

# Retirement Plan Review

South Dakota Department of Labor

Paula Zellmer – Sr. Relationship Manager





# Today's Focus

- Economy & Market Review
- Principal Financial Advisors – Investment Advisory Report
- Plan Analysis & Trends
- Education Tools
- Our New Logo



# Economy and Market Review



1<sup>st</sup> Quarter 2016

# Important Information

All expressions of opinion and predictions in this report are subject to change without notice. This report is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding a particular investment or the markets in general.

## Recap 1<sup>st</sup> Quarter 2016

- Global markets posted mixed returns during the first quarter of 2016.
- In the U.S., the S&P 500 Index gained 1.35% for the quarter and the calendar year.
- International markets (as measured by the MSCI All Country World (ex-U.S.) Index) lost 0.38% during the quarter and the calendar year.
  - International developed markets (as measured by the MSCI EAFE Index) lost 3.01% for the quarter and the calendar year
  - International emerging markets (as measured by the MSCI Emerging Markets Index) gained 5.71% for the quarter and the calendar year
- Yields decreased during the quarter
  - The 10-year Treasury yield finished the quarter at 1.77%, down 50 basis points for the quarter
  - The 2-year Treasury yield finished the quarter at 0.72%, down 33 basis points for the quarter

Indexes are not available for direct investment.

## Recap 1<sup>st</sup> Quarter 2016

- Mild cyclical upturn in U.S. and abroad after rough start to year
- Japan economy still weak
- Federal reserve did not raise rates



### Outlook In Our Opinion

#### Tailwinds

U.S. job market strong

Fed continues accommodative policy

Energy prices likely hit bottom in February

#### Headwinds

Japanese growth struggles

Rising late-cycle economic indicators

Energy headwinds may not be limited to one sector

## Outlook for the Future

- Rate hike by Fed in June
- Two rate hikes in 2016
- Stabilizing global economy in 2016

## Outlook for the Future

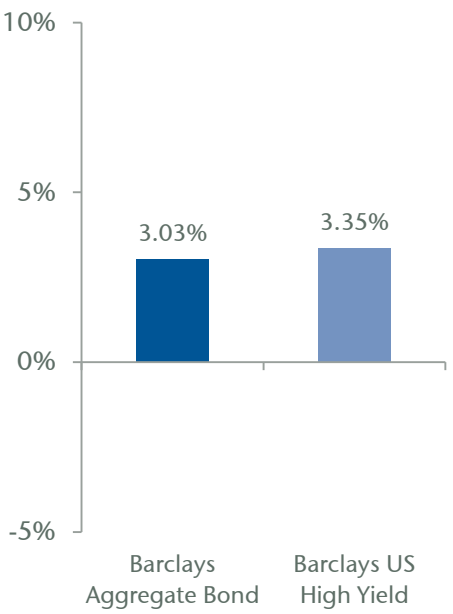
Our forecast for Treasury yields for the end of 2016 is as follows (as of March, 31, 2016):

- A Federal Funds Rate of 0.88%
- A 10-year Treasury Rate of 2.5%
- A 2-year Treasury Rate of 1.25 – 1.50%

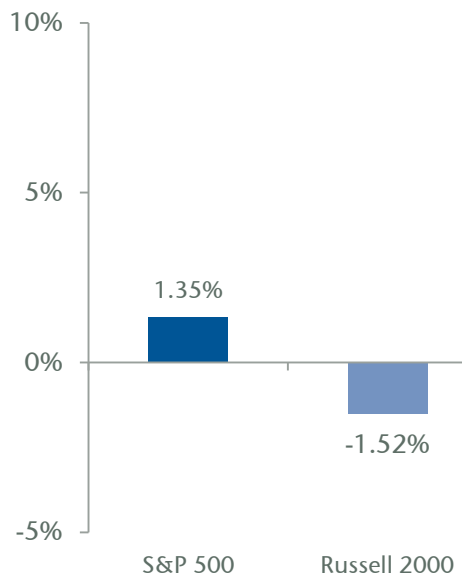
# Asset Class Review

Three Months Ending March 31, 2016

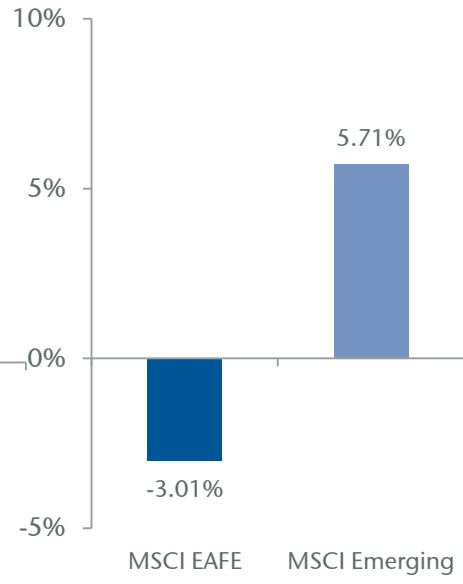
## Fixed Income



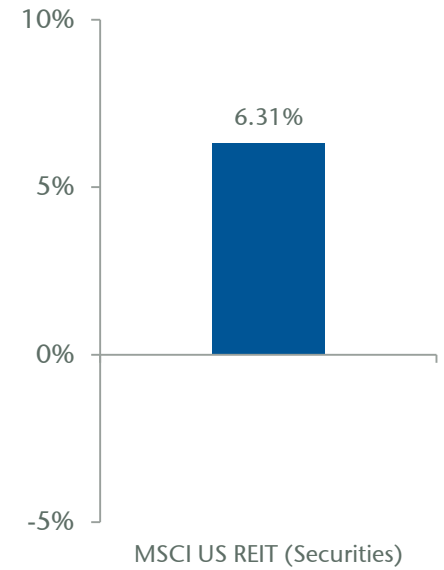
## U.S. Equity



## Int'l Equity



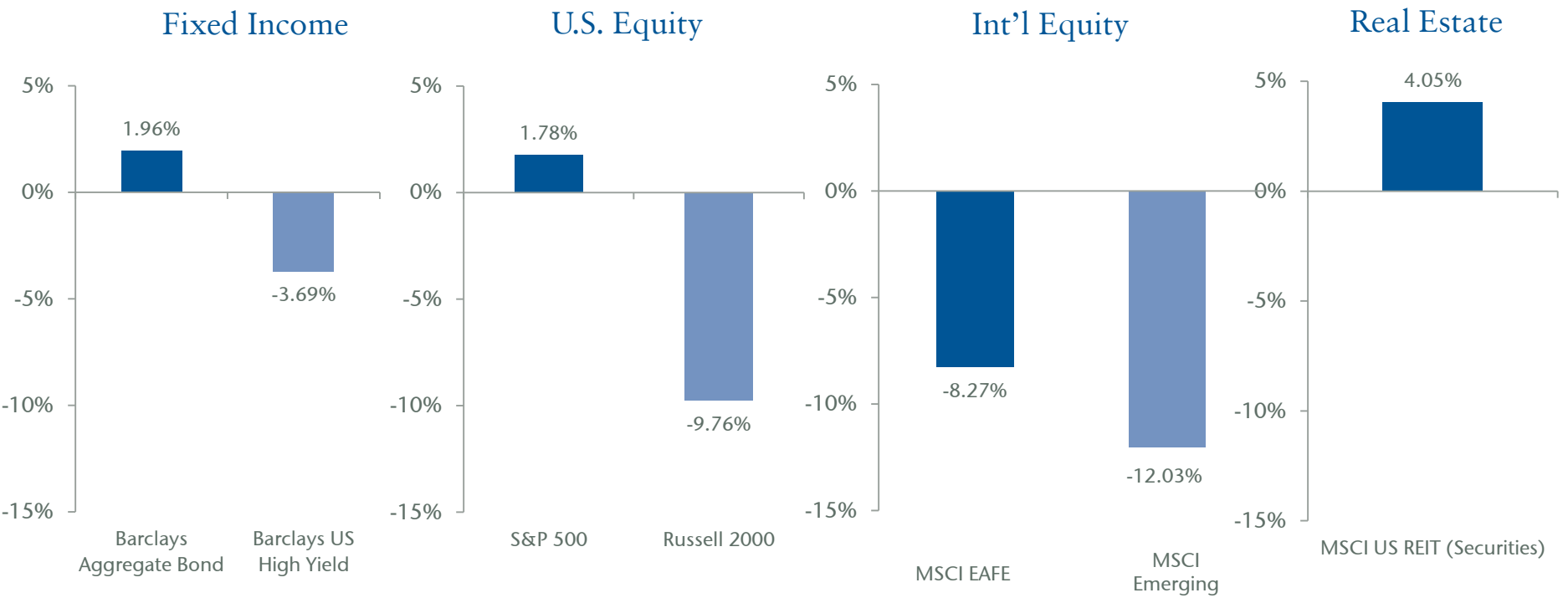
## Real Estate



Source: Principal Global Investors. Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

# Asset Class Review

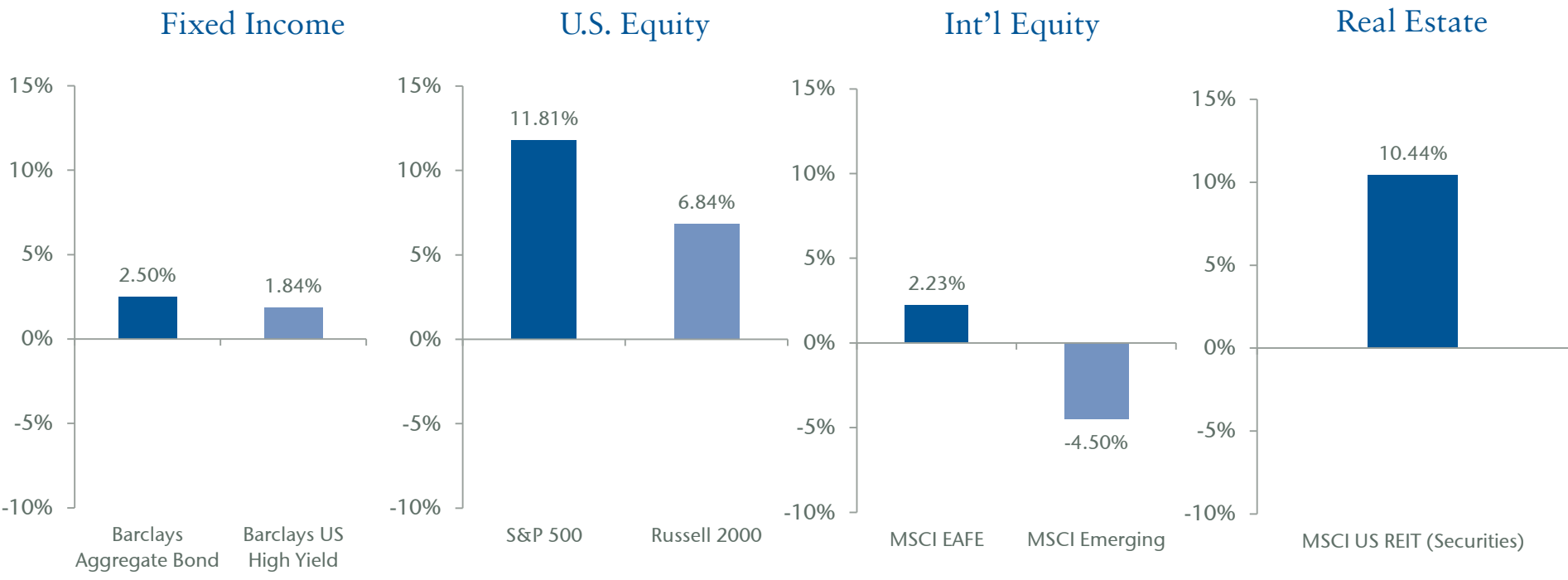
One Year Ending March 31, 2016



Source: Principal Global Investors Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

