CREATING A CLEAR PATH TO PENSION PLAN DE-RISKING

PENSION RISK TRANSFER STRATEGIES
STRENGTH
STABILITY
& INNOVATION
As plan sponsors look down the path to reducing pension risk, Prudential stands ready to assist. We can customize a risk transfer solution for plan sponsors, and will lead the evolution of the market based on the needs of clients of every size and scale.

With solutions that deliver complete or partial transfer of risk, Prudential helps sponsors honor commitments to participants, reduce volatility and lower administrative, actuarial and investment expenses.

Most importantly, our solutions provide the reassurance of Prudential’s powerful guarantees.
Twice since the year 2000, America’s corporate defined benefit (DB) plan sponsors have seen their plans’ funded status deteriorate over 30% in market downturns.

These declines have strained plan sponsors’ finances, and compelled the 100 largest U.S. corporate pension plans to make $612 billion in pension contributions between 2002 and 2015.

Although recent equity markets improvements and rising interest rates have improved funded status, the funding index remains well below levels witnessed in 2007.

Pension Plan Funding Volatility

Faced with rapid economic, accounting and regulatory change, plan sponsors must address market volatility together with other factors such as asset/liability mismatch, increased longevity and unpredictable pension funding requirements—all of which could contribute significantly to business risk over the long term.

50% OF FINANCE EXECUTIVES SURVEYED SAID THEY WILL SERIOUSLY CONSIDER TRANSFERRING THEIR DEFINED BENEFIT PLAN RISK TO A THIRD-PARTY INSURER OVER THE NEXT TWO YEARS.2

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1 Milliman 100 Pension Funding Index; total contributions from the Milliman 2015 Corporate Pension Funding Study.

For many plan sponsors, it’s time to rethink risk

After experiencing unprecedented losses during the financial crisis, DB plan sponsors are now considering pension risk transfer as a means to:

- Achieve contribution certainty;
- Remove financial statement volatility;
- Allow greater focus on the firm’s core business; and
- Ensure strategic flexibility.

Prudential offers flexible risk transfer strategies

The goal of The Prudential Insurance Company of America is to be the preferred provider of strategies that help plan sponsors reduce their pension risk and fulfill their fiduciary obligations. As the largest manager of U.S. pension buy-outs,¹ and as a manager for 23 of the 25 largest U.S. corporate DB plans,² Prudential offers financial strength and is well positioned to deliver flexible, innovative options that combine our core strengths in insurance and asset management.

Our product platform:

- Meets the needs of both well-funded and underfunded plans;
- Provides enhanced participant security; and
- Creates a clear path to pension plan de-risking.

Alongside Prudential’s Traditional Buy-out—our flagship General Account offering—we offer two innovative solutions:

- Prudential’s Portfolio Protected Buy-out, which settles pension liabilities with enhanced participant security; and
- Prudential’s Portfolio Protected Buy-in, which allows underfunded plans to transfer risk without significantly impacting funding levels, accelerating contributions or triggering a settlement charge.

These Portfolio Protected strategies feature insulated separate accounts to safeguard assets. Prudential is pleased to offer these Portfolio Protected solutions to all of our clients, regardless of size.

What’s more, Prudential can target all of a plan’s liabilities for de-risking—or just a segment of them—to address plan sponsors’ specific risk transfer requirements. And finally, as a leader in flexible, innovative risk transfer strategies, Prudential can also offer customized risk transfer strategies that meet the unique needs of larger plans.

No two plan sponsors are the same. That’s why Prudential’s core risk transfer strategies offer plan sponsors the flexibility and security they need.

¹ LIMRA Group Annuity Risk Transfer Survey, 4Q15. Based on assets of single-premium buy-outs which are group annuity contracts used to assume certain benefit liabilities of a terminating pension plan or, in some cases, a plan settlement of specific groups.

² Based on U.S. Plan Sponsor rankings in Pensions & Investments, as of September 30, 2015, published February 2016.
Prudential’s Buy-out Strategies: Traditional Buy-out and Prudential’s Portfolio Protected Buy-out

Designed for sponsors of well-funded plans who seek to settle liabilities and diminish plan volatility.

These strategies accomplish several key objectives:

- Fully transfer risk, including investment, longevity and expense risk
- Completely assume administrative, actuarial and investment management expenses
- Eliminate Pension Benefit Guaranty Corporation premiums for participants whose benefits are fully purchased
- Trigger settlement accounting, removing pension liabilities from the plan sponsor’s balance sheet

Prudential’s Portfolio Protected Buy-out is a separate account annuity that combines the strength of Prudential’s guarantee with an insulated asset portfolio.

Prudential’s Portfolio Protected Buy-in

Designed for sponsors of plans who seek to transfer risk without triggering a settlement, Prudential’s Portfolio Protected Buy-in is one of the first buy-in solutions for U.S. pension plans.

This innovation allows plan sponsors to purchase a bulk annuity and hold it as a liability-matching asset of the plan. This means pension plans can transfer risk today without the charges that naturally arise with the settlement of plan liabilities.

This strategy offers several additional advantages for underfunded plan sponsors:

- Maintain funded status;
- Hold contributions steady; and
- Minimize accounting and funding volatility.

A key feature of Prudential’s Portfolio Protected Buy-in is convertibility. Prudential’s Buy-in contract can be converted to Prudential’s Portfolio Protected Buy-out, enabling plan sponsors to take a phased approach to risk reduction on the schedule of their choice.
The following is a comparison of Prudential’s Portfolio Protected Buy-out and Buy-in offerings.

