Principal®

Nonqualified deferred compensation plans

Investment and financing options for **different needs**

An **industry leader** in your corner

Our history speaks for itself. We've been providing nonqualified deferred compensation plans for more than 30 years, and have over 80 years of retirement plan experience. And we're a global investment leader, too. Whether you're personally invested in the markets, or you have a professional responsibility to help your business reach its potential, you want an investment manager who empowers you to reach your financial goals through positive portfolio growth.

Financial strength

- We have **$714 billion** in assets under management and serve 51 million customers worldwide.[1]
- We're ranked **206th** on FORTUNE magazine's list of the largest 500 corporations based on revenues, May 2021
- We provide services to almost **48,000** retirement plans with more than **11 million** plan participants.[1]

Investment leadership

When you work with us, you benefit from the global investment management expertise of Principal®. We manage more than **US$714 billion** of assets, which includes over **US$546 billion** of assets managed by Principal Asset Management.[1]

Deferred compensation investment experience

- We're the No. 1 provider of deferred comp plans[2] and a top 3 defined contribution plan service provider[3].
- We serve over **3,400 plans** representing over **74,000 participants** through our nonqualified deferred compensation benefit plans.[1]
- We manage more than **$16.9 billion** in assets and **$14.5 billion** in plan liabilities.[1]

[1] As of December 31, 2021.

[2] Based on number of NQDC plans (excluding 457 plans), PLANSPONSOR 2022 Defined Contribution Recordkeeping Survey, July 2022.

[3] Based on number of defined contribution plan participants, 2022 PLANSPONSOR Recordkeeping Survey, July 2022.

One size doesn't fit all when it comes to selecting your plan's investment options.

To provide you and your plan participants flexibility, our solution to investment management[4] services provides an expansive investment platform. You have access to internally and externally managed investment options, including sub-advised options and name-brand mutual funds.

Most employers and their financial professionals select a broad range of investment options and allow their key employees to choose among multiple fund families and money managers. This large selection of investment options allows participants to choose investments to help meet their specific objectives and level of risk tolerance.

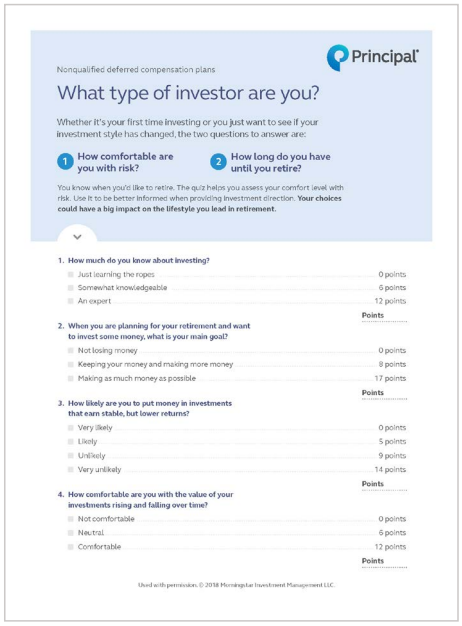
These investment options are valued daily with performance information and investment-option details, including a customized investment-option profile.

[4] The term "investment management" may be referring to an investment advisor or sub-advisor of an underlying mutual fund.

Pick the investment option that's **right for you.**

Most of us need a little help when it comes to saving for retirement. If you're like many, you may not have the time or interest in finding an appropriate asset allocation for your plan. We've got you and your plan participants covered with several options.

Investor Profile Quiz



Principal

Nonqualified deferred compensation plans

What type of investor are you?

Whether it's your first time investing or you just want to see if your investment style has changed, the two questions to answer are:

1. **How comfortable are you with risk?**
2. **How long do you have until you retire?**

You know when you'd like to retire. The quiz helps you assess your comfort level with risk. Use it to be better informed when providing investment direction. **Your choices could have a big impact on the lifestyle you lead in retirement.**

1. How much do you know about investing?

Just learning the ropes	0 points
Somewhat knowledgeable	6 points
An expert	12 points
	Points

2. When you are planning for your retirement and want to invest some money, what is your main goal?

Not losing money	0 points
Keeping your money and making more money	8 points
Making as much money as possible	17 points
	Points

3. How likely are you to put money in investments that earn stable, but lower returns?

Very likely	0 points
Likely	5 points
Unlikely	9 points
Very unlikely	14 points
	Points

