

THE PRINCIPAL
10 BEST
COMPANIES
for Employee Financial Security

presented to

*The Principal Financial Group Recognizes
Excellence Among Growing Businesses*



Innovations at Work

A Guide to Best Practices in Employee Benefits

WE'LL GIVE YOU AN EDGESM



“I think the most important thing about **The Principal 10 Best Companies** program is that by distinguishing employers who are investing in their employees and publicizing their best practices, the program sets a standard and a benchmark for other employers.”

– Karen Ignani, president and CEO, America’s Health Insurance Plans (AHIP), and judge for *The Principal 10 Best Companies – 2005*



KAREN IGNANI

THE PRINCIPAL® 10 BEST COMPANIES FOR EMPLOYEE FINANCIAL SECURITY – 2005

The Principal 10 Best Companies are selected by an independent, blue-ribbon panel of employee benefit experts and business leaders for excellence in benefit programs that contribute to long-term financial security.

The winners are:

American Council of Life Insurers
Washington, D.C.

American Lung Association
New York, N.Y.

Campus USA Credit Union
Gainesville, Fla.

Flexible Steel Lacing Company
Downers Grove, Ill.

Fremont Co-operative Produce Company
Fremont, Mich.

Glatfelter Insurance Group
York, Penn.

GuideOne Insurance
West Des Moines, Iowa

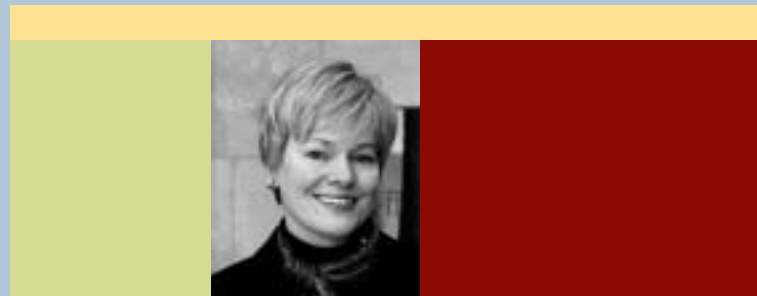
Moran Towing Corporation
New Canaan, Conn.

Southwest Power Pool, Inc.
Little Rock, Ark.

The Washington Trust Company
Westerly, R.I.

Foreword

From Entitlement to Engagement: Changing the Way Employees Think About Benefits



RENEE SCHAAF

Twenty-five years ago, benefits were something employers did – and were expected to do well – for employees. (Think platinum-level pension plans and all-expenses-paid health insurance.)

Those days are undoubtedly gone. Today, many employers struggle to provide even basic benefits, and employees are charged with making increasingly critical decisions on everything from retirement plan investments to health care options.

The Principal 10 Best Companies for Employee Financial Security – 2005 are not immune to these problems. Still, they have overcome many of today's benefits dilemmas by **helping employees move from a mindset of entitlement to one of engagement** – resulting in employees who are interested, educated and motivated to take control of their own financial futures.

This guide illustrates the simple yet innovative ways **in which these outstanding companies help their employees make this all-important transition, as well as other easily implemented tactics** they use to control costs while maintaining top-tier benefits. **One-on-one guidance, automatic tools and wellness programs are key themes among this year's winners.**

INSIDE, YOU'LL FIND:

- Real stories of how companies like yours created successful benefit programs without breaking the bank
- Interactive checklists to help you quickly review solutions to your organization's benefits challenges
- A chart to help you benchmark your benefits against *The Principal 10 Best Companies* and your peers across the nation
- Detailed examples of the retirement, health care and employee communication best practices employed by the winning companies
- Brief profiles of each winning company

We congratulate this year's winners, who have proven once again that **securing employees' financial futures can also help secure businesses' financial futures.**

Sincerely,

Renee Schaaf

Vice President, the Principal Financial Group

Good Benefits are Good Business

High productivity. Low turnover. Loyal, knowledgeable employees.

Satisfied customers. A better bottom line. Those are some of the rewards

The Principal 10 Best Companies attribute to their investments in employee benefits.

Despite the mounting costs of health insurance, the regulatory complexities of retirement plans and the ongoing struggle to educate employees, *The Principal 10 Best Companies* **continue to offer impressive employee benefit programs for one reason – they work.**

According to The Principal Financial Well-Being Index – Third Quarter 2005, **68 percent of employees agree that a solid employee benefits offering encourages them to work**

harder and perform better. And 60 percent of employees say a good benefits package keeps them working for their current company.

Boasting an average voluntary turnover rate of just 9.10 percent, *The Principal 10 Best Companies* are proof of that statistic. When compared to other enterprises in their industries, these companies enjoy an average turnover rate of just half their industry norms.

We're a technical, specialized organization. **Low turnover** means we only have to go through the educational process once.

Also, we're very much **relationship-based.**

Having the same staff people work with our membership breeds **familiarity, confidence and trust.**

– Nick Brown, president and CEO, Southwest Power Pool, Inc.

This is a relationship company. The farmers we deal with want to work with people who know what's going on with their farms. If I had a lot of employee turnover,

I would lose the confidence of our members.

– Rob Zeldenrust, general manager, Fremont Co-operative Produce Company

Made in the U.S.A.: An Employee Benefits Success Story

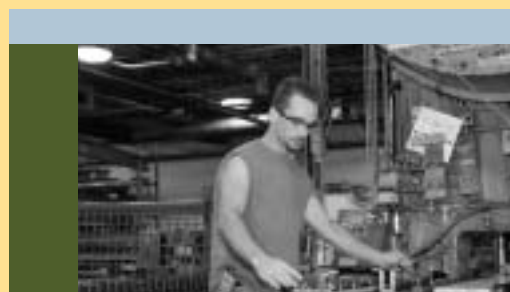
Flexible Steel Lacing Company has managed not only to continue manufacturing 95 percent of its products in the United States, but **the company is also exporting more and more of its made-in-the-U.S.A. products to China.**

Tom Wujek, the company's executive vice president and chief operating officer, believes that **a top-notch employee benefits package is a big factor in the company's success.** "We want to provide a benefits package that attracts the best and retains the best. Sometimes that does cost a bit more money, but I would point to the profitability that we've enjoyed over the years and the fact that we have a turnover rate of less than three percent."

