

# Sample

*401(K) INVESTMENT- 4Q REVIEW*  
*February 2021*



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NEWSLETTER**



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### 401k Plan Brief

**Assets:** \$8,241,831 as of 12/31/2020

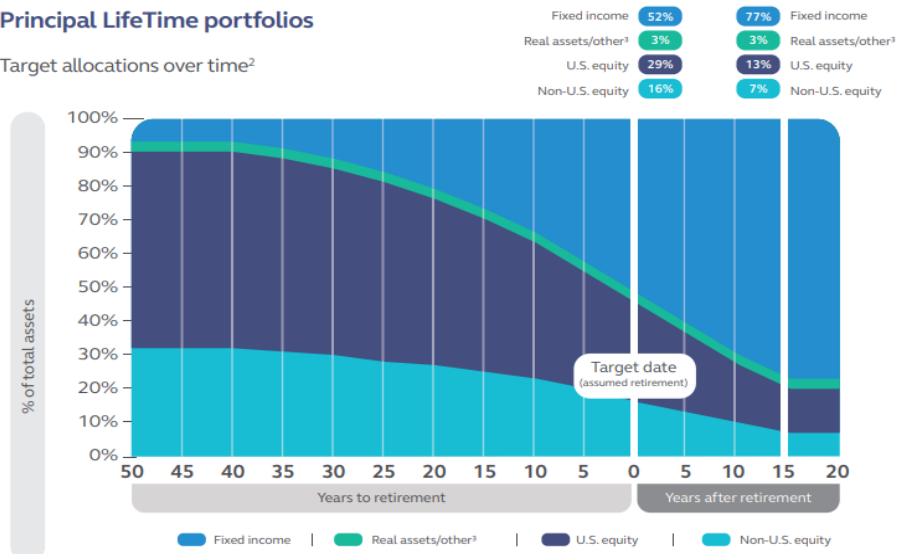
- Total contributions - \$1,976,626
- Total distributions – (\$789,310)

**TDF:** Approximately 70.6% of plan assets are allocated to the Principal Lifetime TDF series.

- Largest allocation of investments are in the 2025 (12.5% of total plan assets) and 2040 (12.4%) funds.
- The glide path starts with ~90% of assets in equities, excluding real assets and alternatives; at the target date, 48% of assets in equities; 23% equities 15 years into retirement.
  - The managers generally stick to the strategic glide path but can delay or accelerate rebalancing within 3 percentage points of the strategic weightings.
- The series combines an active sleeve with a passive approach in historically more efficient asset classes to take advantage of lower costs.
  - Composed of 65% passive and 35% active investments spread across 24 different managers (including BlackRock, Credit Suisse, Dimensional, JP Morgan, Mellon Capital).
- The series is constructed following three basic principles:
  - Broad diversification across traditional and specialty asset classes.
  - Disciplined risk management at each stage of the investment process.
  - Professional investment managers representing a wide range of asset classes, investment styles and firms
- This series is a “Through” strategy – assets are managed for 15 years beyond retirement.

#### Principal LifeTime portfolios

Target allocations over time<sup>2</sup>

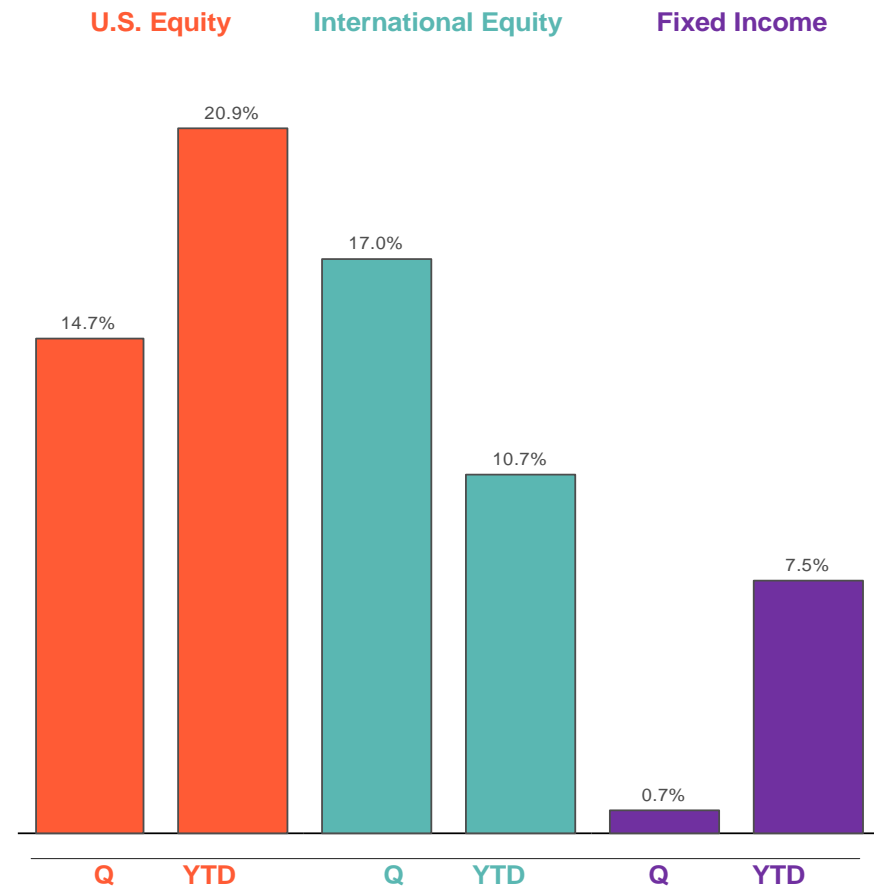


# Q4 2020 Market Review

## SUMMARY

- U.S. equity markets experienced a strong rally, up 14.7% (Russell 3000) in the fourth quarter on multiple COVID-19 vaccine approvals and a coronavirus relief package from Congress.
- International equities rose to a greater extent, posting a 17% gain over the quarter (MSCI ACWI ex U.S.).
- The broad U.S. fixed income market delivered a modest 0.7% gain for the quarter (Bloomberg Barclays Aggregate) as longer-term interest rates trended higher. Credit-related securities outperformed government securities in the fourth quarter.
- After hitting 14.7% unemployment in April, the U.S. labor market continued to improve during the fourth quarter with December unemployment dropping to 6.7%.
- Marking a significant change, value stocks outperformed this quarter with the Russell 1000 Value outperforming the Russell 1000 Growth by almost five percentage points.
- The Federal Reserve kept rates at nearly zero during the quarter and signaled their expectation of rates remaining at these levels for the next few years.

## TRAILING RETURNS (12/31/2020)



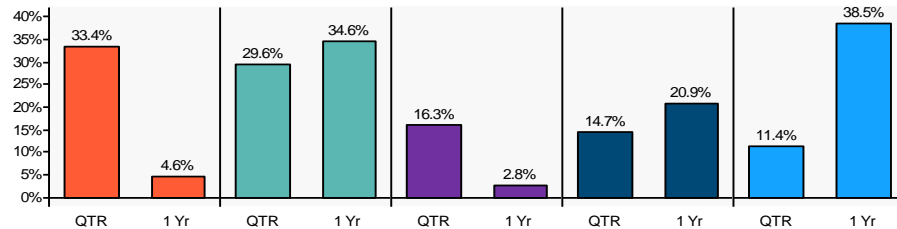
Quarterly and year-to-date returns of the following indices: U.S. Equity (Russell 3000 Index), Fixed Income (Bloomberg Barclays U.S. Aggregate Bond Index) and International Equity (MSCI ACWI ex U.S. Index)

# Q4 2020 Market Review - U.S. Equity

## U.S. EQUITY

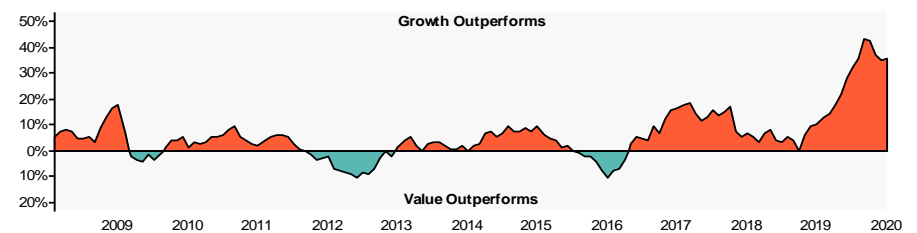
- The broad U.S. equity market, as measured by the Russell 3000 Index, was up 14.7% for the quarter.
- The best performing U.S. equity index for the quarter was Russell 2000 Value, returning a positive 33.4%.
- The worst performing U.S. equity index for the quarter was Russell 1000 Growth, returning a positive 11.4%.

## INDEX PERFORMANCE (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Russell 2000 Value	33.4	4.6	4.6	3.7	9.7	8.7
Russell 2000 Growth	29.6	34.6	34.6	16.2	16.4	13.5
Russell 1000 Value	16.3	2.8	2.8	6.1	9.7	10.5
Russell 3000	14.7	20.9	20.9	14.5	15.4	13.8
Russell 1000 Growth	11.4	38.5	38.5	23.0	21.0	17.2

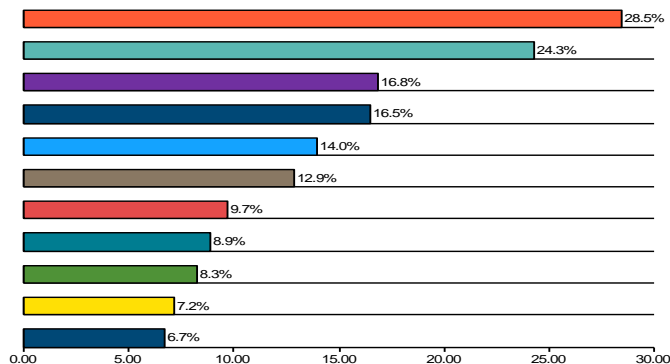
## GROWTH VS. VALUE



Over the last year, growth stocks outperformed value stocks by 35.7%. For the trailing quarter, value stocks outperformed growth stocks by 4.9%.

The graph above is plotted using a rolling one-year time period. Growth stock performance is represented by the Russell 1000 Growth Index. Value stock performance is represented by the Russell 1000 Value Index.

## SECTOR (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Energy	28.5	-33.8	-33.8	-16.2	-6.0	-3.4
Financials	24.3	-1.9	-1.9	3.8	11.0	10.8
Industrials	16.8	11.7	11.7	7.9	12.9	12.2
Materials	16.5	19.6	19.6	7.6	13.2	9.2
Telecommunication Svcs.	14.0	23.4	23.4	12.8	11.7	10.0
Information Technology	12.9	43.2	43.2	28.6	27.4	20.2
Consumer Discretionary	9.7	32.9	32.9	18.8	17.0	17.1
Health Care	8.9	14.5	14.5	13.9	12.1	16.2
Real Estate	8.3	-4.3	-4.3	5.8	6.7	9.5
Utilities	7.2	-0.9	-0.9	9.0	11.3	11.3
Consumer Staples	6.7	11.1	11.1	9.0	9.1	11.9

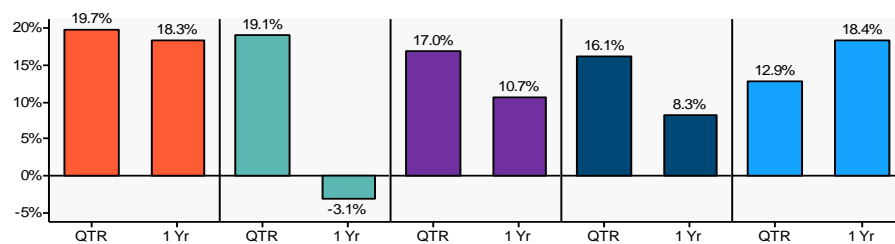
Source: S&P 1500 Sector Indices

# Q4 2020 Market Review - International Equity

## INTERNATIONAL EQUITY

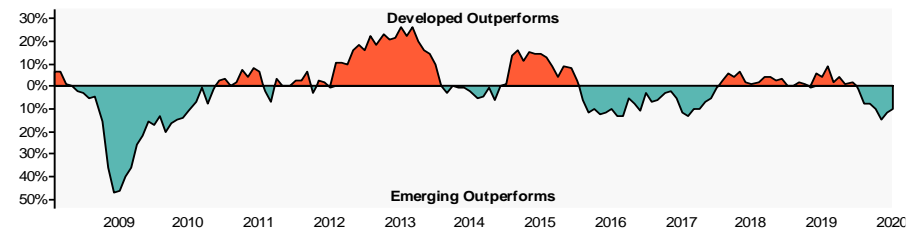
- Developed international equity returned a positive 16.1% in the last quarter (MSCI EAFE).
- Emerging market equity posted a positive 19.7% return (MSCI Emerging Markets Index).

## INDEX PERFORMANCE (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
MSCI Emg Markets	19.7	18.3	18.3	6.2	12.8	3.6
MSCI EAFE Large Value	19.1	-3.1	-3.1	-1.7	3.8	2.9
MSCI ACWI ex US	17.0	10.7	10.7	4.9	8.9	4.9
MSCI EAFE	16.1	8.3	8.3	4.8	8.0	6.0
MSCI EAFE Large Growth	12.9	18.4	18.4	10.6	10.8	7.6

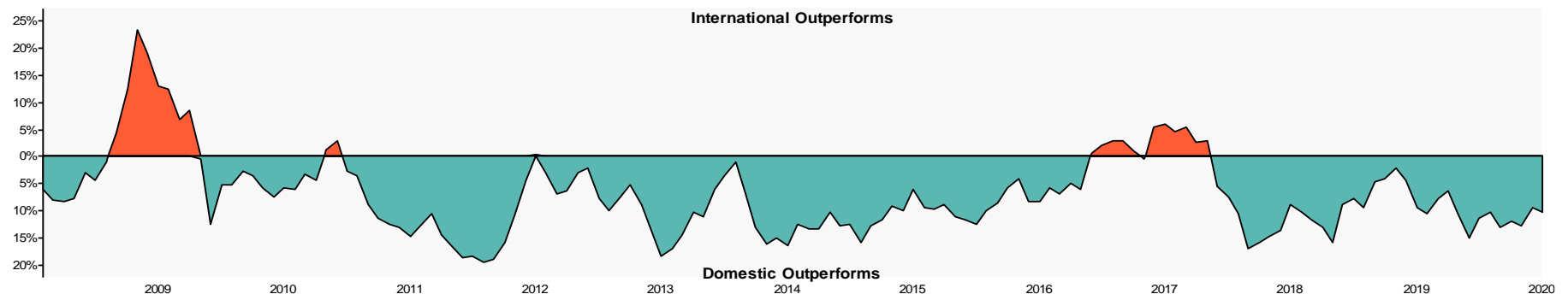
## DEVELOPED VS. EMERGING MARKETS



Over the last year, emerging market stocks outperformed developed international stocks by 10%. For the trailing quarter, emerging market stocks outperformed developed international stocks by 3.6%.

The graph above is plotted using a rolling one-year time period. Developed international stock performance is represented by the MSCI EAFE Index. Emerging market stock performance is represented by the MSCI Emerging Markets Index.

## INTERNATIONAL VS. DOMESTIC



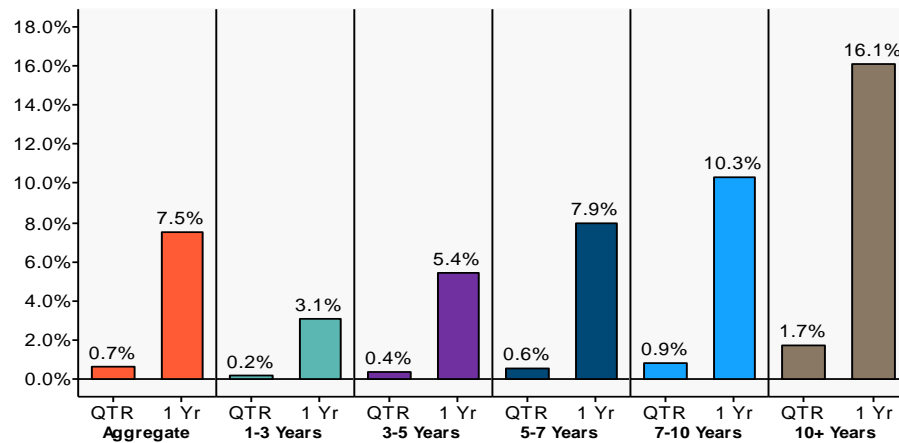
The graph above is plotted using a rolling one-year time period. International stock performance is represented by the MSCI ACWI ex U.S. Index. Domestic stock performance is represented by the Russell 3000 Index.

