



# RetireView<sup>®</sup>

An asset allocation service that  
gives you flexibility and control

For plan sponsor use only. Not for distribution to plan participants.

Retirement plan participants are a lot of things (think of a wide range of professions here), but only a relative few are investment professionals. And participants want to focus on what they do, but let someone else handle the details of investing for retirement. And they're upfront about that.<sup>1</sup>

Professional asset allocation can help diversify a participants' savings — otherwise, a participant has to choose which asset classes to use and how much to invest in each. The average person doesn't typically have the expertise.

That's just one reason why we have such a diverse range of asset allocation choices. For those who want to offer professional asset allocation with more personal control, there's RetireView.

## RetireView

This service allows you to develop an asset allocation alternative with the investments already on your plan's lineup — and it's available at no additional fee. It's designed to help meet the needs of plan participants who want help investing for retirement while maintaining some control over the amount of risk they take.

While most asset allocation investments take only years-to-retirement into consideration, our RetireView service also factors in risk tolerance. It helps educate participants on their personal tolerance for risk (through a quiz) and then offers choices of asset allocation models. Each is designed to align with their risk tolerance as well as years-to-retirement. This can give participants a choice that's more in tune with their individual goals.



**Only 25%**  
of participants  
research and make  
their own investing  
decisions. Everyone  
else either feels  
unqualified or wants  
some form of help.<sup>1</sup>

### Plan sponsor benefits

- ✓ **Choice** — The ability for you to select investment options for RetireView asset allocation models.
- ✓ **Outside expertise** — An independent third-party creates the asset allocation models and provides periodic updates to allocation percentages based on the economy and markets.
- ✓ **Flexibility** — Gives you choices when mapping from a closing investment or transitioning your plan services to Principal.<sup>2</sup>

### Participant benefits

- ✓ **Professional diversification** — Twenty asset allocation models to choose from — all professionally designed and percentages maintained by a third party. Models are populated by the plan sponsor with investments already on the plan.
- ✓ **Personalization** — The ability to personalize RetireView with preference for frequency of rebalancing and an automatic age adjustment (aging) feature.
- ✓ **Automatic aging** — If a participant selects aging, an adjustment is made to their allocation so it becomes more conservative as they approach retirement.

<sup>1</sup> Cerulli Associates, Evolution of the Retirement Investor, June, 2015

<sup>2</sup> In order to be in the RetireView service and have the rebalancing and/or the automatic age adjustment feature benefits, all or a portion of the participants' investment elections must be mapped according to a RetireView model.

**Asset allocation/diversification does not guarantee a profit or protect against a loss.**

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## How does it work?

Morningstar Investment Management LLC (Morningstar®) develops the RetireView asset allocation models.

### These take into account:

- Participant risk tolerance, with a range from conservative to aggressive
- Years-to-retirement with four age bands
- Nine asset classes

The asset allocation models are designed to provide options for participants in a wide range of situations — from those just starting to save to those nearing retirement.

From the plan's lineup, the plan sponsor populates the models by selecting one or two investment options to fill each of the asset classes used in RetireView.

## RetireView asset classes

Each asset class has a role to fill in constructing a plan for retirement. One might be intended to offset volatility risk and another to offset inflation risk. Think of them as the different “baskets” referenced in the saying, “don't put all your eggs in one basket.”



**Short-Term Fixed Income** is generally comprised of investments that are easily traded and are designed to not lose much value. Options may include stable value, money market, short-term bond and guaranteed interest accounts. These are considered to be among the least risky forms of investment options. However, they typically have a lower rate of return than equities or longer-term fixed income investment options over long periods of time. Depending on the objectives of the investment options, they may experience price fluctuations and may lose value.

**Fixed Income** is generally comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and non-U.S.). These investments typically carry more risk than short-term fixed income investment options but less overall risk than equities. All investment options in this category have the potential to lose value.

**Large U.S. Value, Blend and Growth** are generally comprised of investment options that invest in stocks, or shares of ownership in large, well-established U.S. companies. These typically carry more risk than fixed income investments but have the potential for higher returns over longer time periods. They may be an appropriate choice for long-term investors who are seeking the potential for growth. All investment options in this category have the potential to lose value.

**Small/Mid U.S. Value, Blend and Growth** generally invest in stocks, or shares of ownership in small- to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns. They may be an appropriate choice for long-term investors who are seeking the potential for growth. All investment options in this category have the potential to lose value.