In its nearly 100 years in business, Flexible Steel Lacing Company has earned its employees' loyalty by remaining

loyal to its employees. In addition to offering an outstanding benefits package, the company has never laid off an employee. "Back in the 1970s, employees painted anything in the shop that didn't move. They swept floors. The place shined, and everyone still had a job," explains Krista Howland, the company's human resources administrator.

"People want to stay here for their entire careers," Howland continues. "They know their jobs inside and out, and they're committed to quality. That absolutely helps us succeed."



FLEXIBLE STEEL LACING COMPANY

VOLUNTARY TURNOVER OF THE PRINCIPAL 10 BEST COMPANIES VERSUS INDUSTRY AVERAGES

The Principal 10 Best – 2005	Voluntary Turnover Rate	Industry Average
American Council of Life Insurers	14.60%	23.90%
American Lung Association	12.50%	19.10%
Campus USA Credit Union	14.00%	15.20%
Flexible Steel Lacing Company	2.60%	14.20%
Fremont Co-operative Produce Company	7.16%	32.20%
Glatfelter Insurance Group	7.00%	15.20%
GuideOne Insurance	7.62%	15.20%
Moran Towing Corporation	12.60%	15.90%
Southwest Power Pool, Inc.	5.52%	15.90%
The Washington Trust Company	7.49%	15.20%

Helping Employees Achieve Their Retirement **Dreams**

*One thing is clear to U.S. workers when they think ahead to their “golden years” – this will not be their father’s retirement. In fact, **70 percent of workers agree that the American Dream has been or will be harder to achieve than it was for their parents’ generation**, according to *The Principal Financial Well-Being Index – Third Quarter 2005*.*

As health care costs skyrocket, pension plans are eliminated and Social Security becomes a ghost of its former self, employees are realizing that they have no one to count on but themselves. That knowledge is literally keeping many employees awake at night.

The Principal Financial Well-Being Index shows that employees are losing sleep over a multitude of retirement worries, including:

- Being able to afford good medical care (49%)
- Being able to enjoy the same quality of life that they live now (47%)
- Being able to afford/pay for the basic necessities (46%)
- Outliving their savings (34%)
- Being able to pay for assisted living/long term care (24%)

Despite their worries, many employees today are doing little or nothing to prepare for retirement. One-third of employees have not even begun to plan for retirement security¹, and more than half of all workers report less than \$50,000 in total savings and investments (excluding their home).

The Principal 10 Best Companies recognize workers’ concerns and are doing everything they can to help their employees achieve a financially secure retirement. The following checklist highlights these companies’ most successful tactics.

¹ The Principal Financial Well-Being Index – Third Quarter 2005.

A Little (Professional) Advice Goes a Long Way

“One of the best decisions we made was hiring an independent registered investment advisor (RIA),” says Nick Brown, president and CEO of Southwest Power Pool, Inc. Not only does the RIA help the company select and monitor the vast array of available investment options, but he can also provide one-on-one retirement advice for employees.

“Several employees came to me and asked for help with their investments,” Brown explains. “I can’t tell them what to do, of course. We also found it a challenge to meet our fiduciary responsibilities for managing the multitude of investment options. Bringing that advisor in allowed us to address both issues.”

The RIA – whose services are free to employees – has been a hit from the start. After just two visits, almost one-third of the company’s employees had already taken advantage of the one-on-one meetings, and many also brought their spouses along. “It has definitely paid off for the company and for our employees,” Brown concludes.



SOUTHWEST POWER POOL, INC.

RETIREMENT SAVINGS CHECKLIST

When it comes to planning for retirement, employees need – and expect – guidance from their employers. **The retirement savings checklist below offers proven tips from *The Principal 10 Best Companies* for helping employees overcome their own inertia and anxiety.**

- ✓ Have you added “auto pilot” features like automatic enrollment and automatic deferral increases to your retirement plans? Employee support of these features is growing, and experts point out that they could significantly increase workers’ savings at retirement.
- ✓ Do you offer lifecycle funds? These professionally managed, all-in-one investment options take the guesswork out of asset allocation.
- ✓ Can your employees get a free gift when they increase their retirement plan contributions? Some employees need an immediate payoff, and something as simple as a free phone card can spur them into action.

- ✓ Have you brought in an outside financial professional to work one-on-one with employees? These experts can provide the direct advice and overall guidance that you – as an employer – are prohibited from giving.
- ✓ Do you remind employees to increase their retirement plan contributions? Even a simple e-mail message can generate an uptick in deferrals.
- ✓ Are your communication tactics targeted to different age groups? Younger employees may prefer to receive information via e-mail or PowerPoint presentations, while older employees often favor more personal communications.
- ✓ Do you conduct one-on-one benefit reviews for employees who are approaching retirement? Consider showing older employees the impact of retirement age on pension and Social Security benefits.

Surviving the Health Care Crisis

*The health care crisis in this country has far-reaching effects on workers and their employers. **More than 14 million Americans spent over 25 percent of their income on health care expenses in 2004, up from 11.6 million in 2000**². As a result, 45 percent of workers have decreased contributions to their savings, and 34 percent have had difficulty paying for other bills³.*

Employers are doing their best to help, but many simply can't keep up with the spiraling costs of health insurance. And some – especially small businesses – are being forced to drop their health care benefits altogether.

