

# Employees Want Automatic Enrollment and Asset Allocation Assistance

Today's workers will live longer and spend more time in retirement than workers in any previous generation.

More plan sponsors are offering options that eliminate the need for participants to take initiative or do their own research. Automatic enrollment, automatic increases, and lifecycle investment options are effective motivators for many reluctant employees.

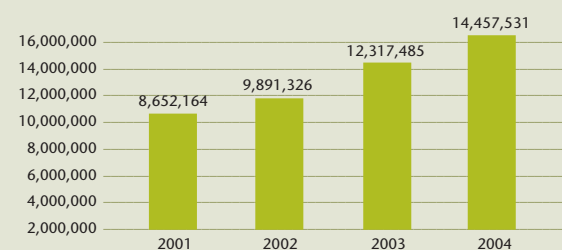
In fact, the Employee Benefit Research Institute discovered the following statistics by surveying workers not currently contributing to their employer's retirement plan:

- 66 percent say automatic enrollment would help persuade them to save
- 66 percent would prefer an investment option that adjusts their asset allocations as they get closer to retirement
- 55 percent want a provision that would raise their contributions automatically with each pay raise
- 40 percent would be very likely to stay in the plan if auto enrolled
- 35 percent want a financial manager to make their investment decision for them

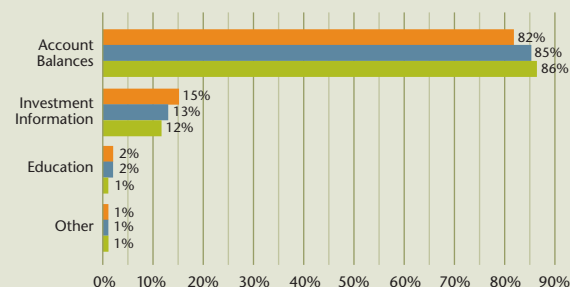
A successful retirement plan requires attention, flexibility, and education. The Principal plays an active role in employee education and guidance, addressing employee needs from pre-enrollment all the way through retirement.

**Use of The Principal Retirement Service Center® – a secure website for participants – increased 18% in 2004. Most participants visit the website to check an account balance and change investment options. A new feature, Total Retirement View, shows a customized summary of personal data for retirement plans with plan services provided by The Principal, as well as projected income replacement during retirement based on current retirement funds.**

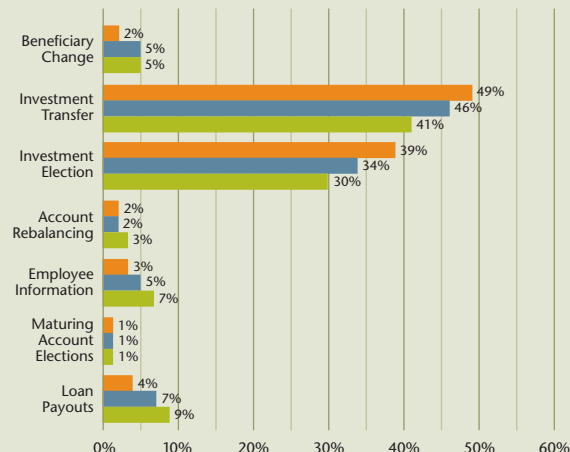
**PARTICIPANT RSC WEB SITE USAGE by Year**



**PARTICIPANT RSC WEB SITE ACTIVITY by Category Accessed**



**PARTICIPANT RSC WEB SITE ACTIVITY by Service Category**



2002  
2003  
2004

## Solutions

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**Celebrate 401(k) Day.** Each September, many companies recognize and promote 401(k) Day nationally. Take advantage of this opportunity by scheduling an educational session and providing employees with promotional materials available through many company web sites.

**Do-It-For-Them with Guidance.** Make it as easy and simple as possible for employees to enroll and participate in your retirement plan. Retirement plan providers are unveiling innovative services to help. For example, The Principal recently launched a program that combines a simplified enrollment process and automatic savings tools with one-on-one guidance from a financial professional. The Principal RetireSecure<sup>SM</sup> program actually changed participants' behavior, resulting in increased savings among participants.

**Adopt these Best Practices.** Each year, The Principal selects "The Principal 10 Best Companies for Employee Financial Security." Following are best practices identified by growing businesses that excel in selecting, providing, and managing employee benefits programs:

- **Offer a match.**
- **Automatically enroll new employees.**
- **Tailor communication.** Different types and styles of information appeal to workers of different ages.
- **Talk one-on-one with employees.** It can take direct intervention to encourage employees – especially new hires – to save more.
- **Be persistent.** Benefits education isn't a one-time event.
- **Bring in a financial expert.**
- **Use the "Take the 1% Challenge<sup>®</sup>."** This promotional campaign from The Principal encourages employees to increase their 401(k) salary deferrals by at least 1 percent per year until they reach the maximum rate.

For more information, visit [www.principal.com/theprincipal10best/bestpractices.htm](http://www.principal.com/theprincipal10best/bestpractices.htm).

**Provide advance notice.** Give employees a heads-up before changes are made to the retirement plan. This helps them understand what's happening and why.

## View Point – Jerry's Home Improvement Centers

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### Client Profile

- Regional chain of home improvement centers
- 247 employees

### Challenge: Conversion

- A series of mergers and acquisitions within the financial services industry meant this client's plan had been transferred to a new administrator just one year before moving their plan to The Principal

### Solution

- Recurring enrollment meetings are now held, which feature the company president as well as a representative of The Principal
- Having website access to plan information is new and different for employees; quality has been described as excellent
- Plan participants also appreciate the flexibility of how they can receive quarterly statements – either hard copy or via e-mail

### Results

- Participation is at 70%, an improvement of 4.81% in just one year
- Average elective deferral percentage is 5.83%

### Testimonial Comment

*"Working with The Principal is a quality experience."*

– Jeff Heriot, Controller, Jerry's Home Improvement Centers

## Fast Fact

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*Participants are five times more likely to use The Principal*

*Retirement Service Center website instead of Teletouch<sup>®</sup>,*

*an interactive voice response system. Most frequent phone*

*transactions are investment transfers and loan requests.*