**International Equity** is comprised of investment options that invest in stocks, or shares of ownership in companies with their principal place of business outside the United States. These investment options often carry more risk than U.S. equity investment options but may have higher returns. They may be an appropriate choice for long-term investors who are seeking the potential for growth. All investment options in this category have the potential to lose value.

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## Years to retirement



### Legend

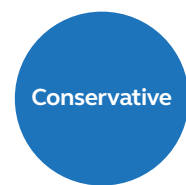
- Short-Term Fixed Income
- Large U.S. Blend
- Small/Mid U.S. Blend
- Fixed Income
- Large U.S. Growth
- Small/Mid U.S. Growth
- Large U.S. Value
- Small/Mid U.S. Value
- International Equity

RetireView models are presented for illustrative purposes only. The actual investment category percentages may vary over time.

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## Investor profiles



**Attributes:** this investor is more cautious; has sensitivity to short-term losses and/or a shorter time horizon; seeks investment stability, but still wants to beat inflation over the long term.

**Objective:** to preserve capital while providing income potential; expects fluctuations in their portfolios to likely be smaller and less frequent than more aggressive portfolios.



**Attributes:** this investor seeks modest capital appreciation and income potential; has a slightly higher risk tolerance than the most conservative investors.

**Objective:** desires to preserve capital; is comfortable with fluctuations in the portfolio from year to year.



**Attributes:** this investor seeks relatively stable growth with a lower level of income potential; has a higher tolerance for risk than more conservative investors.

**Objective:** to achieve steady growth while limiting fluctuation to less than that of the overall stock markets.



**Attributes:** this investor has a relatively high tolerance for risk and has little need for current income and seeks above-average growth; tolerates moderate fluctuations in their portfolio values.

**Objective:** capital appreciation



**Attribute:** this investor has a high tolerance for risk and is comfortable with larger and more frequent fluctuations from year to year.

**Objective:** mainly, this investor wants to achieve high growth, which means the investor isn't as concerned with receiving current income; is comfortable with larger and more frequent fluctuations from year to year.

## The participant's role

An investor profile quiz helps the participant learn his or her risk-tolerance level. And then he or she can use that information to help choose a RetireView model based on risk and time left to retirement. Then the participant's current balance is allocated according to the investment options in that model in the stated percentages — and future contributions are directed that way, too.

A participant can choose all — or just a portion (if the plan allows) — of their savings and future contributions to be allocated according to a RetireView model. If a portion is chosen, the participant can use up to 12 other investments from the plan's lineup.

And there are features that give the **participant flexibility:**



### Automatic age adjustment

RetireView can apply an aging feature that automatically moves the participants' savings to the next age band (while staying in the same risk tolerance band). As a participant approaches retirement, this automatically makes his or her asset allocation become more conservative — all without participant interaction.



### Rebalancing

Participants can control rebalancing frequency by choosing quarterly, semi-annual or annual rebalancing to make sure their asset allocation stays closer to what they elected.

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## Morningstar and their process

Morningstar is a leading authority on asset allocation. For more than 35 years, they've provided asset allocation research and real-world solutions to both domestic and international investors. Their focus is on investment research and strategy.

To create the RetireView asset allocation models, Morningstar estimates the potential long-term returns and volatility of each asset class using a combination of historical data, current market information and additional analysis. Then, using a statistical technique known as mean-variance optimization, they determine how to mix each asset class in each model in an attempt to maximize return for a given level of risk or to minimize risk for a given level of return. But, it must be said that past performance is no guarantee of future results.

### Helping participants stay up-to-date: model updates

Involvement from Morningstar doesn't stop there. They review the models, typically on an annual basis, and may make changes to the allocation percentages of the models. This helps ensure their asset allocation strategies align with the most up-to-date economic and market conditions. Model updates are an easy way for participants to keep up with changes in the economy or markets.

There are **two ways** a plan sponsor can manage model updates:

- 1** In the standard version of RetireView, a participant must choose to move to new models once they're introduced (except for participants who've defaulted into RetireView — they always move to the newest models).
- or**
- 2** A plan sponsor can choose to move all participants to new models automatically. It's an easy way to keep all participants' allocation up-to-date with the current economic outlook without making each participant choose.\*

\*This method adds some fiduciary responsibility.