Although *The Principal 10 Best Companies* are also susceptible to this crisis, they are aggressively – and often successfully – working to minimize its impact. The following checklist can help your company do the same.

37% of American workers report
their employers have **increased employee co-pays;**
31% have **increased employee deductibles;** and
16% of employers have **reduced medical
benefit coverage options.**

– The Principal Financial Well-Being Index – Fourth Quarter 2005

² Families USA, www.familiesusa.org

³ *2005 Health Confidence Survey*, sponsored by the nonprofit Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc.

Healthy Employees = Healthy Profits

Glatfelter Insurance Group believes they've found the key to combating health care costs – a robust wellness program that includes a fitness facility, an on-site personal trainer, health screenings, smoking cessation and weight management classes, wellness fairs and more.

"My biggest benefits concern is the health care issue," says Sandra Brown, vice president of human resources at Glatfelter Insurance Group. "As much as you try, it's one of those things that's out of your control. That's why we have such a strong focus on wellness."

With more than three-quarters of the company's employees participating, **Brown is confident that their wellness benefits are helping to boost the company's bottom line.** "Our annual health care cost per associate is 14 percent

below the national average," she explains, "and our absenteeism rate is 27 percent lower than the national average.

"I really believe our wellness benefits make a difference," continues Brown. **"It has paid off – not just in health care dollars, but also in the culture and the overall loyalty of our employees. They know that we care."**



GLATFELTER INSURANCE GROUP

HEALTH CARE CHECKLIST

Year after year of double-digit increases in health care expenses are taking a toll on today's businesses – and their employees.

Employers cannot continue to absorb the mounting expense, and yet the additional cost sharing is threatening the very foundation of most employees' financial security.

The Principal 10 Best Companies are rising to the challenge by implementing creative tactics that are helping to control costs, largely by educating employees and promoting healthier lifestyles.

✓ Can employees receive free preventive care? The additional up-front costs will likely pay off in the long run.

✓ Have you considered offering a health savings account (HSA)? These programs can encourage employees to pay more attention to their health care spending.

✓ Do you offer a wellness program? Wellness works, according to many of *The Principal 10 Best Companies – 2005*. These organizations' wellness programs range from free flu shots to on-site fitness centers with personal trainers.

✓ Do you proactively help employees choose the best health care plan for them? Consider one-on-one meetings, if possible, to walk each employee through the decision-making process.

✓ Have you challenged your carrier to help you cut costs? Good insurance providers will work with you to develop a plan of action.

✓ Are employees' premiums deducted pre-tax? This tactic can help offset the burden of increased cost sharing.

✓ Are you helping employees become better health care consumers? A comprehensive education program can make employees more aware of how their decisions impact their wallets – and the company's bottom line.

Spreading the Word About Employee Benefits

Today's employees have a staggering amount of responsibility when it comes to their benefits. They must sort through new and complex health insurance options to find the right plan for their family – and their budget. And considering the uncertain future of Social Security, they're also accountable for an increasingly large share of their income at retirement.

Unfortunately, many employees are simply unprepared to make these critical decisions.

"Financial literacy in the nation is not good, and **most Americans are not planning for their financial future and saving for retirement and other life events,**" testified Dallas Salisbury, president of the Employee Benefit Research Institute (EBRI) and judge for *The Principal 10 Best* program, at a 2005 hearing by the House Committee on Financial Services.

As a result, **the burden is on employers not just to educate employees but also to motivate them to take action.** *The Principal 10 Best Companies* have done just that, and with great results. Use the following checklist to create your own benefits successes.

Almost half (49 percent) of employees feel they have **too little information** regarding planning and saving for retirement.

– The Principal Financial Well-Being Index – Third Quarter 2005

⁵EBRI, http://www.ebri.org/pdf/PR_697_20Apr05.pdf

Going the Extra Nautical Mile

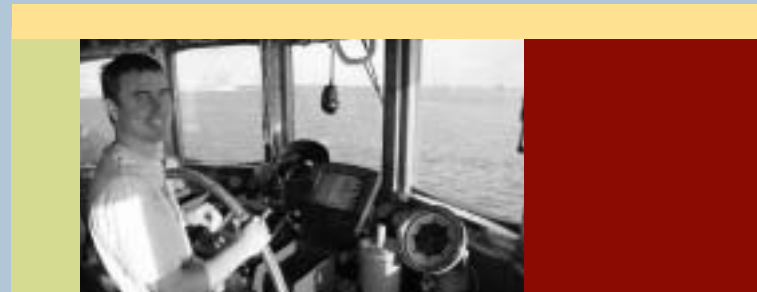
Moran Towing Corporation has a unique challenge when it comes to educating and communicating with their employees. It isn't just that some employees work away from the main office – it's that some employees work away from dry land.

"We're a maritime company, and **many of our employees are out on our vessels for two weeks and then at home for one week,**" explains Jeff McAulay, Moran Towing Corporation's vice president of finance and administration. "That makes it hard for us to hold office meetings.

"We have to be very creative," McAulay continues. "**We use Web conferences, we put videos on the boats,**

we use paycheck stuffers and we send mailings to their homes," McAulay says. "We really try to reach every employee the best we can."

The company's extra efforts have obviously paid off. **Their 401(k) plan boasts a 95 percent participation rate and an average employee deferral of nine percent.**



MORAN TOWING CORPORATION

EMPLOYEE EDUCATION AND COMMUNICATION CHECKLIST

A strategically placed poster and an occasional memo from human resources are no longer enough to meet the growing educational needs of today's workforce. Instead, *The Principal 10 Best Companies* recommend these tactics.

