Recognize and motivate key employees

Presented to

[Organization Name Line 1]
[Organization Name Line 2]
[Organization Name Line 3]
A bonus program that helps you retain and reward key employees

**What’s a Nonqualified Incentive Bonus Plan?**

It’s an employer-sponsored, long-term incentive plan for the key employees you choose – including employees that can’t participate in traditional nonqualified deferred compensation plans.

You make pre-tax contributions into the plan for your key employees and promise to pay that money, plus any potential earnings, to them at a future date based on the vesting schedules you set.
Recognizing and rewarding the key employees who contribute to your organization’s success makes good business sense. 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 Nonqualified Incentive Bonus Plan. It’s designed to help you:

- Encourage the best employees to join your organization as it grows.
- Keep your key employees satisfied and motivated for the long term.
- Reward your top talent for reaching goals.

No matter which of the areas above you are trying to address, we 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.
- **Partner** – Trust the service and expertise 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.
What are the organization’s goals?

It’s important to your organization to provide a valued and affordable benefits package for all employees – plus a separate strategy focused on your key employees. So think about the goals you want your benefits package to achieve – both short- and long-term, such as:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruit</td>
<td>Attract the best employees as part of a competitive benefits package.</td>
</tr>
<tr>
<td>Retain</td>
<td>Encourage key employees to remain loyal to your organization.</td>
</tr>
<tr>
<td>Reward</td>
<td>Provide performance-based contributions in achieving organizational goals.</td>
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<tr>
<td>Motivate</td>
<td>Encourage high-performing employees to achieve results through incentives.</td>
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</table>

What are your key employees’ goals?

To have a successful plan, you need to address what your top employees want. Our annual trends survey shows participants consider deferred comp among the most important in deciding to take a new job and to stay with an employer. And you can customize the plan to help your key employees with a variety of goals, including:

<table>
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<tbody>
<tr>
<td>Savings goals</td>
<td>Control timing of payouts to meet savings goals.</td>
</tr>
<tr>
<td>Managing taxes</td>
<td>Help manage the impact of taxes using the plan’s flexibility for when benefits are paid.</td>
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</table>
Is a Nonqualified Incentive Bonus Plan right for you and your key employees?

Once you’ve identified the most important goals, then consider the role that this plan can play in helping achieve those goals. The plan offers benefits and considerations for both the organization and the key employees.

Benefits for your key employees:
- Take advantage of pre-tax employer contributions, tax-deferred growth and compounded earnings.
- Both “Top Hat” and “non-Top Hat” employees are eligible to participate in the plan.
- Design a personalized investment strategy.
- Enjoy flexibility by delaying plan benefits and the taxation of them if they choose.

Benefits for you:
- Easier to administer with no discrimination testing, minimum participation or Form 5500 filing, if set up properly.
- Use discretionary company contributions with vesting schedules to help achieve corporate goals.
- Money set aside to finance the plan remains an asset on the company’s balance sheet, while providing liquidity for paying benefits.

Considerations for your key employees:
- Contributions into the plan aren’t protected in the event of company bankruptcy.
- Only employer contributions are allowed.
- The decision to defer payout of benefits must be made the year prior to when the employer initially contributes to the plan.

Considerations for you:
- The corporate tax deduction is deferred until benefits are paid, rather than a current deduction.
- Distributions to plan participants must be paid within 10 years of the original date of each employer grant.
- To qualify as a bonus plan not subject to ERISA, the plan cannot be designed to “systematically” provide benefits to participants after separation from service. This determination must be made by the plan sponsor.

Plan sponsors view nonqualified plan benefits as a supplement to their benefits package to help recruit, retain and reward top talent.

70%

1. Source: Plan sponsors
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:

<table>
<thead>
<tr>
<th>Who participates</th>
<th>Select the groups of key employees (“Top Hat” and “non-Top Hat” employees) to participate in this plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>What can be contributed</td>
<td>You can provide one contribution per participant each year with the flexibility to vary benefits by individual employees.</td>
</tr>
<tr>
<td>What happens with the contributions</td>
<td>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. However, benefits must be paid to them within 10 years of the date of the original employer grant.</td>
</tr>
<tr>
<td>How benefits are paid</td>
<td>Decide how payouts can be received or deferred from the plan. Benefits are always distributed as a lump sum.</td>
</tr>
</tbody>
</table>
**How it works**

This chart shows how money is contributed to the Nonqualified Incentive Bonus 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.

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**How does an organization pay for it?**

**How the plan is financed**

Keeping your promise to pay benefits to participants in the future is important. Any one of these three (or combination of) financing options can help you do that. Plus, we’ll provide a detailed financial model comparing the options to help you make this decision.

- **Company cash** – No specific plan assets are set aside. Instead, benefits are paid through the company’s cash flow.
- **Taxable investments** – The company invests in mutual funds and/or individual securities.
- **Corporate-owned life insurance (COLI)** – The company purchases life insurance to pay future obligations.

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**Notes**

- **Key employee**
  - Receives employer pre-tax contributions
- **Employer**
  - Makes incentive contribution(s) for the employee
- **Incentive Bonus Plan**
  - Pays benefits and receives tax deduction
  - Receives scheduled payout, pays taxes
- **Savings phase**
- **Payout phase**
- **Receive bonus**
- **Reach organizational goals**
**Partner**

**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 experts will work closely with you and your financial professional to develop a strategy for implementing and servicing your nonqualified 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 corporate 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.
- Financing reviews to assess plan performance.

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Participants tell us they consider the deferred comp plan most important in:

- **Considering taking a new job with a new employer** – 61%.
- **Deciding to stay with a current employer** – 49%.
Turning your key employees into plan participants

Understanding how this exclusive plan works is what nurtures appreciation for the benefit among your key employees. 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 award-winning* custom education to introduce plan basics.

Step 2: Manage the plan

Participants can set up their account and select an investment direction online at principal.com. Our nonqualified plan specialists are available to answer questions Monday-Friday.

Step 3: Ongoing education and planning

Your participants need support to stay on track. Participants can find information about their accounts, investment strategy and scheduled distributions at principal.com.

* 2016 International Financial Communicators Awards Competition

These and other education materials help participants understand how the plan works, along with its benefits and considerations, as they manage their accounts.
How does the plan keep up with your organization’s needs and goals?

The Nonqualified Incentive Bonus 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.

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

Analytical tools and resources are available for new and existing plans – all while watching out for your bottom line.

Periodic financial reviews help ensure the plan’s financing continues to meet your goals.

Access to online dashboards of information.

Knowing there are incentives in place through our nonqualified plan, I think, significantly increases the loyalty and commitment you have to your employer.

“Plan sponsor quote from Principal research survey, April 2016"
Ready to start?

Once you decide that a Nonqualified Incentive Bonus Plan is right for your organization and key employees, we’ll bring our expertise 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 plans for more than 25 years, and have over 75 years of retirement plan experience. We’re the No. 1 provider of deferred comp plans and a leading provider of defined contribution plans.

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.
• 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.