

# Liability-driven investing:

## A more prudent way to manage an organization's defined benefit plan funding status?

A suite of liability-driven investment Separate Accounts from Principal®



It used to be that most plan sponsors with defined benefit (DB) plans concentrated on maximizing returns, intent on making ground on the funded status of their organization's plan. These days, more plan sponsors would like to focus on managing risk and stabilizing required contributions using liability-driven investment (LDI) strategies. Traditionally, however, LDI strategies were only cost effective and implemented efficiently for very large plans with enough assets to create custom bond portfolios. In fact, LDI strategies were difficult for many plans to even consider.

<sup>1</sup>The term "manager" or "investment manager" used in this material may also refer to an investment advisor or sub-advisor of an underlying mutual fund.

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### Why Principal LDI Separate Accounts?

#### Match durations

A key to successful LDI management is matching the duration of a plan's assets to that of its liabilities. What you'll find with the unique Principal LDI Separate Accounts is that each one covers a distinct duration band. And you can combine several Principal LDI Separate Accounts to closely align with the cash flows and duration of your plan's assets and liabilities.

Best of all, the suite of Principal LDI Separate Accounts allows plan sponsors of all sizes the ability to customize allocations between the LDI Separate Accounts.

#### An emphasis on corporate bonds

The corporate bond emphasis is important because the funded status of DB plans is closely tied to the corporate interest rate environment. And the suite of Principal LDI Separate Accounts, with a conservative emphasis on corporate bonds, has done a good job of reducing volatility in the funded status of plans.

#### Supported by the due diligence process of Principal Life Insurance Company

We use the due diligence process to identify, hire and retain top investment managers. We conduct a comprehensive and continuous review of all managers.<sup>1</sup> This is so you know we have a diverse set of investment options.

Using the suite of Principal LDI Separate Accounts, plan sponsors can efficiently implement a cost-effective strategy for the organization's DB plan, no matter its size.

## The Principal Life LDI Separate Accounts can help you implement your LDI strategy, no matter the plan size.

| Principal LDI Separate Account Suite          |                                    |              |                                      |
|---|------------------------------------|--------------|--------------------------------------|
| Name  | Investment Manager/<br>Sub-Advisor | Duration     | Approximate<br>Duration Band (Years) |
| LDI Extended Duration<br>Separate Account     | Barrow Hanley                      | Extended     | 15+                                  |
| LDI Long Duration<br>Separate Account         | Principal Global Investors         | Long         | 11-15                                |
| LDI Intermediate Duration<br>Separate Account | Principal Global Investors         | Intermediate | 3-10                                 |
| LDI Short Duration<br>Separate Account        | Dimensional Fund Advisors          | Short        | < 3                                  |



Talk with your Principal representative today about our liability-driven investments.



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).

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

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

This document is not a recommendation and is not intended to be taken as a recommendation. This material was prepared for general distribution and is not directed to a specific individual.

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

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