# PENSION

## Traditional and Cash Balance Formulas
## for Employees and Individual Field
## (Including Grandfathered Choice Participants)

This Summary Plan Description (SPD) is made available to furnish you with information regarding The Principal Pension Plan. This SPD is effective January 1, 2015 and replaces any prior SPD.

Definitions are located near the end of the SPD. These defined words are italicized when used throughout the SPD.

Separate sections of this SPD may be used as reference for further explanation of other sections. In those cases, referenced sections are bolded whenever they appear throughout the SPD.

SPDs are available from Human Resources in printed form. Employees may also view or print SPDs from the Human Resources intranet and Agents and Financial Representatives may also view or print SPDs from the advisor site. As a covered *participant* of the *plan*, your rights and benefits are determined by the provisions of the *plan* document. This SPD briefly describes those rights and benefits. In the event of a conflict between this SPD and the *plan* document, the *plan* document controls. A copy of the *plan* document may be obtained by contacting the *plan administrator* at the address or telephone number shown in the **Plan and Contact Information** section.

This SPD is a summary of the main *plan* provisions and is not an employment contract, any other type of contract, or an offer to enter into an employment contract or any other type of contract. It does not constitute an agreement by the *company* to continue to maintain the *plan*, or any provision of the *plan*, described or referred to herein.

The Board of Directors of the *company* has the right to terminate or change the *plan* at any time. In most instances, this authority has been delegated to the Management Resources Committee of Principal Life Insurance Company. The current membership of the Management Resources Committee can be obtained from Human Resources. The *plan administrator* has complete discretion over the control and administration of the *plan*, including the power to construe or interpret all provisions, including ambiguous provisions, if any; to determine eligibility for benefits; and to determine the type and extent of benefits, if any, to be provided. Benefits under this *plan* will be paid only if the *plan administrator* decides in its discretion that the applicant is entitled to them. The *plan administrator*'s decisions in such matters shall be controlling, binding, and final. In any action to review any such decision by the *plan administrator*, the *plan administrator* shall be deemed to have exercised its discretion properly unless it is duly proven that the *plan administrator* has acted arbitrarily and capriciously.

The legal documents governing the *plan* cannot be modified by oral statements made by anyone, or by unofficial communications (such as e-mail or mailings) or other contracts (such as employment agreements or stock or asset purchase agreements). The *plan* can only be modified by official *plan* amendments. Amendments can only be adopted by authorized persons, such as the Board of

Directors, the Management Resources Committee, or others to whom the Board has delegated amendment authority.

**NOTE:** If you left the *company* or *participating controlled group member* before the effective date of this SPD, the pension benefits described in this SPD may be different than the benefits you are entitled to, or may not apply to you. Your pension benefit was determined by the *plan* provisions in effect when you left the *company* or *participating controlled group member*.

**Individuals Eligible for the *Plan*:** All *eligible employees* and *agents*.

**Summary Plan Description for the purposes of ERISA**

This SPD (including any supplement) is the SPD to describe the *traditional benefit* and *cash balance* formulas for the following individuals:

- *eligible employees*, including *eligible employees* who are *grandfathered choice participants*, who entered the Plan prior to December 31, 2001; and
- *agents,* including *agents* who are *grandfathered choice participants,* who entered the Plan prior to December 31, 2001.

Separate Summary Plan Descriptions have been issued for:

- *eligible employees* who entered the Plan after December 31, 2001, and *agents* and *financial representatives* who entered the Plan after December 31, 2001, including *grandfathered choice participants*, to describe the *cash balance* formula; and
- *eligible employees*, *agents* and *field managers* who are *terminated* vested *participants* on or before December 31, 2001, to describe the *traditional benefit* formula.

| Resources | |
|---|---|
| **Resource** | **How to Access** |
| **Human Resources Intranet** | **Employees:**<br>**To access the HR intranet from a computer at work**:<br>▪ Go to the *Inside The Principal*® home page.<br>▪ Click My HR: For Employees located on the left side.<br>▪ If needed, enter your Network (LAN) Username and Password to access the information.<br>**To access the HR intranet from a remote computer (SecurID token required):**<br>• On the Internet, go to www.principal.com, select Personal login type in the Account Login box located in the upper left corner of your screen and click on the Go button. Enter your principal.com Username and Password and click on the Login button to reach your Personal Summary Page.<br>• Click on Human Resources Intranet located on the left side.<br>• Follow the login screen to access My HR: For Employees with a SecurID token. |
| **Advisor site** | **Agents and financial representatives only:**<br>▪ On the Internet, go to advisors.principal.com.<br>▪ Click on the Login button at the top of the screen.<br>▪ Enter your advisor/financial professional Username and Password.<br>▪ Click on Resource Center > Policies & Legal Notices > Summary Plan Descriptions and Benefit Booklets.<br>▪ Scroll down for the specific Summary Plan Descriptions and Benefit Booklets that apply to you. |

| Resources | |
|---|---|
| **Resource** | **How to Access** |
| **Participant Contact Center** | • Call 800.547.7754 from a touch-tone phone. Have your social security number available. If you need assistance, press 0 and a representative will assist you. |
| **Human Resources Service Center** | • Call 515.247.MYHR(6947) or 1.866.524.MYHR(6947)<br>• E-MAIL MYHR@PRINCIPAL.COM |

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## PARTICIPATION

If you are an *hourly employee*, you became a *participant* on the first day of the month on or after the date you:

- completed 1,000 hours of service within an *eligibility computation period*; and
- reached age 21.

For all other *eligible employees* and *agents*, you became a *participant* on the first day of the month on or after the date you became an *eligible employee* or *agent* and reached age 21.

Your eligibility was determined when you became a *participant* and is based on *plan* provisions in effect at that time. The eligibility provisions in effect at that time may be different than the eligibility provisions currently in effect.

## INTRODUCTION TO RETIREMENT BENEFITS

Prior to January 1, 2002, the *plan* provided only one formula: A *traditional benefit* formula. Effective January 1, 2002, the *company* added an additional formula to your pension *plan*, a "*cash balance*" formula.

At the time you become eligible for a distribution under either formula, the two formulas will be compared to determine which provides the more valuable benefit. You will receive the benefit provided under the formula that produces the more valuable benefit, subject to the following:

- If the benefit that produces the more valuable benefit does not provide for distributions at that time, you cannot receive payment at that time.
- If the benefit that produces the more valuable benefit permits you to elect to begin the benefit at a later date, and if you so elect, it is possible that at the later date the other formula will provide the more valuable benefit. If that is the case, you will receive the benefit under the other formula.
- If the more valuable benefit is provided by the *cash balance* formula, you can elect a lump-sum distribution of that benefit (in lieu of electing an annuity option). If the more valuable benefit is provided by the *traditional benefit* formula, a lump-sum distribution is not available.
- Federal law prohibits you from electing to take the benefit under the formula that produces the less valuable benefit – even if that benefit is the one you prefer.
- If the *traditional benefit* formula provides the greater benefit, an active *participant's* pension benefit payable under the life annuity option will not be less than the greatest amount of benefit payable if you had retired on an earlier *retirement date*.

## RETIREMENT BENEFITS IF YOU TERMINATE AT AGE 65

You will receive the benefit provided under the *traditional benefit* formula or the benefit provided under the *cash balance* formula, whichever provides the more valuable benefit.

### BENEFIT UNDER THE TRADITIONAL BENEFIT FORMULA

If <u>you are not a *grandfathered choice participant*</u>, the *traditional benefit* formula below is used to determine your *accrued benefit* at any time on and after January 1, 2006:

- 35% of your *average compensation* not over your *covered compensation* plus 55% of your *average compensation* over your *covered compensation*, multiplied by your *accrued benefit adjustment.*

For example, if your *average compensation* is $1,700 (which does not exceed your *covered compensation*), you work 35 years for the *company* or *participating controlled group member*, and you work until age 65 (giving you a total *accrued benefit adjustment* of 1), 35% would be $595 per month.

A different benefit formula was in effect until January 1, 2006. If you were an active *participant* of the *plan* on December 31, 2005, your *accrued benefit* on any date will not be less than your *accrued benefit* determined as of December 31, 2005.

If <u>you are a *grandfathered choice participant*</u>, the *traditional benefit* formula below is used to determine your *accrued benefit* at any time:

- 39.2% of your *average compensation* not over your *covered compensation* plus 66.75% of your *average compensation* over your *covered compensation*, multiplied by your *pre-1989 accrued benefit adjustment*, plus
- 39.2% of your *average compensation* not over your *covered compensation* plus 61.25% of your *average compensation* over your *covered compensation*, multiplied by your *post-1988 accrued benefit adjustment.*

For example, if your *average compensation* is $1,700 (which does not exceed your *covered compensation*), you work 35 years for the *company* or *participating controlled group member*, and you work until age 65 (giving you a total *accrued benefit* adjustment of 1), 39.2% would be $666.40 per month.