4. How comfortable are you with the value of your investments rising and falling over time?

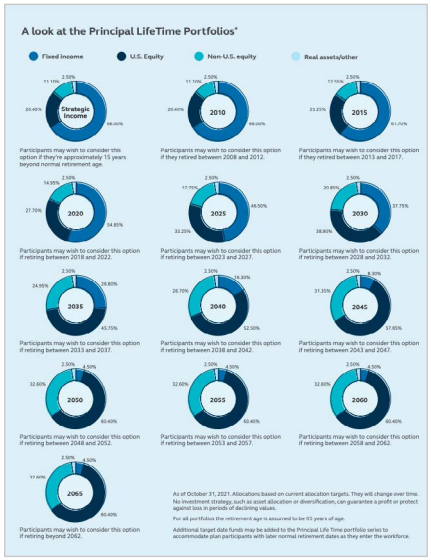
Not comfortable	0 points
Neutral	6 points
Comfortable	12 points
	Points

Used with permission. © 2018 Morningstar Investment Management LLC.

For a more personal approach, plan participants can take a short investor profile quiz. This helps determine the investment option that most closely matches their attitude toward risk. The quiz score provides a recommended investor profile and matching reference investments.

The plan will include a variety of reference investment options. Each offers a different level of risk and potential return. This allows plan participants to make choices that complement their overall financial strategy.

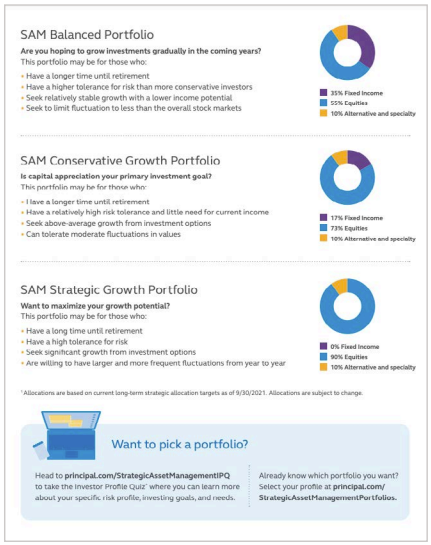
Principal LifeTime Portfolios



These are **target-date portfolios** investing in underlying Principal Funds. The portfolios embrace a multi-asset class and multi-managed approach to cover a broad range of needs. Each Principal LifeTime portfolio is managed toward a particular target (retirement) date, or the approximate date an investor starts withdrawing money. Each portfolio follows three basic principles:

- Broad diversification across traditional and specialty asset classes
- Disciplined risk management at each stage of the investment process
- Professional investment managers representing a wide range of asset classes, investment styles, and firms

Principal SAM Portfolios



The Strategic Asset Management (SAM) portfolios are **target-risk portfolios.** We offer five different portfolios designed to fit a wide range of risk tolerance and individual goals.

Using a multi-manager approach, each SAM Portfolio targets a specific asset allocation strategy. Our asset allocation individuals or professionals with expertise within Principal Portfolio Strategies (a specialized investment boutique of Principal Global Investors) carefully select which investment options to invest through Principal Funds.

Pulling together many investment options into one portfolio creates varying levels of risk and return. Ranging from a portfolio mostly of equity investments to one primarily invested in fixed income investments, the SAM Portfolios can address a broad spectrum of investor risk tolerance.

About Principal Portfolio Strategies

Principal Portfolio Strategies, a specialized boutique of Principal Global Investors, engages exclusively in the creation of holistic, asset allocation solutions with the goal of delivering reliable, risk-adjusted investment outcomes. Principal Portfolio Strategies constructs multi-asset and/or multi-manager portfolios by combining strategies into flexible, cost-effective, customized solutions.

How will you **finance** your plan?

Potential financing strategies

When you set up a deferred comp plan for your key employees, you can informally finance the plan or leave it unfinanced. The appropriate method depends on your organization's financial situation, as well as how comfortable you and your key employees are with risk. We'll work with you and your financial professional to help you identify which of these financing strategies best suit your needs.

Company cash

Future benefits are paid from the employer's cash flow when needed.

Corporate owned taxable investments

The organization invests in mutual funds consisting of Principal Funds as well as a variety of well-known mutual funds.