## Qualified Default Investment Alternative (QDIA)

As a plan sponsor, you can elect to use one or more of the RetireView models as a QDIA, but it's also your responsibility to determine if the populated models meet the criteria for a QDIA set forth by the Department of Labor regulations and then monitor it going forward.

If RetireView is the plan's QDIA, defaulted participants will move to new models automatically and will rebalance quarterly unless they choose another frequency.

### Using RetireView as a transition or mapping option

When your plan experiences the closing of an investment option, you can use RetireView as the mapping option to move money out of the closing investment. Or if you're moving your plan's services to Principal, you can use RetireView as the transition option for participant savings. In either case, it's important to map both current balances and future contributions according to a RetireView model for the participant to be in RetireView.

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### Here are some important considerations:

- A plan sponsor can choose either a specific model or a risk tolerance band to map to. If a specific model is chosen, only quarterly rebalancing will apply; if a risk tolerance band is chosen, both aging and quarterly rebalancing will apply.
- If a participant is already in RetireView, their choice for model elected, rebalancing and aging will stay in effect through a mapping situation.
- Participants can personalize RetireView by changing the model, rebalancing or aging at any time.
- If you're seeking protection under the Pension Protection Act for your plan's transition option, keep in mind that the stated characteristics of the new investment options (including risk and return characteristics) must be "reasonably similar" to those of the old investment options. RetireView is not an investment option; it's an asset allocation service. There's no guidance as to whether transitioning from an investment option to an asset allocation model would meet the "reasonably similar" requirement of the law.

## Our warranty

Principal Life Insurance Company represents and warrants that the asset allocation models used for this service were constructed by Morningstar using generally accepted investment theories that provide diversification through a range of risk levels and asset classes generally appropriate for retirement plan participants.

We will hold harmless and indemnify the appropriate fiduciary of the plan with respect to liability, losses and reasonable expenses, including reasonable attorneys' fees, resulting from claims by a plan participant that are not reimbursed by insurance or otherwise paid and which are sustained through a final determination by a court of competent jurisdiction on grounds of material breach of these representations and warranties.



### More information?

Contact your financial professional or Principal<sup>®</sup> representative today.



Morningstar Investment Management LLC is not an affiliate of any company of the Principal Financial Group.

**Equity investment** options involve greater risk, including heightened volatility, than fixed-income investment options.

**Fixed-income investments** are subject to interest rate risk; as interest rates rise their value will decline. **International and global investment options** are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments. **Asset allocation** does not ensure a profit or protect against a loss. Fixed-income and asset allocation investment options that invest in **mortgage securities** are subject to increased risk due to real estate exposure. Review the RetireView Terms and Conditions for a full discussion of the features of this service, including rebalancing and automatic age adjustment of the populated models.

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

Risk/age tolerance models are created by Morningstar Investment Management LLC. Morningstar begins by analyzing asset classes and constructs long-term expected returns, standard deviations and correlation coefficients. These form the inputs for the mean-variance optimization, a statistical technique. Because forecasting is a critical and pivotal step in the asset allocation process, Morningstar develops proprietary capital market forecasts for each asset class using a combination of historical data, current market information and additional analysis. Each forecast becomes an input in portfolio creation.

The risk tolerance models (models) are intended to be used as an additional information source for retirement plan participants making investment allocation decisions. Pursuant to the Department of Labor Definition of Investment Education 29 C.F.R. §2510.3-21(b)(2)(iv), such models (taken alone or in conjunction with this document) do not constitute investment advice for purposes of the Employee Retirement Income Security Act (ERISA), and there is no agreement or understanding between Morningstar Investment Management LLC and us or any plan or plan fiduciary, or any participant who uses this Service, under which the latter receives information, recommendations or advice concerning investments that are to be used for any investment decisions relating to the plan. Accordingly, neither we nor Morningstar are a fiduciary with respect to your plan sponsor's plan for purposes of this Service, including the features of rebalancing and aging. Following an asset allocation model does not ensure a profit or protect against a loss. Performance of the individual models may fluctuate and will be influenced by many factors. In applying particular asset allocation models to their individual situations, participants or beneficiaries should consider their other assets, income and investments (e.g., equity in a home, Social Security benefits, IRA investments, savings accounts and interests in other qualified and nonqualified plans) in addition to their interests in the plan.

Principal Life is not undertaking to provide investment advice in a fiduciary capacity or to provide impartial investment advice of any kind.

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