# Asset Class Review

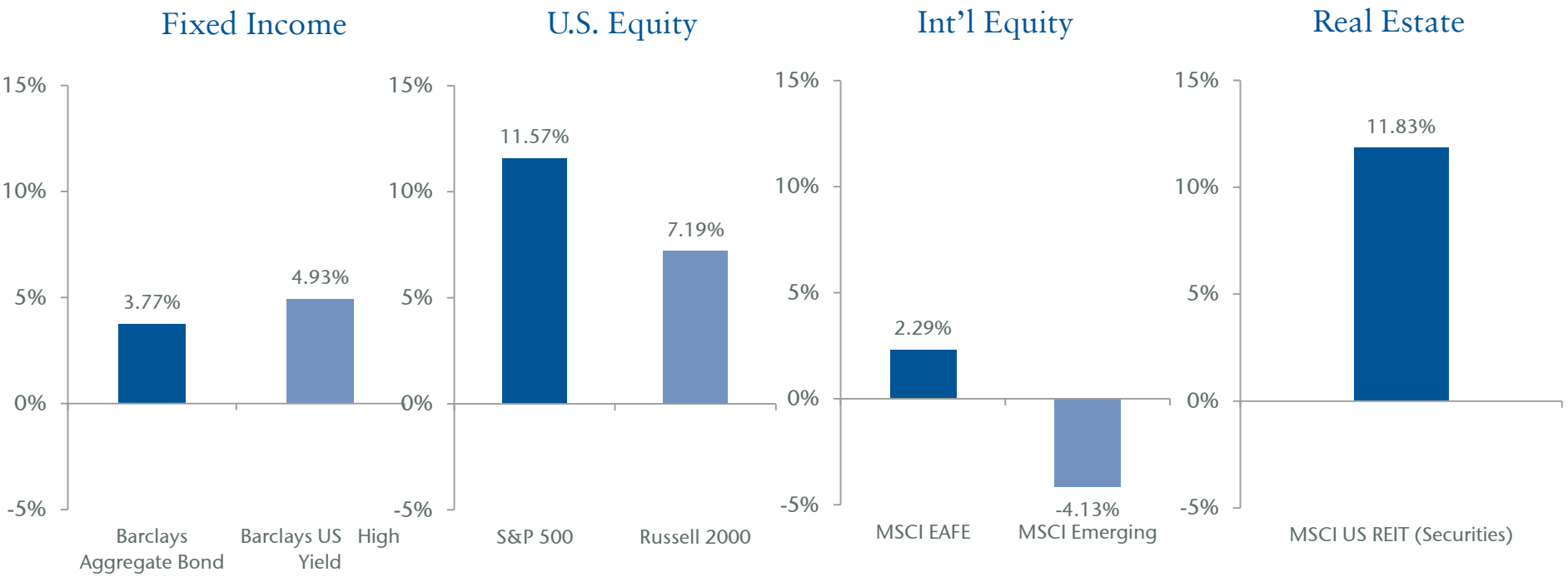
Three Years Ending March 31, 2016



Source: Principal Global Investors Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

# Asset Class Review

Five Years Ending March 31, 2016

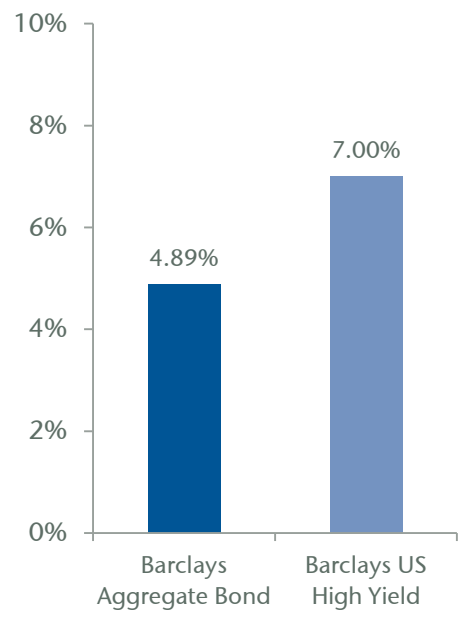


Source: Principal Global Investors. Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.

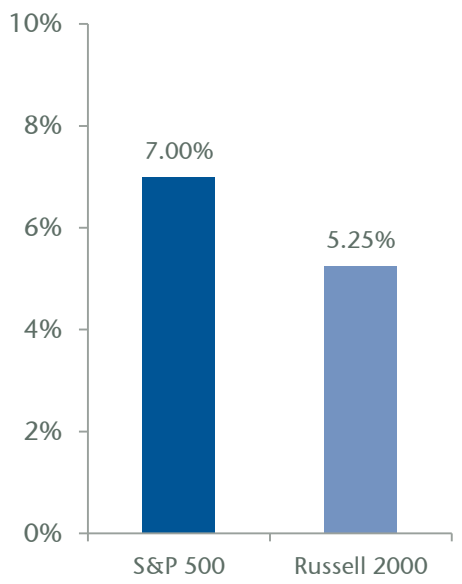
# Asset Class Review

Ten Years Ending March 31, 2016

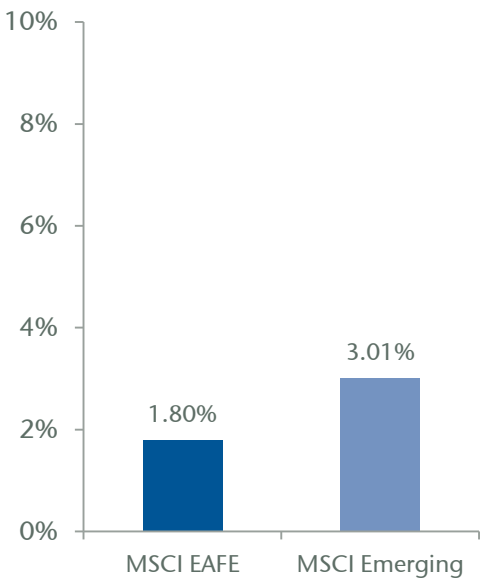
## Fixed Income



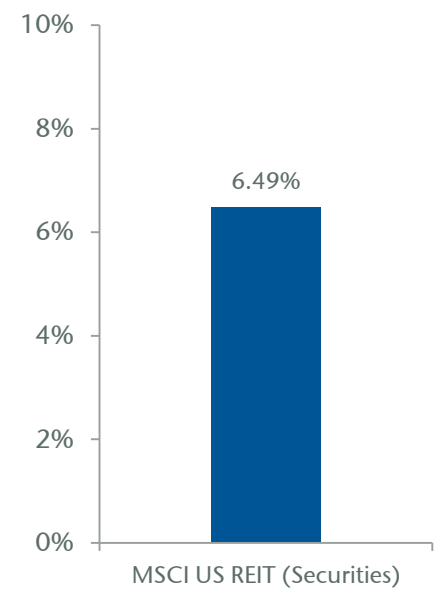
## U.S. Equity



## Int'l Equity



## Real Estate



Source: Principal Global Investors Returns are annualized. Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance is not a reliable indicator of future performance.



# Asset Class Performance

January 1, 2001 – December 31, 2015

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Annualized Returns 01/01/2001- 12/31/2015
Large-Cap Growth	11 -20.42%	11 -27.88%	9 29.75%	11 6.30%	8 5.26%	11 9.07%	3 11.81%	7 -38.44%	4 37.21%	7 16.71%	5 2.64%	9 15.26%	4 33.48%	4 13.05%	2 5.66%	11 4.33%
Large-Cap Value	8 -5.59%	8 -15.52%	8 30.03%	6 16.49%	7 7.07%	5 22.25%	9 -0.17%	5 -36.85%	10 19.69%	8 15.51%	6 0.39%	5 17.51%	6 32.53%	3 13.45%	8 -3.82%	8 5.84%
Mid-Cap Growth	10 -20.15%	10 -27.41%	4 42.72%	7 15.48%	4 13.42%	10 10.66%	4 11.43%	11 -44.32%	3 46.29%	3 26.38%	8 -1.65%	8 15.81%	2 35.74%	6 11.90%	5 0.20%	9 5.84%
Mid-Cap Value	6 2.33%	6 -9.64%	6 38.06%	3 23.70%	6 11.60%	6 20.22%	10 -1.42%	8 -38.44%	6 34.21%	4 24.75%	7 -1.38%	2 18.51%	5 33.46%	2 14.75%	10 -4.78%	2 9.11%
Small-Cap Growth	9 -9.23%	12 -30.26%	2 48.54%	9 14.31%	10 4.15%	8 13.35%	6 7.05%	9 -38.54%	5 34.47%	1 29.09%	9 -2.91%	10 14.59%	1 43.30%	8 5.60%	7 -1.38%	7 6.02%
Small-Cap Value	1 14.02%	7 -11.43%	3 46.03%	4 22.25%	9 4.71%	4 23.48%	11 -9.77%	4 -28.92%	9 20.58%	5 24.50%	10 -5.50%	4 18.05%	3 34.52%	9 4.22%	11 -7.46%	4 8.16%
International	12 -21.61%	9 -15.94%	5 38.59%	5 20.25%	3 13.54%	3 25.71%	5 11.17%	10 -43.38%	7 31.78%	11 7.75%	11 -12.14%	6 17.32%	7 22.78%	12 -4.90%	6 -0.81%	12 3.53%
Emerging Markets	7 -2.49%	5 -6.00%	1 56.28%	2 25.95%	1 34.00%	2 32.59%	1 39.77%	12 -53.18%	1 79.02%	6 18.88%	12 -18.42%	3 18.22%	12 -2.60%	11 -2.19%	12 -14.91%	3 8.53%
Core Bonds	3 8.43%	1 10.26%	12 4.10%	12 4.34%	12 2.43%	12 4.33%	7 6.97%	1 5.24%	11 5.93%	12 6.54%	3 7.84%	12 4.22%	11 -2.02%	7 5.97%	4 0.55%	10 4.96%
High Yield Bonds	5 5.28%	4 -1.36%	10 28.97%	10 11.13%	11 2.74%	9 11.85%	8 1.87%	3 -26.16%	2 58.21%	9 15.12%	4 4.98%	7 15.81%	9 7.44%	10 2.45%	9 -4.46%	5 7.90%
Real Estate Securities	2 13.93%	3 3.82%	7 37.13%	1 31.58%	5 12.16%	1 35.06%	12 -15.69%	6 -37.73%	8 27.99%	2 27.95%	2 8.28%	1 19.70%	10 2.86%	1 30.38%	3 2.82%	1 11.13%
Direct Property	4 7.28%	2 6.74%	11 8.99%	8 14.48%	2 20.06%	7 16.59%	2 15.84%	2 -8.00%	12 -16.85%	10 14.52%	1 14.87%	11 10.63%	8 11.64%	5 12.38%	1 15.17%	6 7.65%

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Please see Benchmark Descriptions at the end of this presentation.