- ✓ Are you leveraging technology to reach remote employees? E-mail, Internet links, videos and Web casts are all highly effective ways to educate off-campus employees.
- ✓ Can employees meet with a financial professional? Many employees want advice that employers just can't provide. An outside financial professional can fill that void.
- ✓ Do you allow spouses to attend benefit meetings? Most couples prefer to make important benefit decisions together.

- ✓ Do you plan ahead for major communication needs? Communication regarding a change in providers, a new or discontinued benefit or a cost structure adjustment can require significant pre-planning – sometimes as much as a year in advance.
- ✓ Are your benefit meetings entertaining? Although "benefits" and "fun" are rarely used in the same sentence, this doesn't mean that you can't jazz up meetings with contests, games and prizes.
- ✓ Do you create personalized benefit statements? Showing employees how much you spend on their specific benefits can help to gain their support and appreciation.

How Does Your Company Stack Up?

Growing companies and their advisors can use the following guide to see how they stack up to **The Principal 10 Best Companies** and companies across the nation.

Benefits that Contribute to Employee Financial Security	Your Firm's Offerings	Percent of The Principal 10 Best Offering These Benefits	National Averages for Benefit Offerings By Number of Employees (ees) or Workers		
Health Benefits		100%	59% ¹ (3-199 ees)	98% ¹ (200+ ees)	
Single premiums paid (75%+) by firms for covered workers		100%	77% ¹ (3-199 ees)	79% ¹ (200+ ees)	
Family premiums paid (75%+) by firms for covered workers		80%	40% ¹ (3-199 ees)	62% ¹ (200+ees)	
Offer part-time workers health benefits		60%	29% ¹ (25-199 ees)	33% ¹ (200-999 ees)	
Offer retirees health benefits		70%	18% ¹ (50-199 ees)	28% ¹ (200-999 ees)	
401(k) Retirement Plan		90%	18% ² (<100 ees)	36% ² (100-499 ees)	66% ² (500-999 ees)
Average participation rate		90%	85% ³ (1-49 ees)	80% ³ (50-199 ees)	75% ³ (200-999 ees)
Average employee deferral		6.8%	5.4% for lower-paid employees; 6.7% for higher-paid employees ³		
Offer employer match		90% offer match, with various match rates	46% of plans have a fixed match of \$.50 per \$1.00 ³		
Profit Sharing Plan		30%	16% ^{**} (2-99 ees)	Not Available	
Defined Benefit Plan		80%	10% ⁵ (1-99 ees)	37% ⁵ (100+ ees)	
Offer part-time workers retirement benefits		70%	27% ⁵		
Group Life Insurance		100%	37% ^{5*} (1-99 workers)	70% ⁵ (100+ workers)	
Short-Term Disability Insurance		80%	28% ⁵ (1-99 workers)	55% ⁵ (100+ workers)	
Long-Term Disability Insurance		100%	19% ⁵ (1-99 workers)	44% ⁵ (100+ workers)	
Accidental Death & Dismemberment Insurance		100%	58% ⁴ (20-99 ees)	86% ⁴ (100-499 ees)	91% ⁴ (500-999 ees)
Long-Term Care Insurance		50% offer on voluntary basis	4% ⁵ (1-99 workers)	21% ⁵ (100+ workers)	
Flexible Spending Accounts (FSAs)		100%	24% ⁶ (10-499 ees)		81% ⁶ (500+ ees)

¹ Kaiser Family Foundation and Health Research & Education Trust, Employer Health Benefits 2005 Annual Survey

² Spectrem Group Study, 2004

³ Profit Sharing Council of America's 48th Annual Survey of Profit Sharing and 401(k) Plan (2004 reporting)

⁴ LIMRA's MarketTrends 2005 Trends in the United States (*U.S. Small Businesses in 2000)

⁵ United States Department of Labor: Bureau of Labor Statistics: National Compensation Study: Employee Benefits in Private Industry, March 2005

⁶ Mercer National Survey of Employer-Sponsored Plans 2004, Internal Research

“We’re a farm supply co-op, so we operate on a very thin profit margin. Others like us have dropped benefits that we offer, but **we’re committed to keeping our benefit package intact** – and it’s recognized. My secretary will be retiring in January, and she thanked me for keeping our benefits in place.”

– Rob Zeldenrust, general manager, Fremont Co-operative Produce Company



FREMONT CO-OPERATIVE PRODUCE COMPANY

Best Practices in **Action**

On the following pages you’ll find detailed examples of how **The Principal 10 Best Companies** are putting best practices into action, followed by profiles of each of the winners.

INSIDE, EXPLORE

- Best Practices in Health Care Benefits
- Best Practices in Retirement Benefits
- Best Practices in Employee Education and Communication

Best Practices

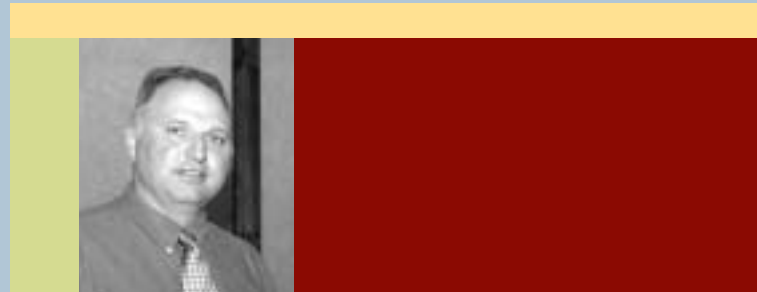
in Health Care Benefits

The Principal 10 Best Companies – 2005 are placing a growing emphasis on wellness and preventive care and are evaluating new forms of health care plans. The following tactics have helped them reconcile ever-increasing health care costs with their commitment to employee financial security:

