

How to read your pension plan statement

At the Principal Financial Group®, we understand your need for clear and thorough updates from your employer's pension plan.

We will send you an annual pension plan statement through the mail that provides you with retirement plan information. Your statement can also be viewed and printed online – just log on to principal.com/retirement/statements and select Defined Benefit Plan as the account type. This illustrative guide is designed to help you better understand the different sections of your statement and what they say about your current and estimated retirement benefits. The following sections contain the information you will typically receive on your statements:

1 PENSION BENEFIT SUMMARY

In a pension plan, the plan sponsor promises to provide participants a specific retirement benefit based on a specific formula. The plan usually defines this amount in terms of a percentage of salary or set dollar amount, multiplied by years of service. This section shows a current summary of your earned benefit, as well as an estimate of your benefit at your normal retirement age.

Earned Monthly Benefit — If you were to leave the company today, this is the estimated benefit you would receive at your normal retirement age, assuming you were 100 percent vested. Some vesting provisions may apply.

Estimated Monthly Benefit — Assuming you are employed with the company until you reach normal retirement age, this is the estimated monthly benefit amount you would receive each month, based on your vesting schedule and applicable provisions in the plan.

Vesting Percent — Indicates the non-forfeitable percentage of the pension benefit, according to the plan's vesting schedule. This is usually based on your years of service with the company.

2 ESTIMATED SOCIAL SECURITY

This section provides an estimate of how much you can expect to receive in Social Security benefit payments each month. This estimate only includes your Social Security earnings history with your current employer.

3 TOTAL ESTIMATED MONTHLY BENEFIT

This section gives you a “big picture” of your estimated retirement income at your normal retirement age — it shows the total of your combined estimated monthly benefits when you add the estimated monthly benefits from Sections 1 and 2. Different colored sections of the chart represent the various income sources needed for you to replace your current income at retirement. The red section indicates other savings that may be needed to help meet your desired “replacement income ratio.”

Replacement Income Ratio — The chart shows your replacement income ratio — an estimated percentage of how much of your monthly pay could be replaced, at the time of retirement, by the different sources of retirement income you've accumulated. Your monthly pay is based on your final salary at retirement. Studies have shown that people may need about 85 percent of their pre-retirement income to maintain their current lifestyle after they stop working.¹

This section also includes suggestions for potential savings options and different products that are available through The Principal® to help you meet your retirement needs.

PERSONAL & CONFIDENTIAL
ABC COMPANY
200 FIRST AVENUE
DES MOINES, IA 50315

Your Logo Here

ABC COMPANY

Contract Number: 4-00123
Date of Birth: 08/24/1968
Date of Employment: 09/11/2000
Plan Entry Date: 01/01/2002
Normal Retirement Date: 10/01/2021
Annual Pay: \$43,485.00
Identification Number: XXX-XX-3333

DAN CUSTOMER
654 GRAND AVE
APT. 22
DES MOINES, IA 50392

This is your annual retirement plan statement provided to you by ABC Company.

PENSION BENEFIT SUMMARY

As of January 1, 20XX	\$109.82	As of Age 65	\$748.00
Earned Monthly Benefit	\$109.82	Estimated Monthly Benefit*	\$748.00
Vested Monthly Benefit	\$0.00		
Vesting Percent	0%		
Date Fully Vested	01/01/20XX		

*This Estimated Monthly Benefit will be available on October 1, 20XX. Your employer funds this pension plan. At today's rates, it would cost \$101,109.00 to provide this monthly benefit at age 65. Please see the section We've Made Some Assumptions for information about how the Estimated Monthly Benefit was calculated.

ESTIMATED SOCIAL SECURITY

As of Age 65

Estimated Monthly Social Security Benefit**	\$1,359.00
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**The Estimated Social Security benefit only includes your Social Security history that has been reported to us from ABC Company. For complete information regarding your Social Security Benefit, you can contact the Social Security Administration at 1-800-772-1213 or www.ssa.gov/mystatement.

TOTAL ESTIMATED MONTHLY BENEFIT

The Estimated Pension and Social Security Monthly Benefit at age 65 is: \$2,108.00

This pension benefit, along with Estimated Social Security, will replace about 88% of your projected annual pay.

	Percentage replaced by this retirement plan
	Percentage replaced by Social Security
	Percentage needed to be replaced by your other savings*

Studies have shown you need to replace 80 - 100% of your income to maintain your current lifestyle. Based on our assumptions, your estimated pension and Social Security benefits falls below the 80-100% target range for projected annual pay replacement. You may wish to further supplement your retirement income by using other investing sources such as an IRA, mutual fund, personal savings, or annuity.

We prepared this statement carefully. Please review and report any discrepancies to your employer within 90 days.

WE CARE FOR YOU HERE®

Please see the reverse side of this statement for additional information.