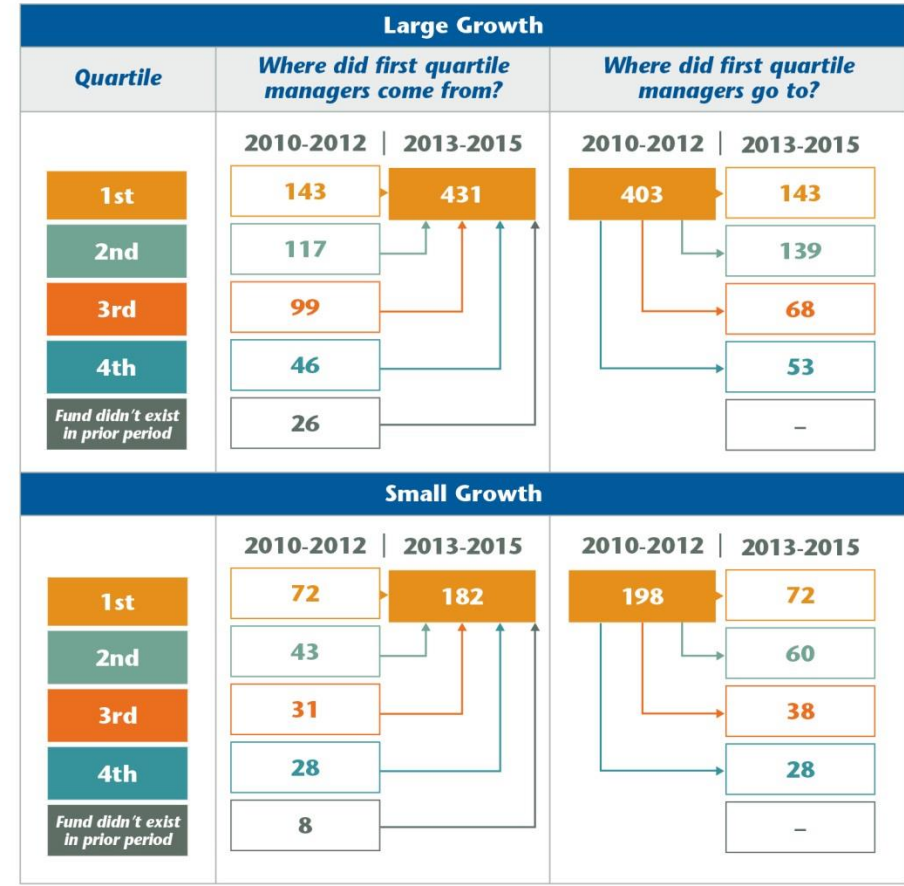
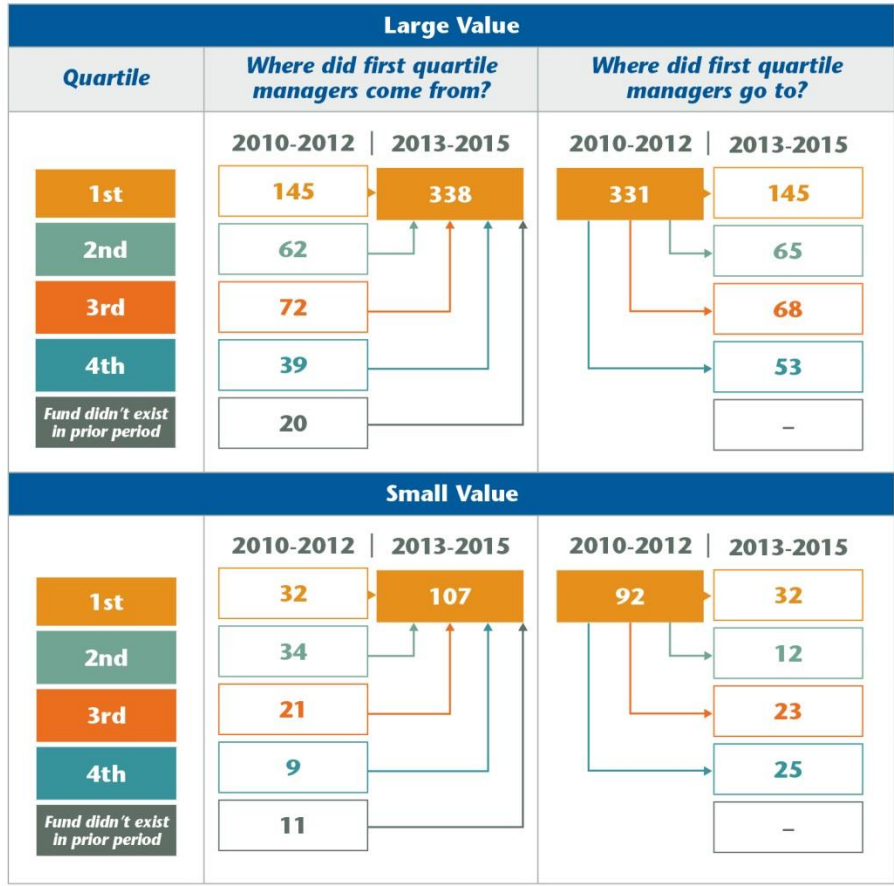
Past performance is not a reliable indicator of future performance.

**Asset allocation and diversification do not ensure a profit or protect against a loss.**

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# The Case For Focusing on Long-Term Results

## Where Do Top Quartile Managers Go?



Data source: Morningstar category via Zephyr StyleAdvisor

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No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

# Additional Information

# Important Information

**Carefully consider the Fund's objectives, risks, charges, and expenses. Contact your financial professional or visit [principal.com](http://principal.com) for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.**

***Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 800-547-7754 or by visiting [principal.com](http://principal.com).***

**Investing involves risk, including possible loss of principal.**

Past performance does not guarantee future results. **Asset allocation** and diversification does not ensure a profit or protect against a loss. **Equity** investment options involve greater risk, including heightened volatility, than fixed-income investment options. **Fixed-income** investments are subject to interest rate risk; as interest rates rise their value will decline. **International and global** investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. *These risks are magnified in **emerging markets**.* **Small and mid-cap** stocks may have additional risks including greater price volatility. **Real Estate** investment options are subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Property values can decline due to environmental and other reasons. In addition, fluctuation in interest rates can negatively impact the performance of real estate investment options.

S&P 500 Stock Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

MSCI All Country World Index (ACWI) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI covers 9,000 securities across large, mid and small cap size segments and across style and sector segments in 45 Developed and Emerging Markets.

MSCI EAFE Index (EAFE refers to Europe, Australasia, and Far East) is widely accepted as a benchmark for international stock performance; the EAFE index is an aggregate of 21 individual company indexes.

MSCI Emerging Markets Index is composed of companies representative of the market structure of 25 emerging market countries in Europe, Latin America, and the Pacific Basin.

Barclays Aggregate Bond Index is designed to measure the performance of approximately 6,000 publicly traded bonds having an approximate average of maturity of 10 years, including U.S. Government, mortgage-backed, corporate, and yankee bonds.

Barclays High Yield Index is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Russell 2000 Index consists of the smallest 2,000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

# Benchmark Descriptions – Asset Class Summary

Large-Cap Growth stocks are represented by the annual total returns of the Russell 1000 Growth Index, which is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Large-Cap Value stocks are represented by the annual total returns of the Russell 1000 Value Index, which is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Mid-Cap Growth stocks are represented by the annual total returns of the Russell Mid Cap Growth Index, which is a market-weighted total return index that measures the performance of companies within the Russell Mid Cap Index having higher price-to-book ratios and higher forecasted growth values.

Mid-Cap Value stocks are represented by the annual total returns of the Russell Mid Cap Value Index, which is a market-weighted total return index that measures the performance of companies within the Russell Mid Cap Index having lower price-to-book ratios and lower forecasted growth values.

Small-Cap Growth stocks are represented by the annual total returns of the Russell 2000 Growth Index, which is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values.

Small-Cap Value stocks are represented by the annual total returns of the Russell 2000 Value Index, which is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

International stocks are represented by the annual total returns of the MSCI EAFE Index, which is listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East) and is widely accepted as a benchmark for international stock performance, the EAFE index is an aggregate of 21 individual company indexes.

Emerging Markets stocks are represented by the annual total returns of the MSCI EMF index, which is an index composed of companies representative of the market structure of 25 emerging market countries in Europe, Latin America, and the Pacific Basin.

Core Bonds are represented by the annual total returns of the Barclays Aggregate Index, which covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

High yield bonds are represented by the annual total returns of the Barclays High Yield Index, which is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Real Estate Securities are represented by the annual total returns of the NAREIT index, which is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

Real Estate Direct Property is represented by the annual total returns of the NCREIF Property index, which consists of U.S. commercial real estate properties that have been acquired, at least in part, on behalf of tax-exempt institutions and are held in a fiduciary environment and includes wholly owned and joint venture investments: operating properties only –no development projects; only investment-grade, no-agricultural, income producing properties: Apartments, Industrial, Office, and Retail.

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# Principal Financial Advisors – Investment Advisory Report

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Principal Financial Advisors, Inc.

June 2016

Personal & Confidential  
Emily Ward  
Director of Administrative Services  
South Dakota Dept. of Labor & Regulation  
700 Governor's Drive  
Pierre, SD 57501-2291

RE: South Dakota Department of Labor Retirement Plan  
Contract No: 4-15193

Dear Ms. Ward,

Thank you for being a continuing client of Principal Financial Advisors. Enclosed is a copy of your Investment Advisory Report. We are pleased to continue working with you and hope that you find this summary helpful.

Principal Financial Advisors, Inc., is a registered investment adviser and wholly owned subsidiary of the Principal Financial Group®. Federal securities laws require us to offer you a copy of Principal Financial Advisors ADV Part 2. This filing provides information about Principal Financial Advisors and the services we offer. Please let me know if you would like a copy of the ADV Part 2.

Please contact me at the number below if you have any questions regarding this report.

Best regards,

Mark Crandall  
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Principal Financial Advisors, Inc.  
Ph. (800) 543-4015 Ext. 22361  
E-mail: crandall.mark@principal.com

David Fee, CFA  
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P.O. Box 9394, Des Moines, Iowa 50306-9394 1 (800) 543-4015  
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Principal Financial Advisors, Inc.



Investment Advisory Report  
South Dakota Department of Labor Retirement Plan  
Contract No. 4-15193  
July 01, 2015 - April 30, 2016

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Principal Financial Advisors, Inc. Overview  
Portfolio and Strategic Asset Allocation Review  
Portfolio Performance Review  
Investment Option Performance

# Principal Financial Advisors, Inc. Overview

As a retirement plan sponsor, you face significant challenges in managing the plan on behalf of participants – fiduciary responsibility, risk management and plan investment decisions, just to name a few. **When you appoint Principal Financial Advisors, Inc. as the plan's ERISA Section 3(38) investment manager, we team with you to address these challenges.**

For 25 years, Principal Financial Advisors (a member company of the Principal Financial Group) has been managing investment strategies. As of December 31, 2015, we manage more than \$7.1 billion in assets and have more than 325 clients using our advisory services for retirement plans.

Our mission is to provide high-quality investment advisory and consulting services to help clients meet their goals and objectives by offering access to premier investment managers and customized investment strategies.

The investment advisory services of Principal Financial Advisors are consistent with the following core beliefs:

- 1) Strategic asset allocation selection and implementation play key roles in a retirement plan's ability to successfully meet its obligations over the long term.
- 2) Careful analysis of a retirement plan's assets, liabilities and unique attributes guides asset allocation decisions.
- 3) Diversifying by asset class, style and investment manager is one of the most effective ways to control investment risk.
- 4) A portfolio's long-term success depends substantially on selecting appropriate managers and carefully monitoring their performance over time.

Principal Financial Advisors provides:

- 1) A customized investment strategy based on the plan's unique situation.
- 2) Assumption of fiduciary responsibility for asset allocation decisions.<sup>1</sup>
- 3) Benefits of the due diligence process of Principal Life Insurance Company.<sup>2</sup>
- 4) Experienced investment personnel, comprehensive reporting and top-tier client service.

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<sup>1</sup>The plan sponsor remains the plan's named fiduciary, but Principal Financial Advisors, Inc. has been appointed as the plan's ERISA Section 3(38) investment manager.

<sup>2</sup>Principal Life Insurance Company is responsible for the hiring and monitoring of investment managers made available to you through the due diligence process. Principal Financial Advisors selects from these investment options for retirement portfolios.

# Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2015 through 04/30/2016				
Inv Manager or Sub-Advisor	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
<b>Investment Option</b>				
<b>Large U.S. Equity</b>				
<b>Large Value</b>				
<i>Edge Asset Management, Inc.</i> Equity Income Separate Account-R6 <sup>3, 12</sup>	\$3,787,037	6.24%	\$3,863,392	6.86%
<i>Principal Global Investors</i> LargeCap Value Separate Account-R6	\$3,795,258	6.25%	\$3,791,758	6.74%
<b>Large Blend</b>				
<i>Principal Global Investors</i> LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 26</sup>	\$3,453,221	5.69%	\$3,265,941	5.80%
<b>Large Growth</b>				
<i>T. Rowe Price/Brown Advisory</i> LargeCap Growth I Separate Account-R6 <sup>3, 20</sup>	\$7,992,534	13.17%	\$7,678,471	13.64%
<b>Small/Mid U.S. Equity</b>				
<b>Mid Cap Value</b>				
<i>Principal Global/Barrow Hanley</i> MidCap Value III Separate Account-R6 <sup>1</sup>	\$1,212,242	2.00%	\$1,132,654	2.01%
<b>Mid Cap Growth</b>				
<i>Robert Baird/William Blair</i> MidCap Growth III Separate Account-R6 <sup>1, 13, 20, 29</sup>	\$1,238,058	2.04%	\$1,130,280	2.01%
<b>Small Value</b>				
<i>DFA/Vaughan Nelson/LA Capital</i> SmallCap Value II Separate Account-R6 <sup>1, 15, 20</sup>	\$1,263,602	2.08%	\$575,855	1.02%
<b>Small Growth</b>				
<i>AB/CCI/Brown/Emerald</i> SmallCap Growth I Separate Account-R6 <sup>1, 3, 20, 31</sup>	\$1,331,784	2.19%	\$577,440	1.03%
<b>International Equity</b>				
<b>Diversified Emerging Markets</b>				
<i>Principal Global Investors</i> International Emerging Markets Separate Account-R6 <sup>4</sup>	\$1,578,901	2.60%	\$901,970	1.60%
<b>Foreign Large Value</b>				
<i>Causeway / Barrow Hanley</i> Overseas Separate Account-R6 <sup>4, 15, 20</sup>	\$6,277,857	10.35%	\$6,528,482	11.60%

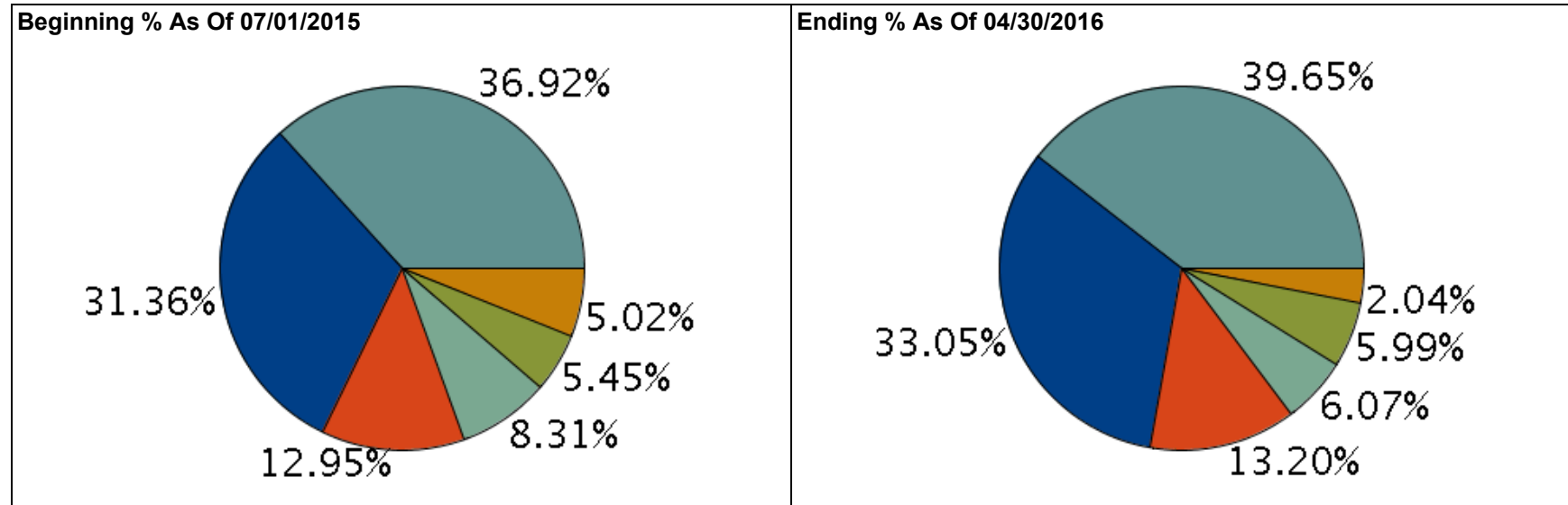
# Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2015 through 04/30/2016				
<i>Inv Manager or Sub-Advisor</i>	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
<b>Real Estate</b>				
<b>Owned Real Estate</b>				
<i>Principal Real Estate Inv</i> U.S. Property Separate Account-R6 <sup>23</sup>	\$3,306,066	5.45%	\$3,368,787	5.99%
<b>Balanced/Asset Allocation</b>				
<b>Allocation--30% to 50% Equity</b>				
<i>Multiple Sub-Advisors</i> Diversified Real Asset Separate Account-R6 <sup>3, 12, 22, 26</sup>	\$3,044,954	5.02%	\$1,149,463	2.04%
<b>Fixed Income</b>				
<b>High Yield Bond</b>				
<i>JP Morgan / Neuberger Berman</i> High Yield I Separate Account-R6 <sup>5, 15, 16, 17</sup>	\$2,525,099	4.16%	\$2,297,633	4.08%
<b>Intermediate-Term Bond</b>				
<i>Mellon Capital Mgmt</i> Bond Market Index Separate Account-R6 <sup>2, 16, 17</sup>	\$4,942,829	8.15%	\$4,987,321	8.86%
<i>Principal Global Investors</i> Core Plus Bond Separate Account-I2 <sup>16, 17, 26, 34</sup>	\$14,934,220	24.61%	\$15,032,490	26.71%
<b>TOTAL</b>	<b>\$60,683,662</b>	<b>100%</b>	<b>\$56,281,937</b>	<b>100%</b>

Please see important information at the end of this presentation.

# Portfolio and Strategic Asset Allocation Review

## Asset Class Breakdown



- Fixed Income
- Large U.S. Equity
- International Equity
- Small/Mid U.S. Equity
- Real Estate
- Balanced/Asset Allocation



# Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation at the beginning and end of the reporting period.

Your plan's assets and liabilities are reviewed periodically during the year and we make changes as needed. We will continue to monitor your plan and adjust its allocation as necessary.

Target Allocation 07/01/2015 through 04/30/2016			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	<b>Large U.S. Equity</b>	<b>29.90%</b>	<b>33.00%</b>
	<b>Large Value</b>		
Edge Asset Management, Inc.	Equity Income Separate Account-R6 <sup>3, 12</sup>	6.10%	6.80%
Principal Global Investors	LargeCap Value Separate Account-R6	6.10%	6.80%
	<b>Large Blend</b>		
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 26</sup>	5.50%	5.80%
	<b>Large Growth</b>		
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 <sup>3, 20</sup>	12.20%	13.60%
	<b>Small/Mid U.S. Equity</b>	<b>7.60%</b>	<b>6.00%</b>
	<b>Mid Cap Value</b>		
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 <sup>1</sup>	1.90%	2.00%
	<b>Mid Cap Growth</b>		
Robert Baird/William Blair	MidCap Growth III Separate Account-R6 <sup>1, 13, 20, 29</sup>	1.90%	2.00%
	<b>Small Value</b>		
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 <sup>1, 15, 20</sup>	1.90%	1.00%
	<b>Small Growth</b>		
AB/CCI/Brown/Emerald	SmallCap Growth I Separate Account-R6 <sup>1, 3, 20, 31</sup>	1.90%	1.00%
	<b>International Equity</b>	<b>12.50%</b>	<b>13.00%</b>
	<b>Diversified Emerging Markets</b>		
Principal Global Investors	International Emerging Markets Separate Account-R6 <sup>4</sup>	2.50%	1.60%
	<b>Foreign Large Value</b>		
Causeway / Barrow Hanley	Overseas Separate Account-R6 <sup>4, 15, 20</sup>	10.00%	11.40%
	<b>Real Estate</b>	<b>5.00%</b>	<b>6.00%</b>
	<b>Owned Real Estate</b>		
Principal Real Estate Inv	U.S. Property Separate Account-R6 <sup>23</sup>	5.00%	6.00%
	<b>Balanced/Asset Allocation</b>	<b>5.00%</b>	<b>2.00%</b>
	<b>Allocation--30% to 50% Equity</b>		
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6 <sup>3, 12, 22, 26</sup>	5.00%	2.00%

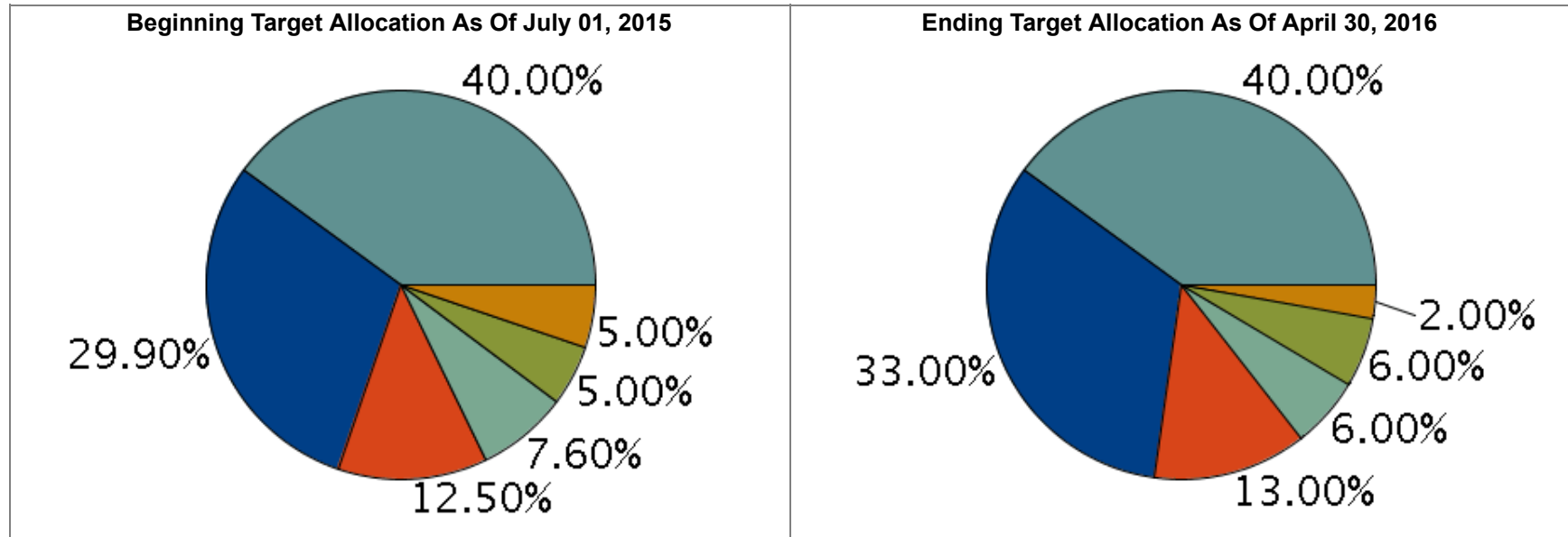
# Portfolio and Strategic Asset Allocation Review

Target Allocation 07/01/2015 through 04/30/2016			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	<b>Fixed Income</b>	40.00%	40.00%
	<b>High Yield Bond</b>		
JP Morgan / Neuberger Berman	High Yield I Separate Account-R6 <sup>5, 15, 16, 17</sup>	4.00%	4.00%
	<b>Intermediate-Term Bond</b>		
Mellon Capital Mgmt	Bond Market Index Separate Account-R6 <sup>2, 16, 17</sup>	9.00%	9.00%
Principal Global Investors	Core Plus Bond Separate Account-I2 <sup>16, 17, 26, 34</sup>	27.00%	27.00%

*Please see important information at the end of this presentation.*

# Portfolio and Strategic Asset Allocation Review
















Please note that a slight variance between your plan's target allocation displayed in this report and its weightings is normal. This variance is due to changes in your account values caused by fluctuations in the market. We periodically initiate rebalancing transfers to bring the plan's assets back to its target allocation.