- **Helping employees choose the right plan for them.** Many employees may be confused and intimidated when selecting from different health care options. *The Principal 10 Best Companies* make sure employees understand their choices. “In the benefits orientation, I go into detail about each of the plans, exactly what’s covered and exactly what the co-pays are going to be. I also will work with employees on a case-by-case basis to help them choose the right plan for them,” says Kristen DiSanto, vice president of human resources for The Washington Trust Company.
- **Creating a comprehensive wellness program.** Glatfelter Insurance Group’s wellness program includes a fitness center, an on-site trainer, free physicals, health screenings, weight management programs and wellness fairs. “I really believe our wellness benefits make a difference,” says Sandra J. Brown, the company’s vice president of human resources. “It has paid off not just in health care dollars, but also in the culture and the overall loyalty of employees. They know that we care.”
- **Implementing a health savings account (HSA).** HSAs are high-deductible, account-based health care plans that allow employees to set aside money for health care expenses on a tax-favored basis. Two of *The Principal 10 Best Companies – 2005* plan to implement HSAs next year; several others are researching the option. “I’m a big fan of HSAs,” Nick Brown, president of Southwest Power Pool, Inc., says. “If you make employees better health care consumers, you’ll see benefits as far as utilization.”
- **Providing free preventive care.** Simple and relatively inexpensive preventive care – including flu shots and standard blood tests – can prevent more costly health care expenses down the road. “I think it makes a difference,” says Flexible Steel Lacing Company’s human resources administrator, Krista Howland, of their wellness screenings, which are free to employees, spouses and retirees.
- **Offering different medical plans to meet employees’ varying needs.** “There are several plan options employees can select in accordance with their medical insurance use,” says Susan Cutter, vice president at American Lung Association. “I think designing our plans that way has helped to control our expenses.”
- **Taking advantage of providers’ Web sites.** Both of American Lung Association’s health care plan providers have extensive Web sites, which employees can use to access

Fifteen years ago, medical coverage for a family was \$98 a month. Today, it's \$1,300 a month. That really concerns me. We are trying to maintain a valuable benefit to our employees and balance the cost.

– Rob Zeldenrust, general manager, Fremont Co-operative Produce Company



ROB ZELDENRUST

the provider directory, view claim status, request mail-order prescription drug refills and more.

- **Tweaking plan designs.** Campus USA Credit Union's medical insurance costs were slated to increase by eight percent in 2005. "By switching to a slightly different plan, we saved \$120,000 per year in premiums," explains Jill Harper, vice president of human resources at Campus USA Credit Union.
- **Rewarding employees for exercising.** A little incentive can go a long way. That's why Flexible Steel Lacing Company gives free gift certificates from local sporting goods stores to employees who exercise on a regular basis.
- **Being candid about cost increases.** GuideOne Insurance finds that employee education and communication help gain employee support despite increased deductibles. "If our experience is bad, we share that with employees. You have to communicate and talk about why you're making changes," explains John Roberts, senior vice president of human resources at GuideOne Insurance.
- **Making education a top priority.** If your company is considering a major change, start now on your employee education plan. "Education will be a critical focus for us," says Glatfelter Insurance Group's Brown of the company's future plans to implement a health savings account (HSA). "We will have an extremely extensive education plan in place before we roll the HSA out."
- **Deducting employees' contributions on a pre-tax basis.** This tactic can help lessen the sting of employees' contributions by easing their tax burden. American Council of Life Insurers (ACLI) recently made this change to help minimize the impact of cost increases on employees' pocketbooks.

Best Practices in Retirement Benefits

As employees become less confident of Social Security benefits, employer-sponsored retirement benefits have taken center stage in the average American's quest for long-term financial security. The Principal 10 Best Companies for Employee Financial Security – 2005 are meeting this challenge head-on with outstanding retirement benefits and innovative education tactics, including:

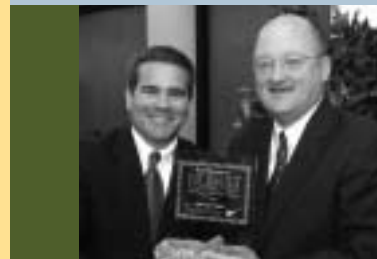
- **Reviewing employee contribution trends.** “Our 401(k) vendor gives us a report that shows where employees' money is going,” says Jeff McAulay, vice president – finance and administration at Moran Towing. “They also break it out by salary, by age and by location. It allows us to see if we need education on any specific issue.”
- **Bringing in an outside financial pro.** Flexible Steel Lacing Company (Flexco) is one of five of *The Principal 10 Best Companies – 2005* to offer employees access to a financial planner. “Investing within the 401(k) is really confusing for people. They don't know how to do it, so they end up asking a buddy who may or may not be giving them the right advice. So we started offering employees free professional guidance from a financial planner. Employees tell us the financial planner is a great thing,” says Krista Howland, Flexco's human resources administrator.
- **Making saving – and saving more – automatic.** To boost participation and deferrals in its 401(k) plan, GuideOne Insurance has implemented automatic enrollment and automatic deferral increases. Those features have helped the company achieve an 85 percent participation rate and an average employee deferral of 7.5 percent.
- **Including lifecycle funds in the investment lineup.** Lifecycle funds help take the worry out of managing 401(k) investments. Employees select a fund based on their retirement date. Each fund consists of a full investment portfolio and is professionally managed based on a specific retirement year. As employees near retirement, the portfolio automatically becomes more conservative. “There's been a strong interest in our lifecycle funds because they take the guesswork away,” says Sandra Brown, vice president of human resources for Glatfelter Insurance Group.
- **Planning ahead for employee education.** American Council of Life Insurers (ACLI) recently changed from a defined benefit pension plan to a cash balance pension plan. The transition was very smooth, thanks in large part to the company's thorough communication plan. “We spent more than a year educating employees on the change. We introduced it first in a broad context, then in more focused ways, then in individual ways. It was a hand-holding process right from the start,” explains Joanne Daly, senior vice president of administration at ACLI.

