

Principal® Deferred Compensation - 457(b) plan

Strengthen your organization and drive key employee performance





A retirement benefit that helps you recruit, retain, and reward key employees.

What is a 457(b) plan?

This plan is an employer-sponsored benefit of 501(c) or non-governmental tax-exempt organizations for the key employees you choose. It's basically an agreement between you and your key employees.

Those who participate in a 457(b) plan defer a portion of their annual compensation or bonuses into the plan before taxes. And you promise to distribute that money, plus any potential earnings and additional employer contributions, to them at a future time.

Keep your key employees satisfied with benefits they may need and value

Things are going well for your organization. Much of this success is credited to your key employees. Their leadership and expertise are hard to match—and hard to find! What can you do **now** to help ensure your top talent remains committed to you—and **not** the competition?

Enhance your benefits package with a **457(b) plan**. It can give you a competitive advantage by:

- Encouraging the best employees to join your organization as it grows.
- Keeping your key employees satisfied and motivated for the long term.
- Rewarding them for reaching goals.
- Helping employees bridge the retirement gap resulting from 401(k) or 403(b) plan testing and limitations.

No matter which of the areas above you are trying to address, we strive to have a solution for your organization. To help you select the right plan, we'll listen to your challenges, understand your needs and goals, and work with you and your financial professional to:



Discover. Identify the issues your organization wants to resolve and what you want to achieve.



Solve. Learn how this plan can help solve problems and achieve your objectives.



Design. Use the plan's flexibility to tailor a plan to your organization's and participants' needs.



Collaborate. Trust the service and experience we'll provide to you and your key employees every step of the way, year after year.



Stay current. Make changes to your plan as your organization's needs and goals change.

Discover

What are your organization's goals?

It's important to your organization to have a valued and cost-efficient benefits package—plus a little more for your key employees. So think about the goals you want your benefits package to achieve—both short- and long-term, such as:

Notes		
Recruit	Attract the best employees as part of a competitive benefits package.	
Retain	Encourage key employees to remain loyal to your organization.	
Reward	Provide performance-based contributions to achieve organizational goals.	
Retire	Help your key employees save enough for retirement above what 401(k) or 403(b) plans allow.	

What are your key employees' goals?

To have a successful plan, you need to address what your top employees want. Our annual trends survey¹ shows participants say their deferred comp plan is very important in reaching retirement goals. But you can customize the plan to help your key employees with a variety of goals, including:

Notes		
Retirement savings	Save beyond 401(k) or 403(b) plan limitations with employee deferrals or optional employer contributions.	
Managing taxes	Help manage the impact of taxes using the plan's flexibility for when benefits are paid.	
401(k) or 403(b) restoration	Use employee deferrals or employer contributions to restore benefits limited under a 401(k) or 403(b) plan.	

Solve

Is a 457(b) plan right for you and your key employees?

Once you’ve identified the most important goals, then consider the role that a 457(b) plan can play in helping achieve those goals. These plans offer benefits and considerations for both the organization and the key employees.

The 457(b) plan can be beneficial in planning for retirement. The plan allows your key employees to save beyond retirement plan limits. Plus, it doesn't require discrimination testing, minimum participation, or Form 5500 filing if set up properly.

It's also important for plan participants to remember that it's a promise from you, their employer, to pay benefits to them in the future—and compensation deferred into the plan isn't protected in the event of bankruptcy. But there are security mechanisms, like trusts, that you can put in place to provide a measure of protection.

A closer look at a 457(b) plan	457(b)
Pre-tax contributions*	Yes
Earnings accumulate tax-deferred	Yes
Contribution types	Employee and employer
Contribution limits	Typically match 402(g) limits
Age 50 catch-up	No, but special Section 457 catch-up in final 3 years before normal retirement age
Ability to make changes in deferrals	Monthly
Ability to design an individual investment strategy	Yes
Vesting	Typically 100% vested at all times
Covered by 409A	No
Rollover provisions	No, however, plan-to-plan transfers are possible
10% IRS early-withdrawal penalty	No

* Plan contributions are subject to FICA/FUTA at vesting and subject to income taxes at time of distribution. Deferrals may not be treated as pre-tax in all states. Participants should discuss the impact of taxes with their tax advisor.

Design.

How's the plan created?