The sum of your *pre-1989 accrued benefit adjustmen*t and your *post-1988 accrued benefit adjustment* cannot be more than one.

The benefit determined under the traditional benefit formula is a single life annuity for your lifetime. This is often referred to as normal form.

### BENEFIT UNDER THE CASH BALANCE FORMULA

Your *cash balance* benefit will be based on the value of your *cash balance* account at the end of the month in which you attain age 65. Your *cash balance* account is determined using pay credits and interest credits.

#### Pay Credits

Pay credits are determined using a points formula, which is based on your age and service. Your age and service for purposes of determining points is whole years unrounded as of the date of termination. You receive a certain percentage of your *compensation* earned while you are a *participant* and an additional percentage for *compensation* over the Social Security Taxable Wage Base (SSTWB).

If you are not a *grandfathered choice participant* your points formula is shown in the following table:

| **Points** | **Annual Pay Credits** | |
|---|---|---|
| (age plus years of service) | **Total *Compensation*** | **Excess *Compensation**** |
| Less than 40 | 3.00% | 1.50% |
| 40-59 | 4.00% | 2.00% |
| 60-79 | 5.50% | 2.75% |
| 80 or more | 7.00% | 3.5% |

*If you make over the SSTWB you will receive this additional percentage on any *compensation* above the SSTWB. (SSTWB = $118,500 for 2015. To inquire about the SSTWB for prior years, contact Human Resources.)

If you are a *grandfathered choice participant*, your points formula is shown in the following table:

| **Points** | **Annual Pay Credits** | |
|---|---|---|
| (age plus years of service) | **Total *Compensation*** | **Excess *Compensation**** |
| Less than 40 | 4.00% | 2.00% |
| 40-49 | 5.50% | 2.75% |
| 50-59 | 7.00% | 3.50% |
| 60-69 | 9.00% | 4.50% |
| 70-79 | 11.50% | 5.75% |
| 80 or more | 14.00% | 7.00% |

*If you make over the SSTWB you will receive this additional percentage on any *compensation* above the SSTWB. (SSTWB = $118,500 for 2015. To inquire about the SSTWB for prior years, contact Human Resources.)

**Interest Credits**

In general, the interest credits are based on an index. Currently, the index is based on the yield on one-year treasury constant maturities plus an additional 1 percent. The index is redetermined for each year. The rate for a calendar year is based on the average yield (as determined by the Treasury Department) for the prior September, October, and November. There is a minimum rate of 5%. Interest will be added to your *cash balance* account, based on your account balance at the beginning of that calendar year.

**Examples of Pay Credits and Interest Credits for Participants who are not Grandfathered Choice Participants**

The following example demonstrates how the current rate of accrual is determined under the *cash balance* benefit formula for someone who is not a *grandfathered choice participant*. If you are age 37, enter the plan on January 1, 2015, and your *compensation* is $30,000:

- On December 31, 2015, you are 38 and have one year of service. Adding these two numbers together, you receive 39 points as shown in the table on the previous page. Those 39 points translate into a 3% pay credit. Therefore, 3% of your $30,000 *compensation* will be deposited into your *cash balance* account for the 2015 *plan* year. You will not receive an interest credit for the 2015 Plan year because you had no cash balance account as of January 1, 2015.

| | |
|---:|---|
| $30,000 | your *compensation* |
| x .03 | your pay credit for your 39 points |
| $ 900 | your pay credit and *cash balance* account total as of December 31, 2015 |

- On December 31, 2016, you are 39, have two years of service, and earned $31,200. Adding your age and years of service, you receive 41 points as shown in the table on the previous page. Those 41 points translate into a 4% pay credit. Therefore, 4% of your $31,200 *compensation* will be deposited into your *cash balance* account for the 2016 *plan* year. Assuming the interest credit for the 2016 *plan* year is 5%, your *accrued benefit* as of December 31, 2016 is calculated as follows:

| | |
|---:|---|
| $900 | your account balance on January 1, 2016 |
| x .05 | the interest credit |
| $ 45 | your interest earned in 2016 |
| | |
| $31,200 | your 2016 *compensation* |
| x .04 | your pay credit for your 41 points |
| $1,248 | your pay credit for 2016 |
| | |
| $900 | your account balance on January 1, 2016 |
| + 45 | your interest credit for 2016 |
| + 1,248 | your pay credit for the 2016 *plan* year |
| $2,193 | your *cash balance* account total as of December 31, 2016 |

- On December 31, 2017, you are 40, have three years of service, and are earning $32,400. Adding your age and years of service, you receive 43 points as shown in the table on the previous page. Those 43 points translate into 4 percent of your $32,400 *compensation*. Assuming your account also earns a 5 percent interest credit on the beginning balance, your *cash balance* account is calculated as follows:

| | |
|---:|---|
| $ 2,193 | your account balance on January 1, 2017 |
| x .05 | the interest credit |
| $ 109.65 | your interest earned in 2017 |
| | |
| $32,400 | your 2017 *compensation* |
| x .04 | your pay credit for your 43 points |
| $ 1,296 | your pay credit for 2017 |
| | |
| $2,193.00 | your account balance on January 1, 2017 |
| +109.65 | your interest credit for 2017 |
| + 1,296.00 | your pay credit for the 2017 *plan* year |
| $3,598.65 | your *cash balance* account total as of December 31, 2017 |

**Examples of Pay Credits and Interest Credits for Grandfathered Choice Participants**

The following example demonstrates how the current rate of accrual is determined under the *cash balance* formula for someone who is a *grandfathered choice participant*. If you are age 53 and have 16 years of service as of December 31, 2014, and your *compensation* is $30,000:

- on December 31, 2015, you are 54, have 17 years of service, and are earning $31,200. Adding your age and years of service, you receive 71 points as shown in the table on the previous page. Those 71 points translate into 11.5 percent of your $31,200 *compensation*. Assuming your account also earns a 5 percent interest credit on the beginning balance, your account is calculated as follows:

| | |
|---|---|
| $8,584.30 | your account balance on January 1, 2015 |
| x .05 | the interest credit |
| $ 429.22 | your interest earned in 2015 |

| | |
|---|---|
| $31,200 | your 2015 *compensation* |
| x .115 | the percent of pay for your 59 points |
| $3,588.00 | your pay credit for 2015 |

| | |
|---|---|
| $8,584.30 | your account balance on January 1, 2015 |
| + 429.22 | the interest credit for 2015 |
| + 3,588.00 | your pay credit for 2015 |
| $12,601.52 | your *cash balance* account total on December 31, 2015 |

- on December 31, 2016, you are 55, have 18 years of service, and are earning $32,400. Adding your age and years of service, you receive 73 points as shown in the table on the previous page. Those 73 points translate into 11.5 percent of your $32,400 *compensation*. Assuming your account also earns a 5 percent interest credit on the beginning balance, your account is calculated as follows:

| | |
|---|---|
| $ 12,601.52 | your account balance on January 1,2016 |
| x .05 | the interest credit |
| $ 630.08 | your interest earned in 2016 |

| | |
|---|---|
| $32,400 | your 2016 *compensation* |
| x .115 | the percent of pay for your 61 points |
| $ 3,726.00 | your pay credit for 2016 |

| | |
|---|---|
| $12,601.52 | your account balance on January 1, 2016 |
| + 630.08 | the interest credit for 2016 |
| + 3,726.00 | your pay credit for 2016 |
| $16,957.60 | your *cash balance* account total on December 31, 2016 |

**How the Cash Balance Account is Converted to an Annuity**

At age 65 the balance of your *cash balance* account is converted into an annuity for your life. To convert the *cash balance* account into an annuity, the following assumptions will be made:

- An interest rate factor is used. The interest rate factor used is the applicable interest rate for the year in which the annuity commences based on *Code* § 417(e).
- Mortality assumptions are used. The mortality assumptions are those based on *Code* § 417(e).
- Applicable COLA.

If you are a *grandfathered choice participant*, the annuity described above will have the same type of cost of living adjustment (COLA) assumption as described in the COLA Adjustment section. However, if you are not a *grandfathered choice participant*, only the annuity resulting from your *cash balance* account as of December 31, 2005, will have the cost of living adjustment (COLA).

**Hypothetical Account**

Your *cash balance* account is a bookkeeping account only. The balance of this hypothetical account is used to measure the amount of benefit payable to you, but assets are not actually segregated into a separate investment account for you under the *plan*. When this summary refers to a "credit" to your account, that means that an amount is added to your account – it does not mean that a contribution of that exact amount is made to the *plan*. *Company* contributions to the *plan* as a whole are determined by an actuary based on many factors.