Putting Retirement Saving on Autopilot

GuideOne Insurance is a company on the cutting edge of employee benefits – especially when it comes to their 401(k) plan. For seven years, the company has offered automatic enrollment in its 401(k) plan – a feature that most companies are just beginning to adopt.

More recently, GuideOne Insurance has added additional “autopilot” features to its retirement plan, including automatic deferral increases and lifecycle funds. “These autopilot features help employees overcome the inertia and uncertainty that keep many people from saving for retirement,” says John Roberts, senior vice president of human resources at GuideOne Insurance.

The numbers prove that the company’s efforts are working. Their 401(k) plan has an 85 percent participation rate and an impressive average employee contribution of 7.5 percent of pay.



GUIDEONE INSURANCE

- **Offering incentives for even small deferral increases.** The Washington Trust Company, which boasts an average deferral rate of eight percent, issues a “1 Percent Challenge” to employees each quarter. When employees increase deferrals by at least one percent, they receive a free gift such as a T-shirt or pre-paid calling card. “It always amazes me how many people take the challenge and increase their deferrals,” says Kristen DiSanto, vice president of human resources for The Washington Trust Company. “The results are tremendous.”
- **Sending out friendly reminders to increase deferrals.** Campus USA Credit Union typically sees deferral increases of two to three percent after sending monthly reminders to employees.
- **Offering an employee match.** Of the nine companies offering a defined contribution plan, eight match a portion of employees’ contributions. A match not only helps employees accumulate a bigger retirement nest egg, but it also encourages employees to defer at least enough of their own money to receive the full employer match.
- **Adding annuities as retirement plan payout options.** Virtually all pension plans offer an annuity payout option. Many of *The Principal 10 Best Companies* this year also offer annuity payout options for their defined contribution plans. “We think annuities are very important and underused,” ACLI’s Daly says.
- **Sponsoring age-specific retirement planning classes.** “There are a lot of different things to consider based on how far away employees are from retirement,” Flexco’s Howland explains. “That’s why we offered one class for employees with less than 10 years until retirement and another for those with more than 10 years until retirement. Plus, I think employees felt more comfortable asking questions within those groups because everyone was in the same boat.”

Best Practices in Employee Education and Communication

Even top-of-the-line employee benefits will be ineffective recruiting and retention tools if employees don't understand and appreciate them. That's why The Principal 10 Best Companies for Employee Financial Security – 2005 make employee education and communication a top priority.

"Employee communication and education are the keys," emphasizes John Roberts, senior vice president of human resources, GuideOne Insurance. "We're trying to be there for employees and to help them understand their benefits in a sometimes very perplexing world."

The Principal 10 Best Companies – 2005 rely on a wide variety of creative approaches to make sure their employees get the message. Their best education and communication practices include:

- **Bringing in a financial advisor.** Southwest Power Pool, Inc. uses a registered investment advisor to help educate and guide employees on retirement issues. "Bringing that advisor on helps us meet our fiduciary responsibility and helps our employees get personal advice," says Nick Brown, president and CEO of Southwest Power Pool.
- **Making an extra effort to reach off-site employees.** Only 65 of Moran Towing's 800-plus employees are in the corporate office. The rest are spread across the United States and the world, and many are out on the company's boats for two weeks at a time. "We have to be very creative about educating our employees," explains Jeff McAulay, the company's vice president of finance and administration. "We use Web conferences, we put videos on the tugs so employees can watch them while they're out on the boats and we mail things to their homes. We try to reach people as best we can."
- **Including spouses in meetings.** Many of *The Principal 10 Best Companies – 2005* allow spouses to attend benefit meetings. Fremont Co-operative Produce Company takes that practice one step further. "For important benefit meetings, we'll invite the spouses and buy everyone dinner at a nice restaurant in town. We usually have close to 100 percent attendance," says Rob Zeldenrust, the company's general manager.
- **Sponsoring "lunch and learns."** If finding time for benefits education is a challenge, hold "lunch and learn" gatherings. The company can provide lunch, or employees can bring their own lunches. "The lunch and learn programs we hold are extremely helpful," says Sandra Brown, vice president of human resources at Glatfelter Insurance Group.
- **Using a combination of communication tools.** Employees have different preferences when it comes to learning. That's why *The Principal 10 Best Companies* this year use

The Personal Touch

The Washington Trust Company doesn't believe in taking the easy way out – especially when it comes to educating employees on the company's benefit package. Despite the convenience of mass communication tools like e-mail and the intranet, the company focuses on the personal touch by maintaining a larger-than-average human resources staff.

"Industry standards are to have one human resources person for every 100 employees. We have five for 450 employees," explains Kristen DiSanto, vice president of human resources at The Washington Trust Company. "I'm sometimes asked, 'Isn't that a little heavy?' It isn't, though, especially considering the way we want to interact with our employees.

"We could probably get by with four or even three HR people if we wanted to run this like a factory –

basically enrolling people and never talking to them again. But that's not the type of institution we are," says DiSanto.

DiSanto and the rest of the company's HR staff often meet individually with employees to fully explain benefits, answer questions and help in the selection of medical plans. **"If we take care of our employees, they will take care of our customers, which ultimately takes care of our shareholders,"** DiSanto concludes.



WASHINGTON TRUST COMPANY

a variety of communication methods, including e-mails, mailings to employees' homes, newsletters and more. "I think the combination of different means of communication gets us better overall coverage," asserts Kristen DiSanto, vice president of human resources at The Washington Trust Company.