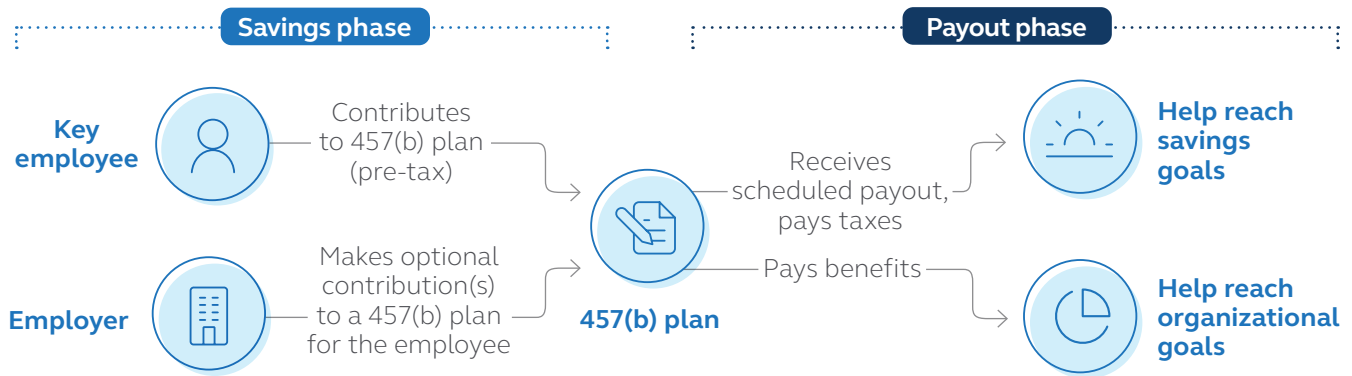
You're in control of making the plan yours—it's based on the specific goals of your organization and unique needs of your key employees. Together with your financial professional, we'll walk you through the decisions that need to be made to design a plan that makes sense for your organization:

Notes

Who participates	Select the groups of key employees ("top hat" employees or independent contractors) to participate in this plan.	
What can be offered	You can allow key employee deferrals in excess of retirement plan limits and/or provide employer contributions with the flexibility to vary benefits by individual employees.	
What happens with the contributions	You can select a reference investment line-up to make available to participants from a broad range of options. In addition, you can decide how and when key employees may receive the benefits based on organizational needs.	
How benefits are paid	Decide how payouts can be received from the plan. Benefits from a 457(b) plan can be paid as a lump sum or in annual installments.	

How it works

This chart shows how money is contributed to a 457(b) retirement plan and paid out at a later date. It also points out that when the benefit is distributed to the key employee, the employer receives an income-tax deduction and the key employee pays income tax on it.



How does your organization pay for it?

How the plan is financed	<p>Keeping your promise to pay benefits to participants in the future is important. Any of these financing options can help you do that.</p> <ul style="list-style-type: none"> • Company cash. No specific assets are set aside. Instead, benefits are paid through the company's cash flow. • Employer-owned investments. The company invests in mutual funds, which can be allocated similarly to the investments offered to plan participants. 	Notes
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Collaborate

How do we work with your organization and key employees?

You want to offer key employees the benefits they value—and those that will have a positive influence on them and your organization. Our team of experienced professionals will work closely with you and your financial professional to develop a strategy for implementing and servicing your 457(b) plan.

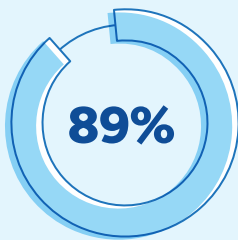
But we don't stop there. Year after year, we'll continue to work closely with you and your financial professional to fine-tune your plan to ensure your organization's goals are met—and your plan is administered as efficiently as possible.

Keeping you in-the-know

To help you stay on top of your plan, a range of information is available on our website and accounting reports. You also have easy access to plan asset and liability reporting, investment resources, and other tools to assist with administering your plan. Plus, depending on your plan type and design, you'll receive:

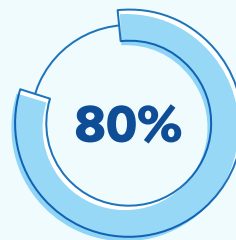
- Access to plan participants' account information.
- Daily valuation of assets/liabilities.
- Asset/liability information and rebalancing services.
- Updates on enrollment progress.
- Quarterly newsletter featuring legislative news, service updates, and more.

PLAN SPONSORS



Plan sponsors offer a deferred comp plan because they want to **provide a competitive benefits package.**^[1]

PLAN PARTICIPANTS



80% of participants say the plan is **important in helping reach their retirement goals.**^[1]

Turning your key employees into plan participants

Understanding the benefits of this exclusive plan is the first step—it's what will encourage your key employees to participate. We're here to help every step of the way:

Step 1: Introduce the plan

Whether this is a brand-new benefit or employees are familiar with this type of plan, we offer custom education to introduce plan basics. We'll help you make sure your employees are aware they are eligible so they can make an informed decision to participate.

Step 2: Enrollment

Participants can conveniently enroll online at principal.com. Our deferred comp specialists are available to answer questions.

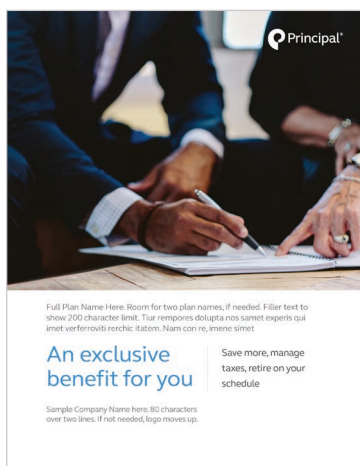
Step 3: Ongoing education and planning

Your participants need support to stay on track. We offer award-winning* communications that make participants feel celebrated, educated, and empowered to make strategic choices about their plan. We can also provide you with additional communication and education to promote greater understanding and appreciation of the benefit. Participants can find information about their accounts, investment strategy, contributions, and scheduled distributions at principal.com.

