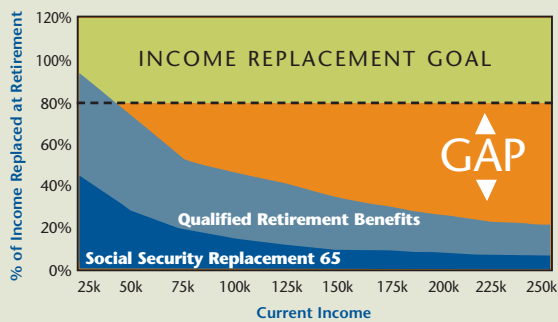


Company Size

Restrictions and limitations on qualified retirement plans make it difficult for higher-paid employees and business owners to ensure an adequate retirement income. With qualified plans and Social Security alone, highly compensated employees could receive as little as 30% of their current income at retirement.



ASSUMPTIONS –

- 1) Beginning at age 45, 401(k) contributions are maximized (up to 15%) with up to 4% employer match, but are limited by: Maximum Compensation Limits and Highly Compensated Employee elective deferrals capped at 8%.
- 2) 4% annual salary increases until retirement age 62.
- 3) Assets earn 9% during pre-retirement and 7% during retirement distributions.
- 4) Retirement income paid to age 75. 401(k) benefits adjust annually at 4%; Social Security benefits adjust annually at 2%.
- 5) Assets are fully depleted over income period.

■ Qualified Plan Benefits
■ Social Security Benefits

This information is from the Principal Financial Group Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin (http://www.ssa.gov/SSA_Home.html).

Solutions

Recruit. Reward. Retain. Companies often establish nonqualified deferred compensation plans to recruit, reward and retain key employees. These plans can have a minimal cost to the employer while helping key employees supplement their qualified plan savings.

View Point – Independent Bank Corporation

Client Profile

- Banking and financial services
- 1,400 employees

Challenge: Administration

- New legislation made the client's nonqualified plan no longer viable on a going-forward basis – the client wanted a viable solution to allow key employees to defer income over and above qualified plan limitations as well as administrative services for their old plan, which was grandfathered
- Client preferred to have administrative and investment services under one roof

Solution

- Implemented an Excess Plan for the client, which allows key employees to defer with no limits
- The Principal introduced combined statements for Independent Bank employees, that show 401(k), ESOP and nonqualified plan (for key employees only) information on one statement

Results

- 100% of key employees participating in the nonqualified plan – \$2 million in assets

Testimonial Comment

"The combination of education, technology and ability to seamlessly integrate our 401(k), ESOP and nonqualified plans through The Principal were huge selling points."

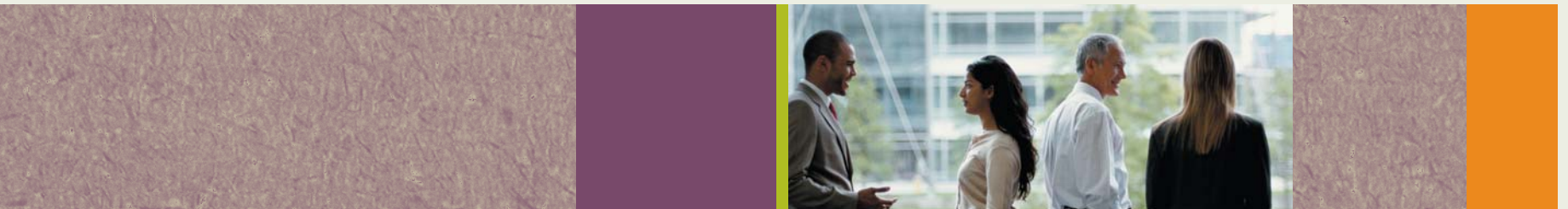
– Laurinda Neve, Vice President Human Resources, Independent Bank Corporation

Fast Fact

The Principal is the nation's second-largest provider of nonqualified executive benefit plans.

(Source: Plan Sponsor, December 2004)

Employee Stock Ownership Plans Gain Momentum



Providing employees with some ownership in the company can make a bottom-line impact. For that reason and others, the popularity of Employee Stock Ownership Plans (ESOPs) is on the rise. There are an estimated 11,500 ESOPs, stock bonus plans and profit sharing plans in the country, primarily invested in employer stock.

According to a 2005 survey by the Employee Ownership Foundation, most organizations with an ESOP feel that adding an ESOP has improved the productivity of employees. In addition to employee motivation, ESOPs offer a tax- and cost-effective vehicle to provide employee retirement benefits as well as assistance in many corporate financial transactions. ESOPs also aid in corporate

recapitalization and business succession planning, and as an anti-takeover device.

