

Executive Summary

As one of the nation's 401(k) leaders¹ and total retirement solutions innovators, The Principal is pleased to present The Total View – one of the most comprehensive reports of its kind. It paints a unique picture of the ever-evolving trends in the retirement industry and their potential impact on retirement plan sponsors and their participants. The Total View includes an annual review, report card, and forecast, and it also provides plan sponsors with helpful tips that serve to compare your plan with industry benchmarks.

Based on data for the 2006 calendar year, *The Total View* includes benchmarks for an in-depth look at retirement program trends among more than 38,600 retirement plans with services provided by The Principal to approximately 3.5 million participants across four core retirement plan designs: defined contribution, including 401(k) and 403(b), defined benefit, nonqualified, and Employee Stock Ownership Plan (ESOP).

¹The Principal ranks number one in total plans for all asset sizes among fully bundled 401(k) providers - 2006 Spectrem Group analysis of fully-bundled 401(k) providers (companies that provide both administrative and investment services).

The Total View: A Summary of Findings

A Total Retirement Approach

- Approximately 58 percent of our retirement plan sales from 2006 involved more than one type of retirement plan – a 59 percent increase over 2005.
- 2006 sales of new total retirement solution plans increased 145 percent over the past year and we saw a 90 percent increase in new total retirement solution assets.
- Retirement plans that used an integrated retirement services approach typically had higher participation, larger average deferral rates, and bigger average participant account balances.

To learn more, turn to page 9.

Defined Contribution

- Defined Contribution (DC) plans such as 401(k) and 403(b) plans continue to be one of the fastest-growing employer-sponsored retirement benefits. At the end of 2006, The Principal provided administrative services to more than 32,500 DC retirement plans with 2.8 million participants that represented more than \$79.5 billion in plan assets under management.

To learn more, turn to page 14.

Participation & Salary Deferral Rates

- Participation rates were more than 10 percent higher for retirement plans with an employer matching contribution than those without a match.
- The average participation rate grew slightly to 65.9 percent.
- Salary deferral rates increased as age increased, with those aged 50-plus deferring at the highest rates and those less than 35 years old deferring at the lowest rates.

To learn more, turn to page 17.

Account Balances

- Account balances saw a double digit increase of 12 percent to an average of \$36,541.

To learn more, turn to page 15.

Investment Education & Options

- The number of plan sponsors who offer “do-it-for-me” investment features continued to rise dramatically – the number nearly tripled in the past year.
- Automatic and “do-it-for-me” features increased savings rates over traditional methods.
- Our Principal Retire SecureSM program, which offers personalized one-on-one meetings, was provided by 475 plan sponsors nationwide.
- Use of lifecycle/lifestyle investment options continued to grow dramatically in 2006, with more than 80 percent of plan sponsors offering them in their investment option line-up, which more than doubled from 2004.
- From 2005 to year-end 2006, usage of the Principal Managed Account ProgramSM grew by four times.
- On average, a retirement plan had funds in approximately 18 investment options offered within the plan.
- The largest percentage of participant retirement funds in plans with services provided by The Principal were directed to the domestic stock (43 percent) category. This was similar to the industry average where 49 percent of participant account balances were allocated to equity investment options.
- By the end of 2006, nearly 11,000 plans were using the Easy Enrollment Form from The Principal, which was a significant increase from just over 3,000 in 2005.

To learn more, turn to page 23.



Plan Loans

- The average loan balance increased from \$5,011 in 2003 to \$7,013 in 2006.

To learn more, turn to page 34.

Rollovers & Cash Withdrawals

- Younger participants, those 34 or under, elected to receive a cash distribution option more often when changing jobs than any other age group, with 20 percent taking the cash.
- Nearly 90 percent of the retirement funds for participants that changed jobs in 2006 remained invested in an account for retirement, and just over 10 percent elected a cash distribution option of their retirement funds.

To learn more, turn to page 35.

Matching Contributions & Plan Design

- Forty-two percent of employees indicated that if the dollar amounts were the same, they would prefer to receive a higher employer match in their employer's 401(k) plan than a wage increase.
- The overall average match for plans with services by The Principal was 39 cents per dollar.

To learn more, turn to page 36.

Participant Services

- The majority of participants (more than 60 percent) chose The Principal secure website to get information and make account changes.

To learn more, turn to page 39.

Defined Benefit (DB) Plans

- During 2006, DB plans totaling over \$760 million in plan assets transferred their retirement plans to The Principal for administrative services.
- The industry assets held in DB plans represent 35 percent of all industry retirement assets.

To learn more, turn to page 41.

Nonqualified Plans

- The Principal saw a 10 percent increase in the number of nonqualified plans as well as a 15 percent increase in the number of participants.
- In the fall of 2006, 85 percent of corporate plan sponsors reported offering a Nonqualified Deferred Compensation plan.

To learn more, turn to page 49.

Employee Stock Ownership Plans (ESOP)

- Nearly half (42 companies) of the nation's top 100 majority-owned ESOP companies used The Principal for their administrative services.
- A large majority of ESOP plans with services from The Principal were private plans; roughly 10 percent were public plans.

To learn more, turn to page 53.