- **Making meetings fun. Something as simple as contests can help boost attendance at benefits meetings.** "We do different fun games and contests," says Jill Harper, vice president of human resources at Campus USA Credit Union. "They can win days off and other prizes. We definitely get higher attendance at those meetings."
- **Creating personalized benefit statements.** Moran Towing is among several *10 Best Companies* to use this tool, which shows each employee the cost of the specific benefits

he or she receives. "We find that helpful in a lot of different ways. It allows employees to see types of benefits they're receiving. It shows how much the benefits cost and helps employees appreciate the cost," says McAulay of Moran Towing.

- **Using the personal touch.** Even in this age of computers and the Internet, nothing can replace one-on-one interaction with employees. "The education process is very high-touch. Industry standards are to have one human resources person for every 100 employees – we have five for 450 employees," explains DiSanto of The Washington Trust Company.

About

The Principal 10 Best Companies for Employee Financial Security – 2005



AMERICAN COUNCIL OF LIFE INSURERS

Washington, D.C.

Type of business: Trade organization for the life insurance industry

Number of employees: 135

Founded: 1975

Web site: www.acli.com

As the largest trade organization in the life insurance industry, American Council of Life Insurers (ACLI) believes in “walking the talk” when it comes to employees’ financial security. As a benefits industry insider, the organization is uniquely positioned to stay on top of the latest in employee benefits.

To meet the changing needs of today’s employees, for example, ACLI recently switched from a defined benefit pension plan to a cash balance pension plan. “Cash balance plans are less complex to administer and so much easier for participants to understand,” explains Joanne Daly, senior vice president of administration at ACLI. “They’re innovative and more attractive to a mobile workforce.”

ACLI experienced a smooth transition to the cash balance plan, thanks in large part to their proactive education program. “We spent a lot of time educating employees and designing transition features,” says Daly. “It was a hand-holding process right from the start. Employees do value the benefit more now.”



AMERICAN LUNG ASSOCIATION

New York, N.Y.

Type of business: *Oldest voluntary health organization working to prevent lung disease and promote lung health*

Number of employees: *99*

Founded: *1904*

Web site: *www.lungusa.org*

Even as large, for-profit corporations are dropping their pension plans, the American Lung Association, the oldest voluntary health organization in the United States, is dedicated to keeping theirs going.

“Yes, it’s hard,” admits Susan Cutter, the organization’s vice president of human resources and operations. “A defined benefit (DB) pension plan requires considerable administration, and periodically it can be quite expensive. However, we have a strong commitment to this benefit, because this is a plan where the employer bears the investment risk. The employee can count on the benefit from our DB plan.”

To help ensure the future viability of the DB plan, the organization solicits contribution recommendations from the plan actuary and, when possible, makes contributions in excess of IRS minimum funding requirements. “This helps to level and control our future funding costs,” Cutter says.



CAMPUS USA CREDIT UNION

Gainesville, Fla.

Type of business: *Member-owned financial services organization*

Number of employees: *190*

Founded: *1935*

Web site: *www.campusa.com*

Considering Campus USA Credit Union’s impressive benefits package – including three retirement plans and medical insurance premiums that are 90 percent employer-paid – it’s no wonder they put a strong focus on employee education and communication.

“We want employees to appreciate what they have,” says Jill Harper, the organization’s vice president of human resources. To help spread the word, Campus USA Credit Union posts information on the company intranet, sponsors seminars, creates total compensation statements, offers benefit fairs and holds all-employee meetings.

To keep employees engaged during benefits meetings, the company incorporates games and contests. “Employees can win days off and other prizes,” Harper says. “We always get a good turnout for those meetings.”



FLEXIBLE STEEL LACING COMPANY

Downers Grove, Ill.

Type of business: *Manufacturer of conveyor belt fasteners and maintenance solutions*

Number of employees: *280*

Founded: *1907*

Web site: *www.flexco.com*

For almost a century, Flexible Steel Lacing Company has demonstrated an inspiring dedication to its employees. "We're very employee-centered here," explains Krista Howland, the company's human resources administrator. "We're very much a family kind of company, and we try to do right by our employees."

This commitment to its employees has led Flexible Steel Lacing Company to implement a benefit package that includes a defined benefit pension plan, a generous medical insurance benefit and a 401(k) plan with an employer match of 33 percent up to six percent of pay.

The company's outstanding benefits, in turn, have helped it to retain employees, resulting in an impressively low turnover rate of just 2.6 percent. "Our employees do realize how good the benefits are," says Howland. "It's another example of why our company is a great one to work for."



FREMONT CO-OPERATIVE PRODUCE COMPANY

Fremont, Mich.

Type of business: *Farm supply cooperative serving farmers in western Michigan*

Number of employees: *36*

Founded: *1912*

Web site: *www.frecoop.com*

As expensive as benefits are for farm supplier Fremont Co-operative Produce Company, the company's general manager, Rob Zeldenrust, has no doubt that he's making a winning investment.

"I rarely have employee turnover. I don't have to spend a lot of time training employees. I can attract good people and expect results from them," Zeldenrust says. "A lot of that is due to the benefits package."

Zeldenrust has also found that the company's low turnover helps to retain customers. "This is a relationship company," he explains. "The farmers we deal with want to work with people who know what's going on with their farms. If I had a lot of employee turnover, I would lose the confidence of our members."



GLATFELTER INSURANCE GROUP

York, Penn.

Type of business: Privately-owned insurance broker for property, casualty, life, accident and health insurance products

Number of employees: 447

Founded: 1951

Web site: www.glatfelterinsurance.com

With three different retirement plans [an Employee Stock Ownership Plan (ESOP), a money purchase pension plan and a 401(k) plan], there's no doubt Glatfelter Insurance Group is helping to secure its employees' financial futures. In return, the company's leadership is confident that these benefits – especially the ESOP – have helped to secure the company's financial future.