## LIMITS APPLICABLE TO BOTH FORMULAS

The law limits the benefits under this *plan*. You will be notified if your benefits are limited.

The law also limits the amount of *compensation* that may be used to determine contributions and benefits. The 2015 limit is $265,000. This limit may be adjusted periodically for cost of living changes.

The law also requires that certain forms of benefit may not be available to you if the value of the contributions that have been made to the *plan* on the date you request your benefit is below a certain amount. When it's time to choose your retirement benefits, you will be notified if certain forms are not available.

## HOW THE MORE VALUABLE BENEFIT IS DETERMINED

If you terminate, the most valuable retirement benefit as of age 65 is determined as follows:

Step 1: The present value produced by the *traditional benefit* formula is determined (see the **Benefit under the Traditional Benefit Formula** section.)

Step 2: The *cash balance* account is calculated.

Step 3: The amounts calculated in Step 1 will be compared to the amount determined in Step 2.

- If the value of the *traditional benefit* formula is greater, your benefit will be paid in accordance with the rules that apply to the *traditional benefit* formula.
- If the *cash balance* account determined in Step 2 is larger, your benefit will be paid in accordance with the rules that apply to the *cash balance* formula.
- If the two amounts are equal, your benefit will be paid in accordance with the rules that apply to either the *traditional benefit* formula or the *cash balance* formula.

Federal laws prevent you from electing the benefit having the lower value, even if you disagree with the valuation method used to determine the most valuable benefit or if the *traditional benefit* formula produces the more valuable benefit but you would prefer to receive a lump-sum (which is available only with respect to the *cash balance* formula).

The limits applied under federal law (see the **Limits Applicable to Both Formulas** section) will be applied, if applicable, in Step 1 and Step 2.

In determining the more valuable benefit, no value is assigned to the death benefit attributable to your contributions.

## PAYMENT OPTIONS AVAILABLE AT AGE 65

Following is a list of the other annuity payment options available:

- Life with certain period annuity
- Survivorship annuity
- Special survivorship annuity
- Social Security adjustment

In addition, if the *cash balance* formula is the greater benefit, a single sum payment is available.

For more details regarding how these options are calculated, see the **Annuity Options** section.

## VESTING

You will be entitled to a retirement benefit if you reach your *vesting date* before you *terminate*. If you *terminate* prior to your *vesting date*, your retirement benefit is forfeited.

## COST OF LIVING ADJUSTMENT FOR ELIGIBLE ANNUITY PAYMENTS

A COLA adjustment may be made on each January 1st after your annuity begins; however, if you are not a *grandfathered choice participant*, the COLA adjustment applies only to your benefit earned as of December 31, 2005. If you are a *grandfathered choice participant*, the COLA adjustment applies to your entire benefit.

The actual COLA adjustment will not necessarily be the same as the assumed COLA adjustment described under the **How the Cash Balance Account is Converted to an Annuity** section. Rather, it will be calculated each year (beginning with the year following the commencement of your benefit).

Your monthly income will be increased by 75% of the increase in the average of the Consumer Price Index published by the United States Department of Labor. The averaging period begins each October 1 and ends on each following September 30. The maximum increase in your monthly income in any year will be 7.5 %. No change will be made unless the COLA determined is at least 1%. If no change in your monthly income occurs, future increases will be based on the change in the average from the date the last adjustment was made. No decrease in your monthly income will occur due to a cost of living adjustment.

The adjustment made for the year that follows the year in which your annuity commences may be a partial adjustment. For example, if you will be receiving benefits for only four months during the year in which your benefits will commence, in the following year you will get only 4/12 of the full COLA adjustment. In all future years it will be assumed that you will get the full COLA adjustment.

## ACCRUAL IF YOU DIE OR BECOME DISABLED WHILE ON QUALIFIED MILITARY SERVICE

Your *accrued benefit* and *cash balance* account will be determined as if you had resumed employment/contract on the day preceding your death or disability and *terminated* on the date of your death or disability should you die or become *totally and permanently disabled* while performing *qualified military service* and you could have returned to work for the *company* or *participating controlled group member* at the end of your *qualified military service*.

## IF YOU TERMINATE AFTER AGE 57 WITH AT LEAST 10 YEARS OF VESTING SERVICE

If you *terminate* after reaching age 57 with at least 10 years of *vesting service*, you will receive the benefit provided under the *traditional benefit* formula or the benefit provided under the *cash balance* formula, whichever provides the more valuable benefit. The more valuable benefit is determined on the date you elect to have the benefit commence. The method of calculating the more valuable benefit is the same three-step calculation as was previously described, except it is performed at an earlier age. Note: Because the calculation is performed at an earlier age, the **Early Retirement Table** below is used to determine your *traditional benefit*.

### Benefit under the Traditional Benefit Formula

You can begin to receive an annuity payment option immediately following the date you *terminate*. If paid in the form of a single life annuity, the normal monthly amount will be calculated as follows:

Step 1: Your *accrued benefit* will be determined as generally described above for benefits payable to persons who *terminate* at age 65.

Step 2: Your *accrued benefit* (determined in Step 1) will be multiplied by the factor determined under the following tables (the table used depends on whether or not you are a *grandfathered choice participant*):

| Early Retirement Table for Non-Grandfathered Choice Participants (if you retire or cease to be an employee or agent between ages 57 and 65 with at least 10 years of vesting service.) | | |
|---|---|---|
| **Age at Early Retirement Date** | **Percentage for Accrued Benefit Earned as of December 31, 2005** | **Percentage for Accrued Benefit Earned on and after January 1, 2006** |
| 64 | 100 % | 97 % |
| 63 | 100 % | 94 % |
| 62 | 100 % | 91 % |
| 61 | 95 % | 88 % |
| 60 | 90 % | 85 % |
| 59 | 85 % | 82 % |
| 58 | 80 % | 79 % |
| 57 | 75 % | 75 % |

| Early Retirement Table for Grandfathered Choice Participants (if you retire or cease to be an employee or agent between ages 57 and 65 with at least 10 years of vesting service.) | |
|---|---|
| **Age at early retirement date** | **Percentage** |
| 64 | 100% |
| 63 | 100% |
| 62 | 100% |
| 61 | 95% |
| 60 | 90% |
| 59 | 85% |
| 58 | 80% |
| 57 | 75% |

The same annuity payment options are available as were described with respect to annuity payment options available for individuals who *terminate* at age 65. In addition, if you *terminate* prior to age 62 a Social Security adjustment option is available (see the **Social Security Adjustment Option** section).

Early retirement benefits do not begin automatically when you cease to be an *employee* or *agent*. To receive benefits before your *normal retirement date*, you must choose your *early retirement date*, which may be the last day of any month before you reach age 65.

- If you do not choose an *early retirement date*, your normal retirement benefit will begin on the last day of the month following your *normal retirement date*.
- If you choose an *early retirement date* and elect an annuity option, payments will begin on the last day of the month following such date. (A death benefit, if applicable, may be payable under the annuity option you choose (see the **Death Benefits After Retirement** section)).
- If you elected an *early retirement date*, chose the life annuity with re-elect at age 65 annuity option (only available if you become a participant before September 30, 1999), and you die before your *normal retirement date*, a spouse's pension may be payable (see the **Death Benefits Before Retirement – Death Benefits if You Elected Life Annuity to Age 65** section).

**Benefit under the Cash Balance Formula**

Under the *cash balance* formula, your benefit will be determined based on your account balance at the time your benefit begins. Therefore, if you retire early, your account balance will be smaller than if you continued to work to age 65. In all other respects the benefit is calculated the same way as if you had worked until age 65, and the payment options are the same. In addition, the Social Security adjustment option is available if you commence your benefits before age 62.

If the applicable interest rate for the year in which your benefit commences is under 5%, your *cash balance* account may be increased. Your *cash balance* account balance may be increased to an amount determined as follows:

- Your actual account value will be projected to age 65 at 5%, if applicable, and annuitized in the form of a level single life annuity using the applicable interest rate and the mortality assumptions found in *Code* § 417(e).
- If the present value of the projected annuity is higher than your actual *cash balance* account balance the present value of the projected annuity will be deemed to be the higher amount.

As is the case under the benefit payment with respect to the *traditional benefit* formula, you must elect to be paid your benefit before age 65. If you do not elect to begin before age 65, interest credits will continue until your benefit begins at age 65.

## IF YOU TERMINATE BEFORE AGE 57 WITH AT LEAST 10 YEARS OF VESTING SERVICE

If you terminate before reaching age 57 with at least 10 years of *vesting service*, you will receive the benefit provided under the *traditional benefit* formula or the benefit provided under the *cash balance* formula, whichever provides the more valuable benefit.