# Q4 2020 Market Review - Fixed Income

## FIXED INCOME

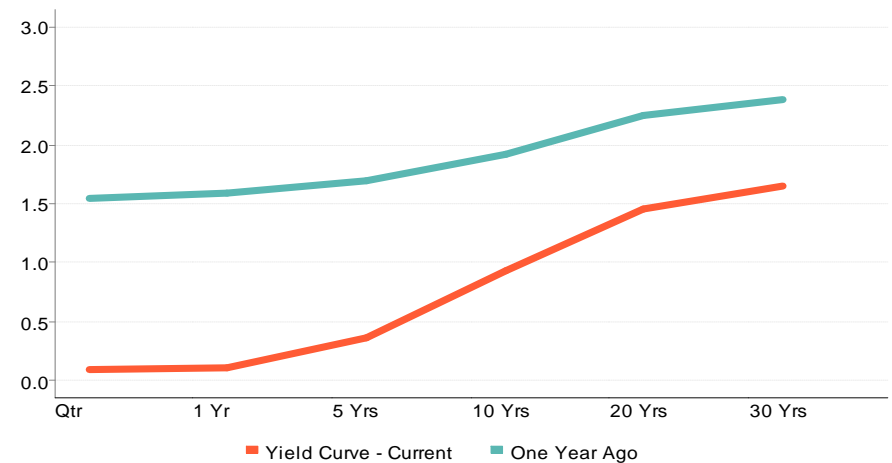
- The broad U.S. fixed income market returned a positive 0.7% (Bloomberg Barclays U.S. Aggregate) for the quarter.
- The best performing sector for the quarter was High Yield Corporate Bond, returning a positive 6.5%.
- The worst performing sector for the quarter was Government, returning a negative 0.8%

## PERFORMANCE BY MATURITY



Source: Bloomberg Barclays U.S. Aggregate Indices

## YIELD CURVE



## SECTOR (sorted by trailing quarterly performance)



Source: Bloomberg Barclays U.S. Indices

# Q4 2020 Market Kaleidoscope

## ASSET CLASS RETURNS

The following chart exhibits the volatility of asset class returns from year to year by ranking indices in order of performance, highlighting the importance of diversification.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sm Growth 29.09	Fixed Income 7.84	Global REIT 23.73	Sm Growth 43.30	Global REIT 22.81	Large Growth 5.67	Sm Value 31.74	Large Growth 30.21	Cash 1.87	Large Growth 36.39	Large Growth 38.49
Sm Value 24.50	Large Growth 2.64	Sm Value 18.05	Sm Value 34.52	Large Value 13.45	Global REIT 0.59	Large Value 17.34	International 27.19	Fixed Income 0.01	Sm Growth 28.48	Sm Growth 34.63
Global REIT 23.44	Global REIT 1.70	Large Value 17.51	Large Growth 33.48	Large Growth 13.05	Fixed Income 0.55	Commodities 11.77	Sm Growth 22.17	Large Growth -1.51	Large Value 26.54	Balanced Index 15.07
Commodities 16.83	Balanced Index 1.26	International 16.83	Large Value 32.53	Balanced Index 6.56	Cash 0.05	Sm Growth 11.32	Balanced Index 15.00	Balanced Index -4.70	Global REIT 24.49	International 10.65
Large Growth 16.71	Large Value 0.39	Large Growth 15.26	International 15.29	Fixed Income 5.97	Balanced Index -0.55	Large Growth 7.08	Large Value 13.66	Global REIT -4.77	Sm Value 22.39	Fixed Income 7.51
Large Value 15.51	Cash 0.10	Sm Growth 14.59	Balanced Index 14.92	Sm Growth 5.60	Sm Growth -1.38	Balanced Index 7.06	Global REIT 8.63	Large Value -8.27	International 21.51	Sm Value 4.63
Balanced Index 12.21	Sm Growth -2.91	Balanced Index 11.76	Global REIT 2.81	Sm Value 4.22	Large Value -3.83	Global REIT 6.90	Sm Value 7.84	Sm Growth -9.31	Balanced Index 20.02	Large Value 2.80
International 11.15	Sm Value -5.50	Fixed Income 4.22	Cash 0.07	Cash 0.03	International -5.66	International 4.50	Fixed Income 3.54	Commodities -11.25	Fixed Income 8.72	Cash 0.67
Fixed Income 6.54	Commodities -13.32	Cash 0.11	Fixed Income -2.02	International -3.87	Sm Value -7.47	Fixed Income 2.65	Commodities 1.70	Sm Value -12.86	Commodities 7.69	Commodities -3.12
Cash 0.13	International -13.71	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Cash 0.33	Cash 0.86	International -14.20	Cash 2.28	Global REIT -8.11

- Large Value (Russell 1000 Value)
- Large Growth (Russell 1000 Growth)
- Small Value (Russell 2000 Value)
- Balanced (40% Russell 3000, 40% Bloomberg Barclay's U.S. Aggregate, 20% MSCI ACWI ex US)
- Small Growth (Russell 2000 Growth)
- International (MSCI ACWI ex-US)
- Fixed Income (Bloomberg Barclays Agg)
- Global REIT (S&P Global REIT)
- Commodities (Bloomberg Commodities)
- Cash (Merrill Lynch 3-Mo T-Bill)



# Q4 2020 Market Review - Chart of the Quarter

## Valuation Spreads Near Historic Highs

Growth has outperformed value by a large margin over the last several years resulting in wide valuation dispersion within the market. As the chart below shows, the current valuation spread between the 20th and 80th percentile of the S&P 500 is double the 25-year average. Wide valuation spreads have historically been a precursor to better performance for value stocks.

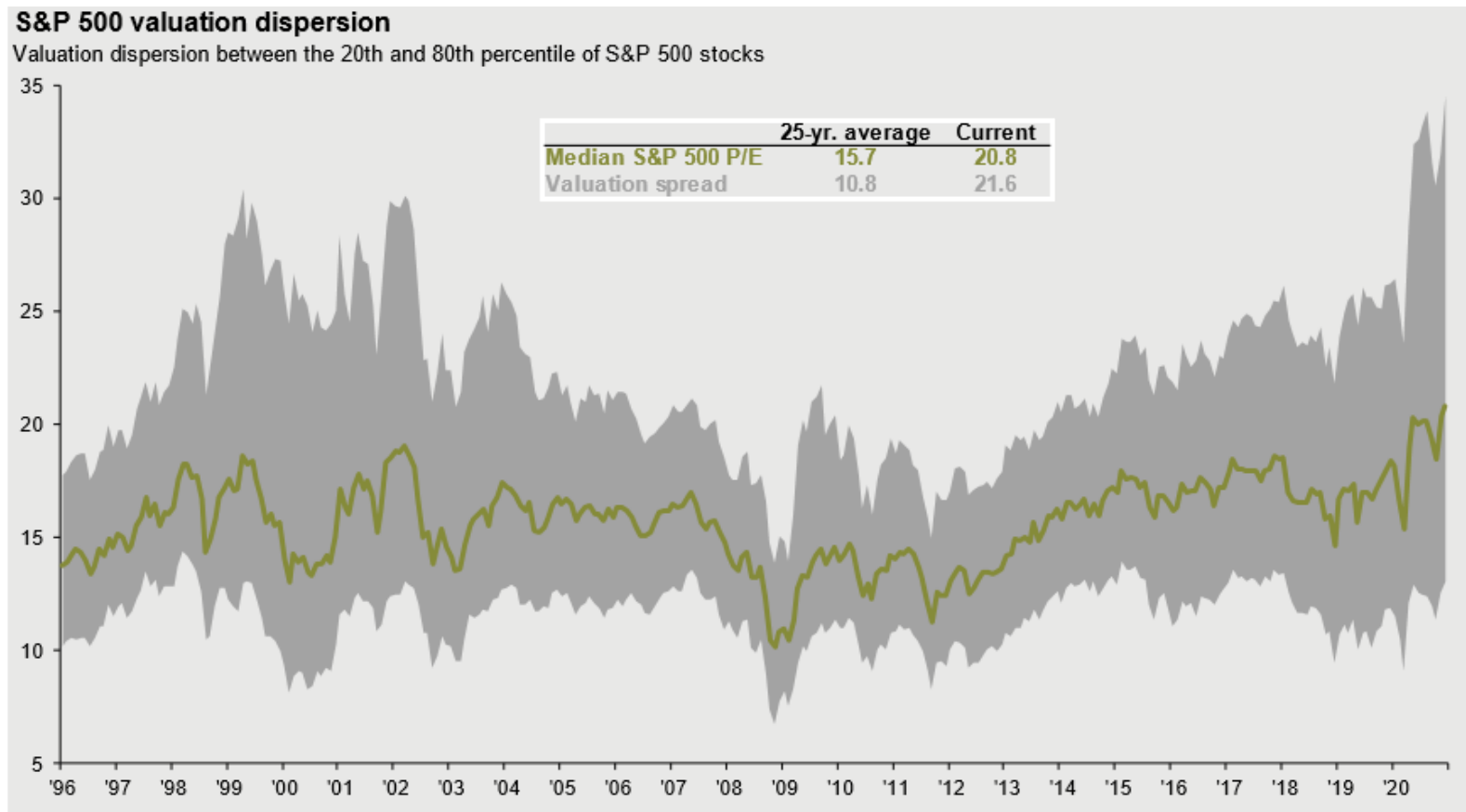


Chart Source: JP Morgan Asset Management, Compustat, FactSet, Standard & Poors

# Q4 2020 Disclosures

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

Citigroup Corporate Bond is an index which serves as a benchmark for corporate bond performance. You cannot invest directly in an index.

Citigroup Mortgage Master is an index which serves as a benchmark for U.S. mortgage-backed securities performance.

Citigroup WGBI Index is an index which serves as a benchmark for global bond performance, including 22 different government bond markets.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market.

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

BC Credit Bond Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

BC U.S. Corporate Investment Grade represents investment grade corporate securities that are U.S., domestic, taxable, and dollar denominated.

BC High Yield Corporate Bond represents below investment grade corporate securities that are U.S., domestic, taxable, and dollar denominated. BC TIPS Index includes publicly issued U.S. government treasury inflation protected securities that meet the specified maturity, liquidity and other requirements.

BC Mortgage Backed Securities covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

BC Government Index includes publicly issued U.S. government securities that meet the specified maturity, liquidity and other requirements.

BarCap U.S. Aggregate 1-3 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 1 to 3 years.

BarCap U.S. Aggregate 3-5 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 3 to 5 years.

BarCap U.S. Aggregate 5-7 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 5-7 years.

BarCap U.S. Aggregate 7-10 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 7 to 10 years.

BarCap U.S. Aggregate 10+ Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over 10 years.

DJW 5000 (Full Cap) Index measures the performance of all U.S. common equity securities, and serves as an index of all stock trades in the United States.

MSCI FI Emerging Markets is a rules-based index which serves as a benchmark for emerging country fixed income performance.

MSCI FI EAFE International is a rules-based index which serves as a benchmark for developed international country fixed income performance.

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

MSCI EAFE Large Value represents the large cap value stocks within the MSCI EAFE Index.

MSCI EAFE Large Growth represents the large cap growth stocks within the MSCI EAFE Index.

MSCI EM (Emerging Markets) Index serves as a benchmark for each emerging country. The average size of these companies is (U.S.) \$400 million, as compared with \$300 billion for those companies in the World index.

MSCI World Index is a rules-based index that serves as a benchmark for the developed global equity markets.

MSCI Europe ex UK Index is a rules-based index that serves as a benchmark for the Europe's equity markets, excluding the United Kingdom.

MSCI Pacific ex Japan Index is a rules-based index that serves as a benchmark for Asia Pacific's equity markets, excluding Japan.

MSCI United Kingdom Index is a rules-based index that serves as a benchmark for the United Kingdom's equity markets. MSCI Japan is a rules-based index that serves as a benchmark for Japan's equity markets.

Nareit All Reit Index includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

3-Month T-bills (90 Day T-Bill Index) are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

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

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

Russell Top 200 Growth Index is a market-capitalization weighted index of those firms in the Russell Top 200 with higher price-to-book ratios and higher forecasted growth values.

Russell Top 200 Value Index is a market-capitalization weighted index of those firms in the Russell Top 200 with lower price-to-book ratios and lower forecasted growth values.

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

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

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

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

Russell Mid-Cap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

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

Russell Top 200 Index consists of the 200 largest securities in the Russell 3000 Index.

Russell 3000 Index is a market-capitalization weighted index, consisting of 3,000 U.S. common equity securities, reflective of the broad U.S. equity market.

Salomon 1-10 Yr. Government is an index which serves as a benchmark for U.S. Government bonds with maturities ranging from 1 to 10 years.

S&P 500 Index measures the performance of the largest 500 U.S. common equity securities, and serves as an index of large cap stocks traded in the United States.

S&P 1500 Energy Index measures the performance of the energy sector in the S&P 1500 Index.

S&P 1500 Industrials measures the performance of the industrial sector in the S&P 1500 Index.

S&P 1500 Financials measures the performance of the financials sector in the S&P 1500 Index.

S&P 1500 Utilities measures the performance of the utilities sector in the S&P 1500 Index.

S&P 1500 Consumer Discretionary Index measures the performance of the consumer discretionary sector in the S&P 1500 Index.

S&P 1500 Consumer Staples Index measures the performance of the consumer staples sector in the S&P 1500 Index.

S&P 1500 Information Technology measures the performance of the information technology sector in the S&P 1500 Index.

S&P 1500 Materials measures the performance of the materials sector in the S&P 1500 Index.

S&P 1500 Health Care measures the performance of the health care sector in the S&P 1500 Index.

S&P 1500 Telecommunications Services Index measures the performance of the telecommunications services sector in the S&P 1500 Index.