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Balanced/Asset Allocation
- Fixed Income

# Portfolio and Strategic Asset Allocation Review

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Large U.S. Equity		
Large Value	Large Blend	Large Growth
Equity Income Separate Account-R6 <sup>3, 12</sup>  LargeCap Value Separate Account-R6 	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 26 ++</sup>	LargeCap Growth I Separate Account-R6 <sup>3, 20</sup>  
Small/Mid U.S. Equity		
Mid Cap Value	Mid Cap Blend	Mid Cap Growth
MidCap Value III Separate Account-R6 <sup>1</sup>  		MidCap Growth III Separate Account-R6 <sup>1, 13, 20, 29</sup>  
Small Value	Small Blend	Small Growth
SmallCap Value II Separate Account-R6 <sup>1, 15, 20</sup>   		SmallCap Growth I Separate Account-R6 <sup>1, 3, 20, 31</sup>    

# Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
<p>Overseas Separate Account-R6<sup>4, 15, 20</sup></p>  <p>BARROW, HANLEY, MEWHINNEY &amp; STRAUSS, LLC</p> <p>International Emerging Markets Separate Account-R6<sup>4</sup></p> 	<p>U.S. Property Separate Account-R6<sup>23</sup></p> 	<p>Diversified Real Asset Separate Account-R6<sup>3, 12, 22, 26</sup></p> 
Short-Term Fixed Income	Fixed Income	
	<p>High Yield I Separate Account-R6<sup>5, 15, 16, 17</sup></p>   <p>Bond Market Index Separate Account-R6<sup>2, 16, 17</sup></p>  <p>Core Plus Bond Separate Account-I2<sup>16, 17, 26, 34</sup></p> 	

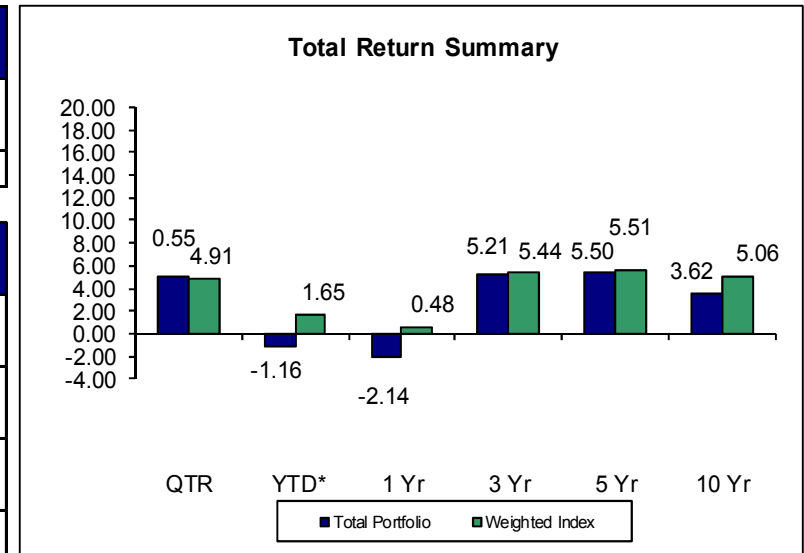
Please see important information at the end of this presentation.

# Portfolio Performance Review

Time & Dollar Weighted Rates of Return  
April 30, 2016

Time & Dollar Weighted Returns						
	QTR	YTD*	1 Yr	3 Yr	5 Yr	10 Yr
Total Portfolio Return	4.96	-1.16	-2.14	5.21	5.50	3.62
Weighted Index	4.91	1.65	0.48	5.44	5.51	5.06
Excess Return	0.05	-2.81	-2.62	-0.23	-0.01	-1.44

Asset Class Return Information						
	QTR	YTD*	1 Yr	3 Yr	5 Yr	10 Yr
Your Plan's U.S. Equity Return	6.62	-1.96	-1.67	11.14	9.03	4.47
S&P 1500 Total Market Stock Index	7.48	1.49	1.00	11.12	10.84	6.98
Portfolio's International Equity Return	6.57	-9.77	-13.10	-0.52	-0.82	0.95
MSCI - ACWI Ex USA Index	9.71	-7.28	-11.28	-0.02	-0.13	1.70
Your Plan's Real Asset Return	3.98	-0.50	-0.91	4.98	6.88	3.88
Blended Real Asset Index	0.68	1.46	2.42	2.42	2.42	1.79
Your Plan's Fixed Income Return	3.14	2.66	1.11	1.67	3.68	3.40
Barclays Aggregate Bond Index	2.02	4.10	2.72	2.29	3.60	4.95



We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your April 30, 2016 Contract holder Fund Statement.

Your Plan's Real Asset Return includes the weighted investment performance from the following Separate Accounts for any reporting periods during which they were applicable to your plans allocation: US Property Separate Account, sub-advised by Principal Real Estate Investors; Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors and Diversified Real Asset Separate Account, sub-advised by multiple sub-advisors.

\*YTD is the plan year return from 7/1/2015 thru 4/30/2016.

Please see important disclosures at the end of this presentation.

# Investment Option Performance

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown.

In situations where the net and gross total investment expense figures are different, the mutual fund or underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the Waiver Expiration Date or Contractual Cap Expiration Date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are always based on net total investment expense.

For more performance information, including most recent month-end performance, visit [www.principal.com](http://www.principal.com), contact your representative of the Principal Financial Group® (The Principal®), or call our participant contact center at 1-800-547-7754.

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 04/30/2016							Percentile Rankings as of 04/30/2016					Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
<b>Large U.S. Equity</b>														
<b>Large Value</b>														
Edge Asset Management, Inc. Equity Income Separate Account-R6 <sup>3, 12</sup>	8.13	-1.34	8.04	9.25	6.01	8.46	06/30/2009	-	34	54	35	28	0.68 / 0.68	-
Russell 1000 Value Index	9.43	-0.40	9.59	10.13	5.67	-	-	-	-	-	-	-	-	-
Principal Global Investors LargeCap Value Separate Account-R6	5.51	-2.16	7.82	8.73	4.79	7.25	06/01/1995	-	44	60	47	59	0.61 / 0.61	-
Russell 1000 Value Index	9.43	-0.40	9.59	10.13	5.67	-	-	-	-	-	-	-	-	-
<b>Morningstar Category Average - Large Value</b>	<b>8.54</b>	<b>-2.54</b>	<b>8.10</b>	<b>8.51</b>	<b>5.16</b>	<b>Total Funds in Category</b>	<b>1471</b>	<b>1386</b>	<b>1199</b>	<b>1048</b>	<b>759</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Large Blend</b>														
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 26</sup>	6.96	0.91	10.87	10.64	6.58	8.87	01/01/1990	-	21	19	17	29	0.31 / 0.31	-
Standard & Poor's 500 Index	7.05	1.21	11.26	11.02	6.91	-	-	-	-	-	-	-	-	-
<b>Morningstar Category Average - Large Blend</b>	<b>6.64</b>	<b>-1.97</b>	<b>9.29</b>	<b>9.15</b>	<b>5.94</b>	<b>Total Funds in Category</b>	<b>1600</b>	<b>1521</b>	<b>1374</b>	<b>1202</b>	<b>880</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Large Growth</b>														
T. Rowe Price/Brown Advisory LargeCap Growth I Separate Account-R6 <sup>3, 20</sup>	5.51	0.00	12.22	10.46	8.30	4.60	12/29/2000	-	22	23	25	11	0.77 / 0.79	02/28/2017
Russell 1000 Growth Index	5.72	1.07	12.47	11.44	8.20	-	-	-	-	-	-	-	-	-
<b>Morningstar Category Average - Large Growth</b>	<b>4.72</b>	<b>-2.51</b>	<b>10.63</b>	<b>9.24</b>	<b>6.60</b>	<b>Total Funds in Category</b>	<b>1692</b>	<b>1618</b>	<b>1476</b>	<b>1296</b>	<b>922</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Small/Mid U.S. Equity</b>														
<b>Mid Cap Value</b>														
Principal Global/Barrow Hanley MidCap Value III Separate Account-R6 <sup>1</sup>	8.95	-4.14	9.10	9.75	6.87	10.37	01/01/1991	-	58	37	17	28	0.81 / 0.81	-
Russell Midcap Value Index	12.36	-0.18	10.26	10.45	7.35	-	-	-	-	-	-	-	-	-
<b>Morningstar Category Average - Mid Cap Value</b>	<b>11.20</b>	<b>-3.70</b>	<b>8.23</b>	<b>7.90</b>	<b>6.09</b>	<b>Total Funds in Category</b>	<b>484</b>	<b>465</b>	<b>405</b>	<b>348</b>	<b>239</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Investment Option Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 04/30/2016							Percentile Rankings as of 04/30/2016						
	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver / Expire Date
<b>Mid Cap Growth</b>														
Robert Baird/William Blair MidCap Growth III Separate Account-R6 <sup>1, 13, 20, 29</sup>	7.49	-5.56	8.36	5.64	5.15	5.00	10/28/1999	-	40	54	75	70	1.11 / 1.14	02/28/2017 02/28/2017
Russell Midcap Growth Index	8.75	-4.13	10.43	9.20	7.38	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Mid Cap Growth	7.82	-6.38	8.40	7.03	6.03	Total Funds in Category		736	720	641	573	426	-	-
<b>Small Value</b>														
DFA/Vaughan Nelson/LA Capital SmallCap Value II Separate Account-R6 <sup>1, 15, 20</sup>	10.96	-3.71	9.12	7.83	4.93	7.32	06/01/2004	-	47	18	20	56	1.17 / 1.19	02/28/2017 02/28/2017
Russell 2000 Value Index	11.34	-3.71	6.50	6.77	4.61	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Small Value	11.50	-4.18	6.92	6.56	5.20	Total Funds in Category		489	446	383	332	219	-	-
<b>Small Growth</b>														
AB/CCI/Brown/Emerald SmallCap Growth I Separate Account-R6 <sup>1, 3, 20, 31</sup>	7.64	-7.45	8.42	6.67	6.25	4.42	12/29/2000	-	45	33	39	31	1.19 / 1.26	02/28/2017 02/28/2017
Russell 2000 Growth Index	7.97	-8.27	8.50	7.15	6.14	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Small Growth	7.48	-8.18	7.26	5.99	5.50	Total Funds in Category		751	715	656	586	423	-	-
<b>International Equity</b>														
<b>Diversified Emerging Markets</b>														
Principal Global Investors International Emerging Markets Separate Account-R6 <sup>4</sup>	9.30	-18.90	-6.28	-5.12	1.33	7.55	01/01/1995	-	78	77	66	58	1.51 / 1.51	- -
MSCI - Emerging Markets NDTR D Index	13.66	-17.87	-4.57	-4.61	2.36	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Diversified Emerging Markets	11.13	-15.37	-4.55	-4.31	1.86	Total Funds in Category		918	847	584	408	176	-	-
<b>Foreign Large Value</b>														
Causeway / Barrow Hanley Overseas Separate Account-R6 <sup>4, 15, 20</sup>	5.70	-12.09	0.94	0.66	-	4.55	09/30/2008	-	63	44	41	-	1.23 / 1.26	02/28/2017 02/28/2017
MSCI EAFE Value Index	8.66	-13.22	-0.14	0.45	0.50	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Foreign Large Value	6.82	-10.74	0.49	0.33	0.44	Total Funds in Category		390	367	297	250	136	-	-
<b>Real Estate</b>														
<b>Owned Real Estate</b>														
Principal Real Estate Inv U.S. Property Separate Account-R6 <sup>23</sup>	1.97	11.99	12.75	12.92	5.13	6.76	01/01/1982	-	-	-	-	-	1.15 / 1.15	- -
NFI-ODCE Equal-Weight	-	-	-	-	-	-	-	-	-	-	-	-	-	-



