

# Methodology

## Data Selection

Data used in *The Total View* is drawn from a subset of retirement plans with services provided by The Principal.

This report also includes data as of December 31, 2006, on:

- 32,551 full-service 401(k) plans with a balance as of year-end 2006. These plans represented approximately 2.8 million participants and approximately \$79.6 billion in assets.
- 789 employer security plans (ESOP and KSOP) covering 642,399 participants with over \$15 billion in assets

- 1,599 defined benefit plans covering more than 305,000 lives with assets of \$8.9 billion in defined benefit retirement funds
- 3,800 nonqualified deferred compensation arrangements covering 43,000 participants with liabilities of \$3.2 billion

### **The Total View incorporates:**

1. Percentages in graphs generally rounded to integer percentages in order to increase readability
2. Industry categories based on Standard Industrial Classification codes

New plans effective in 2006 were excluded from the analysis.

## Rate Calculations

**Calculation of participation rates**, non-participant elective deferral rates, and elective deferral rates are for active participants. Calculations for most plan level data excludes those participants which were new to the plan in 2006, and participants with no account balance. Participant level data (indicated as Individual Investor Services data) is calculated without these indicated plan-level exclusions.

**Participation rate** is calculated by dividing the number of active participants by the total number of eligible participants. Eligible participants are those employees eligible to join the plan at any time on or before 2006, whether or not they were present at the end of the year. An active participant is defined as any eligible employee who made an elective deferral contribution during the 2006 plan year.

**Analysis regarding participation rates** reflects participants and eligible non-participants. Analyses of participant asset allocation, account balances, age, compensation, and tenure include all record-kept participants. Elective deferral rate analysis reflects active participants only.

**For analysis of participation rates**, the average participation rate within each category is determined by calculating the participation rate for each plan and calculating the simple average of the plan participation rates across all plans in the category.

**Elective deferral rates for active participants** are calculated using 2006 plan year employee elective deferral contributions divided by 2005 plan-year compensation. Compensation is defined as the 2005 compensation used for non-discrimination testing with a three percent salary increase assumption applied.

**The average elective deferral rate percentages for compensation, gender, tenure, and participant age** are calculated using the elective deferral contributions for all participants in the category divided by the total compensation for that category. There is a difference in this calculation from the plan level categories' average deferral rate calculation. This difference makes the individual breakdowns' average elective deferral rate more conservative. In 2006, this calculated a lower average elective deferral rate per category compared to the plan level average elective deferral calculation. These breakdowns are used for trending purposes only.

**The non-Safe Harbor, safe harbor, plan size (number of participants), plan size (assets), and industry categories for the average elective deferral rates** are calculated by rolling up the plans' elective deferral contribution and dividing by the total compensation within the plans.

## OTHER ITEMS

### **Account Balances**

Account Balances represent the active participants' accounts as of December 31, 2006, net of outstanding loan amounts. The average account balance is calculated as total net assets in that category divided by the number of participants in that category.

### **Actuarial Data**

Actuarial data for the defined benefit plans is from our FAS No. 87 GAAP pension expense and funding systems records for those defined benefit plans for which we provide actuarial services.

### **Distributions**

Distribution statistics are shown for distributions greater than \$5,000.

### **Loans**

Loans were counted based on all active employees' loans outstanding as of December 31, 2006.

### **Withdrawals**

Withdrawal statistics are shown for all active employees who made a withdrawal in 2006.

### **Highly Compensated Employee (HCE)**

Employees whose 2006 salary was \$100,000+ and were among the top 5 percent of wage earners at their company are classified as Highly Compensated Employees (HCE).