### Benefit under the Traditional Benefit Formula

You cannot elect to begin your benefit until you reach age 57. After you reach age 57 you can elect to receive your benefit. With one exception, your benefit will be calculated in the same way. The exception is that a different **Early Retirement Table**, shown below, will be used:

| Early Retirement Table (if you cease to be an employee or agent before age 57 with at least 10 years of vesting service) | |
|---|---|
| **Age at early retirement date** | **Percentage** |
| 64 | 92.87% |
| 63 | 86.45% |
| 62 | 80.65% |
| 61 | 75.39% |
| 60 | 70.61% |
| 59 | 66.25% |
| 58 | 62.27% |
| 57 | 58.62% |

The payment options listed in the section titled **Annuity Options** are available.

### Benefit under the Cash Balance Formula

The benefit is payable in the same manner and the same terms as individuals who qualify for early retirement benefits.

### How the More Valuable Benefit is Determined

The more valuable benefit is determined on the date you choose to have the benefit commence. The rules are different depending on whether your benefit commences before or after attaining age 57. If your *traditional benefit* is more valuable, you cannot commence or receive a benefit until you attain age 57.

- If you choose to commence, or be paid, after attaining age 57: The method used to calculate the more valuable benefit is generally the same as was described earlier in this SPD with respect to benefits paid if you had *terminated* after attaining age 57 with 10 years of service, which, in turn, was generally the same as if you *terminated* at age 65.

- If you choose to commence benefits before age 57: The method used to calculate the more valuable benefit is different. You have the option to commence your benefit under the *traditional benefit* formula any time from age 57 to 65. However, the more valuable benefit is calculated by reference to the benefit you can commence, or could have commenced, at age 57 as determined by the **Early Retirement Table** above.

## IF YOU TERMINATE AFTER YOUR VESTING DATE WITH LESS THAN 10 YEARS

If you terminate after your *vesting date* with less than 10 years of *vesting service* you will receive the benefit produced by the *traditional benefit* formula or the benefit produced under the *cash balance* formula, whichever produces the more valuable benefit.

### Benefit under the Traditional Benefit Formula

You cannot begin your benefit before the last day of the month in which you attain age 65. The benefit is calculated in the same way as if you had *terminated* at age 65 (except, of course, the benefit is based only on your continuance of service through your date of termination).

### Benefit under the Cash Balance Formula

You can elect your benefit at any time after you *terminate* and before the last day of the month in which you attain age 65. Your *cash balance* account will continue to earn interest credits until your benefit commences.

### How the More Valuable Benefit is Determined

In general, the more valuable benefit is determined in the same way as was described for an individual who *terminates* at age 65. However, if you wish to have your *cash balance* benefit commence, or be paid, prior to age 65, the more valuable benefit comparison will be calculated as follows:

- your *cash balance* account value will be projected to age 65 (using the current interest crediting rate);
- the projected *cash balance* account value at age 65 will be converted to an annuity based on a single life annuity form; and
- that projected annuity will be compared to the annuity that would commence at age 65 under the *traditional benefit* formula.

## IF YOU TERMINATE BEFORE YOUR VESTING DATE

If you *terminate* before your *vesting date*, no benefits are paid from the *plan*.

## RETIREMENT BENEFITS IF YOU TERMINATE AFTER AGE 65

If you terminate after age 65 you will receive the benefit provided under the *traditional benefit* formula or the benefit provided under the *cash balance* formula, whichever produces the more valuable benefit (see the **How the More Valuable Benefit is Determined** section).

### Benefit under the Traditional Benefit Formula

Under the *traditional benefit* formula, your late retirement benefit will be the greater of:

- your *accrued benefit* at your *late retirement date* using your *average compensation*, *accrual service*, potential *accrual service*, and *covered compensation* as of the date you *terminate*; or
- your *accrued benefit* at age 65, multiplied by a late retirement factor shown in the table below. The factor at any age will be adjusted by 1/12th for each whole month between ages.

| Late Retirement Table | |
|---|---|
| **Age at late retirement date** | **Factor** |
| 66 | 1.0600 |
| 67 | 1.1200 |
| 68 | 1.1900 |
| 69 | 1.2600 |
| 70 | 1.3400 |
| 71 | 1.4200 |
| 72 | 1.5000 |
| 73 | 1.5900 |
| 74 | 1.6900 |
| 75 | 1.7900 |

Your *accrued benefit* will be determined as generally described for persons who *terminate* at age 65. However, with the total of the pre-1989 *accrued benefit adjustment* and post-1988 *accrued benefit adjustment* cannot exceed 1. If the total of the adjustments would otherwise exceed 1, the total adjustments will be reduced to 1 by reducing the post-1988 *accrued benefit adjustment* until the total of the two adjustments equals 1.

Your *late retirement date* will be the last day of the month in which you cease to be an *employee* or *agent*. You have the same payment options described for persons who terminate at age 65.

### Benefit under the Cash Balance Formula

The interest credits continue until the last day of the month in which you terminate. As of that date your benefit will be paid. In all other respects the benefit is calculated and paid as described for individuals who terminate at age 65.

### How the More Valuable Benefit is Determined

The more valuable benefit is determined in the same way as the more valuable benefit is determined for individuals who *terminate* at age 65, except the date as of which the comparison is made is the age at which you choose to commence benefits.

## CHOOSING A PAYMENT OPTION

The normal form of payment determined by the plan formula is a single life annuity for your lifetime. You may select another form of payment when you elect benefits to begin.

You choose a payment option to become effective on your *retirement date*. You must make your payment option choice within the 180-day period prior to your *retirement date*. You may change your payment option choice at any time before your *retirement date*.

If you do not make a payment option choice, or you cancel your choice, or your *spouse's consent* is revoked, pension benefits on and after your *retirement date* will be paid as provided below:

- if you are single, benefits will be paid to you under the life annuity option (see the **Annuity Options** section); and
- if you are married, benefits will be paid to you under the 50% survivorship annuity option (see the **Annuity Options** section).

If you are married, federal law requires your *spouse's consent* to choose an option other than the 50% survivorship annuity option. Your spouse has the right to consent to a specific *beneficiary* or to a specific payment option. Your spouse may give up one or both such rights. Unless your *spouse's consent* expressly permits you to make choices without further consent by your spouse, your *spouse's consent* is limited to the specific *beneficiary* and option chosen. A *spouse's consent* will not be valid for any other spouse. You may revoke your option choice without your *spouse's consent*. A new choice will require new consent, unless your *spouse's consent* expressly permits such choice without further consent. A *spouse's consent* may be revoked at any time before benefits begin.

You may choose any of the payment options shown in this section that apply to the formula that produces your more valuable benefit. A lump-sum payment option is available only if the *cash balance* formula applies to you.

The monthly payment under each option is different because of the different death benefits. However, the actuarial value of each payment option is the same. For the purpose of calculating actuarial equivalents the following assumptions are used:

- Interest rate: The applicable interest rate based on *Code* § 417(e).
- Mortality: The mortality assumptions are those based on *Code* § 417(e).
- Applicable COLA.

Once benefits begin, the payment option you selected cannot be changed.

Any payment option you choose must meet the federal distribution laws which apply to qualified plans. Consult with a *plan* representative in Human Resources about any payment option you wish to choose.

Regardless of the payment option you choose, if you made mandatory contributions to the *plan* before March 1, 1979, and both you and the person you named as your contingent annuitant, if applicable, die before retirement payments received equal those contributions with interest as of your retirement date, your *beneficiary* receives the remainder in a single sum.

## ANNUITY OPTIONS

**Life Annuity**

This is the normal form of payment.

This option pays you a monthly income for life. No benefits are payable after your death.

**Life Annuity with Re-Elect at Age 65 (available only if you became a participant before September 30, 1999)**

Option 1: This option pays you a life annuity until age 65. At age 65 you may select another retirement income option from this section. If you die prior to age 65 and have been married for at least one year, a 50% survivorship annuity is provided to your spouse.

Option 2: If you retire after attaining age 57 and with at least 10 years of *vesting service*, but before age 62, the *plan* offers you an income option which produces an approximate level income from the combined sources of your monthly pension benefit and your Social Security benefit. At age 62, your monthly benefit is reduced because of the availability of your Social Security benefit. The benefit will be reduced whether or not you start receiving Social Security benefits. The benefit after 62 will be less than what you would have originally received had you elected a single life annuity because the Social Security Adjustment option provided a higher income prior to age 62. The monthly benefit is based on the Life Annuity option. If you die prior to age 65 and have been married for at least one year, a 50% survivorship annuity is provided to your spouse. You may select a different annuity option at age 65. This option may not be available to you if it is estimated that the benefit after age 62 will be under a minimum threshold.