# Q4 2020 Disclosures

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## Portfolio Review

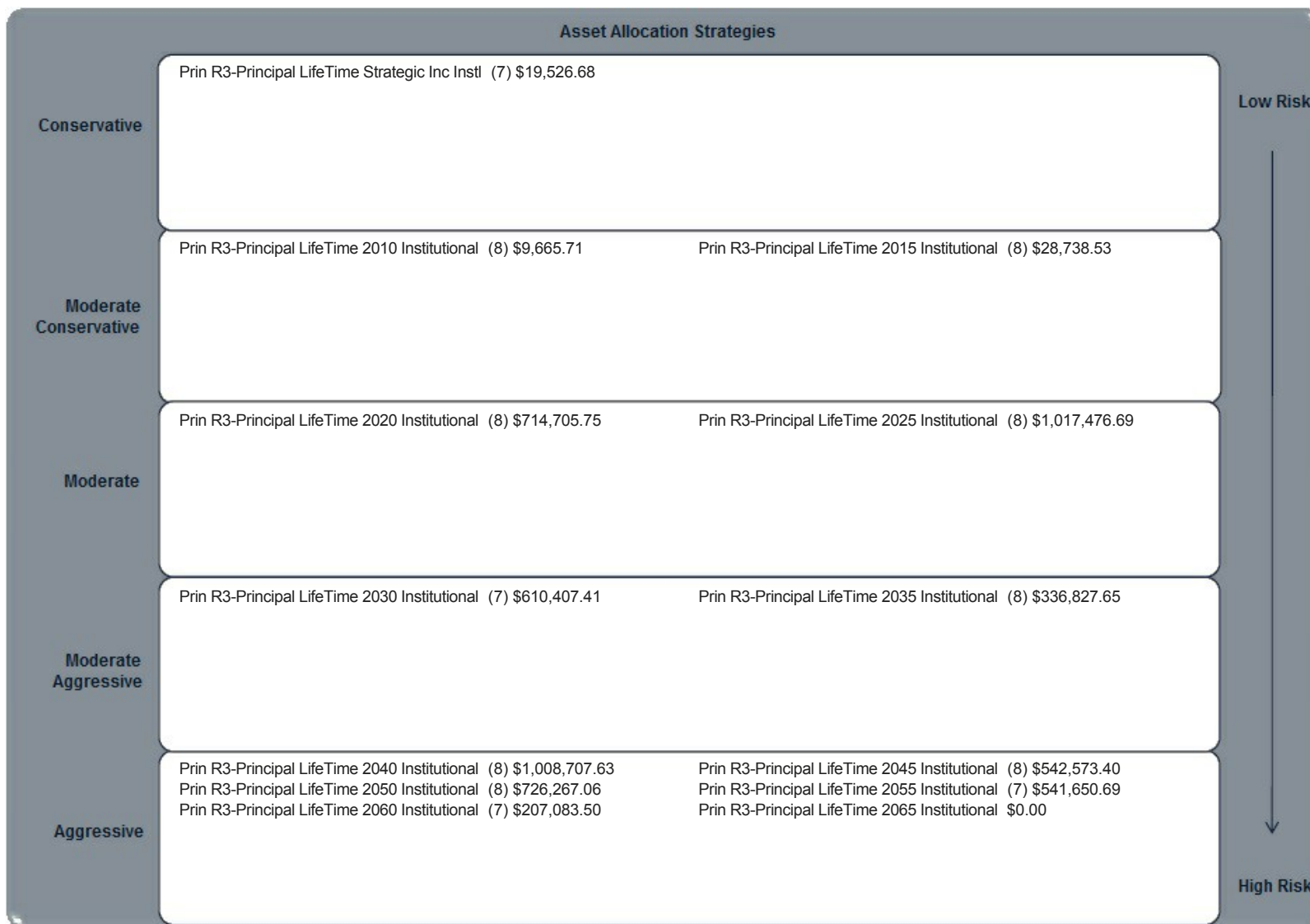
Investment Review - Allocation 01/01/2020 through 12/31/2020						
Inv Manager or Sub-Advisor	Beginning Balance	Breakdown %	Contributions	Breakdown %	Ending Balance	Breakdown %
<b>Investment Option</b>						
<b>Large U.S. Equity</b>						
<b>Large Value</b>						
<i>Westwood / Barrow Hanley</i> LargeCap Value III Separate Account-R3 <sup>A, 3, 13, 22</sup>	\$12,172	0.21%	\$3,198	0.16%	\$14,776	0.18%
<b>Large Blend</b>						
<i>Principal Global Investors</i> LargeCap S&P 500 Index Separate Account-R3 <sup>A, 2, 6, 19, 21, 26</sup>	\$325,865	5.53%	\$176,277	8.92%	\$535,766	6.56%
<b>Large Growth</b>						
<i>AB LP</i> AB Large Cap Growth R Fund <sup>17</sup>	\$322,590	5.48%	\$105,670	5.35%	\$491,620	6.02%
<b>Small/Mid U.S. Equity</b>						
<b>Mid Cap Value</b>						
<i>Wells Fargo Fund Management</i> Wells Fargo Special Mid Cap Value R Fund <sup>1, 17</sup>	\$49,140	0.83%	\$13,043	0.66%	\$63,994	0.78%
<b>Mid Cap Blend</b>						
<i>Principal Global Investors</i> MidCap S&P 400 Index Separate Account-R3 <sup>A, 1, 2, 8, 19, 21, 26</sup>	\$211,187	3.59%	\$52,352	2.65%	\$199,207	2.44%
<b>Mid Cap Growth</b>						
<i>Carillon Tower Advisors</i> Carillon Eagle Mid Cap Growth R3 Fund <sup>1, 17</sup>	\$29,653	0.50%	\$29,837	1.51%	\$79,777	0.98%
<b>Small Value</b>						
<i>Vaughan Nelson/LA Capital/H&amp;W</i> SmallCap Value II Separate Account-R3 <sup>A, 1, 3, 13, 22, 24</sup>	\$1,340	0.02%	\$14,495	0.73%	\$19,531	0.24%
<b>Small Blend</b>						
<i>Principal Global Investors</i> SmallCap S&P 600 Index Separate Account-R3 <sup>A, 1, 2, 7, 19, 21, 26</sup>	\$246,458	4.18%	\$92,673	4.69%	\$284,515	3.48%
<i>Principal Global Investors</i> SmallCap Separate Account-R3 <sup>A, 1, 21, 23</sup>	\$81,955	1.39%	\$8,062	0.41%	\$87,904	1.08%
<b>Small Growth</b>						
<i>Columbia Management Advisors</i> Columbia Small Cap Growth I R Fund <sup>1, 17</sup>	\$24,772	0.42%	\$25,894	1.31%	\$87,966	1.08%
<b>International Equity</b>						
<b>Foreign Large Blend</b>						
<i>Invesco</i> Invesco International Equity R Fund <sup>4, 17</sup>	\$89,056	1.51%	\$75,642	3.83%	\$189,981	2.33%

Investment Review - Allocation 01/01/2020 through 12/31/2020						
Inv Manager or Sub-Advisor	Beginning Balance	Breakdown %	Contributions	Breakdown %	Ending Balance	Breakdown %
<b>Balanced/Asset Allocation</b>						
<b>Target-Date Retirement</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime Strategic Income Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$36,162	0.61%	\$0	0.00%	\$19,527	0.24%
<b>Target-Date 2000-2010</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2010 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$8,790	0.15%	\$0	0.00%	\$9,666	0.12%
<b>Target-Date 2015</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2015 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$24,235	0.41%	\$1,858	0.09%	\$28,739	0.35%
<b>Target-Date 2020</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2020 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$572,675	9.72%	\$67,684	3.42%	\$714,706	8.75%
<b>Target-Date 2025</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2025 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$657,479	11.16%	\$277,933	14.06%	\$1,017,477	12.46%
<b>Target-Date 2030</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2030 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$577,510	9.80%	\$125,974	6.37%	\$610,407	7.47%
<b>Target-Date 2035</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2035 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$245,399	4.17%	\$78,921	3.99%	\$336,828	4.12%
<b>Target-Date 2040</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2040 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$771,171	13.09%	\$186,979	9.46%	\$1,008,708	12.35%
<b>Target-Date 2045</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2045 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$346,822	5.89%	\$185,443	9.38%	\$542,573	6.64%
<b>Target-Date 2050</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2050 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$552,758	9.38%	\$178,741	9.04%	\$726,267	8.89%

Investment Review - Allocation 01/01/2020 through 12/31/2020						
<i>Inv Manager or Sub-Advisor</i>	Beginning Balance	Breakdown %	Contributions	Breakdown %	Ending Balance	Breakdown %
Investment Option						
<b>Target-Date 2055</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2055 Separate Account-R3 <sup>A, 9, 12, 14, 15, 20, 21, 27, 28</sup>	\$438,306	7.44%	\$137,405	6.95%	\$541,651	6.63%
<b>Target-Date 2060+</b>						
<i>Multiple Sub-Advisors</i>						
Principal LifeTime 2060 Separate Account-R3 <sup>A, 9, 10, 12, 14, 15, 20, 21, 27, 28</sup>	\$108,397	1.84%	\$81,783	4.14%	\$207,084	2.54%
<b>Short-Term Fixed Income</b>						
<b>Money Market</b>						
<i>Principal Global Investors</i>						
Liquid Assets Separate Account-R3 <sup>A, 5, 18, 21</sup>	\$87,814	1.49%	\$34,115	1.73%	\$134,472	1.65%
<b>Fixed Income</b>						
<b>Intermediate Core Bond</b>						
<i>Principal Global Investors</i>						
Bond Market Index Separate Account - R3 <sup>A, 2, 11, 12, 22</sup>	\$11,804	0.20%	\$2,653	0.13%	\$70,978	0.87%
<b>Intermediate Core-Plus Bond</b>						
<i>Western Asset Management Co.</i>						
Western Asset Core Plus Bond R Fund <sup>11, 12, 17</sup>	\$31,961	0.54%	\$15,974	0.81%	\$124,676	1.53%
<b>Other</b>						
<b>Owned Real Estate</b>						
<i>Principal Real Estate Inv</i>						
U.S. Property Separate Account-R3 <sup>A, 16, 21, 29</sup>	\$25,260	0.43%	\$4,022	0.20%	\$19,971	0.24%
<b>TOTAL</b>	<b>\$5,890,731</b>	<b>100%</b>	<b>\$1,976,627</b>	<b>100%</b>	<b>\$8,168,767</b>	<b>100%</b>

Please see important information at the end of this presentation.

# Style Box - Standard



# Style Box - Standard

	Value	Blend	Growth	
Large	Prin R3-Principal Large Cap Value III Inst (9) \$14,776.06	Prin R3-Principal LargeCap S&P 500 Idx SP (10) \$535,766.44	AB Large Cap Growth R (9) \$491,620.17	Large
Mid	Wells Fargo Special Mid Cap Value R (10) \$63,993.74	Prin R3-Principal MidCap S&P 400 Index SP (8) \$199,207.14	Carillon Eagle Mid Cap Growth R3 (10) \$79,777.42	Mid
Small	Prin R3-Principal SmallCap Value II R6 (6) \$19,531.40	Prin R3-Principal SmallCap SP (7) \$87,904.13 Prin R3-Principal SmallCap S&P 600 Idx SP (6) \$284,515.04	Columbia Small Cap Growth I R (10) \$87,965.91	Small



# Style Box - Standard

		International Value	International Blend	International Growth		
Large			Invesco International Eq R (6) \$189,980.63		Large	
Small-Mid					Small-Mid	

Global	Specialty / Other
	Prin R3-Principal U.S. Property SP (6) \$19,970.69

Core Fixed Income	Fixed Income	Cash Alternatives
Prin R3-Principal Bond Market Index SP (10) \$70,978.23 Western Asset Core Plus Bond R (7) \$124,675.97		Prin R3-Principal Liquid Assets SP \$134,472.12 Guaranteed 3 year \$0.00 Guaranteed Interest \$0.00



## Investment Performance

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

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

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

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 12/31/2020					Percentile Rankings as of 12/31/2020					Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.		
<b>Large U.S. Equity</b>												
<b>Large Value</b>												
Westwood / Barrow Hanley LargeCap Value III Separate Account-R3 A, 3, 13, 22	2.61	6.48	9.56	9.62	5.78	12/29/2000	50	40	47	57	1.29 / 1.36	- 02/28/2021
Russell 1000 Value Index	2.80	6.07	9.74	10.50	-	-	-	-	-	-		
<b>Morningstar Category - Large Value</b>					<b>Total Funds in Category</b>		<b>1200</b>	<b>1128</b>	<b>998</b>	<b>716</b>	-	-
<b>Large Blend</b>												
Principal Global Investors LargeCap S&P 500 Index Separate Account-R3 A, 2, 6, 19, 21, 26	17.57	13.36	14.38	13.05	9.40	01/01/1990	46	43	39	39	0.72 / 0.72	- -
Standard & Poor's 500 Index	18.40	14.18	15.22	13.88	-	-	-	-	-	-		
<b>Morningstar Category - Large Blend</b>					<b>Total Funds in Category</b>		<b>1363</b>	<b>1232</b>	<b>1072</b>	<b>814</b>	-	-
<b>Large Growth</b>												
AB LP AB Large Cap Growth R Fund ##, 17	33.50	21.78	19.34	16.97	12.10	11/03/2003	50	39	35	21	1.26 / 1.27	- -
Russell 1000 Growth Index	38.49	22.99	21.00	17.21	-	-	-	-	-	-		
<b>Morningstar Category - Large Growth</b>					<b>Total Funds in Category</b>		<b>1289</b>	<b>1197</b>	<b>1070</b>	<b>789</b>	-	-
<b>Small/Mid U.S. Equity</b>												
<b>Mid Cap Value</b>												
Wells Fargo Fund Management Wells Fargo Special Mid Cap Value R Fund **, 1, 17	2.67	6.12	9.81	10.95	9.75	09/30/2015	52	22	26	8	1.40 / 1.40	- -
Russell Midcap Value Index	4.96	5.37	9.73	10.49	-	-	-	-	-	-		
<b>Morningstar Category - Mid Cap Value</b>					<b>Total Funds in Category</b>		<b>415</b>	<b>396</b>	<b>349</b>	<b>247</b>	-	-
<b>Mid Cap Blend</b>												
Principal Global Investors MidCap S&P 400 Index Separate Account-R3 A, 1, 2, 8, 19, 21, 26	12.79	7.63	11.50	10.67	9.23	08/31/1999	49	58	50	48	0.72 / 0.72	- -
Standard & Poor's 400 MidCap Stock Index	13.66	8.45	12.35	11.51	-	-	-	-	-	-		
<b>Morningstar Category - Mid Cap Blend</b>					<b>Total Funds in Category</b>		<b>407</b>	<b>374</b>	<b>309</b>	<b>215</b>	-	-
<b>Mid Cap Growth</b>												
Carillon Tower Advisors Carillon Eagle Mid Cap Growth R3 Fund ##, 1, 17	39.42	20.40	19.19	14.47	17.84	01/12/2009	37	40	30	40	1.34 / 1.34	- -
Russell Midcap Growth Index	35.59	20.50	18.66	15.04	-	-	-	-	-	-		
<b>Morningstar Category - Mid Cap Growth</b>					<b>Total Funds in Category</b>		<b>604</b>	<b>564</b>	<b>504</b>	<b>383</b>	-	-

Average Annual Total Returns through 12/31/2020							Percentile Rankings as of 12/31/2020						
Inv Manager or Sub-Advisor Investment Option	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date	
<b>Small Value</b>													
Vaughan Nelson/LA Capital/H&W SmallCap Value II Separate Account-R3 A, 1, 3, 13, 22, 24	3.05	2.44	7.33	8.08	6.98	06/01/2004	50	42	60	46	1.53 / 1.55	02/28/2022	
Russell 2000 Value Index	4.63	3.72	9.65	8.66	-	-	-	-	-	-			
<b>Morningstar Category - Small Value</b>							<b>Total Funds in Category</b>	<b>416</b>	<b>386</b>	<b>358</b>	<b>259</b>	-	-
<b>Small Blend</b>													
Principal Global Investors SmallCap S&P 600 Index Separate Account-R3 A, 1, 2, 7, 19, 21, 26	10.60	6.98	11.59	11.10	9.42	08/31/1999	55	48	35	22	0.72 / 0.72	-	
Standard & Poor's 600 Stock Index	11.29	7.74	12.37	11.92	-	-	-	-	-	-			
Principal Global Investors SmallCap Separate Account-R3 A, 1, 21, 23	20.14	10.24	11.95	11.69	10.71	01/01/1991	12	15	29	10	1.33 / 1.33	-	
Russell 2000 Index	19.96	10.25	13.26	11.20	-	-	-	-	-	-			
<b>Morningstar Category - Small Blend</b>							<b>Total Funds in Category</b>	<b>671</b>	<b>629</b>	<b>517</b>	<b>367</b>	-	-
<b>Small Growth</b>													
Columbia Management Advisors Columbia Small Cap Growth I R Fund ##, 1, 17	69.38	32.29	27.19	16.91	18.31	09/27/2010	7	7	6	10	1.56 / 1.56	-	
Russell 2000 Growth Index	34.63	16.20	16.36	13.48	-	-	-	-	-	-			
<b>Morningstar Category - Small Growth</b>							<b>Total Funds in Category</b>	<b>616</b>	<b>576</b>	<b>505</b>	<b>381</b>	-	-
<b>International Equity</b>													
<b>Foreign Large Blend</b>													
Invesco Invesco International Equity R Fund **, 4, 17	17.83	5.55	9.34	5.39	4.37	03/01/2001	8	23	13	48	1.48 / 1.50	-	
MSCI ACWI Ex USA Index	10.65	4.88	8.93	4.92	-	-	-	-	-	-		05/31/2021	
<b>Morningstar Category - Foreign Large Blend</b>							<b>Total Funds in Category</b>	<b>785</b>	<b>676</b>	<b>586</b>	<b>382</b>	-	-
<b>Balanced/Asset Allocation</b>													
<b>Target-Date Retirement</b>													
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R3 A, 9, 12, 14, 15, 20, 21, 27, 28	9.56	5.76	5.91	4.84	4.28	03/30/2001	45	71	69	65	1.19 / 1.19	-	
S&P Target Date Retirement Income Index	8.81	6.32	6.50	5.47	-	-	-	-	-	-			
<b>Morningstar Category - Target-Date Retirement</b>							<b>Total Funds in Category</b>	<b>168</b>	<b>148</b>	<b>126</b>	<b>84</b>	-	-
<b>Target-Date 2000-2010</b>													
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R3 A, 9, 12, 14, 15, 20, 21, 27, 28	10.27	6.20	6.77	5.82	4.97	03/30/2001	63	90	86	73	1.19 / 1.19	-	
S&P Target Date 2010 Index	9.95	6.79	7.22	6.15	-	-	-	-	-	-			
<b>Morningstar Category - Target-Date 2000-2010</b>							<b>Total Funds in Category</b>	<b>119</b>	<b>88</b>	<b>75</b>	<b>52</b>	-	-
<b>Target-Date 2015</b>													
Multiple Sub-Advisors Principal LifeTime 2015 Separate Account-R3 A, 9, 12, 14, 15, 20, 21, 27, 28	11.23	6.81	7.56	6.43	5.22	02/29/2008	57	80	83	84	1.21 / 1.21	-	
S&P Target Date 2015 Index	10.28	7.03	7.79	6.77	-	-	-	-	-	-			
<b>Morningstar Category - Target-Date 2015</b>							<b>Total Funds in Category</b>	<b>118</b>	<b>97</b>	<b>74</b>	<b>44</b>	-	-
<b>Target-Date 2020</b>													
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R3 A, 9, 12, 14, 15, 20, 21, 27, 28	12.06	7.34	8.27	7.09	5.79	03/30/2001	44	64	59	65	1.22 / 1.22	-	
S&P Target Date 2020 Index	10.24	7.18	8.29	7.29	-	-	-	-	-	-			
<b>Morningstar Category - Target-Date 2020</b>							<b>Total Funds in Category</b>	<b>178</b>	<b>157</b>	<b>118</b>	<b>72</b>	-	-

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 12/31/2020						Percentile Rankings as of 12/31/2020						Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.				
<b>Target-Date 2025</b>														
Multiple Sub-Advisors Principal LifeTime 2025 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	13.05	8.02	9.06	7.63	5.98	02/29/2008	45	56	56	56	1.23 / 1.23	-	-	
S&P Target Date 2025 Index	11.22	7.73	9.08	7.88	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2025</b>							<b>Total Funds in Category</b>	<b>214</b>	<b>187</b>	<b>151</b>	<b>87</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2030</b>														
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	14.06	8.51	9.64	8.09	6.25	03/30/2001	42	56	64	60	1.26 / 1.26	-	-	
S&P Target Date 2030 Index	11.91	8.19	9.78	8.41	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2030</b>							<b>Total Funds in Category</b>	<b>224</b>	<b>197</b>	<b>158</b>	<b>89</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2035</b>														
Multiple Sub-Advisors Principal LifeTime 2035 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	15.05	9.17	10.16	8.54	6.59	02/29/2008	39	51	75	63	1.20 / 1.20	-	-	
S&P Target Date 2035 Index	12.79	8.67	10.47	8.91	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2035</b>							<b>Total Funds in Category</b>	<b>207</b>	<b>184</b>	<b>148</b>	<b>84</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2040</b>														
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	15.38	9.47	10.55	8.83	6.48	03/30/2001	44	50	75	69	1.22 / 1.22	-	-	
S&P Target Date 2040 Index	13.37	9.00	10.95	9.26	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2040</b>							<b>Total Funds in Category</b>	<b>218</b>	<b>197</b>	<b>158</b>	<b>89</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2045</b>														
Multiple Sub-Advisors Principal LifeTime 2045 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	15.68	9.67	10.82	9.05	6.92	02/29/2008	47	51	77	65	1.24 / 1.24	-	-	
S&P Target Date 2045 Index	13.66	9.15	11.24	9.49	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2045</b>							<b>Total Funds in Category</b>	<b>207</b>	<b>184</b>	<b>148</b>	<b>83</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2050</b>														
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	15.90	9.84	11.05	9.23	6.59	03/30/2001	48	47	71	61	1.25 / 1.25	-	-	
S&P Target Date 2050 Index	13.86	9.24	11.44	9.67	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2050</b>							<b>Total Funds in Category</b>	<b>217</b>	<b>196</b>	<b>157</b>	<b>78</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2055</b>														
Multiple Sub-Advisors Principal LifeTime 2055 Separate Account-R3 <sup>A, 9, 12, 14,</sup> 15, 20, 21, 27, 28	15.81	9.85	11.17	9.24	7.03	02/29/2008	49	47	69	54	1.27 / 1.27	-	-	
S&P Target Date 2055 Index	13.86	9.26	11.55	9.82	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2055</b>							<b>Total Funds in Category</b>	<b>207</b>	<b>184</b>	<b>145</b>	<b>44</b>	<b>-</b>	<b>-</b>	
<b>Target-Date 2060+</b>														
Multiple Sub-Advisors Principal LifeTime 2060 Separate Account-R3 <sup>A, 9, 10, 12,</sup> 14, 15, 20, 21, 27, 28	15.94	9.89	11.21	-	9.97	03/01/2013	52	55	74	-	1.28 / 1.28	-	-	
S&P Target Date 2060+ Index	13.99	9.38	11.71	9.88	-	-	-	-	-	-				
Multiple Sub-Advisors Principal LifeTime 2065 Separate Account-R3 <sup>A, 9, 10, 12,</sup> 14, 15, 20, 21, 25, 27, 28	16.20	9.87	-	-	11.35	12/29/2017	43	55	-	-	1.33 / 1.61	02/28/2021	-	
S&P Target Date 2060+ Index	13.99	9.38	11.71	9.88	-	-	-	-	-	-				
<b>Morningstar Category - Target-Date 2060+</b>							<b>Total Funds in Category</b>	<b>257</b>	<b>181</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 12/31/2020						Percentile Rankings as of 12/31/2020						Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.				
<b>Short-Term Fixed Income</b>														
<b>GIC</b>														
Guaranteed Interest Account A Class 3 year <sup>+, U</sup>	0.32	1.04	0.82	0.54	-	06/15/1941	-	-	-	-			-	
<b>Money Market</b>														
Principal Global Investors Liquid Assets Separate Account-R3 <sup>A, 5, 18, 21</sup>	-0.27	0.73	0.38	-0.11	3.80	12/10/1980	-	-	-	-		0.97 / 0.97	-	
SEC 7-Day Yield as of 12/31/2020 is -0.81% <sup>***</sup>	-	-	-	-	-		-	-	-	-				
Bloomberg Barclays Treasury Bellwethers 3 Month Index	0.67	1.62	1.21	0.65	-	-	-	-	-	-				
<b>Morningstar Category - Money Market</b>							<b>Total Funds in Category</b>	<b>569</b>	<b>526</b>	<b>458</b>	<b>408</b>	<b>-</b>	<b>-</b>	
<b>Fixed Income</b>														
<b>Intermediate Core Bond</b>														
Principal Global Investors Bond Market Index Separate Account - R3 <sup>A, 2, 11, 12, 22</sup>	6.67	4.45	3.52	2.91	3.11	12/30/2009	79	84	86	90		0.83 / 0.83	-	
Bloomberg Barclays Aggregate Bond Index	7.51	5.34	4.44	3.84	-	-	-	-	-	-				
<b>Morningstar Category - Intermediate Core Bond</b>							<b>Total Funds in Category</b>	<b>415</b>	<b>380</b>	<b>330</b>	<b>252</b>	<b>-</b>	<b>-</b>	
<b>Intermediate Core-Plus Bond</b>														
Western Asset Management Co. Western Asset Core Plus Bond R Fund <sup>**</sup> , 11, 12, 17	8.67	5.85	5.58	4.72	4.38	05/01/2012	38	31	20	24		1.12 / 1.12	-	
Bloomberg Barclays U.S. Universal Index	7.58	5.45	4.87	4.16	-	-	-	-	-	-				
<b>Morningstar Category - Intermediate Core-Plus Bond</b>							<b>Total Funds in Category</b>	<b>602</b>	<b>543</b>	<b>464</b>	<b>343</b>	<b>-</b>	<b>-</b>	
<b>Other</b>														
<b>Owned Real Estate</b>														
Principal Real Estate Inv U.S. Property Separate Account-R3 <sup>A, 16, 21, 29</sup>	-0.01	4.22	5.67	9.15	6.21	01/01/1982	-	-	-	-		1.60 / 1.60	-	
NFI-ODCE Equal-Weight	0.75	4.38	5.67	9.06	-	-	-	-	-	-				

Must be accompanied by important information on the following page.

## Important Information

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

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

<sup>U</sup> The historical performance displayed for the guaranteed interest account are calculated as an accumulation of interest based on the average applicable interest rates in effect over the time period. Interest rates are market based and future interest rates will be based on future market conditions. For time periods prior to inception date of the investment option, predecessor performance is reflected. Please see the investment option's offering document for more information on specific expenses, and the investment option's most recent offering document for actual date of first sale. Expenses are deducted from income earned by the investment option. As a result, investment results will differ for each class of contracts. Past rates are not indicative of expected future rates. Current crediting rates may be lower or higher than what is shown here.

The guaranteed interest account is the guaranteed portion of the insurance contract and provides a guaranteed interest rate for specified periods of time. As an insurance guarantee, this option does not have a fixed investment management fee or expense ratio; those are concepts unique to investment products. Rather, the guarantee is backed by the General Account of Principal Life Insurance Company. The calculation of each guarantee includes some amount of expected costs and expenses. While we target a certain level of expense, there are many factors that can change our actual cost of providing the guarantee. This can include factors such as changes in the interest rate environment. While it is impossible to know the actual expense due to these factors, Principal Life Insurance Company, as a provider of administrative services to the plan, assumes that it will receive 65 basis points (from the expense built into the guaranteed interest account) as part of the overall fee arrangement a plan pays for services from Principal Life.

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Percentile rankings are based on total returns.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option.

\*\*\* The 7-Day Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

Separate Accounts are made available through a group annuity contract with the Principal Life Insurance Company, Des Moines, IA 50392. They may not be available in all states. Ask your representative for more details.

Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Co. Securities are offered through Principal Securities, Inc., 1.800.547.7754, member SIPC and/or independent broker/dealers. Securities sold by a Principal Securities<sup>®</sup> Registered Representative are offered through Principal Securities. Principal Securities and Principal Life are members of the Principal Financial Group<sup>®</sup>, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

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**Investors should carefully consider a mutual fund's investment objectives, risks, charges, and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting [principal.com](http://principal.com), or calling 1-800-547-7754. Read the prospectus carefully before investing.**

A surrender charge may apply to withdrawals or transfers from an unmatured guaranteed interest account. Results shown for guaranteed accounts are average annual guaranteed interest rates.

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

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

This report includes investment options that contain information from a variety of sources. Morningstar generally provides holdings information, operations data, and rankings or statistics proprietary to Morningstar. Morningstar is also the source of information on certain mutual funds.

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For a Mutual Fund investment option, Total Investment Expense gross equals the sum of (a) the total fund operating expenses plus (b) if the mutual fund invests in other mutual funds, the weighted-average management fee of those other mutual funds, as listed in the most recent prospectus. The actual Total Investment Expense may change if the mutual fund investment option's allocation of assets to other mutual funds changes.

For a Separate Account investment option, Total Investment Expense gross equals the sum of these expenses: (a) the amount of money, expressed as a percentage, deducted for the costs of managing a separate account where applicable, fees for plan administrative services and agent compensation, plus (b) if the separate account invests in an underlying mutual fund, the total fund operating expenses of the underlying mutual fund, plus (c) if an underlying mutual fund invests in other mutual funds, the weighted-average management fee of those other mutual funds, as listed in the most recent prospectus. The actual Total Investment Expense may change if an underlying mutual fund's allocation of assets to other mutual funds changes.

Any operating expenses of a mutual fund or underlying mutual fund that are part of net Total Investment Expense are obtained from the mutual fund's most recent prospectus. The operating expenses shown as part of net Total Investment Expense include voluntary expense limits and fee credit.

Investment Options may charge a short-term trading or redemption fee to protect the interests of long-term Contractholders.

Compliance number: 686356-122018

##. Principal charges the investment provider an annual Platform Connectivity Program fee of \$1,000 (\$250/qtrly) for those investment options with this designation. This fee helps to pay for a number of expenses incurred in connection with maintaining and adding investments to its platform, including but not limited to, expenses for IT systems, IT employees and required legal and compliance services. The investment provider will pay the fee for these investment options.

\*\* When an investment provider declines to pay the Platform Connectivity Program fee for an investment option on our platform, the maximum annual charge per plan type is \$1,000, billed to the plan sponsor as a quarterly fee of \$250 regardless of the number of investment options in the plan. This fee helps to pay for a number of expenses incurred in connection with maintaining and adding investment options to our platform, including but not limited to expenses for IT systems and staffing needs and required legal and compliance services. The appropriate plan fiduciary may remove the investment(s) associated with the fee, at any time, by contacting Principal with the investment option change. Changes related to the plan's investment options could change overall plan fees.

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

- 2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.*
- 3. This Separate Account invests solely in the least expensive share class of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.*
- 4. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.*
- 5. Liquid asset investment options are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although the investment option may seek to preserve the value of an investment, it is possible to lose money by investing in the portfolio.*
- 6. S&P 500 is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.*
- 7. S&P 600 is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.*
- 8. S&P 400 is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.*
- 9. Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.*
- 10. Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.*
- 11. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.*
- 12. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.*
- 13. This Separate Account invests solely in the least expensive share class of a mutual fund (Fund) from Principal Funds, Inc. Principal Global Investors, LLC invests up to 30% of the Fund's assets in equity securities in an attempt to match the performance of the Fund's benchmark index. The Fund's remaining assets are managed by the sub-advisors.*
- 14. Asset allocation and diversification do not ensure a profit or protect against a loss. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.*
- 15. The Investment Advisor will display "Multiple Sub-Advisors" for certain target-date, target-risk and specialty investment options where the assets are directed by the Investment Manager to multiple underlying investment options. These underlying investment options may use multiple sub-advisors who are responsible for the day-to-day management responsibilities.*
- 16. If you elect to contribute funds into the Principal US Property Separate Account (Separate Account), you may not be able to immediately withdraw them. This Separate Account is unlike most other retirement plan investment options because it invests primarily in owned private equity commercial real estate rather than securities. Unlike public securities sold on an exchange, commercial real estate assets are usually sold in time-consuming, and often complex, transactions. Due to the nature of these transactions, this Separate Account may be subject to market conditions which may delay or prevent a sale. We may implement a pre-existing contractual limitation in the group annuity contract which will allow us to manage this Separate Account and satisfy withdrawal requests proportionately over time and fairly among all those who request a withdrawal.*



17. For investment options, returns for all time periods, except the Since Inception time frame, may include the historical performance of the oldest share class of the investment, adjusted to reflect a portion of the fees and expenses of this share class. Since Inception returns display the actual return of this share class and do not reflect the adjusted returns of the oldest share class. Please see the fund's prospectus or if CIT, the offering document for more information on specific expenses, and the investment options most recent shareholder report for actual date of first sale. For a CIT, you may need to contact the plan sponsor or plan advisor, if applicable. Expenses are deducted from income earned by the investment option. As a result, dividends and investment results will differ for each share class.
18. The net return experienced may be negative if the costs to maintain and operate the Liquid Assets Separate Account exceed returns. Participants may also see negative returns if plan expenses, if applicable, are netted or deducted from their accounts.
19. The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.
20. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.
21. Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group.
22. Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s).
23. Holdings include an allocation to the Principal Healthcare Innovators Index ETF which is maintained by an affiliate of Principal Life. To eliminate any potential for cost duplication to the separate account, the full expense of the ETF is offset by the sub-advisor.
24. Effective June 29, 2018, this portfolio is sub-advised by Vaughn Nelson, LA Capital and Hotchkis & Wiley. Prior to June 29, 2018, the portfolio was sub-advised by DFA, Vaughn Nelson and LA Capital. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
25. This Separate Account invests solely in the Principal LifeTime 2065 Inst Fund. Performance results and investment expenses shown prior to December 29, 2017 are of the mutual fund only, adjusted for the fees and expenses of the rate level displayed, because the Separate Account was not available. Any voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.
26. For the NE Rate level, Principal Life Insurance Company (Principal Life) 1. pays the Sub-Adviser the management fee and compensation for services provided to the separate account, and 2. pays the separate account the expected operating expenses proportionally attributable to the NE Rate level in the maintenance of the Separate Account. Operating expenses may be greater or less than expected in any given period. The NE Rate level is only available to Contract holders who meet certain requirements and select certain additional products and services made available by Principal Life or an affiliate. Ask your Principal representative for additional details.
27. Additional target date portfolios may be added to the Principal LifeTime portfolios series to accommodate plan participants with later normal retirement dates as they enter the workforce. Participants may also choose a portfolio with a target date that does not match the intended retirement date. Compare the different portfolios to see how the mix of investments might shift.

