

Salary, Age and Stated Match Influence Employee Participation



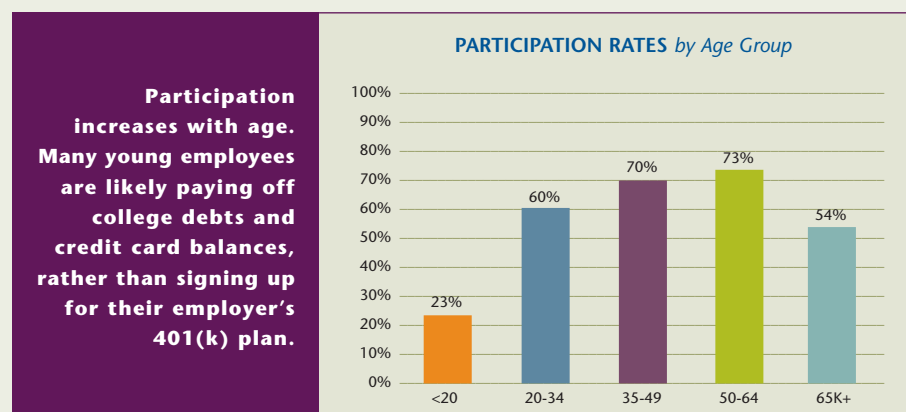
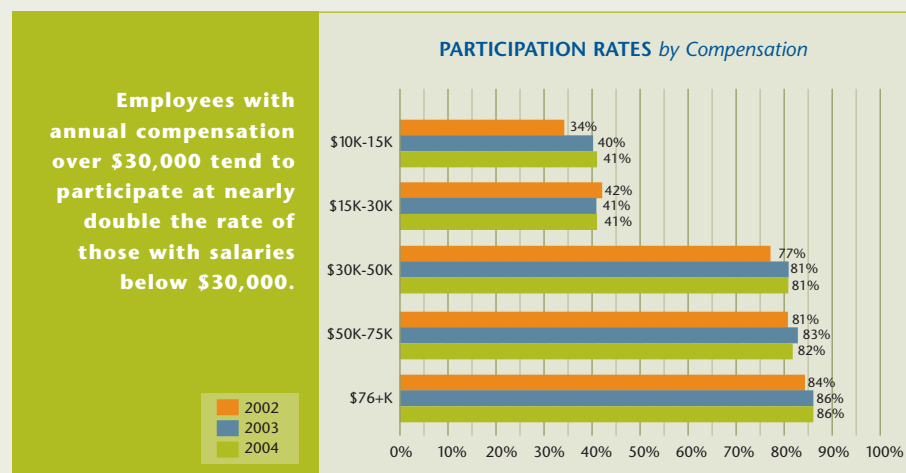
An employee's age and level of compensation are significant factors in retirement plan participation. Workers age 50-64 are more likely to participate in retirement plans, while younger workers lag behind considerably. Likewise, employees with annual compensation of over \$30,000 participate at nearly double the rate of those who earn less than \$30,000.

Gender is much less of a distinguishing factor; women (69%) are slightly more likely to participate than men (67%). Across the board, however, the use of web-based tools for information and financial education plays a large role in participation rate, according to a 2005 study by the Wharton School.

In 2004 the overall participation rate remained generally unchanged at 67 percent.

Nearly one in five of eligible employees nationally have not enrolled in their company's retirement plan. (Source: EBRI Retirement Confidence Survey, 2005) Many employers are hoping to change this fact by providing participants with these kinds of tools from the first day of employment through retirement.

Given concerns about the future of Social Security and the decline in the national savings rate, much work lies ahead to further improve employee preparedness for retirement.