¹Assuming pre-retirement annual gross income of \$40,000. Aon Consulting's 2008 Replacement Ratio Study™
www.aon.com/about-aon/intellectual-capital/attachments/human-capital-consulting/RRStudy070308.pdf

How to read your pension plan statement, continued

4 ADDITIONAL INFORMATION/BENEFITS

This section includes any miscellaneous updates or information regarding the plan specifics and benefits. It also indicates the most recent beneficiary designation that has been received for the plan, if applicable.

5 ABOUT THIS STATEMENT

This section provides additional explanation concerning the assumptions and figures used to calculate the amounts shown in Sections 1–3. This is important information, as these amounts are to be used as an estimate for retirement savings, and several factors can impact their outcome.

This section also contains additional information regarding plan provisions used to calculate benefits. You'll also find additional information to learn more about effective ways that may help secure a financial future.

6 TIPS TO ACHIEVE YOUR RETIREMENT DREAMS

To help you more easily understand effective ways that may help save for retirement, we've provided you with additional information and definitions that explain the different ways you may be able to meet your retirement goals. Also, be sure to read this section for tips, tools and resources that are available to you through The Principal.

The Principal Financial Group has a complete range of financial products and services available to help meet your retirement needs. Please call 1-800-247-8000 ext. 456 to talk to a financial counselor about the best options for you, at no cost or obligation to you.

4 ADDITIONAL INFORMATION / BENEFITS

Your employer has set up a pension plan that will give you a fixed monthly benefit when you retire. Your pension plan plays a vital role in your retirement planning because:

- Your employer funds this pension plan completely.
- The plan will give you a dependable source of income when you retire.

5 ABOUT THIS STATEMENT

WE'VE MADE SOME ASSUMPTIONS

The estimated benefits shown were calculated using the information we have on file and the following assumptions:

- Terms of the pension plan will not change.
- You remain employed at the same rate of pay until age 65.
- The current regulatory minimums and maximums do not change.

WE USED THE FOLLOWING PENSION TERMS IN THIS STATEMENT

- **Earned Monthly Benefit:** The accrued pension benefit on 1/1/20XX. This is based on the formula outlined in your plan booklet. If you terminate employment on 1/1/20XX, this amount, multiplied by your Vesting Percent, would be available at your Normal Retirement Date.

- **Vesting Percent:** The non-forfeitable percentage of the pension benefit if you terminated employment on 1/1/20XX.

- **Vested Monthly Benefit:** The earned monthly benefit you would receive at age 65, if you terminated employment on 1/1/20XX. This is determined by multiplying your Earned Monthly Benefit by your Vesting Percent.

PENSION BENEFIT

The pension benefit has been calculated using the plan in effect as of 1/1/20XX. It assumes that you will retire at age 65 and start receiving monthly payments under the normal form of income as defined in your summary plan description booklet. If married when you retire, federal law requires your benefits be paid in the form of a joint and survivor benefit, unless you specifically choose another form of payment offered under the plan and with your spouse's consent in writing. The joint and survivor benefit provides for a monthly benefit during your lifetime, but allows you to continue 50% of the benefit to your spouse for his or her lifetime. Under this payment method, benefits shown on this report will be reduced. If you elect another method, the pension will be adjusted accordingly.

6 TIPS TO ACHIEVE YOUR RETIREMENT DREAMS

How much you'll need depends on your retirement goals. If you're like many people, you might need a little assistance determining the right steps to a financially secure retirement. We've prepared this report to help. Currently, the three main sources of retirement income are Social Security, Employer Sponsored Pension Plans, and Personal Savings.

Social Security - Many people in today's workforce won't receive full Social Security benefits at age 65 because the Social Security Retirement age is being phased from 65 to 67. Social Security was not intended to be a retiree's sole source of income and may cover less than 1/3 of your retirement.

Employer Sponsored Retirement plans - Employer sponsored retirement plans play an important role in providing a financially secure retirement. Your employer sponsors this defined benefit plan:

- A Defined Benefit plan states the benefit a participant will receive at retirement and the benefit does not fluctuate based on market conditions.

Personal Savings - As part of your overall retirement savings plan, you can set up an Individual Retirement Account (IRA). There are various types of IRAs available that usually offer some tax advantages* over a personal savings account.

While your employer offers a retirement plan, you may want greater financial security at retirement. Opening a personal IRA could help. If you would like more information about your employer sponsored retirement benefits or retirement planning, call our Client Contact Center at 1-800-547-7754 or visit www.principal.com.

*Withdrawals prior to age 59 1/2 may be subject to income tax including a 10% tax penalty and redemption costs.

CONTACT US FOR MORE HELP

If you need any more information regarding your employer's retirement plan or the pension plan statement, visit us online at principal.com or call 1-800-547-7754.



WE'LL GIVE YOU AN EDGE®

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