CARES Act and unpredictable markets

How plan sponsors and participants are reacting
August 31, 2020
We’re all navigating a lot of uncertainty with the COVID-19 pandemic and available CARES Act provisions, and Principal® is working to provide the latest resources and answers to questions. We’re seeing most plan sponsors and participants staying the course.
CARES Act Provision Activity
(Principal reporting through August 31, 2020)

> Approximately 55% of plan sponsors have responded to the CARES Act communication, with the vast majority (93%) of those plan sponsors adopting the 3 provisions – Adding the special COVID-19 related distributions (CRD), RMD waiver for 2020, and along with increasing loan limits.
CARES Act Provision Activity

(Principal reporting through August 31, 2020)

By segment:

Emerging
- Responding: 52%
- Adopting all: 95%

Dynamic
- Responding: 72%
- Adopting all: 89%

Institutional
- Responding: 80%
- Adopting all: 76%
CARES Act Provision Activity
(Principal reporting through August 31, 2020)

- Of the nearly 24% of institutional clients adopting one or a combination of provisions
  - 68% allow CRDs
  - 91% allow RMD waiver
  - 100% allow the change in loans

- By industry:
  - **Information**: 63% responding, 94% blanket adoption
  - **Finance & insurance**: 60% responding, 93% blanket adoption
  - **Professional/Scientific**: 55% responding, 95% blanket adoption

![Percentage Chart](chart.png)
Plan sponsor activity
(Principal reporting as of August 31, 2020)

› August plan amendments have slowed to nearly 70% less than those submitted in July 2020

› Approximately 1.1% have plan amendments to change the employer match since March 11, 2020

- 90% Stop employer match
- 6% Add employer match
Resources to help with plan sponsor conversations:

› Reduction in force
› Reinstating the match
› Managing cashflow and the economy
› Taking care of employees
Web and mobile activity
(Principal reporting as of August 31, 2020)

› Average daily visits were consistent with July for web (10% lower than June 2020) and mobile visitors combined.

Mobile accounted for 35% of visitors in June, up steadily from 28% in January.
Web and mobile activity
(Principal reporting as of August 31, 2020)

Top Page Views
- Participant landing page
- Contribution summary
- Investment dashboard
- Withdrawal information
- Loan information
- Personalized rate of return

For illustrative purposes only
Participant call volume
(Compares August 2020 to August 2019)

› Call volume **up 17%**
› Call duration **remains up nearly 20%**
› Topics include:
  › Distributions
  › Loans
  › Withdrawals
Help participants connect to web/mobile resources
Transaction activity
(Principal reporting as of August 31, 2020)

› Investments:
  • Approximately 0.5% made a transfer in August (comparable to August 2019)
  • Transfer activity continues to favor more stable/conservative investments.
  • Top asset classes gaining net assets were Bond, Large Cap, and Stable Value in August.
Transaction activity
(Principal reporting *August 2020 vs. August 2019 and **March- August 2020.)

Loans and Withdrawal Activity

- **3.2% of participants** with a coronavirus-related distribution (CRD) available have taken one.**

- **Loan requests** down 23% but the average amount requested *is up 20%*

- **Average amount taken** for a (CRD) is: **$16,500**

**CRD profile insights**
Male, average 35-54 years old in mining, manufacturing, accommodation/food service, or transportation industries**
Transaction activity
(Principal reporting August 2020 vs August 2019)

> Deferral Change Activity*

- Approximately **99% of participants** maintained their contribution rate
- Of those who made a change, decreases in contributions slowed, but participants remain hesitant to increase:
  - Less than 0.1% started deferring
  - Nearly 0.2% increased deferral
  - Less than 0.1% decreased deferral
  - Less than 0.1% stopped deferring

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*Principal reporting Includes participants on salary deferral service. Does not include enrollments auto enrollment or increases. Compares August 2020 with August 2019.
Help participants with these resources:

- The true cost of a participant loan or withdrawal
- The true cost of a participant withdrawal
- 4 options for emergency cash
- FAQs about retirement plans, market volatility, and CARES Act
- Coronavirus and market volatility
- What Principal contact center reps want you to know about market volatility
- Investing in a down market
- Principal® Milestones – COVID-19 and your financial health
Note: Active participants only with service by Principal, does not include Wells Fargo Institutional Retirement & Trust.

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