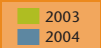


Fast Fact

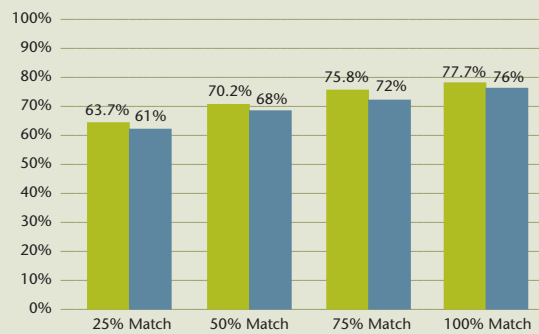
Fifty-five percent of workers believe they are behind schedule when it comes to planning and saving for retirement. Everyday expenses (49%), child-rearing expenses (39%), and medical costs (35%) are most often cited as roadblocks.

(Source: EBRI 2005 Retirement Confidence Survey)

The stronger the match, the greater the level of participation in the retirement plan. Plans with a 100% match generate a participation rate of 76% compared to only 61% for plans with a 25% match.



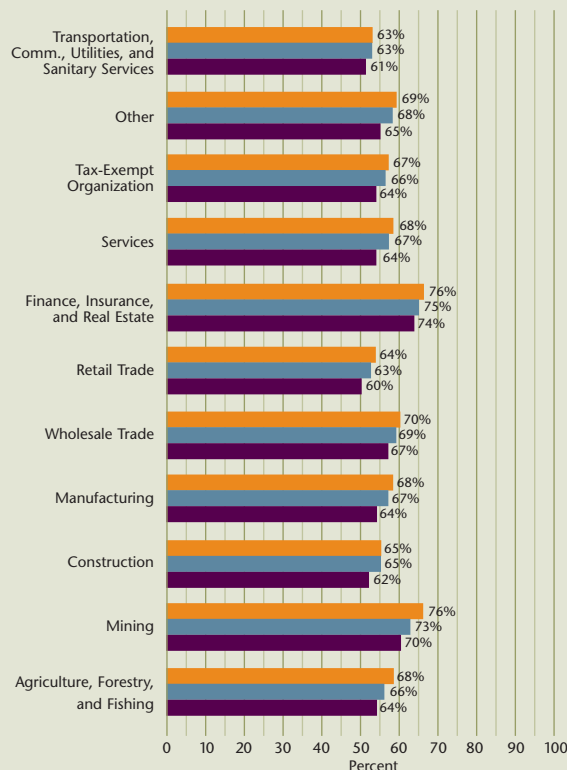
PARTICIPATION RATES by Stated Match



The financial sector continues to have exceptionally strong participation. The rate of participation tends to lag in the transportation, communication, retail, and construction industries.



PARTICIPATION RATES by Industry Category



View Point – LC Footwear

Client Profile

- Collection of retail shoe stores
- 151 employees
- Client of The Principal since 2001

Challenge: Participation

- Low understanding of retirement benefits among employees
- Many younger employees who generally aren't concerned about retirement planning
- Logistically challenged; store locations are spread out, making education difficult

Solution

- Implemented Automatic Deferral Program, with new employees automatically enrolled in the plan at 5%, with a 50% match
- Changed eligibility date from one year of service to six months
- Reinforced these changes with targeted communication to employees

Results

- Participation is now at 67.4%, an improvement of 37.4 percentage points since 2001, when the participation level was 30%

Testimonial Comment

"Working with The Principal is easy. Their people are very helpful and on top of things; the follow-up is great. On top of that, I can do most everything online, and make changes anytime I want."

– Samantha Waters, Benefits Administrator, LC Footwear, LLC

Solutions

A few small changes can make a big difference in employee participation rates:

- Consider an automatic enrollment feature
- Add a feature to automatically increase contributions with each pay raise (Principal Step Ahead Retirement OptionSM)
- Add lifestyle investment options that provide asset allocation models for various life stages and retirement horizons
- Loosen age, service or entry requirements
- Accelerate the plan's vesting schedule
- Remove pay exclusions such as overtime or bonuses
- Remove plan limits on salary deferral contributions
- Allow more frequent salary deferral election changes so workers can adjust take-home pay to meet expected and unexpected expenses
- Consider adding Total Retirement View, a new feature that shows participants a customized summary of personal data for combined retirement plans for which The Principal is a service provider, as well as projected income replacement during retirement based on current retirement funds