# Investment Option Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 04/30/2016							Percentile Rankings as of 04/30/2016					Total Inv. Exp. Net / Gross	Contractual Cap/Waiver / Expire Date
	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
<b>Balanced/Asset Allocation</b>														
<b>Allocation--30% to 50% Equity</b>														
<i>Multiple Sub-Advisors</i>														
Diversified Real Asset Separate Account-R6 <sup>3, 12, 22, 26</sup>	7.73	-11.60	-2.43	-0.47	-	3.25	12/31/2010	-	98	97	98	-	1.04 / 1.04	12/30/2016 12/30/2016
Diversified Real Asset Blended Index	6.82	-5.15	-1.04	0.33	-	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Allocation--30% to 50% Equity	5.05	-1.97	2.83	4.07	4.27	Total Funds in Category		611	565	480	410	257	-	-
<b>Fixed Income</b>														
<b>High Yield Bond</b>														
<i>JP Morgan / Neuberger Berman</i>														
High Yield I Separate Account-R6 <sup>5, 15, 16, 17</sup>	7.56	-2.38	1.67	4.37	7.06	6.84	12/31/2004	-	54	51	47	7	0.81 / 0.81	- -
Barclays US Corp High Yld 2% Issuer Capped Index	9.15	-1.08	2.55	5.41	7.38	-	-	-	-	-	-	-	-	-
Morningstar Category Average - High Yield Bond	6.73	-2.54	1.46	4.14	5.79	Total Funds in Category		810	760	642	520	359	-	-
<b>Intermediate-Term Bond</b>														
<i>Mellon Capital Mgmt</i>														
Bond Market Index Separate Account-R6 <sup>2, 16, 17</sup>	1.89	2.17	1.77	3.10	-	3.55	12/30/2009	-	32	54	69	-	0.41 / 0.41	- -
Barclays Aggregate Bond Index	2.02	2.72	2.29	3.60	4.95	-	-	-	-	-	-	-	-	-
<i>Principal Global Investors</i>														
Core Plus Bond Separate Account-I2 <sup>16, 17, 26, 34</sup>	2.91	1.47	1.98	3.74	4.88	7.81	02/01/1983	-	62	42	32	42	0.55 / 0.55	- -
Barclays Aggregate Bond Index	2.02	2.72	2.29	3.60	4.95	-	-	-	-	-	-	-	-	-
Morningstar Category Average - Intermediate-Term Bond	2.42	1.57	1.77	3.39	4.58	Total Funds in Category		1101	1053	958	831	603	-	-

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Please see important information at the end of this presentation.

# Important Information

*Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative, if applicable, services are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.*

+ *This is not a sub-advised investment option. Guarantees are backed by all the assets in the Principal Life general account.*

++ *Investment options sub-advised by Principal Global Investors.*

*Investment Advisory Services are provided by Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of the Principal Financial Group®.*

*No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.*

*Asset allocation strategies are developed using Separate Accounts available through a group annuity contract of Principal Life Insurance Company.*

***Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.***

*Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost. This does not apply, however, to the guaranteed portions of group annuity contracts issued by Principal Life that constitute guaranteed benefit policies as defined in ERISA §401(b)(2)(B).*

*This report includes investment options that contain information from a variety of sources. A primary source is Morningstar which provides holdings information, operations data, and rankings or statistics proprietary to Morningstar. Morningstar is generally the source of information on mutual funds unaffiliated with the Principal.*

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*Compliance number: t14092601zk*

*1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.*

*2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.*

3. *This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.*
4. *International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.*
5. *High yield investment options are subject to greater credit risk and volatility that is associated with high yield bonds.*
6. *This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.*
8. *S&P 500 is a trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.*
12. *These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.*
13. *This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.*
15. *This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.*
16. *Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.*
17. *Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.*
20. *This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.*
22. *Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. or any other government entity. Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic developments, the success of exploration projects, tax and other government regulations and other factors. Investment in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration. An MLP that invests in a particular industry (e.g., oil and gas) may be harmed by detrimental economic events within that industry. As partnerships, MLPs may be subject to less regulation (and less protection for investors) under state laws than corporations. In addition, MLPs may be subject to state taxation in certain jurisdictions, which may reduce the amount of income paid by an MLP to its investors.*

23. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. If you elect to contribute funds into the U.S. Property Separate Account, withdrawals may be delayed for up to 3 years.

25. The net return experienced may be negative if the costs to maintain and operate the Money Market Separate Account exceed returns. Participants may also see negative returns if plan expenses, if applicable, are netted or deducted from their accounts.

26. The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

29. Effective January 13, 2014, this portfolio is sub-advised by Baird and William Baird and William Blair. Prior to January 13, 2014, this portfolio was sub-advised by Turner and Jacobs Levy. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

31. Effective April 25, 2014, Emerald was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

34. Formerly known as Bond and Mortgage Separate Account.

## **Benchmark Descriptions**

*Balanced Strategy Composite Index is composed of 30% Russell 1000 Index, 4% Russell 2500 Index, 14% MSCI EAFE Index, 3% MSCI Emerging Markets Index, 4% MSCI World Index, 5% NAREIT Equity Index, and 40% Barclays Capital Aggregate Bond Index.*

*Barclays Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

*Barclays Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.*

*Barclays U.S. Corporate High Yield Index is an unmanaged index constructed to mirror the characteristics of the high yield bond market.*

*Barclays US Corp High Yld 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.*

*Blended Real Asset Index through September 30, 2011, is as follows: 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index-Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and Leverage. The return series is net of the average fee charged by accounts that make up the index. The MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance. Effective October 1, 2011, the Blended Real Asset Index is comprised of 100% Consumer Price Index (CPI) plus 1.5%. Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.*

*Conservative Strategy Composite Index is composed of 11% Russell 1000 Index, 4% MSCI EAFE Index, 2% MSCI World Index, 3% NAREIT Equity Index, 60% Barclays Capital Aggregate Bond Index, and 20% Merrill Lynch US Treasury 1-3 year Index.*

*Diversified Real Asset Blended Index is composed of 40% Barclays U.S. Treasury TIPS Index, 40% MSCI All Country World Index, and 20% Bloomberg Commodity Index.*

*FTSE EPRA/NAREIT Developed Index is designed to represent general trends in eligible real estate equities worldwide.*

*FTSE EPRA/NAREIT Developed Index NR is designed to represent general trends in eligible real estate equities worldwide.*

*Growth Strategy Composite Index is composed of 41% Russell 1000 Index, 6% Russell 2500 Index, 17% MSCI EAFE Index, 4% MSCI Emerging Markets Index, 6% MSCI World Index, 6% NAREIT Equity Index, and 20% Barclays Capital Aggregate Bond Index.*

*Moderate Strategy Composite Index is composed of 20% Russell 1000 Index, 3% Russell 2500 Index, 9% MSCI EAFE Index, 2% MSCI Emerging Markets Index, 3% MSCI World Index, 3% NAREIT Equity Index, and 60% Barclays Capital Aggregate Bond Index.*

*MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.*

*MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.*

*MSCI EAFE Value Index is a subset of the MSCI EAFE Index, which is an unmanaged index that measures the stock returns of companies in developed economies outside of North America. The MSCI EAFE Value Index consists of securities classified by MSCI as most representing the value style.*

*MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.*

*NFI-ODCE Equal-Weight is the NCREIF Fund Index - Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage. The return series is net of the average fee charged by accounts that make up the index.*

*Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.*

*Russell 1000 Index consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose.*

*Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.*

*Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.*

*Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization.*

*Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.*

*Russell Midcap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.*

*Russell Midcap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.*

*Russell Midcap Value Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap index having lower price-to-book ratios and lower forecasted growth values.*

*Standard & Poor's 1500 Total Market Stock Index is an index of small, medium and large stocks. It is comprised of stocks from the Standard & Poor's 500, 400 and 600 stock indices.*

*Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.*

*The Russell 3000 Index is constructed to provide a comprehensive barometer of the broad market and accounts for nearly 98% of the total value of all equity traded on the U.S. exchanges. It measures the stocks that are also members of either the Russell 1000 or the Russell 2000 indexes.*

*Weighted Index is composed of:*

*05/01/2006 - 02/28/2007: 34% Barclays Aggregate Bond Index, 47.90% S&P 1500 Index, 10% MSCI ACWI Ex USA Index, 6% NFI-ODCE Equal Weight Index and 2.10% MSCI US REIT Index.*

*03/01/2007 - 12/31/2010: 34% Barclays Aggregate Bond Index, 44% S&P 1500 Index, 13.90% MSCI ACWI Ex USA Index, 6% NFI-ODCE Equal Weight Index and 2.10% MSCI US REIT Index.*

*01/01/2011 - 09/30/2011: 34% Barclays Aggregate Bond Index, 43.40% S&P 1500 Index, 14.50% MSCI ACWI Ex USA Index, 6% NFI-ODCE Equal Weight Index and 2.10% MSCI US REIT Index.*

*10/01/2011 - 03/31/2016: 40% Barclays Aggregate Bond Index, 37.50% S&P 1500 Index, 12.50% MSCI ACWI Ex USA Index and 10% Blended Real Asset Index.*

*04/01/2016 - 04/30/2016: 40% Barclays Aggregate Bond Index, 39% S&P 1500 Index, 13% MSCI ACWI Ex USA Index and 8% Blended Real Asset Index.*

# Plan Analysis & Trends

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# Retirement Program Overview

## SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT DIVISION, AND OFFICE OF ADMIN SVCS RET PLAN A

Defined Benefit Plan		
SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT Contract/Plan ID Number 4-15193		
Participant Details	06/30/2015	04/30/2016
Total Plan Participants	13	13
Active Participants	11	9
Terminated Participants	2	4
Retired Participants	221	215

Internet Usage	2015	2016	
Internet Sessions	2	1	
Internet Users	1	1	
Number of Quotes produced via the Estimated Benefit Calculator			

Investment Demographics & Investment Review Defined Benefit Plan		
SOUTH DAKOTA DOL, JOB SERVICE, UNEMPLOYMENT Contract/Plan ID Number 4-15193		
Total Plan Assets	06/30/2014	06/30/2015
	63462609.77	60683663.91

Investment Balances by Asset Class			
		04/30/2016	
Asset Class	06/30/2015	Total	Percent of Total Assets
Large U.S. Equity	\$19,028,051	\$18,599,563	33%
Small/ Mid U.S. Equity	\$5,045,687	\$3,416,229	6.2%
International Equity	\$7,856,758	\$7,430,452	13.2%
Balanced/ Asset Allocation	\$3,044,954	\$1,149,463	2%
Fixed Income	\$25,708,213	\$25,686,231	45.6%

## Disclosures

*Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.*

*High-yield investment options are subject to greater credit risk associated with high yield bonds.*

*Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.*

*International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.*

*Specialty investment options may experience greater volatility than funds with a broader investment strategy due to sector focus. These investment options are not intended to serve as a complete investment program by itself.*

*Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.*

***An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.***

*Each index-based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged result for the market segment the selected stocks or bonds represent. There is no assurance an index-based investment option will match the performance of the index tracked.*

*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.*

*Asset allocation/diversification does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risk.*

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

*Insurance products and plan administrative services are provided by Principal Life Insurance Company, a member of the Principal Financial Group® (The Principal®), Des Moines, IA 50392.*

# Your Plan Provisions

## Entry Requirements

- A minimum age is not required.
- Service is not required.
- Any Employee of the Employer, including an Employee who is on probationary status (providing his employment commenced before July 1, 1980), and excluding the following: An Employee who is not employed on a full-time permanent status. Full-time permanent status means an Employee works an average of 20 hours per week, or in the opinion of the Employer, can be expected to work an average of 20 hours per week over the next year). An Employee who has elected to become a member of the state retirement system of the state of South Dakota on or after July 1, 1980 and before July 1, 1981. An Employee who retired prior to January 1, 1987.
- Entry date is the first day of the pay period on which he is an Eligible Employee.
- However, in no event may an Employee whose employment begins on or after July 1, 1980, become an Active Participant.

## Normal Retirement

- Age 60

## Plan Distributions

- Retirement
- Early Retirement
- Death
- Disability
- Termination of employment

## Vesting

- Less than 5 years, 0%; 5 years or more, 100%.

## Average Compensation

- The average of an Employee's Monthly Compensation for the 5 consecutive Compensation Dates (all Compensation Dates, if less than 5) with the highest average out of all Compensation Dates.

### Accrual Service

#### Credited Service

- The sum of (a) and (b) below: (a) His Credited Past Service before August 1, 1961. (b) The total of his continuous service with the Employer on and after August 1, 1961, expressed in whole years and fractional parts of a year.