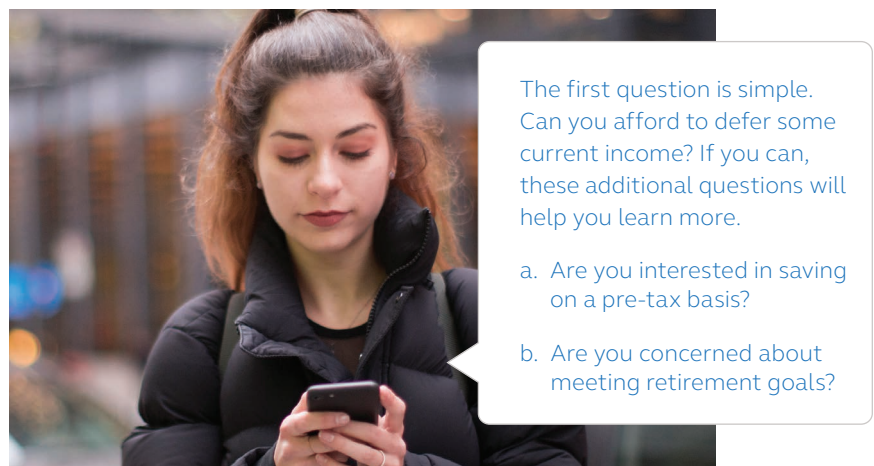
Participants set savings goals and see the impact of their contributions.

The screenshot shows the 'Nonqualified Deferred Compensation Planner' interface. It includes sections for 'Determine your strategy', 'Calculate your potential income from the deferred comp plan', and 'Your planning inputs'. The 'Your planning inputs' section shows a current age of 45, an annual base salary of \$150,000, and an annual bonus of \$0. The 'Your goals' section shows a target of 80% of income to be replaced by the plan, starting at age 62, and receiving Social Security benefits at age 67. The 'Your deferral plan' section shows an estimated account value of \$809,417, a desired annual retirement income of \$120,000, and an annual income from the plan of \$155,771. A progress bar indicates that the user is 100.0% funded. The interface also includes a 'Congratulations!' message and a 'What if you invested this amount in an after-tax investment, such as a stock or bond?' section with options for 'Deferred comp plan' and 'After tax investment'.

* The 2023 Insurance Marketing Communications Association (IMCA) Showcase awards



Education materials prepare participants for the decisions they'll make at enrollment.



Employees create their own tailored experience through dynamic, interactive digital education.

Stay current

How does the plan keep up with your organization's needs and goals?

The 457(b) plan is your plan. Its long-term success depends on how well it keeps pace with your organization's needs and goals—today and tomorrow. So once your plan is in place, we'll make sure to provide:

Close attention to the plan over time, such as a participant's account balance from the beginning of the plan until payout at retirement.

Experienced specialists who offer feedback on factors that can influence the plan, such as plan design changes and regulatory updates.

Financing Health Dashboard helps ensure the plan's financing continues to meet your goals.

Access to online dashboards of information.

“ If it hadn't been for that additional savings tool, I would never have met my goal to retire at age 62. It was that important. ”

Plan participant

Ready to start?

Once you decide that a 457(b) plan is right for your organization and key employees, we'll bring our experience and resources to the table to help you put this plan in place within your desired timing. We'll begin by:

- Gathering information from you about your organization.
- Tailoring the plan to your specific needs and goals.

Thousands of employers value the solutions and services we provide. You and your financial professional can count on us, too. We'll do our best to deliver a positive experience for everyone involved.

An industry leader in your corner

Our history speaks for itself. We've been providing nonqualified deferred compensation plans for more than 35 years, and have over 80 years of retirement plan experience. We're the No. 1 provider of deferred comp plans^[2] and a top three defined contribution recordkeeper.^[3]

What sets us apart from others is our:

- Commitment to and experience in the business and retirement plan markets.
- Unique plan design and flexibility to tailor it to specific needs and goals.
- Personal consultation that focuses first on the right plan design, and then on the financing to support it.
- Specialized team of legal, accounting, and financing resources with more than 200 years of combined experience to provide support.
- Service and commitment to building long-lasting relationships.

A member of the **FORTUNE** 500®, our employees are passionate about helping clients of all income and portfolio sizes achieve their goals. You can count on us to offer innovative ideas, investment expertise, and real-life solutions to help make financial progress possible.



Contact your financial professional for more information or to help with the next steps in putting a plan in place.

¹ 2023 Trends in Nonqualified Deferred Compensation, conducted by Principal.

² Based on number of plans (excluding 457 plans), PLANSPONSOR 2023 Defined Contribution Recordkeeping Survey, July 2023.

³ Based on number of 401(k) plan participants, 2023 PLANSPONSOR Recordkeeping Survey, July 2023.



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