

# Principal Life Insurance Principal Pension Builder<sup>SM</sup> Product Fact Sheet



**Product Category:** Fixed Deferred Income Annuity

**Product Category Defined:** Participants' contributions and transfers buy a future guaranteed income stream. This guaranteed amount is based upon contribution or transfer amount, annuity purchase rate at time of purchase and income start date. Purchase rates vary by age, current interest rates and actuarial assumptions.

**Product Summary:**

Equity participation	No	Annuitization required	Yes
Nature of guarantee structure (fixed income % of benefit base, other)	Fixed income	Availability of account value (i.e. liquidity) (Accumulation (A), Distribution (D))	A
Form of guarantee (High Watermark (HW) <sup>1</sup> , fixed annuity rate at purchase (FR) ; Minimum Rate (MR)) <sup>2</sup>	FR	Fees for guarantees (implicit or explicit)	Implicit
Income guarantee applies during (Accumulation (A), Distribution (D))	A, D	Total fees	Not defined <sup>3</sup>
Payments guaranteed for life	Yes	Portability (IRA, QPDA <sup>4</sup> )	QPDA
COLA Option Available	Yes	Participant education with no additional fee	Yes

- <sup>1</sup> The highest account value as of prior anniversary date
- <sup>2</sup> Grows at a stipulated minimum interest rate or embedded rate within the annuity purchase rates
- <sup>3</sup> Total fees are implicit in purchase price, thus not defined
- <sup>4</sup> In-kind distribution via a Qualified Plan Distributed Annuity at qualified distributable event

## Product Description

Participants may direct payroll contributions or investment transfers to Principal Pension Builder<sup>SM</sup> to purchase a known amount of guaranteed monthly income in retirement. The guaranteed income amount purchased is based on annuity purchase rates in effect at that time. Monthly guaranteed income is assumed to start at the later of age 65 or the normal retirement date defined by the employer-sponsored retirement plan and last for a minimum of 10 years or the participant's lifetime, whichever is longer. Participants may transfer funds out of Principal Pension Builder at any time. There is no surrender charge for transferring funds out within the first 90 days of a purchase.

## Fees and Expenses

There are no explicit costs when purchasing a deferred income annuity through Principal Pension Builder. Product costs are included in the purchase rates of the deferred annuity.

Purchase rates are updated periodically (e.g. bi-weekly) and do not include any additional costs for offsetting retirement plan expenses. Purchase rates vary based on the participant's age at time of purchase, current interest rates, and certain actuarial assumptions.

## Types of Plans Available

401(k), 403(b) and 457(b) Governmental plans

## Currently Offered To:

Plan sponsors who are using Principal Life Insurance Company recordkeeping services for their retirement plans. Not available for ongoing purchases for plans using other recordkeeping platforms. Not available to plans in New York.

## Participant Investment Choices

This is a fixed deferred income annuity and as such there are no investment choices to make and investment related charges and expenses are implicit.

## Determination of Retirement Income

### Age Lifetime Income Can Begin

The participant can choose to take income as early as age 59 ½, if there has been a separation of service, and must begin by April 1, following the year in which he or she reaches age 70 ½.

### Guaranteed Income Benefit Calculation

Each contribution or transfer purchases deferred income annuities that provide guaranteed income for life. Purchases are made assuming monthly guaranteed income will start at the later of age 65 or the employer sponsored plan's normal retirement date and will last for a minimum of 10 years or the participant's lifetime, whichever is longer.

## Portability

### Participant Leaves the Plan

If a participant terminates employment before retirement, he or she can choose to leave their Principal Pension Builder balance in the plan, or to take a deferred annuity certificate, if they have a vested Principal Pension Builder balance greater than \$5,000. Taking the deferred annuity certificate will transfer the annuity out of the plan and corresponding payments to the participant individually. Alternatively, the participant could choose to include their Principal Pension Builder balance in a distribution election from the plan by transferring to another investment option, subject to a possible surrender charge, and then making their distribution election for the entire retirement plan account balance.