Corporate-owned life insurance

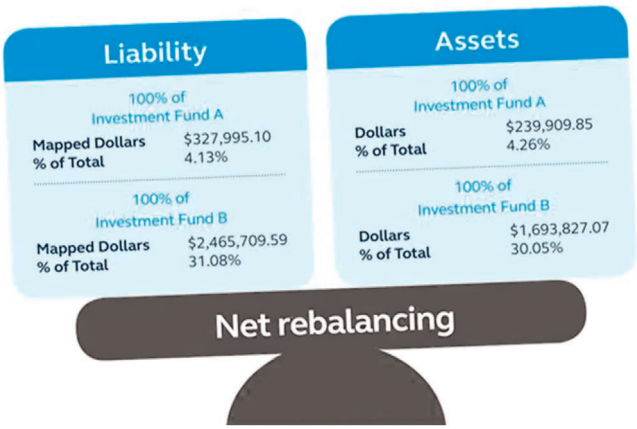
The organization purchases life insurance to pay future obligations while providing tax-deferred earnings and tax-free distributions. (subject to contract limitations/ charges[5]).

Or a **combination** of strategies creating a custom solution

Asset rebalancing

Since deferred comp plans are unfunded contractual obligations to plan participants, employers typically set aside assets to informally finance the future liability to pay the participants. With asset rebalancing, participant liabilities are adjusted to reflect plan activity. And organizations will typically try to mirror the investment performance with plan assets to avoid the risk of assets and liabilities being too different.

We offer automatic rebalancing, and it's easy to manage and customize online through the plan sponsor website.

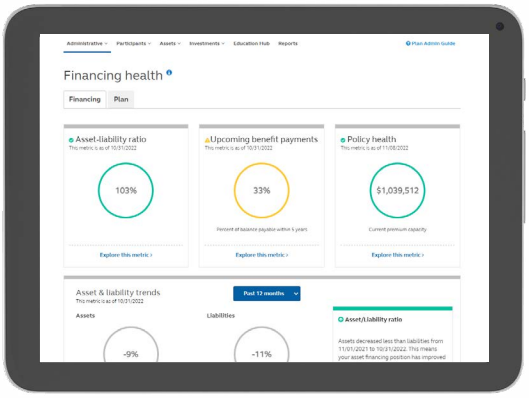


This is a hypothetical example only to help demonstrate the concept of rebalancing.

Financing Health Dashboard

This innovative, digital tool that puts key financing information at your fingertips. Its simple format helps you focus on three key aspects of your plan:

- **Asset accumulation.** See how your assets line up with your plan benefits. You can use your corporate-owned assets as a source of cash to pay benefits to your participants.
- **Distribution planning.** Understand what your upcoming benefit payments may look like. See your participants' benefit accounts and begin cash planning for any near-term payouts.
- **Investment risk management.** Determine if your financing strategy is sustainable. Managing the financing of your plan is an important responsibility for you, and we can help.

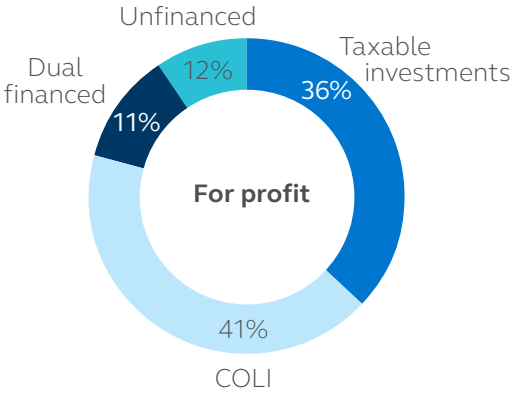


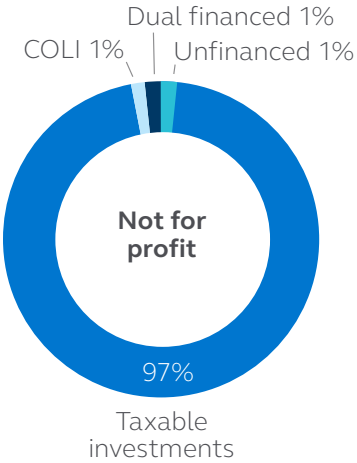
Plan financing trends

"For profit" companies typically take advantage of the tax benefits of life insurance, while due to the tax-exempt nature of "not for profit" organizations, they typically use taxable investments.

Based on actual plan data as of 9/30/2022.

Dual financed plans use both COLI and taxable investments.





Stay on track with experience reviews

Managing the financing for your benefit plan is an important responsibility on your plate, and we're here to help you with that.

