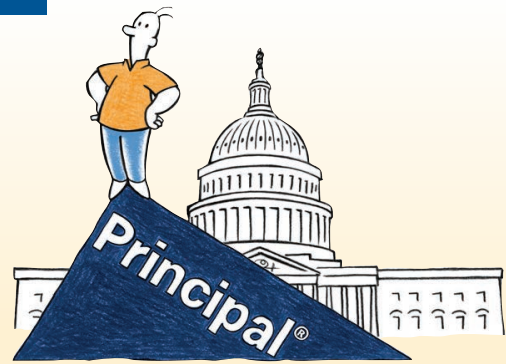


Market Profile

Government Employees



OVERVIEW

More than 16.2 million people are employed full-time by federal, state and local governments in the U.S. They work in a variety of industries. Many are employed in professional and technical occupations that are ideal for Individual Disability Insurance solutions:

- Education
- Financial administration
- Health care
- Housing and community development
- Public welfare

Your sales opportunity

Share the importance of income protection with government employees. Many of these public sector employees have access to group disability benefits.

- **Individual Disability Income (DI) insurance** can supplement their group disability benefits to help replace a greater portion of their incomes.
- **DI Retirement Security** helps them to continue to grow their retirement savings.

AT A GLANCE

Average annual salaries:

- Federal workers:¹ \$72,474
- State and local workers:² \$55,541

Demographics:^{3,4} 47.5% female; 52.5% male

Education:⁵ 54% have at least a Bachelor's degree

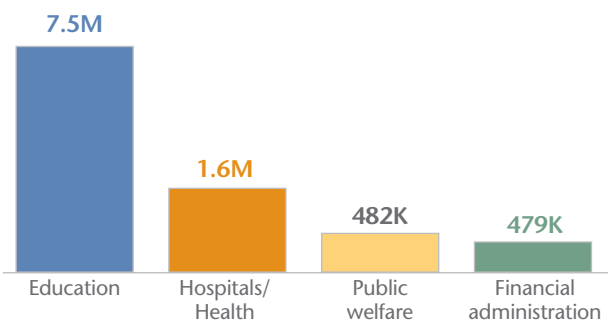
Average employee tenure:⁶ 7.8 years

States with the most government employees:

FEDERAL GOVERNMENT ⁴	STATE AND LOCAL GOVERNMENT ²
California: 149,000	California: 1.5M
Virginia: 143,000	Texas: 1.3M
District of Columbia: 142,000	Florida: 1.2M
Texas: 130,000	Illinois: 544,000
Maryland: 119,000	New York: 227,000

Did you know?

- **ONE IN FOUR** federal government employees say illness or injury has affected the amount of time spent on work or the quality of their work in the past year.⁷
- The following sectors are some of the **LARGEST EMPLOYERS OF GOVERNMENT WORKERS:**²

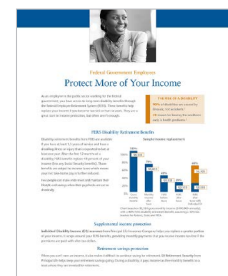


REACHING THE MARKET

Visit principal.com/MarketNiches for tools to help you:

- **Search for prospects.** Use online search engines to find government workers or agencies and their contact information.
- **Approach prospects.** Get connected through social media (e.g., LinkedIn), ask for referrals from existing clients or engage with local industry associations (e.g., state education associations).
- **Discuss the need for income protection.**

Take advantage of marketing materials to explain the need for coverage and how supplemental DI insurance works with their existing group coverage (if applicable). Customize and share flier JJ2088C to show how government-provided group disability benefits work.



GOVERNMENT-SPONSORED GROUP DISABILITY COVERAGE



Government employees tend to have strong benefit packages. Most have access to group disability coverage. Often, this protection is available through retirement savings programs that provide benefits in the event of a “disability retirement.”

Federal Employee Retirement System (FERS)

Available to federal civilian employees, FERS is a retirement plan that provides benefits in the event of a qualifying disability.

- Benefits are available to employees with at least 1.5 years of service when they incur a disability that is expected to last at least one year.
- After 12 months of a qualifying disability, FERS benefits replace 40% of income.
- Benefits are subject to federal income tax.

State and local government benefits

Disability insurance benefits for state and local government employees vary by location.

- These programs typically replace 60% of income.
- Benefits are typically subject to federal income tax.

SUPPLEMENTAL INCOME PROTECTION AND RETIREMENT SAVINGS PROTECTION



Individual Disability Income (DI) insurance from Principal Life Insurance Company can supplement group benefits to help government employees protect more of their incomes. It features:

- **Portable coverage.** The individual policy goes with clients throughout their careers, whether they work in the public or private sector. Government-sponsored group disability benefits are usually not portable.
- **No taxation.** Government-sponsored group disability benefits are typically taxable, which further reduces take-home pay. Individual DI benefits are received income-tax free when premiums are paid with after-tax dollars.
- **Benefit Update rider.**⁸ This no-cost rider allows clients to purchase increased benefit amounts every three years without medical underwriting. Plus, an advance update option is available if a client changes employers (e.g., in the private sector) and loses group disability insurance.



DI Retirement Security from Principal Life helps government employees continue growing their retirement savings during a disability. It pays income tax-free benefits⁹ to a trust where they are invested for retirement. Just like Individual DI insurance, the policy is portable.

DISCOUNT OPPORTUNITIES

Multi-Life Discount (20%): Available when three or more employees with a common employer purchase coverage. For government employees, individual offices or agency branches are typically considered a “common employer.”