**Life with Certain Period Annuity**

This option pays you a monthly income for as long as you live. If you die before the end of a certain number of years, payments will be continued to your *beneficiary* to the end of that period. You may choose a certain period of 10 or 15 years. If you die after the certain period is over, no death benefits are payable. You cannot change the length of the certain period once payments begin.

**Survivorship Annuity**

This option pays you a monthly income for as long as you live. After your death, 50%, 66 2/3%, 75%, or 100% of your monthly income will be paid to the person you name as your contingent annuitant for as long as that person lives.

You must choose the percentage and name your contingent annuitant. If you are married, federal law requires the person you name as your contingent annuitant to be your spouse, unless the *plan* representative in Human Resources receives your *spouse's consent* to name another contingent annuitant. Once payments begin, your choice of the percentage and the person you name as your contingent annuitant cannot be changed.

**Special Survivorship Annuity**

This option pays a monthly income for as long as both you and the person you name as your contingent annuitant live. After the death of either you or your contingent annuitant, 50%, 66 2/3%, or 75% of your monthly income will be paid to the remaining individual for as long as that person lives.

You must choose the percentage and name your contingent annuitant. If you are married, federal law requires the person you name as your contingent annuitant to be your spouse, unless the *plan* representative in Human Resources receives your *spouse's consent* to name another contingent annuitant. Once payments begin, your choice of the percentage and the person you name as your contingent annuitant cannot be changed.

**Social Security Adjustment**

If you retire after attaining age 57 and with at least 10 years of *vesting service*, but before age 62, the *plan* offers you an income option which produces an approximate level income from the combined sources of your monthly pension benefit and your Social Security benefit. At age 62, your monthly benefit is reduced because of the availability of your Social Security benefit. The benefit will be reduced whether or not you start receiving Social Security benefits. The benefit after 62 will be less than what you would have originally received had you elected a single life annuity because the Social Security Adjustment option provided a higher income prior to age 62. The monthly benefit is based on the Life Annuity option. No benefits are payable after your death. This option may not be available to you if it is estimated that the benefit after age 62 will be under a minimum threshold.

## SMALL AMOUNTS

If the value of the benefit is less than $5,000, it will be paid to you, or in the event of your death, your spouse, or your beneficiary, in a single sum as permitted by federal law. You or your spouse may choose to have this single sum paid directly to an individual retirement account or individual retirement annuity commonly referred to as a rollover. If you would like to initiate a rollover, call the Participant Contact Center at (800) 547-7754 and have your social security number available.

## AUTOMATIC ROLLOVERS

If you *terminate* and the value of your pension benefit is between $1,000 and $5,000 in the pension *plan*, the money will be automatically rolled over into a Principal IRA, unless you elect otherwise.

In this case, the benefit will be rolled directly into a Principal Bank Safe Harbor IRA℠ established for you and designed to preserve principal and provide liquidity. The investment for the IRA is a savings account. Your IRA account will be charged a small annual expense. Once the benefit is rolled over into an IRA, you will receive information from Principal Bank.

The automatic rollover is the result of Department of Labor regulations intended to help Americans choose saving for retirement versus electing a cash payout. For additional information about the Principal Bank Safer Harbor IRA and associated fees, contact the Particiapnt Contact Center at (800) 547-7754.

## DISABILITY BENEFITS

If the initial date you became *totally and permanently disabled* was prior to January 1, 2010, we will continue with the current pension provisions that include:

- Those hired or contracted prior to January 1, 2002, and became *totally and permanently disabled* prior to January 1, 2002, and had more than 10 years of service: Your accrual of benefits will continue until the earlier if you are no longer disabled or age 65. If you had less than 10 years of service, accrual of benefits stopped, but your accrual of vesting continued. You were not *terminated* in either case. The *compensation* used to calculate your benefit, if applicable will receive a COLA on pre-disability earnings for future years' accrual of benefits.

- Those hired or contracted prior to January 1, 2002, and had more than 10 years of service as of your date of initial disability, and became *totally and permanently disabled* between January 1, 2002, and December 31, 2009: Your accrual will continue until the earlier of you are no longer disabled or age 65 (you are not *terminated*) even if you are *terminated* due to a reduction in force, benefit accrual will continue as long as you have the 10 years of service and are *totally and permanently disabled*. The *compensation* used to calculate your benefit, if applicable, will receive a COLA on pre-disability earnings for future years' accrual of benefits.

- Those hired or contracted prior to January 1, 2002, and who did NOT have 10 years of service as of your date of initial disability and became *totally and permanently disabled* prior to January 1, 2010: Your benefit accrual will stop 30 months following initial date you become *totally and permanently disabled*. As of this date you are *terminated*. The *compensation* used to calculate your benefit will be based on will be pre-disability earnings without a COLA for the 30 months. Your benefit is forfeited unless you have reached your *vesting date*.

- Those hired or contracted after January 1, 2002 and became *totally and permanently disabled* prior to January 1, 2010, regardless of your years of service: Your benefit accrual will stop at 30 months following the initial date you become *totally and permanently disabled*. As of this date you are *terminated*. The *compensation* used to calculate your benefit will be based on will be pre-disability earnings without a COLA for the 30 months. Your benefit is forfeited unless you have reached your *vesting date*.

If you become disabled on and after January 1, 2010: Your benefit accruals will cease when you are *terminated* by the *company*. The *compensation* used to calculate your benefit will be based on will be pre-disability earnings without a cost of living adjustment. Your benefit is forfeited unless you have reached your *vesting date*.

## DEATH BENEFITS BEFORE RETIREMENT

No death benefits are payable under this *plan* if you die before reaching your *vesting date*. The death benefits payable under the *traditional benefit* formula are payable only to your surviving spouse who meets certain requirements. If you don't have a spouse a death benefit payable under the *cash balance* formula is payable to your *beneficiary*. Your spouse will receive the more valuable death benefit.

### SPOUSE BENEFIT IF YOU DIE BEFORE YOUR NORMAL RETIREMENT DATE

**Deferred Spouse Pension**

Based on the *traditional benefit* formula, a deferred spouse's pension may be payable to your spouse for life, beginning on what would have been your *normal retirement date* if:

- you were married for a full year before your death; and
- your death occurred before the last day of the month in which you reach age 65; and
- either:
  - you were a *participant* on March 1, 1979, and made contributions under the *plan* on or before February 28, 1979; or
  - you had reached your *vesting date*.

The deferred spouse's pension will be equal to the monthly income that would have been continued to your spouse had you:

- chosen to have benefits begin on your *normal retirement date*; and
- been able to choose to have benefits payable under the 50% survivorship annuity option (see the **Payment Options** section).

Your spouse may choose to begin the deferred spouse's annuity prior to your *normal retirement date*, if you had over 10 years of *vesting service* at the time of your death. However, the benefit will be reduced to reflect the earlier commencement, and benefits cannot begin before the month you would have attained age 57.

Your spouse may choose to begin benefits on a later date. If the benefit is paid at a later date, it will be increased to reflect the deferred commencement (see the **Late Retirement Table** in the **Retirement Benefits if You Terminate After Age 65** section). In all events, the benefit must begin by the April 1 following the date you would have reached age 70 ½.

**Immediate Spouse Pension**

An immediate spouse's pension was in effect until January 1, 1996. An immediate spouse's pension may be payable to your spouse if:

- you were an active *participant* of the *plan* on December 31, 1995; and
- your death occurs before the last day of the month in which you reach age 65.

### DEATH BENEFIT IF YOU DIE ON OR AFTER YOUR NORMAL RETIREMENT DATE AND BEFORE RETIREMENT BENEFITS BEGIN

At your *normal retirement age* you may elect the form of retirement benefit that will be payable to you when you later retire. The death benefit, if any, under the form of retirement benefit that you have elected controls whether your *beneficiary* receives a death benefit following your death (whether you die before or after you actually retire) and the amount of such death benefit, if any. This death benefit is referred to as the *preservation of retirement option benefit*.

## DEATH BENEFITS UNDER THE CASH BALANCE FORMULA

If you have reached your *vesting date* and you do not have a spouse to whom you were married for at least one year when you die (or your spouse waives the right to receive the qualified pre-retirement survivor annuity described below), your *beneficiary* will receive the value of your *cash balance* account in a lump-sum as soon as administratively possible following your death.

If you have reached your *vesting date* and you have a spouse to whom you were married for at least one year when you die, your spouse can elect one of the following:

- a lump-sum equal to your *cash balance* account (paid as soon as administratively possible following your death); or
- a qualified pre-retirement survivor annuity equal to the 50% survivor annuity that would have been payable had you *terminated* immediately before your death and elected the 50% survivorship annuity option. **WARNING:** This survivor annuity will almost always have a present value that is lower than an annuity benefit that your spouse could receive by taking a lump-sum distribution and rolling the lump sum to an individual retirement annuity that provides an immediate, fixed interest single life annuity.

