of \$3.7 billion. Included in this client base is over 1,600 nonqualified deferred compensation plan clients with 2,100 plans covering 30,000 participants with liabilities of \$2.1 billion.

The Total View incorporates:

- Percentages in graphs generally rounded to integer percentages in order to increase readability.
- Percentages may not total 100% due to rounding.
- Industry categories based on Standard Industrial Classification codes.

Exclusions:

- New plans effective in 2007 were excluded from the 2007 analysis.
- New plans effective in 2008 were excluded from the 2008 analysis.

Rate Calculations

Calculation of participation rates, non-participant elective deferral rates, and elective deferral rates are for active participants.

Participation rates are calculated by dividing the number of active participants by the total number of eligible participants. Eligible participants are those employees eligible to join the plan on or before the year-end the data is being reported on. An active participant is defined as any eligible employee who made an elective deferral contribution during the plan year being reported on.

Analysis regarding participation rates reflects participants and eligible non-participants. Analyses of participant asset allocation, account balances, age, compensation, and tenure include all recordkept participants. Elective deferral rate analysis reflects active participants only.

For analysis of participation rates, the average participation rate within each category is determined by calculating the participation rate for each plan and calculating the simple average of the plan participation rates across all plans in the category.

Elective deferral rates for active participants are calculated using current plan year employee elective deferral contributions divided by plan year-end compensation.

Compensation is calculated this way:

- the previous plan year-end compensation is used for testing with a three percent salary increase assumption applied. If unavailable, then —
- two year's prior plan year-end compensation is used for testing with a seven percent salary increase assumption applied. If unavailable, then —
- an average calculated salary default is used. Average calculated salary default is calculated annually and is based on actual salaries on record from the previous plan year-end.

The average elective deferral rate percentages for compensation, gender, tenure and participant age are calculated using the current year elective deferral contributions for all participants in the category divided by the previous plan year-end compensation for that category.

The non-safe harbor, safe harbor, plan size (number of participants), plan size (assets) and industry categories for the average elective deferral rates are calculated by rolling up the plans' elective deferral contributions and dividing by the previous plan year-end total compensation within the plans.

Other Items

- **Account Balances:** Account Balances represent the active participants' accounts as of December 31, 2007 (2007 data) and as of December 31, 2008 (2008 data), net of any outstanding loan amounts. The average account balance is calculated as total new assets in that category divided by the number of participants in that category.
- **Actuarial Data:** Actuarial data for the defined benefit plans is from our FAS No. 87 GAAP pension expense and funding systems records for those defined benefit plans for which we provide actuarial services.
- **Distributions:** Distribution statistics are shown for distributions greater than \$1,000.
- **Loans:** Loans were counted based on all active employees' loans outstanding as of December 31, 2007 (2007 data) and December 31, 2008 (2008 data).
- **Withdrawals:** Withdrawal statistics are shown for all active employees who made a withdrawal in 2007 (2007 data) and in 2008 (2008 data).
- **Highly Compensated Employee (HCE):** Employees whose salary was \$100,000+ and were among the top 5 percent of wage earners at their company in the stated year (2007 or 2008) are classified as Highly Compensated Employees (HCE) for the purpose of data for the specified year (2007 or 2008).

Retirement professionals from The Principal contributing to the Analysis section of *The Total View 2009*:

- **Timothy Cleary**, vice president and national practice leader—ESOP
- **Andy Dalgliesh**, director and national practice leader—Nonqualified
- **Debby Edgeton**, assistant director—Individual Investor
- **Aaron Friedman**, director and national practice leader—Non-Profit
- **Danelle Kronmiller**, assistant director—Individual Investor
- **Phil Leder**, consulting actuary II and national practice leader—Defined Benefit
- **Carl Moore**, assistant director—Research
- **Cortney Thede**, consultant and national practice leader—Defined Contribution
- **Jeff Vorwerk**, assistant director—Investment Services

Glossary

401(k) Plan – a defined contribution (DC) plan which meets the requirements of Internal Revenue Code (IRC) Section 401(k). Most 401(k) plans permit employees to enter into salary reduction agreements. The employer contributes the employee’s salary deferral to the plan on the employee’s behalf. Some 401(k) plans contain a Cash or Deferred Arrangement. Under these arrangements, an employee may elect to receive all or part of an employer’s contribution in cash and have the remainder deferred under the plan.

Account Balance – a participant account net of outstanding loan amounts. The average account balance is calculated as total net assets in that category divided by the number of participants in that category.

Cliff Vesting – vests 100 percent of employer contributions after a specified number of years of service. Example: After three years of service, contributions must be fully vested.