28. This Separate Account invests directly in the Institutional class shares of a Principal LifeTime Fund. The mutual fund operating expenses for each Principal LifeTime Fund are reflected in the Total Investment Expense of the Separate Accounts well as the operating expenses of the underlying funds in which the Principal LifeTime Fund invests. Based on the asset allocation of the Principal LifeTime Funds as in the prospectus dated March 1, 2020, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.59%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2015, 0.62%; Principal LifeTime 2020, 0.64%; Principal LifeTime 2025, 0.65%; Principal LifeTime 2030, 0.68%; Principal LifeTime 2035, 0.62%; Principal LifeTime 2040, 0.64%; Principal LifeTime 2045, 0.66%; Principal LifeTime 2050, 0.67%; Principal LifeTime 2055, 0.68%; Principal LifeTime 2060, 0.68%; Principal LifeTime 2065, 0.68%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

29. The Principal U.S. Property Separate Account invests primarily in the Principal U.S. Property Portfolio, an operating partnership. All rights associated with the partnership are the rights of the Separate Account, not of contract holders investing in the Separate Account. Generally more than five percent (5%) of the Net Asset Value will be in directly held assets consistent with the investment objective and strategy.

## **Benchmark Descriptions**

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

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

*Bloomberg Barclays U.S. Universal Index represents the union of the U.S. Aggregate Bond Index, the U.S. High Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, the non-ERISA portion of the CMBS Index, and the CMBS High Yield Index.*

*MSCI ACWI Ex USA Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.*

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

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

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

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

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

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

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

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

*S&P Target Date 2010 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2015 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2020 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2025 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2030 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2035 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2040 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2045 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2050 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date 2055 Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*S&P Target Date Retirement Income Index provides varying levels of exposure to equities and fixed income. Each target date allocation is created and retired according to a pre-determined schedule related to the respective target date.*

*Standard & Poor's 400 MidCap Stock Index includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.*

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

*Standard & Poor's 600 Stock Index is a small cap index that consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation.*

## Glossary of Terms

**7 Day Yield** - The 7-Day Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

**Total Investment Expense Gross** - The current maximum expense ratio, as a percentage of assets that can be applied to this investment option.

**Total Investment Expense Net** - You will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense Net is the Total Investment Expense Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes applicable operating expenses, management fees, including 12b-1 fees, and administrative fees.

**Expense Waiver** - The investment advisor can waive a portion of their management fees resulting in a lower net investment expense ratio.

**Contractual Cap** - A contractual agreement between the investment advisor and the fund to limit, as a percentage of net assets, the expenses borne by the fund.

**Inception Date** - Date on which the investment option began its operations.

**Percentile Rankings** - Each investment's total returns are compared to other investments in the same Morningstar category for various time periods. Total returns are ranked on a scale from 1 to 100 where 1 represents the highest-returning 1% of investments and 100 represents the lowest returning investments.

**Investment Advisor** - May include Registered Investment Advisers as defined in the Advisers Act of 1940, Investment Advisers as defined in the Investment Company Act of 1940, as well as a company employed by the investment option's advisor to handle the investment option's day-to-day management. In these instances, the portfolio manager generally works for the fund's subadvisor, and not the advisor. See definition of Multiple Sub-Advisor appearing elsewhere in this presentation for greater detail about Sub-Advisors.

# Scorecard™

Total Plan Assets: \$8,168,765.79 as of 12/31/2020

## Target Date Series

Asset Allocation	Assets	Asset Class	Risk Index	Allocation Score (Series Funds)		Selection Score (Underlying Funds)		Blended Score			
				# of Funds	Avg Score	# of Funds	Avg Score	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Principal LifeTime Target Date Series R3 (.pfr3)	\$5,763,630.70	AGG	80	13	7.0	25	8.0	8	8	7	7

## Allocation (Series Funds)

Asset Allocation	Assets	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score Components		Score
				Risk Level	Style Diversity	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	SR Rank		2pt Max	Allocation	
Prin R3-Principal LifeTime Strategic Inc Instl	\$19,526.68	CON	VAUSA06K3C	1	1	1	0	0	0	0	0	2	5	8.0	7
				5.2	31.2/68.8	96.6	5.2/5.9	90.4/102.1	-1.16	61.0	67.0				CON
Prin R3-Principal LifeTime 2010 Institutional	\$9,665.71	MC	VAUSA06K3G	1	1	1	1	0	0	0	1	2	7	8.0	8
				6.4	44.1/56.0	97.4	6.4/6.8	88.0/93.3	-1	54.0	48.0				MC
Prin R3-Principal LifeTime 2015 Institutional	\$28,738.53	MC	VAUSA06K92	1	1	1	1	0	0	1	1	2	8	8.0	8
				7.6	52.7/47.3	97.8	7.6/7.6	87.6/91.2	-0.93	30.0	49.0				MC
Prin R3-Principal LifeTime 2020 Institutional	\$714,705.75	MOD	VAUSA06K3E	1	1	1	1	0	0	1	1	2	8	8.0	8
				8.9	61.7/38.3	98.4	8.9/8.3	87.9/93.1	-1.1	48.0	49.0				MOD
Prin R3-Principal LifeTime 2025 Institutional	\$1,017,476.69	MOD	VAUSA06K93	1	1	1	1	0	0	1	1	2	8	8.0	8
				10.2	69.0/31.0	98.6	10.2/9.1	90.0/96.2	-1.15	33.0	50.0				MOD



# Scorecard™

continued

## Selection (Underlying Funds)

Asset Allocation	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
			Risk Level	Style Diversity	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	SR Rank		2pt Max	Q4 2020	Q3 2020	Q2 2020
Principal Global Div Inc R-6	MOD	PGBLX	1	0	0	0	0	0	0	0	2	3	3	3	4
			9.1	45.0/ 55.0	71.8	9.1/ 5.8	87.4/ 102.6	-0.37	93.0	62.0		MOD	MOD	MOD	MOD
Principal Diversified Real Asset R6	MA	PDARX	1	0	0	0	0	0	0	0	2	3	3	3	3
			10.9	63.0/ 37.0	89.7	10.9/ 5.2	84.4/ 113.4	-1.09	96.0	97.0		MA	MA	MA	MA
Active	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
			Style	Style Drift	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		2pt Max	Q4 2020	Q3 2020	Q2 2020
Principal Equity Income Inst	LCV	PEIIX	1	1	1	1	1	1	1	1	2	10	10	10	10
			-74.9/ 94.2	8.6	97.0	15.0/ 12.8	100.4/ 83.8	1.01	4.0	1.0		LCV	LCV	LCV	LCV
Principal Large Cap Value III Inst	LCV	PLVIX	1	1	1	1	1	1	1	1	2	10	10	10	10
			-85.3/ 93.8	4.4	98.6	15.9/ 10.2	98.6/ 95.7	0.23	20.0	12.0		LCV	LCV	LCV	LCV
Principal Blue Chip R-6	LCG	PGBHX	1	1	1	1	1	1	1	1	2	10	10	10	10
			84.7/ 95.1	5.7	95.5	16.0/ 22.1	98.2/ 90.5	0.3	8.0	6.0		LCG	LCG	LCG	LCG
Principal LargeCap Growth I R6	LCG	PLCGX	1	1	1	0	1	0	1	1	2	8	10	10	10
			95.7/ 84.9	8.6	96.3	16.3/ 20.8	98.2/ 97.5	-0.06	8.0	5.0		LCG	LCG	LCG	LCG
Principal MidCap Value III R6	MCV	PCMIIX										-	-	-	-
													-	-	-
Principal MidCap Growth III Inst	MCG	PPIMX	1	1	1	1	0	0	1	1	2	8	8	6	7
			98.9/ -2.1	4.9	98.4	17.8/ 18.1	96.5/ 96.8	-0.25	41.0	40.0		MCG	MCG	MCG	MCG

# Scorecard™

continued

Active	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual 2pt Max	Score			
			Style	Style Drift	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		Q4 2020	Q3 2020	Q2 2020	Q1 2020
Principal MidCap R-6	MCG	PMAQX	0	1	1	1	0	0	1	1	2	7	7	6	10
			13.9/ 5.7	9.9	91.6	17.9/ 16.9	92.9/ 97.1	-0.34	36.0	36.0	MCG	MCG	MCG	MCG	
Principal SmallCap Value II R6	SCV	PSMVX	1	1	1	1	0	0	1	1	2	8	7	7	7
			-74.9/ -87.1	10.2	99.1	22.0/ 7.9	93.5/ 99.1	-0.78	38.0	50.0	SCV	SCV	SCV	SCV	
Principal SmallCap Growth I R6	SCG	PCSMX	1	1	1	1	1	1	1	1	2	10	10	10	10
			99.9/ -70.1	13.6	96.8	20.7/ 19.9	102.0/ 88.5	0.92	33.0	15.0	SCG	SCG	SCG	SCG	
Principal Diversified Intl Inst	IE	PIIIX	1	1	1	1	1	1	1	1	2	10	10	10	9
			25.4/ 38.4	13.1	95.2	15.4/ 9.0	97.1/ 96.0	0.02	48.0	49.0	IE	IE	IE	IE	
Principal Overseas Instl	ILCV	PINZX	1	0	1	1	1	1	1	1	2	9	9	9	6
			-80.3/ 18.0	27.5	95.0	19.4/ 5.7	111.0/ 102.5	0.41	29.0	31.0	ILCV	ILCV	ILCV	ILCV	
Principal International Small CompanyR-6	ISMB	PFISX	1	1	1	0	0	0	1	1	2	7	7	6	6
			14.3/ -99.7	13.8	95.0	18.0/ 8.0	101.2/ 105.0	-0.19	17.0	17.0	ISMB	ISMB	ISMB	ISMB	
Principal Intl Emerging Markets R-6	EME	PIIMX	1	1	1	0	0	0	0	0	2	5	5	5	5
			30.6/ -96.6	5.9	96.1	18.1/ 11.4	99.1/ 105.4	-0.4	79.0	81.0	EME	EME	EME	EME	
Principal Origin Emerging Markets R6	EME	POEFX	1	1	1	0	0	0	0	0	2	5	6	8	8
			80.0/ -81.2	14.7	87.1	17.6/ 12.2	94.9/ 96.1	-0.1	54.0	55.0	EME	EME	EME	EME	
Principal Global Opportunities Instl	GE	PGOIX										-	-	-	-
													-	-	-



# Scorecard™

continued

Active	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
			Style	Style Drift	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		2pt Max	Q4 2020	Q3 2020	Q2 2020
Principal Core Plus Bond Inst	CFI	PMSIX	1	1	1	1	1	1	1	1	2	10	10	8	7
			-21.9/ 45.9	12.4	80.3	3.5/ 5.3	113.4/ 102.7	0.53	31.0	31.0		CFI	CFI	CFI	CFI
Principal Inflation Protection Inst	UGT	PIPIX	1	1	1	1	0	0	1	1	2	8	8	6	7
			-91.6/ 91.5	2.3	97.3	3.6/ 4.7	95.0/ 99.7	-0.66	22.0	34.0		UGT	UGT	UGT	UGT
Principal Short-Term Income Inst	STB	PSHIX	1	1	0	1	1	1	1	1	1	8	8	8	8
			-49.8/ -58.5	11.1	34.6	1.6/ 2.9	116.8/ 27.6	0.52	29.0	14.0	S	STB	STB	STB	STB
Principal High Income Inst	HY	PYHIX	1	1	1	1	0	0	0	0	2	6	6	6	6
			95.8/ -95.8	2.5	98.7	7.5/ 6.7	86.3/ 98.7	-1.8	60.0	83.0		HY	HY	HY	HY
Principal Real Estate Securities Fd R-6	REI	PFRSX	1	1	1	1	1	1	1	1	2	10	10	10	10
			-79.7/ 90.1	8.0	96.0	15.8/ 7.0	98.0/ 79.6	1.06	12.0	7.0		REI	REI	REI	REI
Principal Global Multi-Strategy R-6	SPC	PGLSX										-	-	-	-
													-	-	-
Passive	Asset Class	Ticker/ ID	Style				Peer Group				Qual	Score			
			Style	Style Drift	R <sup>2</sup>	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank		2pt Max	Q4 2020	Q3 2020	Q2 2020
Principal Large Cap S&P 500 Index Inst	LCB-P	PLFIX	1	1	1	1	1	1	1	1	2	10	10	10	10
			7.3/ 96.9	4.1	99.8	1.0	37.0	28.0	35.0	29.0		LCB-P	LCB-P	LCB-P	LCB-P
Principal Bond Market Index Instl	CFI-P	PNIIX	1	1	1	1	1	1	1	1	2	10	10	10	10
			0.6/ 43.8	7.1	99.8	0.2	27.0	27.0	36.0	29.0		CFI-P	CFI-P	CFI-P	CFI-P

# Scorecard™

## Core Lineup

Asset Allocation	Assets	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Risk Level	Style Diversity	R <sup>2</sup>	Risk/Return	Up/Down	Info Ratio	Return Rank	SR Rank	2pt Max	Q4 2020	Q3 2020	Q2 2020	Q1 2020
PIMCO Income R <span style="color: green;">+</span>		MSB	PONRX	1	0	1	1	1	1	1	1	2	9	9	9	9
				4.6	49.7/ 50.3	85.0	4.6/ 5.6	101.9/ 77.8	0.39	20.0	10.0		MSB	MSB	MSB	MSB
Active	Assets	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Style	Style Drift	R <sup>2</sup>	Risk/Return	Up/Down	Info Ratio	Return Rank	Info Ratio Rank	2pt Max	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Prin R3-Principal Large Cap Value III Inst	\$14,776.06	LCV	VAUSA06K1M	1	1	1	1	1	0	1	1	2	9	8	8	8
				-85.2/ 93.7	4.4	98.6	15.9/ 9.6	96.9/ 96.9	-0.09	34.0	26.0		LCV	LCV	LCV	LCV
AB Large Cap Growth R	\$491,620.17	LCG	ABPRX	1	1	1	1	1	0	1	1	2	9	9	9	9
				77.3/ 67.6	14.5	94.7	14.3/ 19.3	88.4/ 86.6	-0.41	27.0	27.0		LCG	LCG	LCG	LCG
Wells Fargo Special Mid Cap Value R	\$63,993.74	MCV	WFHGX	1	1	1	1	1	1	1	1	2	10	9	9	9
				-92.9/ 11.0	20.0	97.4	18.1/ 9.8	93.1/ 90.9	0.03	28.0	30.0		MCV	MCV	MCV	MCV
Carillon Eagle Mid Cap Growth R3	\$79,777.42	MCG	HAREX	1	1	1	1	1	1	1	1	2	10	10	7	7
				100.0/ -3.6	7.2	97.4	19.4/ 19.2	103.8/ 103.6	0.16	36.0	36.0		MCG	MCG	MCG	MCG
Prin R3-Principal SmallCap Value II R6 <span style="color: red;">-</span>	\$19,531.40	SCV	VAUSA0MGVV	1	1	1	1	0	0	0	0	2	6	6	6	6
				-74.8/ -87.0	10.2	99.1	22.0/ 7.3	92.1/ 99.8	-1.06	52.0	70.0		SCV	SCV	SCV	SCV
Franklin Small Cap Value R <span style="color: green;">+</span>		SCV	FVFRX	1	1	1	1	1	1	1	1	2	10	10	10	10
				-74.2/ -66.8	9.7	95.8	20.1/ 10.4	94.3/ 91.1	0.16	16.0	16.0		SCV	SCV	SCV	SCV