## DETERMINING THE MORE VALUABLE BENEFIT

If your spouse qualifies for a death benefit under the *traditional benefit* formula, your spouse will receive that death benefit. However, if the death benefit payable under the *cash balance* formula is more valuable, your spouse will receive the death benefit payable under the *cash balance* formula.

In no event will your spouse receive a benefit of lesser value than the *cash balance* account.

If your spouse would be entitled to the death benefit under the *cash balance* formula except for the fact that your spouse has consented to the payment of the death benefit under the *cash balance* formula to be paid to another person or entity (who you have designated as your *beneficiary*) your spouse will receive neither the death benefit under the *traditional benefit* formula or the *cash balance* formula. However, the payment to such other *beneficiary* will be made only if your spouse would have otherwise been entitled to receive the death benefit under the *cash balance* formula had your spouse not consented to its payment to someone else. If the death benefit under the *traditional benefit* formula was the more valuable death benefit, your spouse will receive that death benefit and no death benefit will be payable to your *beneficiary* under the *cash balance* formula.

If you die before your *normal retirement age*, the more valuable death benefit will be determined by comparing the two following values:

1. The present value of the death benefit payable to your spouse under the *traditional benefit* formula will be the largest of the following:
   - the deferred spouse's pension payable on the date that would have been your *normal retirement age*;
   - the immediate spouse's pension assuming that your spouse elected to commence that benefit as of the date that would have been your *normal retirement age*. For this purpose, the actuarial equivalent factors used to determine the actuarial equivalencies for the year in which your death occurs will be used; or
   - if you die after *normal retirement age*, the *preservation of retirement option benefit*.

2. The value of your *cash balance* account calculated as of the date of your death.

Once the more valuable death benefit is determined (either the death benefit based on the *traditional benefit* formula or the death benefit based upon the *cash balance* formula) the death benefit payable under that formula will be the benefit to which your spouse is entitled.

Your spouse is not required to elect a benefit at the time of your death. If your spouse does elect a benefit at the time of your death, the amount of the death benefit actually paid may be different than the amount used to determine the more valuable death benefit. If your spouse elects a benefit at a later date, the more valuable death benefit will be redetermined as shown above.

If you die on or after your *normal retirement age*, in general, the same process is used to determine the more valuable benefit, except the date as of which the determination is made will be the date of your death and the benefit under the *traditional benefit* formula will be the *preservation of retirement option benefit*.

### DEATH BENEFITS IF YOU ELECTED LIFE ANNUITY TO AGE 65

A monthly spouse's pension may be payable to your spouse for life beginning the month following your death if you were married for a full year before your death. The monthly income that will continue to your spouse will be determined based on the 50% survivorship annuity option (see the **Annuity Options** section).

If you are not married or have been married less than one year at the time of your death, no benefits are payable.

## DEATH BENEFITS AFTER RETIREMENT

If you elected an annuity option when you retired, death benefits, if any, will be paid according to the death benefits payable under the annuity option you chose at your *retirement date*.

## CONTRIBUTIONS

### (Applicable to Participants of the Pension Plan prior to March 1, 1979)

Before March 1, 1979, *participants* had to make contributions to be in the *plan*. If you made such contributions, they continue to earn interest at 120% of the federal mid-term rate (as in effect for the first month of such year under *code* § 1274). Interest stops at the earliest of:

- your death; or
- your *retirement date*.

You have the option to receive your contributions in cash at *termination*. Your monthly *accrued benefit* will be reduced by the monthly benefit that would have been provided from these contributions.

Upon your death, your *beneficiary* receives any remaining contributions in single sum providing:

- no spouse's pension is payable as described in this section;
- you die before the last day of the month in which you reach age 65; or
- you die before total payments made to you equal those contributions, with interest, as of the date of your death (as of your *early retirement date*, if you died after your *early retirement date*).

Before January 1, 1987, you could make voluntary after-tax contributions under the *plan* to provide additional retirement income. The voluntary after-tax contributions you made are combined with the voluntary after-tax contributions you make, if any, under either The Principal Select Savings Plan for

Employees or The Principal Select Savings Plan for Individual Field.  Your benefits from voluntary after-tax contributions are described in the applicable select savings SPD.

## RETURNING TO WORK

If you return to work after beginning to receive an annuity benefit, your annuity benefit may be stopped. Contact a customer service representative in Human Resources regarding your benefits.

## QUALIFIED DOMESTIC RELATIONS ORDER

In the event a domestic relations order (such as a divorce decree or property settlement) provides for separation or distribution of *plan* assets to an alternate payee (someone other than you), the *code* requires the *plan* to follow specific rules.  These rules are outlined below and must be part of the domestic relations order for it to be considered a Qualified Domestic Relations Order (QDRO):

- the name and last known mailing address of the *plan participant* and the name and mailing address of each alternate payee covered by the order;
- the alternate payee must be a spouse, former spouse, child, or other dependent of the *participant*;
- the amount or percentage of the *plan participant's* benefits to be paid by the *plan* to each alternate payee, or the manner in which such amount or percentage is to be determined;
- the full name of the *plan* to which the order applies;
- the specified date; and
- payment specifications:
  - single sum payment;
  - number or payments; or
  - period for which payments are to be made.

In addition, the order cannot require:

- an option or form of benefit not provided by the terms of the *plan;*
- increased benefits; or
- duplication of benefits to an alternate payee where benefits were previously assigned to another alternate payee in an earlier QDRO.

If your *traditional benefit* is greater, prior to your retirement, the option of an immediate single sum payment is available to an alternate payee, provided this election is made within 60 days of the QDRO qualification and the QDRO stipulates an immediate single sum payment.

Please contact the Participant Contact Center if a court order will involve benefits under the *plan*. QDRO Administrative Procedures will be sent to you upon notification of a pending QDRO.  You may also submit a request to have a copy of the QDRO Administrative Procedures mailed to you.

## PLAN TERMINATION

The *company* expects to continue the *plan,* but the *plan* can be terminated at any time. If the *plan* is terminated, the *plan* assets and *participant* account will be used to provide a retirement benefit for you. After the satisfaction of all liabilities under the *plan* any assets remaining will be paid to the *company*.

## PENSION BENEFIT GUARANTY CORPORATION

Your pension benefits under this *plan* are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the *plan* terminates without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their *plan*, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) Normal and early retirement benefits; (2) disability benefits if you become disabled before the *plan* terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) Benefits greater than the maximum guaranteed amount set by law for the year in which the *plan* terminates; (2) some or all of benefit increases and new benefits based on *plan* provisions that have been in place for fewer than 5 years at the time the *plan* terminates; (3) benefits that are not vested because you have not worked long enough for the *company*; (4) benefits for which you have not met all of the requirements at the time the *plan* terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at your *normal retirement age*; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your *plan* has and on how much the PBGC collects from companies.

For more information about the PBGC and the benefits it guarantees, ask your *plan administrator* or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at http://www.pbgc.gov.

## CLAIM PROCEDURES

Contact a *plan* representative in Human Resources to apply for benefits. You will need to complete all necessary forms and provide needed information.

Your claim will be reviewed and a decision made within 90 days of the date it is received. In some cases the decision may be delayed for an additional 90 days. If so, you will be notified in writing before the end of the initial 90-day period. The notice will include the reason for the delay and the date when the decision is expected to be made.

If you make a claim and all or part of it is refused, you'll be notified in writing. You'll be told:

- the specific reason or reasons why your claim was refused,
- references to the specific provisions of the *plan* governing the decision,
- what additional information is needed, if any, and why it is needed, and
- what steps you should take to have your claim reviewed, including time limits on requesting a review, and that you have a right to sue if upon review your claim is refused.

You have 60 days after you receive written notice your claim is refused to make a written appeal to the *plan administrator*. If you appeal, you may also submit written comments, documents, records, and other information relating to the claim. You may request free of charge, access to, and copies of all documents, records, and other information on which the determination was based. The *plan administrator* will review the claim taking into account all comments, documents, records, and other information submitted by you relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

A decision will be made on your appeal within 60 days from the date it was received by the *plan administrator*. In some cases the decision may be delayed for an additional 60 days. If so, you will be notified in writing before the end of the initial 60-day period. The notice will include the reason for the delay and the date when the decision is expected to be made.

If you make an appeal and all or part of your claim is refused, you'll be notified in writing. You'll be told:

- the specific reason or reasons why your claim was refused,
- references to specific provisions of the *plan* governing the decision,
- you may request and receive free copies of all documents, records, and other information on which the determination was based, and
- you have a right to sue.

You may authorize a representative to act on your behalf with respect to a benefit claim or an appeal. You will have to complete the necessary forms to designate an authorized representative to act on your behalf. In that case, all information and notices will be given to the representative unless you direct otherwise.