The Principal is a market leader in the ESOP arena, providing administrative services for more than 570 ESOPs and \$15 billion-plus in assets. Most ESOP plans with The Principal have the majority of assets invested in employer securities, and range from 50 to 499 participants. Over 13 percent of ESOPs serviced by The Principal cover more than 1,000 or more employees.

The Principal employer security plans include stand-alone ESOPs, ESOPs with separate 401(k) plans, and KSOPs (ESOP and 401(k) features in one plan).

	GROWTH OF ESOPs		
	YEARS	PLANS	PEOPLE
	1975	1,600	248,000
	1980	4,000	3,100,000
	1990	8,080	5,000,000
	1996	10,670	8,700,000
	2005	11,500	10,000,000

ESOPs are appealing to both employees and employers, which is why ESOPs have increased seven-fold in the last 30 years.

(Source: National Center for Employee Ownership (NCEO), 2005)

View Point – SmithBucklin

Client Profile

- Association management and professional services
- 600 employees

Challenge: Employee Ownership

- Creating a 100-percent ESOP would provide continuity and stability – and, as many companies find, a defense against a possible takeover by outside investors
- Another goal was to seamlessly integrate the investment options and the recordkeeping of the ESOP and 401(k) plan

Solution

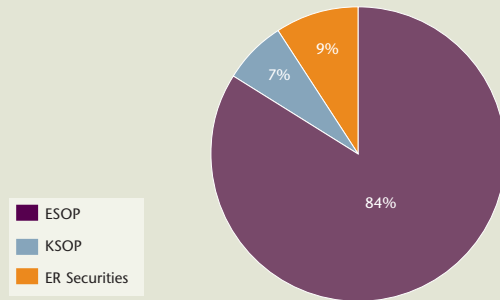
- Before the transfer election, SmithBucklin moved its 401(k) plan services to The Principal, taking advantage of the administrative efficiencies and cost-savings of the Total Retirement SuiteSM
- The consulting team from The Principal provided expertise on plan design features, financial analysis – including repurchase obligation expertise – and the ability to look into specific experiences with other companies and bring some of the leading practices and ideas to the table
- The education process was practical, down-to-earth, in clear language, and focused on the key issues that mattered most to employees; in addition to road shows, there was a weekly newsletter explaining various aspects of the election and how the ESOP works; and follow-up meetings to field questions, a video, and small-group sessions were also implemented early on

Results

- 67% of eligible employees participated
- Average participant 401(k) dollars transferred*: 60%
- Participants transferring all 401(k) assets: 37%
- 13-member senior management team participation: 82% of total available funds in their 401(k) and other qualified plans

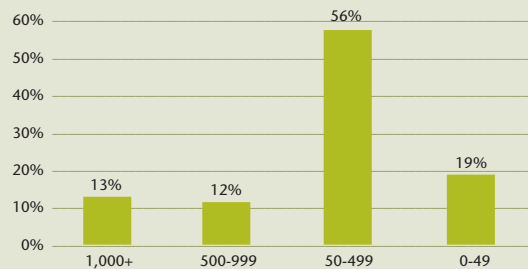
*Of total eligible funds from 401(k) assets, including assets rolled over from external individual retirement accounts (IRAs).

ESOP, KSOP AND EMPLOYER SECURITY PLANS by Number of Plans



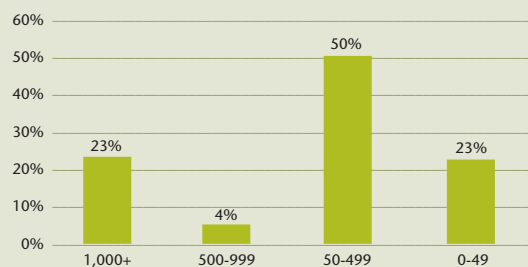
Of clients with an employer securities plan, 84% have an employee stock ownership plan.

PERCENT OF PRINCIPAL ESOP PLANS by Plan Size (# of Participants)

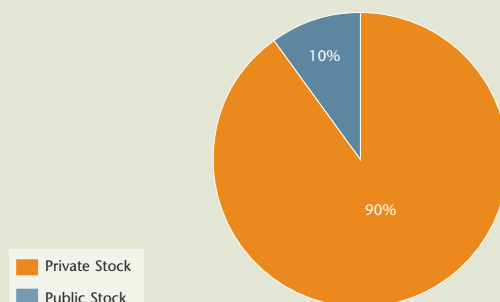


Over 25% of ESOPs and KSOPs served by The Principal cover plans with 500 or more participants.

PERCENT OF PRINCIPAL KSOP PLANS by Plan Size (# of Participants)



PERCENT OF ESOP PLANS – Private vs. Public Stock



Ninety percent of Principal ESOP plans are invested in privately held company securities.