Deferred comp experience reviews

This review provides information about this plan's benefit experience as well as the experience of the assets supporting those benefits. It helps answer important questions, such as:

- How are your assets lining up with your plan benefits?
- What do upcoming benefit payments look like?
- Is your financing strategy sustainable?
- How are you managing risk?

Principal

Deferred comp program

Financing experience review

Nonqualified Deferred Comp Plan

Sample Company

As of December 31, 2022

What's the purpose of this review?

This review provides information about this plan's benefit experience as well as the experience of the assets supporting those benefits. This information can be the basis of more detailed discussions on topics of interest.

Managing the financing for your benefit plan is an important responsibility on your plate and we're here to help you with that. We'll start by reviewing some key items in this report.

A successful financing strategy uses three key principles.

Asset accumulation – How are your assets lining up with your plan benefits?

You've chosen to set aside corporate-owned assets. You can use those assets as a source of cash when you pay benefits to the participants.

Distribution management – What do upcoming benefit payments look like?

We've looked at a snapshot of your participants' benefit accounts. Begin your cash planning now for any near-term benefit payouts.

Risk management – Is your financing strategy sustainable?

It's important to review and monitor your strategy to make sure it is realistic and achievable. Having a strategy helps you manage how your assets and benefits will work together.

Some key points to note regarding the information in this report:

-25%	change in liability balance since last year.
-28%	change in asset balance since last year.
94%	assets as a percentage of liability at the current date.
98%	assets as a percentage of liability one year ago.

In addition to your assets, you may also have a future tax benefit available at benefit payout.