The *plan administrator* will perform periodic examinations, reviews, or audits of benefit claims to determine whether determinations have been made in accordance with *plan* documents and *plan* provisions have been consistently applied.

## STATEMENT OF RIGHTS

As a *participant* in the *plan* you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all *participants* shall be entitled to:

### Receive Information about Your Plan and Benefits

You may examine, without charge, at the *plan administrator*'s office (711 High Street, Des Moines, Iowa 50392-0001) all documents governing the *plan*, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the *plan* with the U. S. Department of Labor and avail-able at the Public Disclosure Room of the Employee Benefits Security Administration.

You may obtain, upon written request to the *plan administrator*, copies of documents governing the operation of the *plan*, including insurance contracts, a copy of the latest annual report (Form 5500 Series), and updated summary plan descriptions. The *plan administrator* may make a reasonable charge for the copies.

You will receive a summary of the *plan's* annual financial report. The *plan administrator* is required by law to provide each *participant* with a copy of this summary annual report.

You may obtain a statement telling you whether you have a right to receive a pension at *normal retirement age* and, if so, what your benefits would be at *normal retirement age* if you stop working under the *plan* now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The *plan* must provide the statement free of charge.

### Prudent Actions by Plan Fiduciaries

In addition to creating rights for *plan participants*, ERISA imposes duties upon the individuals who are responsible for the operation of the employee benefit plan. The individuals who operate your *plan*, called “fiduciaries” of the *plan*, have a duty to do so prudently and in the interest of you and other *plan participants* and *beneficiaries*. No one, including the *company*, or any other person, may terminate your employment or contract, or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

### Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right, within certain time schedules, to:

- know why;
- obtain copies of documents relating to the decision without charge; and
- appeal any denial.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of *plan* documents or the latest annual report from the *plan* and do not receive them within 30 days, you may file a lawsuit in a federal court. In such a case, the court may require the *plan administrator* to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the *plan administrator*. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file a lawsuit in a state or federal court. In addition, if you disagree with the *plan* decision, or lack thereof, concerning the qualified status of a domestic relations order or a medical child support order, you may file a lawsuit in federal court. If it should happen that *plan* fiduciaries misuse the *plan's* money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file a lawsuit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

**Assistance with Your Questions**

If you have any questions about your *plan*, contact the *plan administrator*. If you have any questions about this SPD or about your rights under ERISA, or if you need assistance in obtaining documents from the *plan administrator*, contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## MILITARY SERVICE

If you are on a qualified military leave, you may be entitled to certain rights under the Uniform Services Employment and Reemployment Rights Act (USERRA). Upon your return to work, contact Human Resources for additional information.

You may be entitled to additional benefits or *vesting service* under the Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008 if you die during a period of *qualified military service*. Your survivor may also be entitled to certain benefits if you die during your period of *qualified military service* and you could have returned to work for the *company* or *participating controlled group member* during the period of time in which you had reemployment/recontract rights.

## PLAN AND CONTACT INFORMATION

The Principal Pension Plan is sponsored on a calendar year basis by Principal Financial Group, Inc.

The following *companies* are *participating controlled group members* and participate with the *company* in the *plan:*

**Delaware Charter Guarantee & Trust Company**
**Principal International, Inc.**
**Principal National Life Insurance Company**
**Principal Life Insurance Company**

Employer Identification Number: 42-1520346

Plan Number: 001

Type of Administration: Defined benefit plan funded through group annuity contracts

*Plan Administrator*: Benefit Plans Administration Committee

Fiduciary: For the purposes of investment and protection of *plan* assets, the named fiduciary of the *plan* is the Benefit Plans Investment Committee. For all other fiduciary duties connected with the operation and management of the *plan*, the named fiduciary is the Benefit Plans Administration Committee. Persons selected to serve on these committees are appointed by the Chief Executive Officer of the *plan sponsor*.

The *plan* Trustees are employees of Principal Life Insurance Company:
**Chris Mayer, Vice President**
**David Brown, Vice President**
**Amy Mills, Vice President and Associate General Counsel**

Address of the *company*, *plan administrator*, and the Trustees *is*:
Principal Financial Group, Inc., Des Moines, Iowa 50392-2310.

Telephone Number: 515.247.MYHR(6947) or 1.866.524.MYHR(6947)

Any legal action, in connection with this *plan*, should be directed to:
General Counsel, Principal Life Insurance Company, Des Moines, Iowa 50392-0300

Legal process may also be served upon the Trustees or the *plan administrator*.

Sources and Methods of Contributions to the *plan:* Your *company* or *participating controlled group member* pays all contributions necessary to fund the *plan*.

Ending Date of *plan's* Fiscal Year: December 31

## DEFINITIONS

Several words and phrases used to describe your *plan* are italicized and underlined whenever they are used in this SPD. These words and phrases have special meanings as explained in this section.

***Accrual service*** means your years of service (as defined in the *plan*) with the *company* or *participating controlled group member* from the date you entered the *plan* until you cease to be an *eligible employee* or *agent*.

***Accrued benefit*** means the amount payable to you beginning at age 65 under the life annuity option, provided your *vesting percentage* is 100%.

***Accrued benefit adjustment*** means the ratio (not to exceed 1.00) of your *accrual service* to your potential *accrual service*. Such potential *accrual service* means the years of service you could have had with the *company* or *participating controlled group member* from the date you entered the *plan* to your *normal retirement age*, but not less than 35 years. Your *accrued benefit adjustment* cannot exceed 1.

***Agent*** means a person who holds a current Agent Contract with a DD 713 Addendum, or any successor full-time contract, with the *company* or a *participating controlled group member* and is designated by the *company* or a *participating controlled group member* as an agent.

If the person is in fact eligible for an Agent Contract with a DD 713 Addendum or a successor full-time contract, or is determined to be a full-time insurance agent for any other purpose, he will not be considered an agent unless he is classified by the *company* or a *participating controlled group member* as holding a current Agent Contract with a DD 713 Addendum or any successor full-time contract, regardless of whether such individual is subsequently determined to be an *agent*, *field manager* or an employee for any other purpose.

***Average compensation*** means your *monthly compensation* from the *company* or *participating controlled group member* for those five consecutive calendar years (including a partial year, if any) out of the ten most recent calendar years, divided by five, which gives the highest average.

*Monthly compensation* for a final partial calendar year will not be considered in calculating your *traditional benefit* unless your termination or retirement occurs on December 31 of that year.

***Beneficiary*** means the person or persons named by you to receive any benefits under the *plan* upon your death (other than any income payable to a contingent annuitant). The term *beneficiary* may also include a QTIP trust as described in the *plan*.

***Cash balance*** means a form of pension benefit calculated using the cash balance formula, as described in the **Benefit Under a Cash Balance Benefit** section.

***Code*** means the Internal Revenue Code of 1986, as amended.

***Company*** means Principal Financial Group, Inc.

***Compensation*** means income paid to an *eligible employee* or *agent* by the *company* or *participating controlled group member* as reported in the "Wages, Tips, and Other Compensation" box on Form W-2 and attributable to services performed for the *company* or a *participating controlled group member.*

*Compensation* **includes**:
- any earnings reduction contributions to a plan qualified under *code* §§ 402(g)(3), 125, or 132(f)(4);
- any earnings reduction contributions to the *company's* nonqualified deferred compensation plans; and
- any *differential wage payments*; and

*compensation* **excludes**:
- expense reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation other than elective deferrals as stated above, welfare benefits (except short term disability);
- annual incentive pay earned with respect to service while classified by the *company* or *participating controlled group member's* human resource information system as "investment" or "industry variant";
- any bonus or incentive pay paid by the *company* or *participating controlled group member*, other than annual incentive pay not otherwise excluded above, including the following:
  - any amount paid under The Principal Long Term Incentive Compensation Plan or other long-term incentive compensation plan or any stock incentive plan;
  - any sign-on bonus or stay bonus;
  - any bonus to share in the proceeds of or stay bonus paid as the result of the acquisition of Old Northwest Agents Limited Partnership;
- any amount earned as a result of a severance from service/contract with the *company* or *participating controlled group member*;
- any income from restricted stock or stock units, or the exercise of statutory or nonstatutory stock options from a plan maintained by the *company* or *participating controlled group member*; and
- any lump sum payout under The Principal Personal Time Off Policy.

***Covered compensation*** means the average of the Social Security taxable wage bases in effect for each calendar year during the 35-year-period ending with the last day of the calendar year in which you attain your social security retirement age.

***Differential wage payments*** means any payments which are made by the *company* or *participating controlled group member* to an individual with respect to any period during which the individual is performing *qualified military service* while on active duty for a period of more than 30 days, and represents all or a portion of the wages the individual would have received from the *company* or *participating controlled group member* if the individual were performing service for the *company* or *participating controlled group member*.

***Early retirement date*** means the last day of the month in which you choose to begin benefits before age 65 provided you have ceased to be an *employee* or you no longer hold a contract with a DD713 addendum. You must be age 57 or older and have at least 10 years of *vesting service*.

***Eligibility computation period*** means a consecutive 12-month period. The first *eligibility computation period* begins on your hire date. Following *eligibility computation periods* will be the consecutive 12-month periods ending on the last day of each calendar year that begins after the hire date.

***Eligible employee*** means any *employee* of the *company* or *participating controlled group member* (other than those *employees* listed below as not eligible) including individuals classified as financial representatives. Beginning January 1, 2009, the term *eligible employee* includes any individual receiving *differential wage payments*.

The following persons are **not** *eligible employees*:

- a short-term project employee of the *company* or *participating controlled group member* who works on a defined project or assignment that has a specific beginning and ending date;
- an intern employee of the *company* or *participating controlled group member* who:
  - attends an accredited college or university at sophomore status or above;
  - adds value on assigned projects or tasks (not only clerical help); and
  - is participating in the *company's* formal internship program;
- an employment agency temporary employee hired by an employment agency to work at the *company* or *participating controlled group member* to fill in for a worker on leave, handle excess or special workloads during peak business periods, or performs short-term or project-specific assignments regardless of whether such individual is subsequently determined to be a common law employee or employee for any other purpose;
- a vendor who is an individual not on the payroll of the *company* or *participating controlled group member* and for whom no income taxes are withheld, who is providing multiple clients professional, consultation, production or administrative services according to a contract, including any individual having a status with the *plan sponsor* as other than a common law employee regardless of whether such individual is subsequently determined to be a common law employee or an employee for any other purpose;
- an independent contractor who is an individual not on the payroll of the *company* or *participating controlled group member* and for whom no income taxes are withheld, who is providing services pursuant to a contract, typically to multiple clients, on a temporary basis and who controls the time, place, and manner of delivering the service, including any individual having a status with the *plan sponsor* as other than a common law employee regardless of whether such individual is subsequently determined to be a common law employee or an employee for any other purpose;
- a leased employee as described within *code* § 414(n), including any individual having a status with *company* as other than a common law employee regardless of whether such individual is subsequently determined to be a common law employee or an *employee* for any other purpose; or
- an individual who is in a job classified as an Investment or Industry Variant Employee in the *company's* or *participating controlled group member's* human resources information system.

If you are an acquired *employee*, you may be excluded from the *plan* for a period of time, as determined by the *company* and in accordance with the requirements of the *code*. You are an acquired *employee* if the *company* purchased the assets of another company (or similar transaction), and you worked for that other company before the purchase and were hired by the *company* at the time we purchased such assets. This exclusion will only apply during the transition period (the period beginning on the date of the transaction and ending on the last day of the next *plan* year following the date of the transaction) or an earlier date as required by law or as elected by the *company*.

***Employee*** means any individual who is employed by the *company* or any other company required to be aggregated with the *company* under *code* §§ 414(b), (c), (m) or (o) as further described in the *plan*. The term employee includes a *field manager* and does not include an agent.

***Field Manager*** means a person who holds a current manager base contract with a DD 713 addendum, or any successor full-time contract, with the *company* or a *participating controlled group member* or is designated by the *company* or a *participating controlled group member* as a full-time field manager.

***Financial representative*** means a person within Principal Advisor Network with a job title of Financial Representative, as identified on the *company's* or a *participating controlled group member's* payroll system, and who holds a contract called a Financial Representative Base Contract.

***Grandfathered choice participant*** means a *participant* who was offered a benefit formula election under the terms of the *plan* and who elected to continue to have his or her benefit calculated under the benefit formula in effect as of December 31, 2005, rather than under the new benefit formula that first became effective January 1, 2006. Effective January 1, 2010, any *employee* who was a *Grandfathered Choice Participant* and is also in a job classified as an Investment or Industry Variant Employee on the *company's* or *participating controlled group member's* human resources information system shall no longer be considered a *Grandfathered Choice Participant.*

***Hourly employee*** means an *eligible employee* who is compensated on an hourly basis. The term *hourly employee* does not include *agent*.

***Late retirement date*** means the last day of the month in which you retire after your *normal retirement date,* provided you cease to be an *employee* or you no longer hold a contract with a DD713 addendum.

***Monthly compensation*** means, for any calendar year, 1/12 of your compensation for such year.

***Normal retirement age*** means age 65.

***Normal retirement date*** means the last day of the month in which you reach age 65 provided you cease to be an *employee* or you no longer hold a contract with a DD713 addendum.

***Participant*** means any person who has met the eligibility requirements of the *plan*.

***Participating controlled group member*** means any corporation or firm which is controlled by or affiliated with the *company* and which has adopted the terms and provisions of the *plan.* See the **Plan and Contact Information** section for a list of *participating controlled group members*.

***Plan*** means The Principal Pension Plan.

***Plan administrator*** means the Benefit Plans Administration Committee.

***Plan sponsor*** means Principal Financial Group, Inc.

***Post-1988 accrued benefit adjustment*** means the ratio (not to exceed 1.00) of your *accrual service* earned on and after January 1, 1989, to your potential *accrual service*. Such potential *accrual service* means the years of service you could have had with the *company* or *participating controlled group member* from the date you entered the *plan* to your *normal retirement age* (date of determination if later than *normal retirement age*), but not less than 35 years. The sum of the *pre-1989* and *post-1988 accrued benefit adjustment* cannot exceed 1.

***Pre-1989 accrued benefit adjustment*** means the ratio (not to exceed 1.00) of your *accrual service* earned before January 1, 1989, to your potential *accrual service*. Such potential *accrual service* means the years of service you could have had with the *company* or *participating controlled group member* from the date you entered the *plan* to your *normal retirement age* (date of determination if later than *normal retirement age*), but not less than 35 years. The sum of the *pre-1989* and *post-1988 accrued benefit adjustment* cannot exceed 1.

***Preservation of Retirement Option*** means if you are still employed or contracted by the *company* or *participating controlled group member* after your *normal retirement age*, you may choose a payment option which provides a death benefit to your spouse or beneficiary to be effective if you die while you are still an active participant in the plan. When you choose to late retire, you will elect a payment option to be effective on your *late retirement date* (see the **Choosing a Payment Option** section).

***Qualified military service*** means any service in the uniformed services (as defined in Chapter 43 of Title 38 of the U.S. Code) by any individual if such individual is entitled to reemployment rights under such chapter with respect to such service.

***Retirement date*** means your *early*, *normal* or *late retirement date*, as the case may be.

***Spouse's consent*** means the consent of a *participant's* spouse is required to:
- name a *beneficiary* or contingent annuitant other than your spouse; or
- choose a retirement option other than the 50% survivorship annuity option.

If your *spouse's consent* is required, his or her signature must be witnessed by a *plan* representative (available at corporate center) or a Notary Public.

***Terminate(d)*** means your employment with the *company* or *participating controlled group member* has *terminated* and/or you no longer hold a contract with a DD713 addendum.

***Totally and permanently disabled*** means you meet the definition of total disability under The Principal Long Term Disability Plan for Employees or The Principal Long Term Disability for Individual Field, whichever applies to you, regardless of your ability to earn more than a specified percentage of indexed predisability earnings (as defined in such plan).

***Traditional benefit*** means the benefit derived from the traditional benefit formula, as described in the **Benefit Under the Traditional Benefit Formula** section.

***Vesting date*** means the date you reach age 65 or have completed three years of *vesting service* (five years of *vesting service* if you *terminated* before January 1, 2008).

***Vesting percentage*** means the percent of your *accrued benefit* which is nonforfeitable. This nonforfeitable percentage cannot be lost. Your *vesting percentage* on any date is:
- 0% before your *vesting date*; and
- 100% on and after your *vesting date*.

However, if you have not yet reached your *vesting date* and you are an *employee* or *agent* on your *normal retirement date*, your *vesting percentage* becomes 100%.

***Vesting service*** means the sum of your periods of service. A period of service begins when you start working for the *company* or a *participating controlled group member*. It ends on the earlier of:
- the date you cease to be an *employee* or *agent*; or
- the date you have been absent from work one year provided you have approval from the *company* or a *participating controlled group member*.

If you die or become *totally and permanently disabled* while performing *qualified military service*, that service will be included as *vesting service* with the *company*.

If you are discharged or quit and come back to work:
- within one year of the time you left the *company* or *participating controlled group member*, the time you are gone will count as *vesting service* (however, if you are discharged or quit while absent from work, you must come back to work within one year from the date your absence started, or the time you are gone will not count as *vesting service*); or
- after five years and you had not reached your *vesting date*, your prior service will not count as *vesting service*.