# Scorecard™

continued

Active	Assets	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score				
				Style	Style Drift	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		2pt Max	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Prin R3-Principal SmallCap SP	\$87,904.13	SCB	VAUSA06JVL	1	1	1	0	0	0	1	1	2	7	7	7	7	
				9.2/ -82.8	18.7	97.9	21.8/ 12.0	96.3/ 100.5	-0.41	28.0	30.0		SCB	SCB	SCB	SCB	
Columbia Small Cap Growth I R	\$87,965.91	SCG	CCRIX	1	1	1	1	1	1	1	1	2	10	10	10	10	
				100.0/ -61.1	8.9	92.0	22.2/ 27.2	113.2/ 75.6	1.73	8.0	10.0		SCG	SCG	SCG	SCG	
Invesco International Eq R	\$189,980.63	IE	QIVNX	0	1	1	1	1	1	0	0	1	6	9	7	8	
				63.3/ 37.2	13.3	92.2	14.8/ 9.3	96.2/ 93.1	0.1	59.0	59.0	E/S	IE	IE	IE	IE	
MFS Research International R2		ILCB	MRSRX	1	1	1	1	1	1	1	1	2	10	10	10	10	
				34.0/ 53.7	15.5	95.7	14.2/ 9.1	98.6/ 90.0	0.5	9.0	8.0		ILCB	ILCB	ILCB	ILCB	
American Funds New World R3		EME	RNWCX	0	1	1	1	1	1	1	1	2	9	9	10	10	
				45.5/ 2.4	15.7	87.1	15.5/ 13.7	87.3/ 78.6	0.13	13.0	20.0		EME	EME	EME	EME	
Western Asset Core Plus Bond R	\$124,675.97	CFI	WAPRX	1	0	0	1	0	1	1	1	2	7	8	7	6	
				-54.7/ 41.0	25.6	61.5	4.5/ 5.6	127.3/ 127.8	0.4	23.0	28.0		CFI	CFI	CFI	CFI	
PGIM High Yield R		HY	JDYRX	1	1	1	0	0	0	1	1	2	7	7	8	7	
				98.1/ -98.0	3.4	98.6	8.2/ 7.9	96.0/ 100.6	-0.57	9.0	8.0		HY	HY	HY	HY	
Prin R3-Principal Liquid Assets SP	\$134,472.12	MM	VAUSA06JUF										-	-	-	-	
															-	-	-
Guaranteed 3 year	\$0.00	GIC	FX302.pfg											-	-	-	-
																-	-



# Scorecard™


continued

Active	Assets	Asset Class	Ticker/ ID	Style			Risk/Return			Peer Group		Qual 2pt Max	Score				
				Style	Style Drift	R <sup>2</sup>	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		Q4 2020	Q3 2020	Q2 2020	Q1 2020	
Guaranteed Interest	\$0.00	GIC	GUA01.pfg										-	-	-	-	
													-	-	-	-	
Prin R3-Principal U.S. Property SP 	\$19,970.69	REI	VAUSA06JUN	1	1	0	1	1	1	1	0	0	6	7	8	6	
				-0.4/ 1.1	1.4	3.6	1.3/ 5.7	13.8/ -12.4	0.15	10.0	69.0	E/S	REI	REI	REI	REI	
Passive	Assets	Asset Class	Ticker/ ID	Style				Peer Group				Qual 2pt Max	Score				
				Style	Style Drift	R <sup>2</sup>	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank		Q4 2020	Q3 2020	Q2 2020	Q1 2020	
Prin R3-Principal LargeCap S&P 500 Idx SP	\$535,766.44	LCB-P	VAUSA06JVB	1	1	1	1	1	1	1	1	1	2	10	10	10	9
				7.4/ 96.8	4.4	99.8	1.0	64.0	63.0	64.0	60.0	LCB- P	LCB- P	LCB- P	LCB- P		
Prin R3-Principal MidCap S&P 400 Index SP	\$199,207.14	MCB-P	VAUSA06K0L	0	0	1	1	1	1	1	1	1	2	8	8	8	7
				-26.4/ -36.1	14.1	98.3	3.3	49.0	50.0	62.0	63.0	MCB- P	MCB- P	MCB- P	MCB- P		
Prin R3-Principal SmallCap S&P 600 Idx SP	\$284,515.04	SCB-P	VAUSA06K0M	0	0	1	1	1	1	0	0	2	6	6	5	5	
				-45.7/ -85.2	17.0	98.7	2.9	63.0	55.0	87.0	87.0	SCB- P	SCB- P	SCB- P	SCB- P		
Principal International Equity Index R3 		ILCB-P	PIIOX	1	1	1	1	1	1	1	1	2	10	10	10	8	
				-19.2/ 42.0	21.9	98.9	1.9	70.0	67.0	68.0	69.0	ILCB- P	ILCB- P	ILCB- P	ILCB- P		
Prin R3-Principal Bond Market Index SP	\$70,978.23	CFI-P	VAUSA0KJOA	1	1	1	1	1	1	1	1	2	10	10	10	9	
				-1.5/ 46.2	5.4	99.9	0.1	23.0	69.0	69.0	67.0	CFI- P	CFI- P	CFI- P	CFI- P		


# Considerations

Eliminate Funds Prin R3-Principal SmallCap Value II R6 AND Map to Franklin Small Cap Value R


Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score			
		Style	Style Drift	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020
U.S. Equity														
Small Cap Value														
Prin R3-Principal SmallCap Value II R6	 VAUSA0MGVV	1 -74.8/ -87.0	1 10.2	1 99.1	1 22.0/ 7.3	0 92.1/ 99.8	0 -1.06	0 52.0	0 70.0	2	6 SCV	6 SCV	6 SCV	6 SCV
Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score			
		Style	Style Drift	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020
U.S. Equity														
Small Cap Value														
Franklin Small Cap Value R	 FVFRX	1 -74.2/ -66.8	1 9.7	1 95.8	1 20.1/ 10.4	1 94.3/ 91.1	1 0.16	1 16.0	1 16.0	2	10 SCV	10 SCV	10 SCV	10 SCV

Watchlist														
Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score			
		Style	Style Drift	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020
Specialty														
REIT														
Prin R3-Principal U.S. Property SP	 VAUSA06JUN	1 -0.4/ 1.1	1 1.4	0 3.6	1 1.3/ 5.7	1 13.8/ -12.4	1 0.15	1 10.0	0 69.0	0 ES	6 REI	7 REI	8 REI	6 REI

AND Add Principal International Equity Index R3

Passive	Ticker/ ID	Style				Peer Group				Qual. (2pt. max)	Score			
		Style	Style Drift	R <sup>2</sup>	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020
International/Global Equity														
International Large Cap Blend														
Principal International Equity Index R3	 PIIOX	1 -19.2/ 42.0	1 21.9	1 98.9	1 1.9	1 70.0	1 67.0	1 68.0	1 69.0	2	10 ILCB-P	10 ILCB-P	10 ILCB-P	8 ILCB-P

# Considerations

AND Add American Funds New World R3														
Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	12/31 2020	9/30 2020	6/30 2020	3/31 2020
International/Global Equity														
Emerging Market Equity														
American Funds New World R3	 RNWCX	0	1	1	1	1	1	1	1	2	9	9	10	10
		45.5/ 2.4	15.7	87.1	15.5/ 13.7	87.3/ 78.6	0.13	13.0	20.0		EME	EME	EME	EME

# Considerations

AND Add MFS Research International R2															
Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score				
		Style	Style Drift	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020	
International/Global Equity															
International Large Cap Blend															
MFS Research International R2	+	MRSRX	1	1	1	1	1	1	1	1	2	10	10	10	10
			34.0/ 53.7	15.5	95.7	14.2/ 9.1	98.6/ 90.0	0.5	9.0	8.0		ILCB	ILCB	ILCB	ILCB

AND Add PIMCO Income R															
Asset Allocation	Ticker/ ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score				
		Risk Level	Style Diversity	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	SR Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020	
Fixed Income															
Multisector Bond															
PIMCO Income R	+	PONRX	1	0	1	1	1	1	1	1	2	9	9	9	9
			4.6	49.7/ 50.3	85.0	4.6/ 5.6	101.9/ 77.8	0.39	20.0	10.0		MSB	MSB	MSB	MSB

AND Add PGIM High Yield R															
Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score				
		Style	Style Drift	R <sup>2</sup>	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank		12/31 2020	9/30 2020	6/30 2020	3/31 2020	
Fixed Income															
High Yield															
PGIM High Yield R	+	JDYRX	1	1	1	0	0	0	1	1	2	7	7	8	7
			98.1/ -98.0	3.4	98.6	8.2/ 7.9	96.0/ 100.6	-0.57	9.0	8.0		HY	HY	HY	HY

# Returns Analysis

Performance as of 12/31/2020

Asset Allocation	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
<b>Fixed Income</b>												
Multisector Bond												
PIMCO Income R <span style="color: green;">+</span>	PONRX	4.29	5.11	5.11	4.08	5.62	6.69	7.36	3/30/2007	3/30/2007	1.74	1.74
StyleBenchmark		3.30	4.33	4.33	4.07	4.92	3.84	-	-	-	-	-
<b>Active</b>												
Active	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
<b>U.S. Equity</b>												
Small Cap Value												
Prin R3-Principal SmallCap Value II R6 <span style="color: red;">-</span>	VAUSA0MGVV	31.06	3.05	3.05	2.44	7.33	8.09	7.04	6/1/2004	6/1/2004	1.53	1.53
Franklin Small Cap Value R <span style="color: green;">+</span>	FVFRX	27.08	5.11	5.11	4.81	10.43	8.69	9.29	8/1/2002	3/11/1996	1.32	1.31
Russell 2000 Value Index		33.36	4.63	4.63	3.72	9.65	8.66	-	-	-	-	-
<b>International/Global Equity</b>												
International Large Cap Blend												
MFS Research International R2 <span style="color: green;">+</span>	MRSRX	12.28	12.63	12.63	7.08	9.11	5.56	6.78	10/31/2003	1/2/1997	1.32	1.32
MSCI EAFE ND USD		16.05	7.82	7.82	4.28	7.45	5.51	-	-	-	-	-
Emerging Market Equity												
American Funds New World R3 <span style="color: green;">+</span>	RNWCX	19.18	24.48	24.48	11.45	13.65	6.70	9.99	6/6/2002	6/17/1999	1.26	1.26
MSCI EM (Emerging Markets) ND USD		19.70	18.31	18.31	6.17	12.81	3.63	-	-	-	-	-
<b>Fixed Income</b>												
High Yield												
PGIM High Yield R <span style="color: green;">+</span>	JDYRX	5.69	4.80	4.80	5.90	7.87	6.27	6.80	6/6/2005	1/22/1990	1.36	1.11
BofA ML US High Yield Master II Index		6.48	6.17	6.17	5.89	8.43	6.62	-	-	-	-	-



# Returns Analysis

Performance as of 12/31/2020

Active	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
<b>Specialty</b>												
<b>REIT</b>												
Prin R3-Principal U.S. Property SP 🏠	VAUSA06JUN	1.52	-0.01	-0.01	4.22	5.67	9.15	6.22	1/4/1982	1/4/1982	1.60	1.60
DJUSslct REIT United States		12.92	-11.20	-11.20	1.54	3.00	7.56	-	-	-	-	-
Passive	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
<b>International/Global Equity</b>												
<b>International Large Cap Blend</b>												
Principal International Equity Index R3 🌱	PIIOX	15.59	7.24	7.24	3.61	6.71	4.64	4.72	12/30/2009	12/30/2009	0.88	0.88
MSCI EAFE ND USD		16.05	7.82	7.82	4.28	7.45	5.51	-	-	-	-	-

## Disclosure

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

The performance data quoted may not reflect the deduction of additional fees, if applicable. Additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice. Expenses shown reflect the fund's prospectus Net and Gross expense ratios.


Some funds, accounts, or share classes may not be available for investment. Performance history prior to inception (if applicable) reflects another share class or account reflecting the manager's historical performance record.





Fund Inception Date - the date on which a fund commenced operations.

Share Class Inception Date - the date on which a fund's share class was introduced.

Contact Signature Estate & Investment Advisors, LLC with any questions about this report or for the most current month-end performance at .

# Summary of Considerations

Watchlist	Asset Class	Fund	Score
	REI	Prin R3-Principal U.S. Property SP	6

Add	Asset Class	Fund	Score
	SCV	Franklin Small Cap Value R	10
	ILCB-P	Principal International Equity Index R3	10
	EME	American Funds New World R3	9
	ILCB	MFS Research International R2	10
	MSB	PIMCO Income R	9
	HY	PGIM High Yield R	7

Eliminate	Asset Class	Fund	Score	Action	Asset Class	Fund	Score
	SCV	Prin R3-Principal SmallCap Value II R6	6	map to	SCV	Franklin Small Cap Value R	10

Considerations:  Add  Delete  Watchlist



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**Investments:** Current investment line-up offers a diverse cast of investment managers, consists of funds that score well on RPAG and overall, have had good performance.

Five fund additions, one fund change, and one fund for the watchlist recommended:

### Fund Additions –

#### Principal International Equity Index – RPAG 10

- Seeks to replicate the performance of the MSCI EAFE NR Index, a market-weighted equity index designed to measure the equity performance of developed markets, excluding the United States and Canada.

#### American Funds New World – RPAG 9

- American Funds' multimanager system lets the strategy's 10 managers play to their strengths - each manager independently runs a sleeve of the portfolio, which helps to enhance diversification and further mute overall volatility.
- This strategy seeks to cushion the volatility typically associated with emerging-markets equities by leaving room in the portfolio for developing-markets debt that can yield equity-like returns as well as developed-markets firms with substantial business prospects in emerging economies.
- The team believes that while emerging markets are growing faster than developed markets, emerging-markets firms aren't necessarily the best way to capitalize on that growth.
  - Since its 1999 inception, the strategy has on average kept more than a third of its assets in developed-markets stocks (excluding South Korea and Taiwan).
  - Firms with at least a fifth of their revenues or assets attributable to the developing world can be incorporated into the portfolio.
- Over the past 15 years through January 2019, its 8.3% annualized gain beat the diversified emerging-markets peer and matched the MSCI Emerging Markets Index.
  - The strategy's mix of developing- and developed-markets stocks along with emerging-markets bonds subjected investors to about one fifth less volatility than either the index or its typical rival.

#### MFS Research International - RPAG 10

- This analyst-driven strategy leverages MFS' deep fundamental research team - the firm's 37 non-U.S. equity analysts are split into eight sector-based teams, and each team picks its best ideas for this portfolio.

- Analysts dive into firm fundamentals, looking for sustainable franchises, significant free cash flow, and solid management, with the goal of purchasing stocks when prices are reasonable.
- The portfolio's sector allocations stick closely to the MSCI EAFE Index's, but the analysts have flexibility in terms of country and industry exposure.
  - The strategy can also invest up to 25% of assets in emerging markets, though its exposure is typically less than 10% of assets.
- This fund has strong results since its March 2004 adoption of a near-sector-neutral approach - through March 2020, the A shares' 4.5% annualized gain beat the index's 3.8% return and surpassed 79% of foreign large-blend peers.

#### **PIMCO Income – RPAG 9**

- Managers Dan Ivascyn and Alfred Murata take a broad-based approach to investing in income-generating bonds.
- The fund has weightings in higher-income areas, such as high-yield corporates and non-U.S. bonds, and has for years had a strong taste for nonagency mortgages relative to the multisector-bond category.
- The portfolio has demonstrated an ability to tactically shift the portfolio to adapt to changing fixed income market conditions.
  - After drifting down to 23% of the fund at the end of 2017 - its lowest weighting since mid-2010 - the team built it up to 41% a year later.
  - Current portfolio allocation stands at: MBS (36%), emerging-markets debt (21%), high-yield (11.5%), investment-grade corporates (9.5%), non-U.S. developed markets ex-Japan (16%).
- The fund has outperformed the US Aggregate Bond Index over the past 5 and 10-year periods, as of 06/30/2020.

