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.

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.

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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