Association Discount (10%): Available to members of approved associations.

UNDERWRITING GUIDELINES FOR GOVERNMENT EMPLOYEES

Issue ages: 18 – 55

Occupation classes: 3A and above

Minimum annual income: \$30,000

INDIVIDUAL DI INSURANCE

Riders: All riders are available except the Social Insurance Substitute Benefit. The Future Benefit Increase rider is not available for 5A-M, 4A-M or 3A-M occupations.

Issue and participation limits:

- 6A*, 5A, 4A and 3A – \$20,000 issue limit and \$30,000 participation limit
- 5A-M, 4A-M and 3A-M – \$10,000 issue limit and \$25,000 participation limit

* Not approved in all states; not available in California.

Determining DI benefit amounts:

- **Federal employees:** Benefits are calculated assuming a 40% income replacement from FERS.
- **State employees:** Benefits are calculated assuming a 60% income replacement from group disability benefit programs.

DI RETIREMENT SECURITY

Maximum monthly benefits:*

- Individual-paid: \$4,470
- Employer-paid: \$5,750

* Includes a \$50 monthly trust administrative fee; maximum amount adjusts with IRS contribution guidelines

Riders: All riders are available; the Future Benefit Increase rider is not available for 5A-M, 4A-M or 3A-M occupations.

IDEAL GOVERNMENT WORKER SEGMENTS

Certain segments of the government are especially attractive for offering Principal Life’s Individual DI insurance solutions because of the number of individuals those segments employ in professional and white-collar occupations.

TIP: Most states, as well as cities and local areas, have associations dedicated to the following disciplines. Approach association leaders about offering income protection to their members with a 10% Association Discount.

AREA	DESCRIPTION	OCCUPATIONS
Education 	<p>This is one of the largest employers of government workers. Many employees must have at least a four-year degree and are required to hold a valid state educator’s license. The education sector includes public elementary and secondary schools, public universities and education agencies.</p>	<ul style="list-style-type: none"> • Teachers • Guidance counselors • Deans • Principals • Superintendents • Department heads • Administrators • University professors
Financial Administration 	<p>Individuals working in financial administration oversee fiscal activities of different segments of the government. They manage cash flow, create budgets and allocate funds to various functions. They are found in federal agencies (e.g., Government Accountability Office and Office of Management and Budget), state and local agencies, city management and state revenue departments, among others.</p>	<ul style="list-style-type: none"> • Fiscal or financial analysts • Program analysts or examiners • Policy research directors or associates • Tax review directors or associates • Government affairs specialists • Financial administration coordinators
Health Care and Hospitals 	<p>Individuals in the health care and hospitals sector practice medicine, conduct research and set guidelines for medical care and health safety in the U.S., individual states and local municipalities.</p> <p>Common employers are the Center for Disease Control, National Institutes of Health, Food and Drug Administration, state and local departments of health and public hospitals and clinics.</p>	<ul style="list-style-type: none"> • Doctors • Nurses • Biologists • Social and physical scientists • Economists • IT professionals • Analysts • Administrative specialists
Housing and Community Development 	<p>Individuals working in community development careers support the social, economic and structural well-being of their communities.</p> <p>Their services are often present in the housing authority, job development agencies and community/neighborhood planning organizations.</p>	<ul style="list-style-type: none"> • Community education coordinators • Economic development directors and specialists • Housing authority directors and specialists • Job center directors • Neighborhood outreach coordinators • Environmental services specialists • Child development specialists and program coordinators
Public Welfare 	<p>Individuals employed in the public welfare sector advocate for the well-being of “at-risk” individuals – children, the elderly, the impoverished and the ill/handicapped. They provide services to help those individuals navigate hardships and overcome challenging situations. The public welfare sector often includes departments of human services, social work agencies and welfare services.</p>	<ul style="list-style-type: none"> • Executive directors • Program directors or administrators • Social workers • Case workers and managers • Psychologists • Counselors • Development directors • Grant writers

FOR MORE INFORMATION

Contact your local representative or visit principal.com/MarketNiches.

- ¹ Among full-time, non-seasonal workers. Source: U.S. Census Bureau, Federal Government Civilian Employment and Payroll Data: March 2012, released March 2014.
- ² U.S. Census Bureau, 2012 Census of Governments: Employment, as of March 2012, released March 2014.
- ³ Among full-time state and local government workers. Source: Equal Employment Opportunity Commission, 2011 National Employment Summary – State and Local Government Information; most recent data available.
- ⁴ Among full-time, non-seasonal federal government workers. Source: U.S. Office of Personnel Management, Common Characteristics of the Government – Fiscal Year 2013, April 2014.
- ⁵ Congressional Research Service, Selected Characteristics of Private and Public Sector Workers, March 2014.
- ⁶ Bureau of Labor Statistics, Employee Tenure in 2014, September 2014.
- ⁷ U.S. Office of Personnel Management, 2013 Federal Employees Benefits Survey.
- ⁸ Availability subject to underwriting guidelines.
- ⁹ DI Retirement Security benefits paid to the trust are not taxable as income when premiums are paid by the individual with after-tax dollars.



WE'LL GIVE YOU AN EDGE®

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DI Retirement Security is issued as a non-cancelable, guaranteed renewable, individual disability income insurance policy. It is not a pension or retirement program or a substitute for such a program. DI Retirement Security is not available for anyone who is over insured based on Principal Life's current Issue and Participation guidelines. It may not be available or the benefit amount may be reduced for certain occupations if there is existing DI coverage with lifetime benefits.

Additional underwriting guidelines may apply.

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