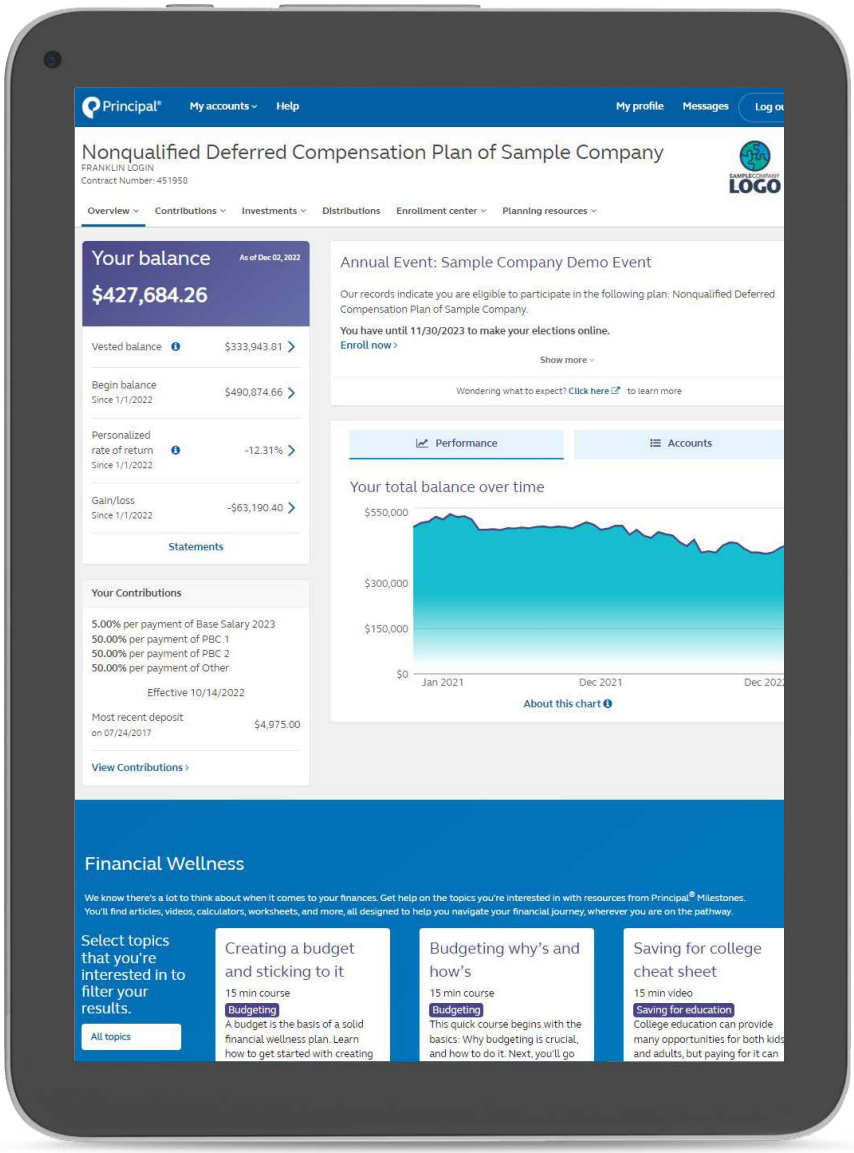
Page 1 of 6

Investment tools at your fingertips

Plan website

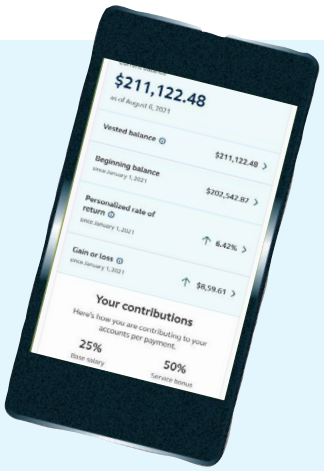
Online and mobile resources help participants stay connected to their accounts—anytime, anywhere. Our mobile-friendly website makes it easy to access an account. Just visit principal.com and login.

Participants will find up-to-date investment information, such as performance results, daily NAVs, and investment styles (by asset and liability for employers), as well as rebalancing capability, including scheduled rebalancing.



Mobile access (Principal® app)

Stay in the know. Plan participants can monitor their accounts on their own, 24/7. Or they can get the latest insight from Principal on these social media sites:



Investment Data Reporting Tool (IDRT) and Retirement Plan and Investment Review (RPIR)

The IDRT is a dynamic, customizable reporting tool that allows you to select various investment-related data. It consolidates multiple investment reports into one, easy-to-use process. Reports can be requested as stand-alone or as part of the RPIR, which also includes data about plan design, the economy, and markets.

Customized investment option profiles

Get detailed information on investment options for all available funding options and for most investment options that Principal tracks. These online profiles are available to plan participants and plan sponsors and provide information like:

- Long-term returns
- Comparison by benchmarks and peer groupings
- Risk and return stats
- Morningstar category
- Operations information
- Portfolio details

Fund fact sheets

These are condensed, printable versions of the online investment option profiles. Plan participants find them helpful during enrollment to learn more about the funds available to them. They're also used in client plan reviews to review fund options and evaluate other funds available.

We're here to help.

Your financial professional can provide additional information about deferred comp plans and answer any questions you may have.

About Principal®

Principal helps people and companies around the world build, protect, and advance their financial well-being through retirement, insurance, and asset management solutions that fit their lives. Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals—offering innovative ideas, investment expertise, and real-life solutions to make financial progress possible. To find out more, visit us at **principal.com**.

[5] Withdrawals are generally tax-free until cost basis has been recovered. Thereafter, policy loans are generally tax-free unless the policy lapses. Withdrawals and loans will reduce the policy cash surrender value and net death benefit and may cause the policy to lapse. Lapse of a life policy may cause loss of death benefit and adverse income tax consequences. A life insurance policy classified as a modified endowment contract (MEC) will have less favorable tax treatment during the life of the insured compared to other life insurance (non-MEC policies). Such tax treatment would be similar to tax treatment of a deferred annuity.

principal.com

Principal National Life Insurance Company and Principal Life Insurance Company, Des Moines, IA 50392

The value of the investment option will fluctuate so that when redeemed, shares or units may be worth more or less than the original cost.

Investing involves risk, including possible loss of principal.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

Asset allocation and diversification do not ensure a profit or protect against a loss. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Redemption fees and/or transfer restrictions may apply to certain transactions

Before investing, carefully consider the investment option objectives, risks, charges and expenses. Contact a financial professional for a prospectus or, if available, a summary prospectus containing this and other information. Please read it carefully before investing.

The subject matter in this communication is provided with the understanding that Principal is not rendering legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax or accounting obligations and requirements.

Insurance products issued by Principal National Life Insurance Company (except in NY) and Principal Life Insurance Company®. Plan administrative services offered by Principal Life. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities offered through Principal Securities, Inc., member SIPC and/or independent broker/dealers. Referenced companies are members of the Principal Financial Group®, Des Moines, IA 50392.

Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.

BB9784-06 | 12/2022 | 2633267-122022 | © 2022 Principal Financial Services, Inc.