



As the nation's 401(k) leader and total retirement solutions innovator, The Principal is proud to present *The Total View*, which provides one of the most comprehensive reports on retirement plan trends. Based on data for the 2004 calendar year, this study encompasses more than 35,000 retirement plan sponsors and 2.3 million participants served by The Principal. It is the only report of its kind that covers four core retirement plan designs: defined contribution, including 401(k), defined benefit, nonqualified and Employee Stock Ownership Plans (ESOP).

Following are high-level findings of this report:

A TOTAL RETIREMENT SOLUTIONS APPROACH

- Plan sponsors with a total retirement solution compared to plan sponsors with a stand alone 401(k) plan have:
 - Larger average deferral rates – 4 percent higher; and
 - Larger 401(k) average account balances – 11 percent higher.
- A total retirement solution delivers to employees a consolidated view of all retirement benefits. This increases the likelihood of a greater understanding of these benefits, and of a more successful approach to funding a secure retirement.

To learn more, turn to pages 9-10.

DEFINED CONTRIBUTION/401(K) PLANS

Participation

- Overall, plan participation generally remained unchanged at 67 percent.
- Workers age 50-64 participate most actively, while younger workers lag behind considerably.
- Employees with annual compensation of over \$30,000 participate at nearly double the rate of those who earn less than \$30,000.
- Plans with a 100 percent match generate a participation rate of 76 percent compared to only 61 percent for plans with a 25 percent match.

To learn more, turn to pages 11-12.

Salary Deferral Rates

- The average salary deferral rate increased from 6.7 percent in 2003 to 7 percent in 2004.
- Demographics play an important role in determining salary deferral rates:
 - Men have a higher average salary deferral rate (7.2 percent) than women (6.8 percent);
 - Highly compensated participants had larger average salary deferral rates (7.5 percent) than lower compensated participants (7 percent); and
 - Salary deferral rates for participants ages 50-64 are 8.4 percent compared to 5.7 percent for participants ages 20-34.

To learn more, turn to pages 13-14.

Account Balances

- In 2004, the 401(k) plan overall average account balance swelled 17 percent to \$40,125, up from \$34,344 in 2003.
- The average 401(k) account balance for a man (\$42,227) is nearly double that of the average 401(k) account balance for a women (\$23,373).

To learn more, turn to pages 15-16.

Investments

- On average, over 80 percent of plans served by The Principal offer 11 or more investment options for new contributions.
- Similar to the industry, 401(k) plan sponsors with The Principal have a majority (55.9%) invested in equities.
- Highly-compensated employees have a greater percentage of assets 64 percent invested in domestic and international stock.
- Non highly-compensated employees invest more than 28 percent in stable investment options and balanced/asset allocation investment options.
- Since 2002, the percentage of 401(k) plan assets invested in life cycle investment options more than tripled from under 2 percent to nearly 7 percent.

To learn more, turn to pages 17-20.

Plan Design

- Plans with a 100 percent match contribution enjoy higher employee participation (76 percent) than plans with a 25 percent employer match (61 percent).
- Participation is slightly higher (68.6 percent) with use of an automatic enrollment feature than without (67.8 percent).

To learn more, turn to pages 21-24.

Plan Loans

- Participation is only slightly higher (0.4 percent) in plans that allow loans than in plans that don't allow loans.

To learn more, turn to pages 25-26.

Rollovers and Distributions

- Of those eligible to access retirement accounts, only 15 percent elect to take a cash distribution.

To learn more, turn to pages 27-28.

Plan and Participant Services

- Use of our secure website for participants increased 18 percent in 2004.

To learn more, turn to pages 29-30.

DEFINED BENEFIT PLANS

- Over 60 percent of defined benefit plan sponsors replace more than 70 percent of final salary at retirement.
- Nearly 30 percent of retirees opted for a lump sum cash payment in 2004.
- In 2004, The Principal made 2.6 million retirement payments to more than 210,000 retirees.

To learn more, turn to pages 31-38.

NONQUALIFIED PLANS

- The largest number of nonqualified participants (74 percent) is covered under nonqualified defined contribution and nonqualified defined benefit plans.
- The larger (number of employees) an organization's defined contribution plan, the more likely the organization is to also have a nonqualified plan for highly-compensated employees.

To learn more, turn to pages 39-40.

EMPLOYEE STOCK OWNERSHIP PLANS

- Eighty-four (84%) percent of plan sponsors with an employer securities plan have an employee stock ownership plan.
- Ninety percent of ESOP plans served by The Principal are primarily invested in privately held company securities.

To learn more, turn to pages 41-43.