### Retirement Benefit

- Normal retirement benefit. An Active Participant's monthly Accrued Benefit will be equal to the product of (a) and (b) below: (a) An amount equal to 2% of his Average Compensation. (b) His Credited Service on such date.
- Early retirement benefit. Within 10 years of Normal Retirement Date (age 50 and completed 20 years of Credited Service or completed 25 years of Credited Service for a Participant who ceased to be an Employee as a result of his Involuntary Termination of Employment). Accrued benefit on early retirement date reduced by 1/6 of 1% for each month his early retirement date precedes his normal retirement date (the date he would reach age 55, if his early retirement date is the result of his Involuntary Termination of Employment).

### Death Benefits

If married at least one year, is survived by a Dependent Child, and has not ceased to be an Employee, monthly payments will be made to the surviving spouse (if there is not a surviving spouse, to the person who in the Plan Administrator's opinion, has assumed the principal support of the Dependent Child) as follows:

- The amount of payments to the surviving spouse are equal to: (1) for a Participant whose latest date of employment occurred before he attained age 47, the greater of (i) 55% of his Accrued Benefit on the date of his death, or (ii) 22% of his Average Compensation on the date of his death. (2) for a Participant whose latest date of employment occurred after he attained age 47, 55% of the amount of monthly retirement benefit expected to become payable to him on the date he attains age 60, assuming his employment continues and his Monthly Compensation remains unchanged.
- The amount of payments to the Dependent Child are equal to: (1) for each Dependent Child of a Participant who has a spouse on the date of his death, the least of (i) 60% of his Average Compensation on the date of his death, divided by the number of Dependent Children, or (ii) \$75, or (iii) \$225, divided by the number of Dependent Children. The above payments to a Dependent Child are in addition to the payments made to the surviving spouse. (2) for each Dependent Child of a Participant who does not have a spouse on the date of his death, the least of (i) 75% of his Average Compensation on the date of his death, divided by the number of Dependent Children, or (ii) \$90, or (iii) \$270, divided by the number of Dependent Children.
- The above death benefits shall begin on the first day of the month after the Participant dies and shall continue until the later of (a) the date the surviving spouse dies, or (b) the date there no longer is a Dependent Child. In any event, if the surviving spouse remarries prior to the attainment of age 60, no further monthly payments shall be made after the first day of the month immediately preceding the date of the spouse's remarriage.

- Benefits payable to the Dependent Children of a Participant who did not have a spouse on the date of his death shall be assumed to continue until the date the youngest Dependent Child attains age 22.

In addition, a single sum benefit equal to the Participant's Required Contribution Account is payable to his Beneficiary.

Please see the plan document or summary plan description for more information.  
This summary is not meant to replace the plan document or summary plan description.  
If any part of this summary conflicts with the terms of the plan, the terms of the plan will be followed. The plan is much more detailed.

## Plan Participants

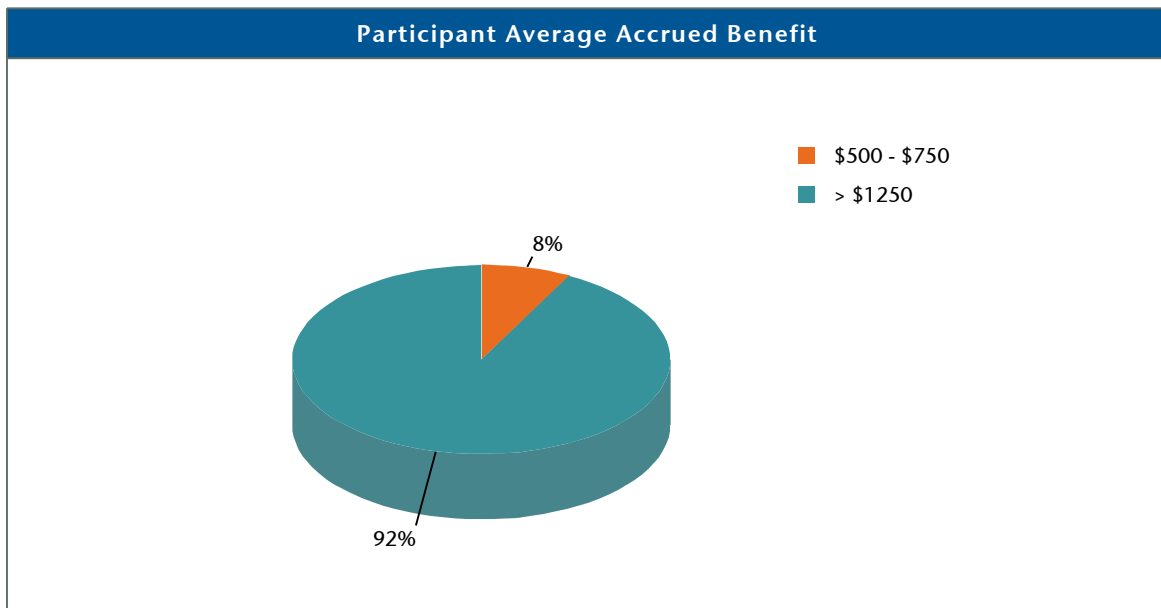
### Breakdown of Plan Participants

This chart shows the active, terminated, retired, and total plan participants.

Breakdown of Participants				
	2012	2013	2014	2015
Active Participants	19	15	11	9
Terminated Participants	3	2	2	4
Retired Participants (Data Available 2007 Forward)	220	221	221	215
Total Plan Participants	242	238	234	228

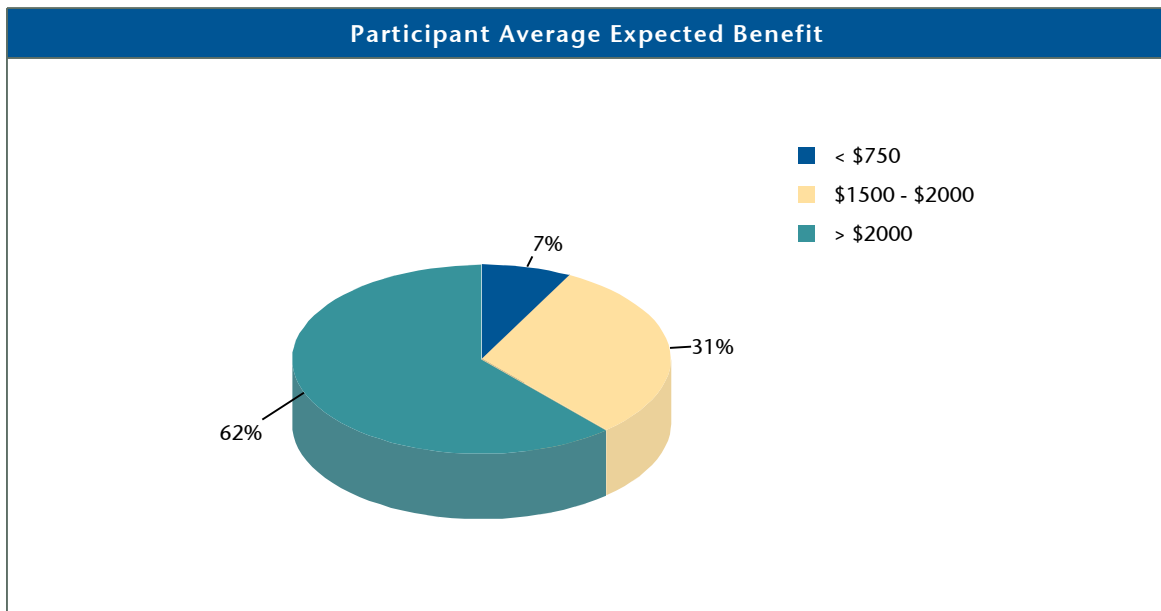
### Participant Average Accrued Benefit

This chart shows the average accrued monthly benefits of your plan participants as of the last plan anniversary date. Accrued monthly benefits are based on the formula outlined in your plan document.



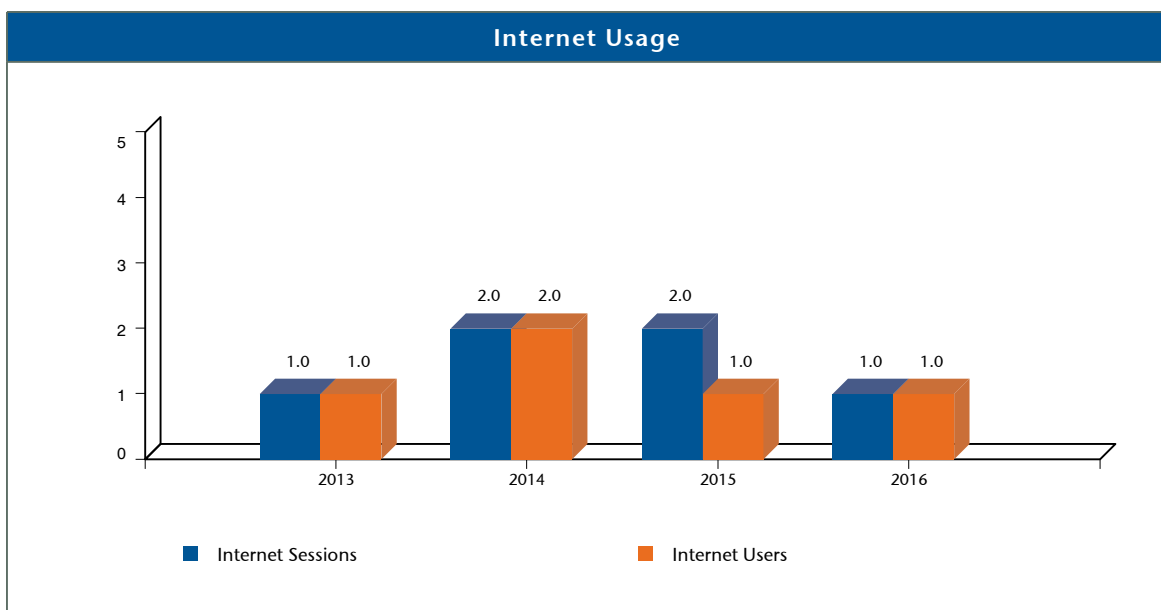
### Participant Average Expected Benefit

This chart shows Average Expected Benefits of your plan participants. Expected benefits assume the participant will be employed with your organization until they reach normal retirement age, this is the estimated monthly benefit amount they could receive each month based on the provisions outlined in your plan document.



### Internet Usage

This chart shows how many times the internet has been accessed by plan participants and the total number of participants and the total number of participants that have accessed the information.