Defined Benefit Plan – a type of retirement plan in which the plan sponsor provides plan participants with an anticipated benefit based on the plan’s benefit formula. The plan usually defines this amount in terms of a percentage of pay or flat dollar amount, multiplied by years of service.

Defined Contribution Plan – a type of retirement plan that provides an individual account for each participant and in which benefits are based solely upon the amount contributed to the account (plus or minus any income, expenses, gains, and losses allocated to the account.) Commonly used defined contribution plans include profit sharing and 401(k) plans.

Distribution Option – the retirement funds paid to a plan participant due to a benefit event.

Eligible Rollover Distribution – the distribution to an employee of all or any portion of the employee’s qualified plan benefit except the following:

- Hardship withdrawals
- Required minimum distributions

- Periodic payments
- Loans in default
- PS 58 cost of insurance
- Return of 401(k) deferrals due to
- Return of excess deferrals, excess exceeding 415 limits contributions, or excess aggregate contributions due to 401(k) testing

Employee Retirement Income Security Act of 1974 (ERISA) – Congress passed this pension reform bill in 1974, and President Ford signed it into law on September 2, 1974. This act provides protection and guarantees for employees covered by private pension and welfare plans, and for their beneficiaries. The U.S. Department of Labor (DOL) controls some of these provisions; the Internal Revenue Service (IRS) controls others.

Employee Stock Ownership Plan (ESOP) – combines a vehicle for corporate financing and an employee benefit plan. It is a defined contribution plan. Also known as Employee Stock Ownership Trust. Typically, the employer creates an employee stock ownership trust and either contributes or sells the stock to the trust. If contributing stock, the employer deducts the fair market value of the contribution as a business expense on the tax return. If the trust buys the stock, it may take a loan with a lending institution pledging the stock as collateral. The employer may also guarantee the repayment of the loan. The trust then pays off the loan from contributions it receives from the employer. The employer gets a tax deduction for contributions made to the trust (generally limited to 25 percent of covered employees’ payroll). Employees do not pay taxes on these contributions until receiving a distribution. Normally, if borrowing the money, the employer could deduct only the interest on the loan. In the ESOP situation, the employer may deduct the full amount of the contributions used to pay off the principal and interest of the loan. No set benefits apply to an ESOP since all benefits relate directly to the value of the corporation’s stock. Also, an ESOP, like other defined contribution plans, receives no guarantees from Pension Benefit Guaranty Corporation.



Fiduciary – a fiduciary holds or controls property for the benefit of another. ERISA defines a plan fiduciary as any person who:

- has discretionary authority or discretionary control over the management of a plan or the management or disposition of its assets.
- gives investment advice for a fee or other compensation, direct or indirect, with respect to any money or other property of such plan, or has any authority or responsibility to do so.
- has any discretionary authority or responsibility in running a plan. In general, being a fiduciary shows a relationship of trust and confidence. Plan fiduciaries include trustees, plan administrators, and investment advisors.

Funded Status – a comparison of plan assets and liabilities. Funded status varies based on assumptions and methods used to determine assets and liabilities.

Matching Contributions – contributions made for a participant by an employer when the participant makes salary deferral or non-elective contributions.

Nonqualified Deferred Compensation Plan (NQ) – a pension or profit sharing plan which meets the Internal Revenue Code (IRC) section 409A qualified plan requirements.

Participant – a person who has met the plan eligibility requirements to be covered under a plan.

Plan Sponsor – the entity that starts and/or maintains a retirement plan. An entity can consist of a single employer, an employee organization (union), or a group of two or more employers or employee organizations.

Principal Total Retirement SuiteSM – a bundle of comprehensive plan and administrative services, including two or more of the following plan types: qualified defined benefit, qualified defined contribution, qualified employee stock ownership plans, or nonqualified retirement plans (defined benefit and defined contribution).

Prototype (Proto) Plan – a retirement plan document made up of two parts (the basic plan and the adoption agreement) which is submitted by the document sponsor to the Internal Revenue.

Rollover – the transfer of an eligible rollover distribution from a qualified plan or an Individual Retirement Account (IRA) to an individual and then from the individual to another qualified plan or IRA. When the transfer occurs within 60 days of the distribution date, the transfer will be on a tax-free basis. Participants may elect to rollover the account balance only when a “benefit event” occurs (retirement, death, or disability). Some plans allow participants age 59½ and still active to rollover retirement funds.

Salary Deferral Percentage – the ratio of (1) an employee’s elective deferral contributions for the plan year; and (2) the employee’s pay for the plan year.

Vesting – the period of time an employee must work for an organization before earning the right to receive a contribution or benefit under the plan. For 401(k) plans, participant salary deferrals are immediately vested, but employer contributions may be vested over a period of years.



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Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost.