Health=Wealth

Employers...
- Recognize the need for healthier, happier, more productive employees
- Are bombarded with a myriad of wellness methodologies
- Are challenged by changing and ill-defined regulations
- Yet have the same (or fewer resources) than they did 5 years ago

Employees...
- Are not adequately saving for retirement
- Are using discretionary income to pay for rising healthcare costs
- Are less productive
- Face Retirement Readiness challenges

Effective Wellness Programs
- Maintain health now
- Reduce health risks over time
- Extend quality of life
Why Wellness Works

Successful wellness plans include:
- Data-driven strategy
- Meaningful incentives
- Effective communications

Participant engagement rates around 80%

Employees and spouses

Typical risk improvement is approximately 5%

Lower risks translate to improved health, improved health means favorable trends.

Accountable Health Solutions, two-year average of 4.79%, as of 12/31/2012

Current Landscape

<table>
<thead>
<tr>
<th>Employer Impact</th>
<th>Employee Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased absenteeism</td>
<td>• Decreased earnings power</td>
</tr>
<tr>
<td>• Decreased productivity</td>
<td>• Reduced vitality and poor health</td>
</tr>
<tr>
<td>• Reduced dollars available for other investments and the bottom line</td>
<td>• Reduced discretionary income</td>
</tr>
<tr>
<td>• Reduced productivity from employee financial stress and retirement insecurities</td>
<td>• Diminished retirement readiness</td>
</tr>
<tr>
<td></td>
<td>• Reduced ability to retire secure</td>
</tr>
</tbody>
</table>

Unhealthy lifestyles

Rising healthcare costs

Inadequate retirement savings

Engagement

Communication plan

Incentive plan

Wellness strategy

Employees and spouses

Higher risks translate to lower health, lower health means unfavorable trends.
Pairing Personal Wellness with Financial Wellness

63% of participants who retired earlier than planned did so because they had a health problem or disability.

Financial worry makes us sick:
- 2x as likely to suffer from chronic pain
- 2x as likely to suffer from heart attacks
- 3x as likely to suffer from insomnia
- 6x as likely to suffer from depression
- 10x as likely to suffer from migraines

84% of those who consider their health as important as their financial future.

3. 2013 annual Retirement Confidence Survey
4. Average retirement balance is barely over $25,000

Retirement Trend #1: Employees aren’t saving enough for retirement.
- Employee confidence in retirement remains at historic low
  - Only 13 percent are confident they will have enough to retire comfortably.
  - Social Security contributes only about 1/5 of pre-retirement income.
- More than half of workers have less than $25,000 saved or invested for retirement.1

Retirement Trend #2: Retirees are living longer.
- Today’s average life expectancy after age 65 is 19 years.
- Wellness programs address this trend by:
  - Helping reduce medical and healthcare costs
  - Addressing health risks now
- Average life expectancy after age 65 by gender:
  - Men: 17.2 years
  - Women: 19.9 years

1. 2013 Retirement Confidence Survey - Employee Benefit Research Institute (EBRI)
2. *Center for Disease Control and Prevention, “Health, United States 2012,” p. 152
Healthcare costs are rising, leaving people with less discretionary income.

Retirement Trend #3

• When health is in check:
  • Employers can spend less on healthcare and more on salaries and other employee benefits.
  • Employees can spend less on healthcare and have more money for other things – including savings.

Today’s average retiree needs $250,000+ to pay for healthcare costs through retirement.*

• When health is in check:
  • Employers can spend less on healthcare and more on salaries and other employee benefits.
  • Employees can spend less on healthcare and have more money for other things – including savings.

*“Funding Savings Needed for Health Expenses for Persons Eligible for Medicare,” EBRI Issue Brief, December 2010

Tying Personal Health to Wealth

Era of Personal Responsibility:

• Illness can reduce retirement readiness
• Dollars that could have gone into savings pay for healthcare expenses
• An employee’s ability to retire as planned is endangered

“The first wealth is health.”
– Ralph Waldo Emerson

Wellness Case Study:
The Impact of Employee Engagement

Construction Company
12,000+ U.S. employees, construction and engineering
Strong management support for wellness
Many employees move from one project location to another
Coaching program for Metabolic Syndrome and tobacco users
Incentives for employees and spouses
Large Spanish speaking population
Print materials heavily utilized

Source: Accountable Health Solutions
Case Study: Employee Engagement Rates

<table>
<thead>
<tr>
<th>Key Metrics</th>
<th>Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation</td>
<td>91%</td>
</tr>
<tr>
<td>- Wellness Assessment</td>
<td>88%</td>
</tr>
<tr>
<td>- Screening</td>
<td>89%</td>
</tr>
<tr>
<td>- Coaching</td>
<td>72%</td>
</tr>
<tr>
<td>- Seminars</td>
<td>65%</td>
</tr>
<tr>
<td>Earned Incentive</td>
<td>79%</td>
</tr>
<tr>
<td>Net Risk Trend Change</td>
<td>4.4%</td>
</tr>
<tr>
<td>- Low Risk</td>
<td>79%</td>
</tr>
</tbody>
</table>

Source: Accountable Health Solutions

The Financial Impact

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Risk</td>
<td>5,742</td>
<td>6,254</td>
<td>$512</td>
</tr>
<tr>
<td>Moderate Risk</td>
<td>1,471</td>
<td>1,065</td>
<td>$(396)</td>
</tr>
<tr>
<td>High Risk</td>
<td>215</td>
<td>185</td>
<td>$(30)</td>
</tr>
</tbody>
</table>

Net Change in Risk Status is 2.7% Improvement
91% Low Risk stayed Low Risk

Retirement Case Study: The Impact of Employee Engagement

Sales and Marketing Company
13,000+ U.S. employees
Many employees worked out of their homes
High level of Employer Support
Developed a contest to engage employees to appeal to their competitive and creative spirit
Employees submitted 401(k) Date Campaign Ideas and voted on winners

Source: Principal Financial Group
Case Study: Results

Average increase for elective deferrals was 3.45%
Average deferral for new enrollees was 6.74%
20:1 return in terms of additional retirement funds brought into the plan vs. cost of campaign
Company won 4 awards for their creativity

Source: Principal Financial Group

Leveraging Engagement and Behavioral Change

Creating a Total Wellness Solution

Activities
Digital platform

Health=Wealth

Total Wellness Solution

Activities
Incentives
Digital platform

Taking Control of Your Total Wellness

Wellness Dashboard

Qualifying Activities YTD
Health
- Health Risk Assessment: 15
- Screening: 20
- Health Coaching: 15
- Online Seminars: 20
- Challenge Completion: 10

Financial
- Financial Risk Assessment: 15
- Counseling: 20
- Milestones: 20
- Online Seminars: 15
- Challenge Completion: 10

Current Wellness Bank: 70

This chart is an example of possible wellness activities and points tied to each activity, and is for illustration purposes only.
The "current wellness bank" is an average of the health and wealth components, and would be based on each participant's situation.
Case Study: Financial Wellness Integration

Financial Wellness Integration
Driving Behavior Change For Wellness

- Inspiration / Motivation
- Assessment
- Education
- Coaching
- Tools and Resources
- Incentives / Rewards

Accountable Health Solutions

Consultation – A knowledgeable wellness professional will work with you to manage all aspects of your program and recommend proactive strategies to achieve greatest value.

Flexible options – We offer flexible program, technology and service model options, allowing you to select all or part of our services – including health coaching and preventive screening. We help you design a program specific and relevant to your population.

Superior technology – Our award-winning wellness portal is customized to include your specific content and preferences. Our digital strategists and web developers deliver ongoing innovation and added value.

One-stop-shop – A dedicated employer wellness portal can be designed to also serve as the main hub for all of your employee benefits. It can connect to other sites to make it easy for members to navigate your benefit options.

Implementation excellence – An expert implementation team will work with you to implement all aspects of your program with ease.

Regulatory expertise – We understand the Affordable Healthcare Act and HIPAA wellness regulations. With that in mind, we will help you build an effective incentive-based strategy with reasonable alternatives when required.

Principal Financial Group does not diagnose or treat any medical condition or provide medical advice. Results obtained from program participation depend upon health status and how the information provided is applied. Wellness and wellness incentive programs are subject regulation under federal and state law. Principal Financial Group does not give legal advice. Consult with your legal advisor regarding the design of any wellness or incentive program. Savings and health improvement are not guaranteed.

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