### Plan Sponsor Changes Recordkeepers

If the plan sponsor chooses to keep Principal Pension Builder as an option in the plan, participants with a Principal Pension Builder balance greater than \$5,000 can keep their current balance and corresponding guaranteed income but will not be able to make any new purchases. Participants with a Principal Pension Builder balance of \$5,000 or less will receive the present value of the guaranteed income payments, transferred into the plan's default investment option, and then transferred to the new recordkeeper. The present value will never be less than the Principal Pension Builder balance and could be more.

Alternatively, if the plan document allows it, the plan sponsor may remove Principal Pension Builder from the plan, opening up a benefit event window for all participants to take a deferred annuity certificate, if they have a vested Principal Pension Builder balance greater than \$5,000. Those participants who do not elect to take the deferred annuity certificate will have their Principal Pension Builder balance surrendered, by transferring to the plan's default investment option, subject to a possible surrender charge, and then transferred to the new recordkeeper.

## Characteristics of Account Balance During Accumulation

- Participants can transfer up to 50% of their total plan account balance and direct up to 50% of contributions to Principal Pension Builder.
- Participants can surrender a purchased amount for up to 90 days after the purchase at no charge. After 90 days, amounts can be transferred from Principal Pension Builder subject to a possible surrender charge. The surrender charge is equal to the difference, if any, of the transferred amount from Principal Pension Builder and the surrender value of that transfer. The surrender value varies based on the number of years remaining until the income start date and the Treasury rate at the time of transfer from Principal Pension Builder. The surrender value will never be more than the amount transferred from Principal Pension Builder, and may be less, if current interest rates are the same or higher than the interest rates in effect at the time of the original purchase.
- If the participant dies before the income start date, the participant's beneficiary will receive the Principal Pension Builder balance. If the participant is married, a spousal beneficiary could elect instead to receive the guaranteed income payments as an annuity based on his or her own age.

## Characteristics of Account Balance During Distribution

The participants with a vested Principal Pension Builder balance greater than \$5,000 will be contacted to select an income start date at the earlier of reaching age 59 with separation of service or 180 days prior to the plan's normal retirement date. The participant is also contacted to choose the annuity payout form, including joint and survivor, period certain, cash refund and installment refund options, as well as cost of living adjustments. The guaranteed income amount will be adjusted up or down to reflect the selected annuity payout form. Then, once income payments start, they cannot be adjusted.

## Surviving Spouse

### Timing of Spousal Income Benefit Election

The participant must choose their annuity payout form no later than 60 days prior to the income start date. If the participant is married, spousal consent is required for income to be paid in a form other than a qualified joint and survivor annuity.

### Effect of Spousal Income Benefit Election

Changing the income start date or annuity form can change the guaranteed income amount the participant will receive. Upon request, participants can be provided a custom quote to illustrate the rates used to purchase guaranteed income and the actuarial equivalence of this guaranteed income choosing a different annuity payout form.

## Insurer Termination

Principal Life Insurance Company cannot terminate the contract. Principal Life Insurance Company can choose to stop allowing contributions into all Principal Pension Builder contracts.

## Rollover Funds- Investment Management / Administration

At a participant benefit event or a qualifying in-service plan withdrawal, a participant could choose to remove their entire Principal Pension Builder balance, if it is greater than \$5,000, and corresponding guaranteed payments as a deferred certificate, which will transfer ownership from the plan to the participant individually. The election of a deferred certificate is treated as an in-kind distribution from the plan.

## Insurance Companies Offering Product

Principal Life Insurance Company

The ability of Principal Life Insurance Company to pay the guarantee is based on the claims-paying ability of the general account and is subject to the terms of the contract.

## Education and Training for participants

Principal provides a variety of educational materials and resources to participants regarding Principal Pension Builder, including a dedicated internet web page, a transfer quote tool that will provide an estimate of the amount of monthly guaranteed income purchases, fact sheets, historical purchase rates.

## Contact Information (Insurer)

For additional information on this product contact:

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