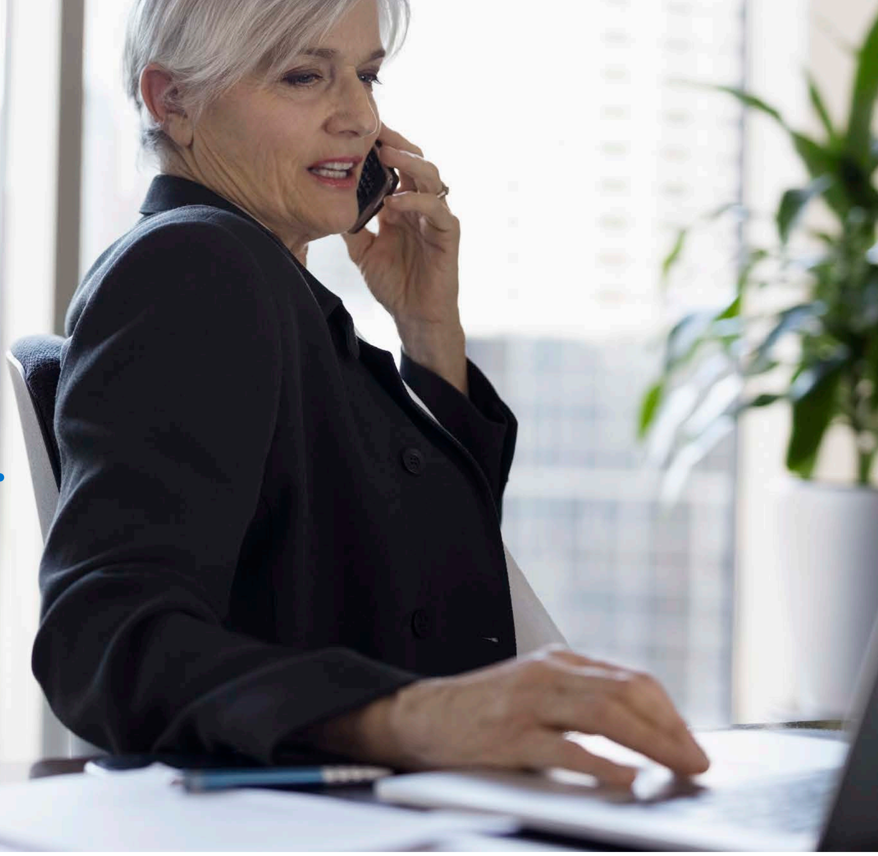


Principal®

Nonqualified deferred compensation plans

Keep your plan financing on track.

The Financing Health Dashboard can provide the information you need.

Your nonqualified deferred compensation plan brings value to your key employees—and your business. It helps you recruit, retain, reward, and retire your top talent. Your actions today help ensure you can pay benefits in the future. The online Financing Health Dashboard can make it easy for you and your financial professional to keep your plan's financing on track.

What's this dashboard and how can it help?

The Financing Health Dashboard is an 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.

What's the financial health of your plan?

For each metric, a simple scorecard of green, yellow, or orange helps you and your financial professional assess the financial health of your plan and determine if any action is necessary.

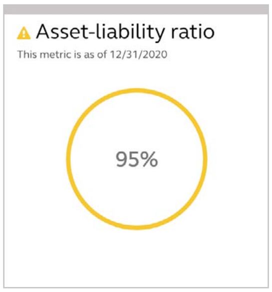
Worth a quick look. An immediate action is most likely not needed.

Stay awake. An immediate action may not be needed. Keep a close eye on trends and changes.

Plan and consider action. Further discussion is needed. Talk about possible actions and consider if now's the time to act.

What does each metric mean for your plan?

Asset-liability ratio



What is it?

The asset-liability ratio is the asset balance divided by the plan liability balance.

What does it mean?

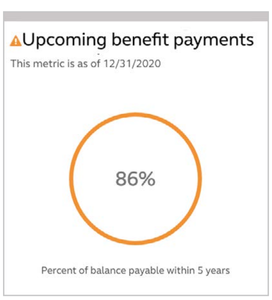
One measure of financing health is to understand whether your assets could pay the plan liability—now. This may be useful if the benefits need to be paid soon, which could happen if all participants are retiring in the near future or you're considering a plan termination.

If the asset-liability ratio is over 100%, your assets are enough to pay the full plan liability. But, if the ratio is less than 100%, you'll need to use other assets to pay the full plan liability.

Why's it important?

The asset-liability ratio is a simple benchmark to understand the relative level of funding. It's one of the most-commonly quoted measures, simply because the values are readily available—but, it can be misunderstood. If you're thinking of an ongoing situation, including future deferrals and earnings, you'll need an asset and plan projection. We can help with that. Contact your service representative for a discussion of scope and fees.

Upcoming benefit payments



What is it?

Looking at your plan liability balance, this measure shows how quickly the benefits may be paid out. It's a simple, point-in-time estimate incorporating the participants' account balances, ages, scheduled payments, and distribution elections. It also uses a retirement assumption of age 65 or immediately if over age 65. It does not include future contributions, elections, earnings, or enrollees.

What does it mean?

If the metric tilts toward a shorter horizon, now's the time for cash-flow planning. Determine if you have immediate sources of cash available. But, if the metric tilts toward a longer horizon, consider investment strategies for growth and tax efficiency.