<b>Frequently Accessed Information (Number of Times Accessed)</b>		
	<b>Internet-2015</b>	<b>Internet-2016</b>
Account Balance	0	0
Activity Detail	0	0
Benefit Estimator	0	0
DB RSC Welcome	2	1
Investment Options	0	0
Loan Information	0	0
Personal Information	0	0
Rollover Information	0	0



Investment Option Balances					
Investment Advisor	Investment Option Name	06/30/2014	06/30/2015	04/30/2016	
				Total	%
Edge Asset Management, Inc.	Equity Income Separate Account-R6	\$4,160,511.07	\$3,787,037.33	\$3,863,392.17	6.9%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6	\$3,685,558.38	\$3,453,221.46	\$3,265,941.42	5.8%
Principal Global Investors	LargeCap Value Separate Account-R6	\$4,095,256.36	\$3,795,258.28	\$3,791,758.18	6.7%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6	\$7,887,208.73	\$7,992,533.81	\$7,678,471.01	13.6%
AB/CCI/Brown/Emerald	SmallCap Growth I Separate Account-R6	\$1,190,951.15	\$1,331,783.94	\$577,440.15	1.0%
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6	\$1,247,611.97	\$1,263,602.38	\$575,855.38	1.0%
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6	\$1,290,994.95	\$1,212,242.41	\$1,132,653.60	2.0%
Robert Baird/William Blair	MidCap Growth III Separate Account-R6	\$1,231,161.57	\$1,238,058.30	\$1,130,280.07	2.0%
Causeway / Barrow Hanley	Overseas Separate Account-R6	\$6,540,883.95	\$6,277,857.00	\$6,528,481.79	11.6%
Principal Global Investors	International Emerging Markets Separate Account-R6	\$1,639,619.61	\$1,578,901.05	\$901,969.83	1.6%
Multiple Sub-Advisors	Diversified Real Asset Separate Account-R6	\$3,437,849.32	\$3,044,954.46	\$1,149,462.84	2.0%
JP Morgan / Neuberger Berman	High Yield I Separate Account-R6	\$2,623,721.68	\$2,525,098.51	\$2,297,633.47	4.1%
Mellon Capital Mgmt	Bond Market Index Separate Account-R6	\$0.00	\$4,942,828.99	\$4,987,320.60	9.0%
Principal Global Investors	Core Plus Bond Separate Account-I2	\$9,556,466.76	\$14,934,220.45	\$15,032,490.16	26.7%
Principal Real Estate Inv	U.S. Property Separate Account-R6	\$3,275,335.08	\$3,306,065.54	\$3,368,786.98	6.0%

(continued on next page)

Investment Option Balances (continued)					
Investment Advisor	Investment Option Name	06/30/2014	06/30/2015	04/30/2016	
				Total	%
PIMCO	Core Plus Bond I Separate Account-R6	\$11,599,479.19	\$0.00	\$0.00	0.0%
<b>TOTALS</b>		<b>\$63,462,609.77</b>	<b>\$60,683,663.91</b>	<b>\$56,281,937.65</b>	<b>100%</b>

- Large U.S. Equity
- Small/ Mid U.S. Equity
- International Equity
- Balanced/ Asset Allocation
- Short-Term Fixed Income
- Fixed Income
- Other
- Employer Security

Investment Balances by Asset Class					
Asset Class	06/30/2014	06/30/2015	04/30/2016		
			Total	%	
Large U.S. Equity	\$19,828,534.54	\$19,028,050.88	\$18,599,562.78	33.00%	
Small/ Mid U.S. Equity	\$4,960,719.64	\$5,045,687.03	\$3,416,229.20	6.20%	
International Equity	\$8,180,503.56	\$7,856,758.05	\$7,430,451.62	13.20%	
Balanced/ Asset Allocation	\$3,437,849.32	\$3,044,954.46	\$1,149,462.84	2.00%	
Fixed Income	\$27,055,002.71	\$25,708,213.49	\$25,686,231.21	45.60%	
<b>Totals</b>	<b>\$63,462,609.77</b>	<b>\$60,683,663.91</b>	<b>\$56,281,937.65</b>	<b>100%</b>	

# Education Tools

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# 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](http://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.

1

2

3

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

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


PENSION BENEFIT SUMMARY		
<b>As of January 1, 20XX</b>		<b>As of Age 65</b>
Earned Monthly Benefit	\$109.82	Estimated Monthly Benefit**
Vested Monthly Benefit	\$0.00	\$748.00
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	
<b>As of Age 65</b>	
Estimated Monthly Social Security Benefit**	\$1,359.00

\*\*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](http://www.ssa.gov/mystatement).

TOTAL ESTIMATED MONTHLY BENEFIT	
The Estimated Pension and Social Security Monthly Benefit at age 65 is:	\$2,105.00
This pension benefit, along with Estimated Social Security, will replace about 88% of your projected annual pay.	




37% — 21% — 42%

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

## 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.<sup>1</sup>

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.

<sup>1</sup>Assuming 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](http://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](http://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](http://principal.com) or call 1-800-547-7754.



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# LEARN ABOUT PENSION PLAN PAYMENT OPTIONS



Congratulations; you are one of the fortunate retirees to receive income from a company retirement plan!

At the Principal Financial Group®, our goal is to provide you with outstanding service. As a leading provider of defined contribution plans, we help people manage their retirement funds every day.\* Your employer chose us to help make sure you receive your benefit payments when due, without fail.

This quick-reference guide provides you with answers to frequently asked questions regarding your benefit payment. Should you need additional information, do not hesitate to use the service options outlined here.

## Frequently asked questions

### How and when can I contact you?

You may contact us through any of the following:

- **Internet:** [principal.com](http://principal.com)
- **Phone:** You can speak with one of our retirement specialists by calling 1-800-247-7011, available Monday through Friday from 7 a.m. to 5 p.m. CT. Non-U.S. retired participants can call 515-247-7820.
- **Mail:** P.O. Box 4926, Grand Island, NE 68802-4926
- **Fax:** 1-888-718-5921

### Is my retirement income considered taxable income?

Unlike Social Security benefits, most pension payments are taxable, just as your salary or income is taxable before you retire. You will receive an IRS Form 1099-R from us for each year you receive pension payments as required by federal regulations. The form will include the total amount of pension or annuity payments you received and the total amount of income tax withheld during the year. Please contact your tax advisor with questions about withholding or the taxation of your benefits.

### Can deductions be made from my pension payment for insurance or other expenses?

Yes, we can make deductions for your life or medical insurance as well as federal and state tax withholding. Call us for more information.

### When will my check be mailed?

We will mail your check four business days prior to your payment due date to make sure you receive it on time. If you don't receive your check, please wait seven business days after your payment due date before you contact us. For a more secure and timely way of receiving your payment, we offer direct deposit to your financial institution.

### How do I set up direct deposit for my pension payment?

You may request direct deposit by using the *Personal* login at [principal.com](http://principal.com) or by calling us. We will need your financial institution's routing number and your checking or savings account number.

### When will my direct deposit payment arrive at the financial institution?

Your payment is submitted electronically to your financial institution on or before your payment due date. If your payment due date falls on a weekend or bank holiday, we'll submit your payment to your financial institution on the business day prior to the weekend or holiday. We suggest you check with your financial institution about specific timing issues and when funds will be available.

**Will I receive written notification that my payment has been deposited into my financial institution account?**

No. You will receive a written direct deposit notification only if there is a change in the amount deposited to your financial institution account, i.e., if you change your tax withholding information. You can access your current payment and prior three payments history through the Internet at [principal.com](http://principal.com).

**Do you need my current address if my payment is set up for direct deposit?**

Yes, so that future correspondence reaches you promptly; such as when we mail your IRS Form 1099-R each January.

**How can I make changes to my address, financial institution account information, withholding, name, and/or beneficiary?**

You can submit your changes by using the *Personal* login at [principal.com](http://principal.com) or by calling our retirement specialists. To protect your payment from fraud, we will ask you to verify specific information.

**If I become disabled or unable to manage my affairs, who should my family members or loved ones contact?**

A family member or loved one should contact a retirement specialist as soon as they can.

## Service options

The following service options are available for quick and easy access to your pension payments from The Principal®.

**The Principal website — your online resource**

To view account information:

- Log on to [principal.com](http://principal.com)
- Select login type as “Personal” and click “Go”
- Enter your Username, verify your Login Image and Phrase and enter your Password

If you don't have a password, call us at 1-800-247-7011 Monday through Friday, between 7 a.m. and 5 p.m. CT so that we can assist you with the process or answer any questions you may have. Non-U.S. retired participants can call 515-247-7820.

**Retirement specialists**

At The Principal we want to make sure that when you need to speak to someone directly regarding your pension payments, there is a person you can call. Our retirement specialists are trained to help answer your questions. Call us at 1-800-247-7011 from 7 a.m. to 5 p.m. CT Monday through Friday. Non-U.S. retired participants can call 515-247-7820.

\*Based on number of recordkeeping plans, PLANSPONSOR Recordkeeping Survey, June 2014 - #2 with 51,181 plans



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Principal Life Insurance Company, Des Moines, Iowa 50392-0001  
[principal.com](http://principal.com)

Insurance products and plan administrative services are provided by Principal Life Insurance Company, a member of the Principal Financial Group®, Des Moines, IA 50392.



Our new logo



It's us.  
Only better.

Same company

Same integrity, experience  
and heartfelt service

An updated approach to  
better represent the  
company we are ... your  
partner in financial  
progress

# Imagery Examples

## WHAT'S THE MOST REWARDING FINANCIAL INVESTMENT? PAYING IT FORWARD.

At The Principal®, we know just how important a good investment is. That's why we proudly invest in our communities. We give back to organizations that make a difference in education, health, arts and culture. Our employees volunteer thousands of hours each year through the Principal Volunteer Network. Our offices around the world take part in sustainability and charitable initiatives. And we're not stopping there.

Because if we pay it forward today, we can help others have a brighter future tomorrow. WE'LL GIVE YOU AN EDGE®



For more information, visit [principal.com](http://principal.com)



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**Paying it forward.**  
The most rewarding financial investment.

You might have noticed that we look a little different. We have an exciting new face to show the world. But we're still the same company that proudly invests in our communities and gives back to organizations that make a difference in financial security, education, arts and culture. We take pride in our employees all over the world who volunteer thousands of hours and donate millions of dollars to sustainability and charitable initiatives each year. And we're not stopping there. Because if we continue to pay it forward, together we can help people live their best lives.

 [principal.com/giveback](http://principal.com/giveback)

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# Imagery Examples



**Experience the power of eDelivery.**

Sign up for eDelivery of your future Annual Meeting materials by May 31, 2015, and The Principal® and the Arbor Day Foundation will plant a tree on your behalf, where it's needed most in a U.S. forest.

*Thank you for your continued investment in The Principal and for choosing eDelivery.*

**Three Benefits of eDelivery**

Join over 17,000 shareholders who have signed up for eDelivery of their Annual Meeting Information through 2014, and you'll benefit in several ways. You'll be able to:

- 1 RECEIVE EMAIL NOTIFICATIONS AS SOON AS YOUR SHAREHOLDER DOCUMENTS ARE AVAILABLE
- 2 GAIN QUICKER ACCESS TO SHAREHOLDER INFORMATION
- 3 VIEW YOUR ACCOUNT INFORMATION ONLINE ANYTIME

**AND THAT'S NOT ALL.** When you sign up for eDelivery, you'll also help reduce print and mailing costs, save paper, lower greenhouse gas emissions and reduce waste. Plus, you'll help restore a U.S. forest that's been damaged by fire, insects or disease.

**Sign up for eDelivery in three easy steps**

- 1 Go to [www.investorvote.com](http://www.investorvote.com).
- 2 Enter your control number – the 15-digit circled number on your proxy card.
- 3 Find and select the option to request eDelivery of future Annual Meeting information on the right-hand side.

FPO for FSC Logo

Arbor Day Foundation

Principal Financial Group

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**Principal**

Let's plant a tree. Sign up for eDelivery.

**Reasons you'll like eDelivery**

- Receive email notifications as soon as your annual meeting information is available
- Vote quickly online anytime, anywhere

**Principal partners with the Arbor Day Foundation to plant trees and help with the environment**

The Arbor Day Foundation thanks Principal for their partnership in helping raise awareness about the importance of renewing our natural resources through tree planting.

Since 1990, the Arbor Day Foundation has planted more than 50 million trees in our nation's forests. The need for trees in our nation's forests is greater than ever before. Recent years of record wildfires, disease, and drought have destroyed millions of trees in forests around the country.

To learn more about how you can help, visit: [www.arborday.org/replanting](http://www.arborday.org/replanting)

Arbor Day Foundation

**You'll help the environment, too.** When you sign up for eDelivery, you'll also help reduce print and mailing costs, save paper, lower greenhouse gas emissions and reduce waste. Plus, you'll help restore a U.S. forest that's been damaged by fire, insects or disease.

**Here's how to sign up.**

- 1 Go to [www.investorvote.com](http://www.investorvote.com)
- 2 Enter your control number – the 15-digit circled number on your proxy card.
- 3 Follow the prompts to sign up for eDelivery of all future annual meeting materials.

FPO FSC Logo

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# Principal<sup>®</sup> Brand Journey

A full transition will take approximately 12-18 months.



We are proud of  
who we were  
then and who  
we are now.



# Important Information

Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group<sup>®</sup>, (The Principal<sup>®</sup>), Des Moines, IA 50392.

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