#### **PGIM High Yield – RPAG 7**

- PGIM has a long history as a manager of insurance portfolio assets and private placements.
- Manager Rob Cignarella seeks to buy the debt of a good business with mediocre financial health that has potential to improve than one with weak fundamentals and a healthy balance sheet with risk of deterioration.
  - Managers assign rankings based on credit fundamentals and trends - a fundamental credit rating, rank each issue, and make valuation comparisons in order to tease out which bonds appear to offer the best relative value.
- The fund's credit quality or sector allocations do not venture far from high-yield category norms.
- The fund has outperformed the high yield category peer over the past 1, 3, 5, 10, and 15-year periods, as of 06/30/2020.



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## Fund Change –

### Principal SmallCap Value II – RPAG 6 ; \$19,531 / <1% of assets; watchlist since 1Q 2019

- Managed by Hotchkis & Wiley, Vaughan Nelson, and LA Capital Management.
  - Hotchkis & Wiley focus is on small cap companies with sustainable cash flows and strong balance sheets whose stocks appear undervalued relative to their tangible assets and long-term normal earnings power.
  - Vaughan Nelson uses a disciplined valuation methodology combined with fundamental research to find companies at valuations materially below their long-term intrinsic value.
  - LA Capital emphasizes risk management through a research process that identifies specific risk characteristics (analyzing valuation, income statement, balance sheet, industry, and market-related factors).
- Recent drag on performance attributed to LA Capital, which lagged the index via poor stock selection in the financials, health care, and communication services sectors.
- Returns have trailed the Russell 2000 Value index over the past 3, 5, and 10-year periods; ranks 50<sup>th</sup>, 42<sup>nd</sup>, 60<sup>th</sup>, 46<sup>th</sup> respectively as of 12/31/2020.
- Recommend eliminating this fund and remapping assets to **Franklin Small Cap Value (RPAG 10)**.
  - Lead manager Steven Raineri look for companies with market caps below \$5 billion that are undervalued compared with their normalized earnings power over the next three years.
  - The strategy favors companies with modest leverage and use a debt/capital ratio of 50% or less as a threshold; emphasizes good corporate governance, seeking managers whose compensation is tied to return on invested capital rather than time-vested stock options.
  - Raineri's bottom-up process builds a differentiated portfolio - the fund's non-U.S. stake has typically hovered between 5% to 10% of assets; Raineri's penchant for cyclical businesses has led to a persistent industrials overweighting.
  - Returns rank in the top quartile of the small cap value category over the past 3, 5, and 10-year periods, annualized (as of 12/30/2020).



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## Watchlist –

### Principal U.S. Property – RPAG 6 ; \$19,970 / <1% of assets; new to watchlist

- This real estate strategy focuses on properties anticipated to return both lease income and appreciation of the buildings' marketable value.
- The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors.
  - Allocation as of 12/31/2020: Office 36.4%; Apartments 27.4%; Industrial Park 22.2%; Retail 13.7%.
- Property cash flows were a significant contributor in 2020, helping to offset losses from the broader market sell-off of real estate sector during the heights of COVID-19 panic selling.
  - The portfolio's high occupancy and rent collections plus the impact of leverage were significant tailwinds.
- The impact of holding cash was the largest detractor over recent underperformance, as the return generated by cash was lower than that of the return generated by real estate assets.

# Retirement Report

February 2021

## Continuity, Coronavirus, ERISA, Stimulus Package



The coronavirus relief includes a “temporary rule preventing partial plan terminations” for plan sponsors of defined contribution retirement plans. The provision specifically states, “A plan shall not be treated as having a partial termination (within the meaning of 4119(d)(3) of the Internal Revenue Code of 1986) during any plan year which includes the period beginning on March 13, 2020 and ending on March 31, 2021, if the number of active participants covered by the plan on March 31, 2021 is at least 80 percent of the number of active participants covered by the plan on March 13, 2020.”

This provision allows defined contribution retirement plan sponsors to avoid the requirements that terminated participants must be 100% vested in plan benefits. Prior to the adoption of this provision they would have triggered partial plan termination due to layoffs, furloughs, or terminations of employment if they experienced a reduction in eligible employees equal to, or exceeding the IRS's 20% presumptive threshold. Ultimately though, the determination of partial plan termination is a facts and circumstances test.

## Private Equity Investments in Defined Contribution (DC) Plans



Private equity funds invest in privately held companies whose stock is not traded on public exchanges. Private equity fund managers expect to increase the value of their investments by providing capital and acumen for the purpose of improving performance/value of these companies.

The Department of Labor (DOL) recently released an “information letter” regarding the potential inclusion of private equity investments in DC plans. The DOL indicated that it will allow DC plans to offer indirect investment in private equity funds in certain circumstances but, questions remain, are they a good fit for your plan participants and what are the fiduciary liability implications?

The DOL guidance only covers allocation decisions made by the fund’s asset managers when private equity would be one of multiple categories of equity investments within the fund (e.g., target date funds). The guidance does not cover a defined contribution plan allowing individual participants to invest their accounts directly in private equity investments. Further, the guidance was clear that investments in private equity investments present substantial legal and operational issues for fiduciaries of ERISA individual account plans.



One issue concerns the typical multiyear holding period for portfolio companies, and the challenge in providing an accurate stock valuation before a sale.

The DOL letter states that plan fiduciaries considering a private equity investment option in multi-asset class funds should consider:

- Whether the fund has managers with “the capabilities, experience, and stability” to handle private equity
- Whether the proportion of the fund’s allocation to private equity investments is appropriate based on the “cost, complexity, disclosures, and liquidity” considerations
- Whether the fund has “adopted features related to liquidity and valuation” that give participants the ability to move their investment allocations “consistent with the plan’s terms”
- The fund suitability in light of the plan’s “participant profile,” including their ages, contribution and withdrawal tendencies

These considerations are somewhat interpretational and can lead to issues which create potential fiduciary liability.

When considering the inclusion of any investment the plan fiduciary must act with skill, care, and due prudence in determining the suitability for participants. This responsibility applies even more importantly for private equity investments, whether a single or multi asset investment option.

## Common Fiduciary Errors



An ounce of prevention is worth a pound of cure. This saying is universal, and certainly applies to fiduciary responsibility. Beginning the year with an eye towards avoiding some of the most common errors makes sense. Most fiduciary errors are unintentional or even well meaning. Here are some examples.

### **Following Plan Documents and Communicating Changes**

Possibly the most frequent source of fiduciary breach, interpretation of plan provisions is not always intuitive. The remittance of participant deferrals “as soon as administratively possible” means as soon as possible, not as soon as convenient. A common response when a plan administrator is asked how they determined applicability of a specific plan provision (e.g., eligibility for employer match) is “the prior administrator told me how to do it”. This response does not necessarily instill confidence that it is being handled correctly. Many administrative errors go on for years, and every year not corrected is another fiduciary breach. A common example is the management of plan forfeitures (non-vested assets left in plan by a terminated participant). The rule is to allocate these assets annually at years end. This can be a costly and administratively cumbersome correction, but all too often it’s not accomplished annually which violates the rule forbidding plan unallocated assets.

The definition of compensation in the plan document may not be the same definition used by your payroll department/service. Furthermore, many plans and employers have different naming conventions for the

various money types: deferrals, employer match, bonuses, pre-tax health insurance premiums, FBA plan, commissions and tips, or fees for professional services may be included as compensation. When plan documents are changed or updated, compensation administration needs to follow. It is a good idea to check this periodically to ensure consistency.

Participant loans are another area that can cause issues, especially if more than one loan is allowed at a time or loan payback is allowed to continue post termination of service.

Often, plan operations do not match up with the plan terms. This includes the terms in plan documents, the summary plan description, loan procedures, and an Investment Policy Statement (IPS).

Changes in the plan should be communicated to plan participants. A summary of material modifications should be given to plan participants within 210 days after the end of the plan year in which the modifications were adopted.

### **Participant Eligibility**

Plan documents should have a definition of employees (hours worked or elapsed time) and the requirement for eligibility to participate and employer contributions. The manner in which hours are calculated, hiring dates, or compensation calculations could be problematic. ERISA does not recognize the term “part-time employee.” It strictly takes into consideration hours worked or elapsed time to determine eligibility for deferrals and employer match. In addition, the SECURE Act just created additional requirements as regards long-term part-time employees’ eligibility.

### **ERISA Reporting and Recordkeeping**

Employers are required to maintain records relating to employee benefit plans per ERISA. Record maintenance varies by type of document for both plan level and participant level records. Plans with 100 participants or more must file Form 5500 Annual Returns/Reports of Employee Benefit Plan and conduct an annual audit. Smaller plans must also file annual reports, with plans with less than 100 participants filing Form 5500-SF.

### **Investment Policy Statement**

Maintaining and following an IPS is of utmost importance. There have been successful lawsuits where an employer acted in the best interest of participants, but IPS had requirements that the fiduciaries failed to follow to the letter and the result was costly to plan sponsors.

### **Understanding and Discharging ERISA Fiduciary Responsibilities**

Many plan sponsors and fiduciaries are not fully aware of their roles/responsibilities. ERISA law pertaining to DC plans is quite complex and sometimes unintuitive and unclear (What does “procedural prudence” really mean?). Our Fiduciary Fitness Program is designed to gauge the fiduciary health of your plan, explain applicable fiduciary mitigation strategies, and to remedy, and hopefully avoid, fiduciary breaches. It is quite comprehensive, clear, and includes the ERISA required documentation

### **Correcting ERISA Compliance Mistakes**

Many ERISA compliance problems can be corrected through voluntary compliance programs, when detected early by the plan, to reduce the potential for fines and penalties. The Department of Labor has the Delinquent Filer Voluntary Compliance Program (DFVCP) and the Voluntary Fiduciary Correction Program (VFCP). Through these programs, Plan Administrators can file delinquent annual reports through the DFVCP, and the VFCP allows fiduciaries to take corrective measures resulting from certain specified fiduciary violations for relief from enforcement actions. In addition, the Internal Revenue Service (IRS), through the Employee Plans Compliance Resolution System (EPCRS), has both the Voluntary Compliance Program (VCP) and Self

Correction Program (SCP) which allow plan sponsors and other plan fiduciaries to correct failures in the plan's operational compliance prior to being discovered by the IRS.

The best answer to these concerns is to avoid fiduciary breaches. Financial professionals can often detect the possible emergence of potential fiduciary breaches before they manifest and consult on options to avoid these breaches altogether.

This Month's Participant Memo

## Participant Corner: Don't Skip the Match

This month's employee memo encourages employees to conduct a regular examination of their retirement plan to determine whether any changes need to be made. Download the memo from your Fiduciary Briefcase at [fiduciarybriefcase.com](http://fiduciarybriefcase.com).

### Skip the Line, But Don't Skip the Match!



#### Jagger

- 22 years old
- Earns **\$50,000** per year
- Loves to shop

His employer matches

**50%** up to **6%** of

Jagger's contributions

Jagger only contributes **2%** so he can shop more.

This earns him an additional **\$41.67**

per month in company match.

By not maximizing the company match,  
Jagger  
will  
leave **\$1,000**  
on the table in one year.

By the time Jagger reaches retirement  
age, he will have left more than  
**\$43,000**  
on the table.

If Jagger put the extra \$1,000 towards his  
retirement, assuming an average return of 10%  
per year, (from 22 to 65) the \$1,000 per year  
would grow to

**\$592,400**

On average, employees leave

**\$1,336**

in matching funds on the table each year.<sup>1</sup>  
Don't make the same mistake!

<sup>1</sup>2015 Financial Engines study.

**Earn your full savings potential by hitting the full match plus more. For more information on your retirement plan, please call our financial professional, SEIA at (703) 940-3000.**

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

To remove yourself from this list, or to add a colleague, please email us at [jkeenan@seia.com](mailto:jkeenan@seia.com) or call (703)940-3000.

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# Retirement Report

January 2021

## 3(38) Advisory Services - Should Fiduciaries Outsource Retirement Plan Investment Responsibility?



Department of Labor (DOL) enforcement recoveries are on the rise. A recent DOL report indicates that DOL recoveries have doubled since 2018 and tripled since 2016 (<https://www.investmentnews.com/dol-retirement-plan-recoveries-198660>). As a result, fiduciary liability premiums have increased 35% since last year (<https://www.investmentnews.com/fiduciary-insurance-costs-401k-litigation-198407>).

Fiduciaries are personally responsible for participant losses resulting from a fiduciary breach. Plan sponsor fiduciaries who handle plan investments themselves, or use advisors who do not assume fiduciary status, face potential exposure for both investment performance and all plan fees.

The Employee Retirement Income Security Act of 1974 (ERISA) specifies that any plan fiduciary level decision must be informed by expertise. Most plans do not have a credentialed investment expert on

committee (if they do, that individual is typically not amenable to accepting the responsibility and liability involved). Plan sponsors who are wont to mitigate this liability for investment decisions (investment menu structure, selecting and monitoring plan investment options) have specific options available under ERISA.

### **ERISA 3(21) Investment Advisor**

The most utilized mitigation option and perhaps most suitable for many plans is hiring an ERISA 3(21) investment advisor. An advisor acting in a 3(21) capacity is responsible for delivering unbiased prudent investment recommendations regarding the selection, and ongoing monitoring of plan investments. The DOL has made clear that it is the responsibility of the plan investment fiduciaries that the final selection be commensurate with their participants' needs. Your advisor has access to a Qualified Default Investment Alternative (QDIA) selection tool. This tool is used to determine and document the participant demographic investment appropriateness for a QDIA, thus eligible for a fiduciary "QDIA safe harbor". This same tool can also aid in making an appropriateness determination for individual investments as well.

### **ERISA 3(38) Investment Advisor**

Section 402 of ERISA allows plan fiduciaries to delegate investment responsibilities to, what ERISA calls, a "named fiduciary." This named fiduciary is a 3(38) investment advisor who assumes all responsibilities for selection, monitoring, and participant demographic appropriateness for plan investments. The company is then left with only monitoring that the advisor retains a prudent analytic process (e.g., their analytic process does not deteriorate substantially from its original prudent level). The 3(38) advisor needs to work with the client to determine investment appropriateness on issues such as risk, expense, and style appropriateness, but once accomplished, substantially more meeting time is available for other important topics like fiduciary education, plan success, participant retirement readiness, and more.



## Former Employees with Plan Assets are Still Plan Participants



Plan Sponsors should understand that terminated employees who left their account balance in your plan, are still considered participants under ERISA. As such, they have the same rights as current employees. They cannot contribute to their account under the plan but otherwise they have the same ERISA protected rights as plan participants.

One protected right is to receive all ERISA required notices that current participants receive. The distribution of notices to former employees can be challenging. With online notice distributions now allowed, it may ease this problem a bit, but losing track of former employees through undeliverable mail or emails can be troubling.

Participant direction of investments and notice of investment changes is another obligation that is more difficult with terminated employees. A fundamental fiduciary responsibility is to provide sufficient investment information such that participants can make consistently informed investment decisions. In the event the stock market goes through a bear market cycle, former employees may become disgruntled if they did not receive proper and required investment information based on which they may have prevented financial losses.

Small account balances belonging to former employees can be problematic for plan providers as well as plan fiduciaries. This can lead to greater administrative recordkeeper costs. In addition, having terminated employees in your plan may cause your plan to be subject to an annual plan audit at a potential cost of around \$15,000.

One step many plans take to mitigate this exposure to some extent is to adopt a cash-out limit (usually \$1,000 or \$5,000). With a cash-out limit, terminated participant accounts may be distributed after communicating that they need to take a distribution directly or a rollover to an Individual Retirement Account or another qualified plan. For participant accounts in excess of \$5,000 you must obtain consent from employees requesting to take their account balances out of the plan. It is advantageous for plan sponsors to persistently reach out to former employees to request they take their money out.

The Department of Labor (DOL) has been focused on missing participants with dormant accounts. As with any fiduciary task as part of your annual request that former employees take their money it is advisable that all correspondence (both sent and returned) be documented to evidence your communication efforts. Internet searches can be helpful to find those who leave no forwarding address.

## Should You Adopt a Plan Committee Charter?



Yes!

The primary purpose of a committee charter is to document overall plan governance. It is not dissimilar to how your Investment Policy Statement (IPS) acts as a “roadmap” for managing your plan investments. The charter also documents delegation of fiduciary responsibilities from the plan’s “named fiduciary” to

co-fiduciaries. Even small plans with a single fiduciary who makes all plan management decisions can benefit from having a plan governance document.