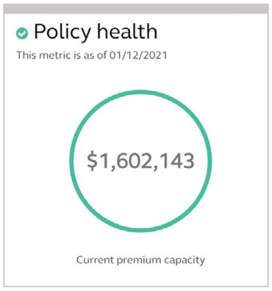
Why's it important?

You may have corporate-owned life insurance (COLI) or mutual funds as a source of cash for funding benefits. Aligning future asset withdrawals with these benefit payments are opportunities for planning.

With life insurance, it's a good idea to evaluate whether the policy can sustain the length of death benefit coverage or achieve a cash value accumulation goal. With mutual funds, you may want to plan the timing of asset distributions or minimize taxes from realized gains.

You may also find the appropriate source of funds for nonqualified benefit payments may come from other assets. As you look for your least expensive sources of cash, it may include cash from business operations, corporate credit lines, or other liquid assets on your balance sheet.

Policy health



What is it?

This is the maximum asset contribution you may deposit into your corporate-owned life insurance policies.

What does it mean?

The Internal Revenue Service (IRS) defines the rules for the maximum deposits into a life insurance policy. Compliance with these rules can help preserve the favorable tax treatment of the policy.

The deposit capacity from these IRS tests changes over time as deposits, withdrawals, anniversaries, and other events occur. To anticipate these impacts, this metric includes a dynamic calculator to estimate the available contribution capacity over time.

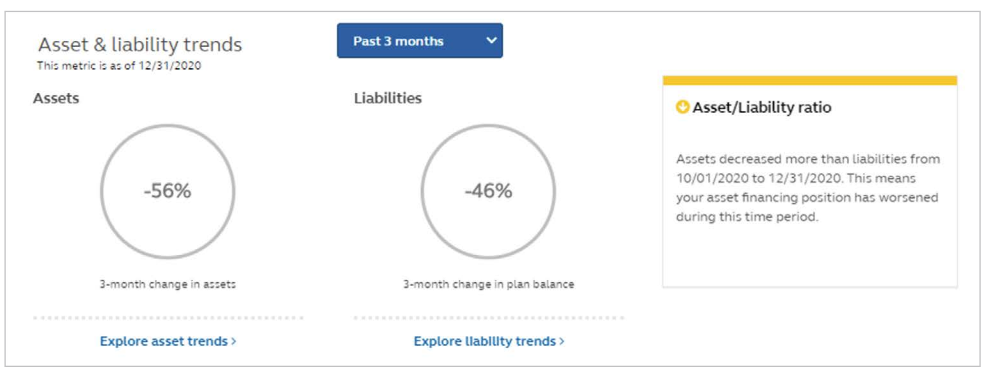
Why's it important?

If you discover there's not enough capacity in your life insurance policies to make an asset contribution, you may have uninvested money in the short-term. The good news is that a quick look using the tool can help you identify and implement a plan of action with your service team before a problem occurs.

Asset & liability trends

What is it?

This metric compares the asset balance growth with the plan balance growth.



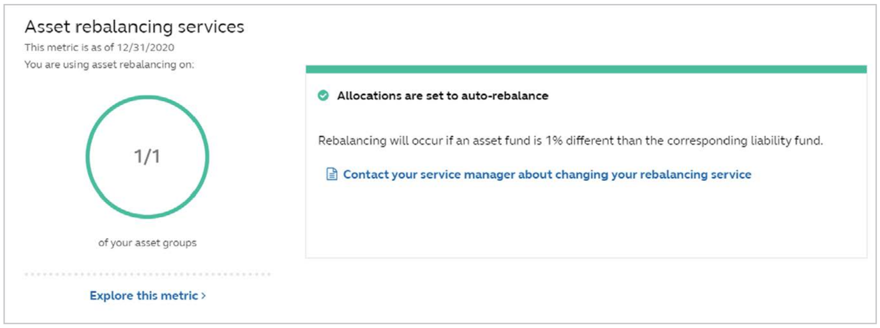
What does it mean?

Consider a situation where the asset-liability ratio is less than 100%. Say you pay a participant distribution and withdraw an asset for the same amount. In this case, *as a percentage*, the assets are declining more than the plan. After the transaction, the financing status of the plan worsens. To improve the financing status, you may need to deposit additional asset money or carefully plan future asset withdrawals.

Why's it important?

By exploring the details of the assets and the plan together, it's possible to identify a missed asset contribution. In addition, for benefit distributions, this helps you see if a partial asset withdrawal would improve your financing health. Remember, a tax deduction may be available to you upon a benefit payment, and these tax effects can be factored into (that is, netted out of) the asset withdrawal.

Asset rebalancing services



What is it?

This metric indicates whether we're performing asset rebalancing services on one or more of your asset groups.

What does it mean?

When you use our asset rebalancing services, we'll monitor the percentage variance between a particular asset investment fund and its associated liability reference investment. If the percentage variance exceeds your selected tolerance, we'll initiate a transfer/trade to bring it closer.

Why's it important?

Because investments move up or down differently, asset rebalancing helps reduce the volatility to your profit-and-loss statement—and keeps your balance sheet better aligned.

The Financing Health Dashboard is a valuable way to help manage how your plan assets and benefits will work together for the future. And having all this information so readily available is beneficial to you and your financial professional as you periodically review and discuss the financial health of your plan.

What's next

Access the dashboard

- Log into the Plan Sponsor website on **Principal.com.**
- Click on the **Quick action** link at the left navigation.
- Select **Financing Health**.

Questions

Contact your nonqualified plan service representative or your financial professional to discuss the financial health of your plan.

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