Anthony Campisi, Glatfelter Insurance Group's president and chief operating officer, credits the ESOP with helping the company to grow and prosper. "The ESOP created the right kind of culture to lead the company to financial success," Campisi says.

After implementing the ESOP, Glatfelter Insurance Group adopted an open-book approach to the company's financial information – even going so far as to show employees a complete financial report on a monthly basis. The result, believes Campisi, is a highly educated and extremely motivated group of employees.



GUIDEONE INSURANCE

West Des Moines, Iowa

Type of business: Provider of property and casualty insurance for commercial and personal lines customers, with an emphasis on coverage for churches and churchgoers

Number of employees: 807

Founded: 1947

Web site: www.guideone.com

With a niche market of churches and churchgoers, GuideOne Insurance is "an organization with a higher calling," according to John Roberts, the company's senior vice president of human resources.

"We're dealing with organizations that place a high value on service and on being there for their parishioners," Roberts explains. "We really want to provide the highest level of service and to be by far the best in each market we serve."

Roberts believes the company's impressive benefits program plays an important role in achieving those goals by helping attract and retain top employees.

"As a result, 94 percent of our church policyholders – close to 50,000 – choose to renew with us each year," Roberts says.



MORAN TOWING CORPORATION

New Canaan, Conn.

Type of business: Provider of maritime services, including ship docking; marine transportation of petroleum, coal and grain; and towing services for container and cement barges

Number of employees: 825

Founded: 1860

Web site: www.morantug.com

Like all of *The Principal 10 Best Companies*, Moran Towing Corporation recognizes that benefits communication is a two-way street. That's why the company regularly seeks – and acts upon – employee feedback on the benefits program.

A few years ago, for example, the company's health and dental insurance was based on a two-tiered premium structure. "Some employees came to me and pointed out that a husband and wife with no children were paying the same as a husband and wife with three children," says Jeff McAulay, Moran Towing Corporation's vice president of finance and administration. "So last September, we switched to a four-tier system, which provided more options for different family situations."

McAulay points out that the company seeks employee feedback on an ongoing basis, through formal meetings as well as through impromptu conversations and the company's intranet site.



SOUTHWEST POWER POOL, INC.

Little Rock, Ark.

Type of business: Group of utility companies that provides service to 18 million people in the southwestern United States

Number of employees: 163

Founded: 1941

Web site: www.spp.org

Formed during World War II when 11 utility companies joined together to serve critical national defense needs, Southwest Power Pool's history is one of relationships. That legacy lives on today in the company's relationships with its customers and its employees.

"We like to encourage long-term employees and a family atmosphere," says Nick Brown, the company's president and chief executive officer. "It's a philosophy where everyone is in this for the long haul."

That long-term philosophy has a big effect on how Southwest Power Pool approaches its employee benefits. "We could cut the premium split on our health benefit and not be outside the realm of other employers, but that would detract from our family atmosphere. We want to provide benefits that will help employees even after they retire," Brown explains.



THE WASHINGTON TRUST COMPANY

Westerly, R.I.

Type of business: A community bank offering personal banking, business banking and wealth management services through offices in Rhode Island and southeastern Connecticut

Number of employees: 448

Founded: 1800

Web site: www.washtrust.com

“Our CEO has always told us that if we treat our employees well, they’ll work hard and take care of our customers. If we take care of our customers, they’ll make us profitable. And if we’re profitable, we’ll please our shareholders,” says Kristen DiSanto, vice president of human resources for The Washington Trust Company.

One of the many ways in which The Washington Trust Company takes care of its employees is through an extensive wellness program, which won a prestigious Well Workplace Silver Award from Wellness Councils of America.

The company’s wellness program includes on-site health screenings, stress-reduction seminars, health education and reimbursement for smoking cessation and weight loss programs. More than 75 percent of employees participate, and the company is confident that the wellness program is helping to improve their claims experience.

Read more about

The Principal 10

Best Companies – 2005

at www.principal.com/theprincipal10best

Does Your Company Have What it Takes To Be One of the 10 Best?

The Principal 10 Best Companies for Employee Financial Security *is a prestigious, nationwide program that recognizes growing companies for excelling in everything from retirement plans to benefit education.*

Esteemed judges from the nation's leading sectors of business, human resources and academia – in affiliation with Mathew Greenwald & Associates – select companies based on criteria such as the breadth of financial benefits offered, the depth of financial benefits offered and the level of commitment by the company to its employees' financial security.

Companies chosen as *The Principal 10 Best Companies for Employee Financial Security* are held up as role models – setting standards by which other businesses measure their benefits offerings. Additionally, the winners receive:

- Extensive recognition in national and local news media
- Exposure on The Principal Web site and in the Best Practices Guide for Employee Financial Security
- A stunning, custom-designed award for company display, presented during a recognition ceremony in their city involving employees, local dignitaries and representatives from the Principal Financial Group

- A donation to the charity of their choice
- Permission to use the recognition title in any internal or external marketing materials

Companies qualify to enter if they:

- Are organized and located in the United States
- Employ between five and 1,000 workers
- Have offered a broad range of traditional employee benefits for at least five years

Companies do not have to be clients of The Principal to enter. Companies owned by employees of The Principal are not eligible to enter. To find out if your company qualifies to enter in next year's program, visit www.principal.com/theprincipal10best/.

The Principal 10 Best Companies are doing something that's not just good for their employees but also for their organizations.

As we've certainly learned over the years, companies that treat employees well are more likely to prosper – and so are their shareholders.

– Corey Rosen, executive director and founder, National Center for Employee Ownership, and judge
for *The Principal 10 Best Companies* – 2005



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