But simply having a committee is not sufficient. Per ERISA, a retirement plan governance committee charter sets out the committee's goals and responsibilities. It should include certain specific fiduciary principles, such as managing the plan for the exclusive benefit of participants; practicing ERISA's procedural prudence; adhering to the plan document; and ensuring proper diversification of investment options.

Committee members should sign the charter initially stating that they understand and accept responsibilities as a plan fiduciary, and resign when retiring from the committee if they remain with your company.

### **What is a Named Fiduciary?**

Every plan document is required to identify the plan's "named fiduciary". This can be a specific individual, an entity, or most frequently, "the company" can be the named fiduciary. "The company" as the named fiduciary denotes the main decision-making person or entity (e.g., the party with authority to adopt the plan). For a "C Corporation" this would be the board of directors. The board of directors, as the named fiduciary, can never delegate all its fiduciary responsibility, but via committee charter it can delegate nearly all plan fiduciary responsibilities (except the responsibility of prudently selecting and monitoring the plan's committee members, who serve as fiduciaries) to co-fiduciaries (e.g., committee). As a result of this monitoring requirement, the committee needs to keep the board (named fiduciary) informed of its activities and to approve its recommendations on key items which may not have been delegated.

### **Who, What, When and Why of the Committee**

Given the high level of the committee's responsibility, a representative of top management should play a key role on the committee.

The number of committee members varies, but one should consider having an uneven number of committee members to avoid any voting ties. Typically, medium, and larger plans committees will have 3, 5, or 7 members. Some plans will have a separate investment committee if in-house investment knowledge is available in house. It is important that committee members can make a contribution, and are agreeable, to participating in committee activities.

Most medium and larger plan committees will meet with their plan advisor on a quarterly basis discussing and documenting topics covered such as: investments, participant behavior/retirement readiness, funding, administration, plan goals/objectives, plan administrative processes and general plan management. Committees may occasionally invite a third party to a meeting who represents a specific plan function (plan administration, representing a specific employee group, CEO, etc.).

It is expected that all committee members attend meetings regularly. Those that do not, or otherwise demonstrate a lack of commitment to their role, should be considered for potential removal and or replacement. If a member with specific expertise important to the plan leaves the committee, they need to be replaced by someone with the same expertise.

All committee topics and decisions should be thoroughly and carefully, in accordance with ERISA procedural prudence, and then documented in committee meeting minutes. If the decisions have an ongoing impact on the plan those decisions should be reviewed periodically to insure their continued prudence.

All committee members should receive training on their fiduciary responsibilities under ERISA, their liabilities (and mitigation strategies), plan operations and plan administration. During an annual plan audit (required for plans with 100+ participants) or a DOL investigation, it is typical for evidence of the frequency of fiduciary training for committee members be requested.

ERISA requires retirement plan fiduciaries to exercise their authority “with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.” This standard of “...a prudent person acting in a like capacity and familiar with such matter...” means having or obtaining expertise pertaining to each matter under consideration. As an example, when considering an investment decision, credentialed investment expertise is a best practice whether in-house or with a credentialed fiduciary plan investment advisor.

### **Personal Financial Fiduciary Liability Mitigation**

As a plan fiduciary you may become personally financially liable for any breach of duty that causes financial detriment to your plan participants. Retirement plans that operate without a coherent governance structure are susceptible to mismanagement potentially incurring personal financial legal liability for imprudent or ill-informed decisions. There are effective strategies for mitigation this potential liability. Understanding your ERISA fiduciary responsibilities, liabilities, clearly and administering your plan document accurately are most important.

Obtaining ERISA fiduciary liability insurance and/or company indemnification should be considered.

By creating an effective plan governance committee, including ongoing fiduciary education, your plan management can operate effectively for the benefit of plan fiduciaries and plan participants.

### [This Month’s Participant Memo](#)

## **Participant Corner: Retirement Plan Facts**



This month's employee memo encourages employees to learn about their retirement plan to determine whether any changes need to be made. Download the memo from your Fiduciary Briefcase at [fiduciarybriefcase.com](http://fiduciarybriefcase.com).

Your employer provides you with a retirement plan for you to save money in, tax-deferred, for the day you bid your career farewell and enter into retirement. It's important for you to know the facts about your plan, so you can maximize its saving potential. Here are essentials to know about your retirement plan:

**What is it?** A defined contribution plan designed to help you finance your retirement. As a participant in the plan, you own an individual account within the plan that you contribute money to for your retirement.

**What are the limits?** For the year 2021, you can contribute a total of \$19,500 towards your retirement plan. Individuals age 50 and over can contribute an additional \$6,500.

**Salary deferral advantages.** By participating in the plan you receive the benefit of saving via payroll deduction on a tax-deferred basis. Tax deferral on both savings and asset growth via payroll deduction helps you save more money and pay less tax upon distribution at retirement.

**Tax-deferred growth.** Not being taxed on the growth of your assets helps accumulations during your working years. With your qualified retirement savings plan, you not only defer taxes on the amount you save, but earnings on your savings is also tax deferred until distribution.

**Employer contributions.** If offered, they help you accumulate assets for retirement and can add considerably to your retirement account balance. You are also not taxed on your employer's contributions until distribution.

**Portability.** If you change employers at some point in your career, you typically can keep your assets in the current plan, roll your assets over to your new employer's plan or roll your assets into an IRA.

**For more information on your retirement plan, please call our financial professional, SEIA at (703) 940-3000.**

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To remove yourself from this list, or to add a colleague, please email us at [jkeenana@seia.com](mailto:jkeenana@seia.com) or call (703)940-3000.

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# Retirement Report

*December 2020*

Every year around this time I sit down to craft a letter wishing you joy and happiness around the holidays and the shift to a new year. This year feels substantially different. This year feels like it requires something deeper, and perhaps even more personal, than mere wishes of good tidings. 2020 feels like it requires recognition.

Please know that I recognize that you've had to make personal, professional, or business sacrifices this year. I understand that this year may have included physical, mental and emotional stress. That it may not have been the year of joy and happiness that I wished for you at this time last year. Let me also recognize that you and your organization are still here. And that I recognize the efforts all have made to be so. If you did have to sacrifice, allow me to wish that the sacrifice pays off down the road.

2020 has been a year of change, of pivoting, of evolution. I recognize that all of those elements may at times be maddening. We have all conducted ourselves in a manner to best adapt to the changing landscape. I wish that the changes be recognized for newly created efficiencies and growth, for where they've spurred creativity within our lives and businesses, and for prosperity to blossom out of the necessity therefor.

Finally, I recognize the continued trust you place in us as your trusted advisors. I recognize the importance of your partnership in an increasingly volatile world. The value of your people, and the sanctity of the job we perform to help keep you and your team safe, as well as to help your employees strive for retirement with dignity. I appreciate the friendships our teams have built and continue to foster. And I recognize your desires, hopes for your career, your employer, and your family. Thus, on behalf of all of us, I renew my wishes from prior years for health, happiness, prosperity, and safety.

I wish you all warm holidays and a strong 2021.

Best,

Joel B. Shapiro

## Post-Election Investment Commentary



Stock markets abhor uncertainty. Currently, investment prognosticators are interpreting the election results to create a relatively “stagnant” legislative environment. This opinion is based primarily on the Senate remaining in Republican control with the presidency Democratic. The anticipated stagnation connotes a more predictable investment environment. Clearly, the stock market has recently responded overwhelmingly positive (as of 11/10/20), to the reduced potential of increased taxation along with the greater likelihood of additional COVID-19 aid and economic stimulus.

This leaves some investors with an instinctual response to grow their equity exposure. However, the biggest risk investors face at this time is changing their investment course and getting it wrong. It remains important to keep focus on the long-term horizon, which no one can predict with much accuracy. The potential future variables that can impact markets are limitless. The impact of the pandemic and potential ensuing lockdowns is clearly one significant unknown.

What is a prudent investor to do? Assuming you are appropriately diversified, remaining so may be your best response.

Those initiating portfolio changes now based on campaign rhetoric should consider that the proposed policy changes may not materialize in current proposed form. If some do, it is difficult to assess which policies may be implemented and how they may affect the markets both US and internationally.

Long-term investing success is a function of innovation, economic growth, interest rates, productivity, and factors we may not currently foresee. Maintaining an appropriately diversified, low cost investment strategy which is properly funded, may not be exciting or pacifying today, but it most likely will provide financial success in the long term.

## Cyber Security Issues for Plan Sponsors



The Department of Labor is working on a guidance package addressing cybersecurity issues as they relate to plan sponsors and third-party providers.

Tim Hauser, Deputy Assistant Secretary for DOL's Employee Benefit Security Administration (EBSA) has indicated that we should expect more focus in the department's investigations of the adequacy of various cybersecurity programs to confirm that service providers plan sponsors hire are practicing effective cybersecurity practices.

Mr. Hauser also indicated that the forthcoming guidance would be informal, and not a formal notice and comment.

### Plan Sponsor Considerations

The DOL expects there to be questions asked when hiring a TPA or record-keeper.

- What practices and policies do the service provider have to ensure their systems are secure?
- Does the service provider have regular third-party audits by an independent entity?
- How does the third party validate their systems cybersecurity?
- Is there any history of cybersecurity incidents? If so, what is their track record?
- What did they learn from any prior incidents, and how have they improved their defensive processes?
- Do they indemnify their clients in event of security systems breaches that result in losses?
- Do they have insurance policies to make you whole and cover breaches, or do they have all sorts of waivers and exculpatory clauses in their contracts?

In the event a security breach is identified and an offender has achieved access to confidential information, the plan sponsor should produce a documented response, including notifying law enforcement, the FBI, the plan and their participants.

Once an official final guidance package is made available, we will share that information with you.



## Annual Retirement Plan Notices



It is that time when plan sponsors need to send annual notices to participants. The 401(k) safe harbor, qualified default investment alternative (“QDIA”), and automatic enrollment notices must all be sent to plan participants between 30-90 days before the beginning of the plan year (i.e., no later than December 2nd for calendar year end plans), and may be combined into a single document.

### 401(k) Safe Harbor

Plan sponsors of safe harbor **matching contribution plans** can retain the flexibility to reduce future contributions by issuing “maybe not” language in their annual 401(k) safe harbor notice.

Prior to this year, safe harbor **non-elective contribution plans** had to be in place as of the first day of the plan year and were subject to the safe harbor notice requirements. Effective beginning January 1, 2020, not only can a 401(k) plan be converted into a safe harbor non-elective plan at any time during the plan year or even during the following plan year, but the **notice requirement has been eliminated**. Generally, safe harbor plans can make a mid-year reduction or suspension of a safe harbor contribution, but only if the employer is either (1) operating at an economic loss, or (2) had already provided a “maybe not notice”. As a result of the economic downturn created by COVID-19, the IRS issued temporary relief from this limitation on suspensions.

### QDIA

If your plan contains a QDIA, you must provide an annual notice to all participants who were defaulted or may be defaulted into the QDIA in order to retain this fiduciary protection. Many plan sponsors send the notice to all plan participants.

## Automatic Enrollment

If your plan contains an automatic enrollment feature, you must send an annual notice describing the automatic enrollment to all participants who have been or will be automatically enrolled and haven't made an affirmative election to change their deferral percentage.

### This Month's Participant Memo

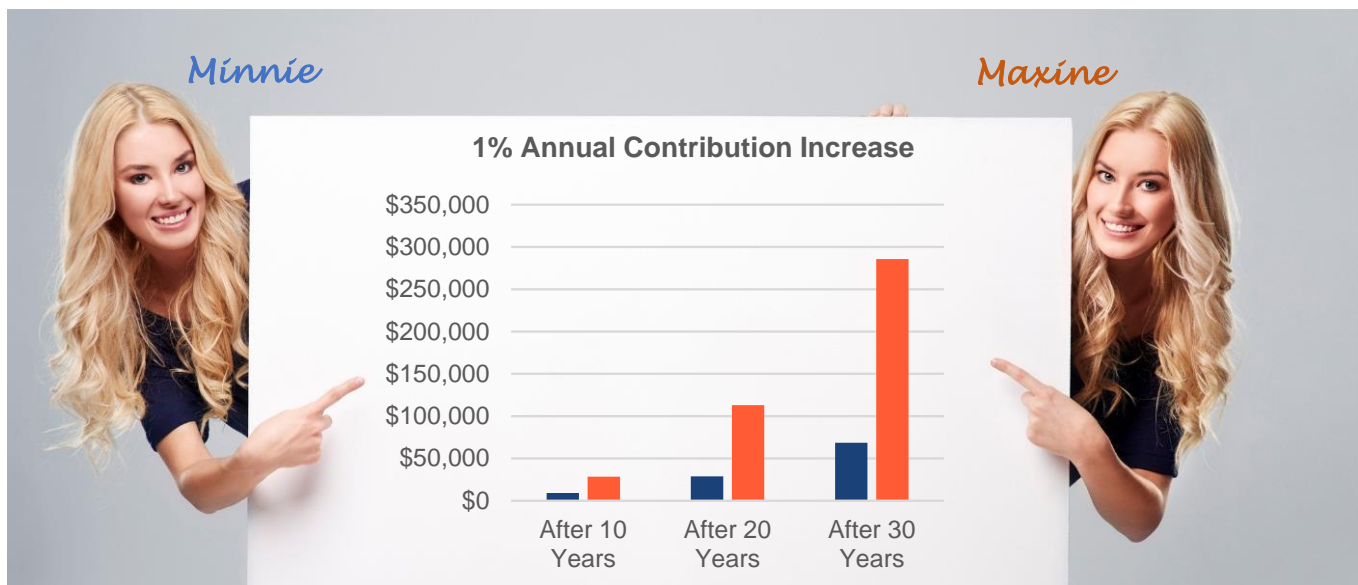
## Participant Corner: The 10% Savings Goal

This month's employee memo encourages employees to conduct a regular examination of their retirement plan to determine whether any changes need to be made. Download the memo from your Fiduciary Briefcase at [fiduciarybriefcase.com](http://fiduciarybriefcase.com). Please see an excerpt below.

Most people need to save more – often a lot more – to build a nest egg that can meet their needs. Many financial experts recommend putting away 10 to 15 percent of your pay for retirement. There's a relatively painless way to reach that goal.

### Take small steps

- Begin by contributing enough to receive your employer's matching contribution
- Consider gradually raising your contribution amount to 10 percent or higher
- Raise your plan contributions once a year by an amount that's easy to handle, on a date that's easy to remember—say, 2 percent on your birthday. Thanks to the power of compounding (the earnings on your earnings), even small, regular increases in your plan contributions can make a big difference over time.



## A little more can mean a lot

Let's look at Minnie and Maxine. These hypothetical twin sisters do almost everything together. Both work for the same company, earn the same salary (\$30,000 a year), and start participating in the same retirement plan at age 35. In fact, just about the only difference is their savings approach:

Minnie contributes 2 percent of her pay each year. Her salary rises 3 percent a year (and her contributions along with it), and her investments earn 6 percent a year on average. So, after 30 years of diligent saving, Minnie will reach retirement with a nest egg worth \$68,461.

Maxine gets the same pay raises, saves just as diligently, and has the same investments as her sister—except for one thing: She starts contributing 2 percent, but raises her rate by 1 percent each year on her birthday until she reaches 10 percent. She will keep saving that 10 percent for the next 22 years, until she retires by Minnie's side.

Maxine tells Minnie that she's never really noticed a difference in take-home pay as her savings rate rises. Instead, she looks forward to having \$285,725 in her retirement fund by age 65.

Think ahead and act now. To increase your deferral percentage, contact your HR department today.



This memo was contributed by Transamerica.

This example is hypothetical and does not represent the performance of any fund. Regular investing does not guarantee a profit or protect against a loss in a declining market. Past performance does not guarantee future results. Initial tax savings on contributions and earnings are deferred until distribution. You should evaluate your ability to continue saving in the event of a prolonged market decline, unexpected expenses, or an unforeseeable emergency.

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

To remove yourself from this list, or to add a colleague, please email us at [jkeen@seia.com](mailto:jkeen@seia.com) or call (703)940-3000.

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