**Prudential Portfolio Protected Buy-out**
- Enables plan sponsors to remove pension liabilities through annuitization
- Guaranteed payments to participants
- Irrevocability guaranteed
- Sets the plan’s benefit payment obligation to participants
- Transfers asset, longevity and expense risk to Prudential
- Eliminates accounting and funding volatility
- Provides two levels of security

**Prudential Portfolio Protected Buy-in**
- Enables plan sponsors to match pension liabilities with an annuity asset
- Provides guaranteed payments to the plan to match the covered liability
- Held as a plan asset
- Transfers asset, longevity and expense risk to Prudential
- Reduces accounting and funding volatility
- Provides two levels of security
- Convertible to Prudential’s Portfolio Protected Buy-out
- Revocable under limited conditions

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1 The contract can be surrendered if the contract-holder decides to terminate the plan or execute a partial risk settlement but chooses to purchase annuities from a different insurer.
Reinsuring longevity risk

Prudential Retirement Insurance and Annuity Company is a leading international reinsurer of pension longevity risk.

Over the past decade, many pension plan sponsors have recognized their exposure to longevity risk. Our new role as reinsurer of longevity risk helps increase the security of the promises made to pension participants around the world. We stand behind international pension insurers and cover the risk associated with greater-than-expected increases in life expectancy.

With our reinsurance strategies, longevity risk is transferred from insurance companies (the cedants) to Prudential (the reinsurer) in exchange for reinsurance premiums.

Prudential’s reinsurance strategies deliver the flexibility international insurers need, and the additional security their clients want. Moreover, our expanded capabilities in longevity risk transfer demonstrate Prudential’s commitment to being the preferred provider of flexible, innovative risk transfer strategies for U.S. plan sponsors—as well as insurers internationally.

Committed to risk transfer innovation

Prudential’s range of risk transfer strategies is broader than ever, providing plan sponsors with more alternatives and additional security for these important transactions.

Prudential was the first insurer to complete a buy-in transaction in the U.S., and the first to make separate account risk transfer strategies available to clients—regardless of size. Combining our vast insurance and asset management expertise, we provide the transactional security plan sponsors need and demand.

We are committed to continued innovation in pension risk transfer solutions, and we invite plan sponsors and advisors to talk with us about the specific risks they wish to transfer—as well as those they wish to keep.
RELYING ON THE STRENGTH OF ‘THE ROCK’

Trust—it’s the foundation Prudential was built upon.

For 140 years, we have been keeping our promises to customers with an unwavering focus on sound money management and superior financial strength. That’s why Prudential is among the top ten largest institutional asset managers worldwide—and it’s why plan sponsors can rely on us to provide innovative risk transfer strategies.

Prudential offers market leadership and financial strength to its clients.

An established financial services leader

- Over 140 years of keeping our promises
- Over 40 countries and territories where our diverse businesses operate
- 97% brand awareness among the general U.S. public
- Ninth-largest institutional asset manager worldwide
- Prudential was rated No. 1 in FORTUNE magazine’s 2016 World’s Most Admired Companies ranking in the Insurance: Life and Health category. (February 15, 2016)

A leader in serving DB plans

- Currently managing assets for 23 of the largest 25 U.S. corporate DB plans
- $124.1 billion in DB assets
- Fifth-largest DB money manager
- Second-largest active institutional manager of domestic fixed income
- Largest manager of U.S. pension buy-outs

Well-capitalized and financially strong

- Approximately $1.2 trillion in total assets under management
- $244.9 billion in admitted assets including $128.1 billion in separate accounts
- Well-diversified General Account with assets of $116.9 billion

Leveraging Prudential’s size and strength

- Prudential is one of the largest institutional asset managers in the U.S. and the world.
- Our broadly diversified portfolio is invested in a wide range of institutions across many industries and countries.
- We maintain appropriate reserves and strong risk-control procedures to ensure all invested assets are well protected.
- We are highly rated by four major ratings firms.

1 Prudential’s 2015 Brand Awareness Study by Global Market Research.
3 Based on U.S. Plan Sponsor rankings in Pensions & Investments, as of September 30, 2015, published February 2016.
5 LIMRA Group Annuity Risk Transfer Survey 4Q15. Based on assets of single-premium buy-outs, which are group annuity contracts used to assume certain benefit liabilities of a terminating pension plan or, in some cases, a plan settlement of specific groups.
7 Information for The Prudential Insurance Company of America, as of December 31, 2015.
8 As of December 31, 2015.
9 The rating firms are A.M. Best, Fitch, Standard & Poor’s and Moody’s.
Our goal is to be your provider of choice, offering risk transfer strategies like Prudential’s Portfolio Protected Buy-out and Buy-in that help redefine retirement.

Prudential Retirement has a highly skilled, knowledgeable Pension Risk Transfer team dedicated to working closely with plan sponsors and advisors. Our solutions are built on long-established core capabilities of insurance and risk and investment management.

We invite you to reach out to our Pension Risk Transfer team for more information on how we can help you achieve your pension plan goals.

**Prudential’s Pension Risk Transfer Team**
Phone: 1-860-534-2440
pensionrisk.prudential.com
For additional information including product limitations, terms, conditions, and exclusions, please contact Glenn O’Brien at 860-534-2440.

Prudential’s Traditional Buy-out is a group annuity contract issued by The Prudential Insurance Company of America (PICA), Newark, NJ 07102. Amounts contributed are deposited in PICA’s general account. Any payment obligations or guarantees are contingent on the claims-paying ability of PICA.

Prudential’s Portfolio Protected Buy-out and Prudential’s Portfolio Protected Buy-in are group annuity contracts issued by The Prudential Insurance Company of America (PICA), Newark, NJ 07102. Amounts contributed to the contracts are deposited in a separate account established by PICA. Payment obligations specified in the group annuity contracts are insurance claims supported by the assets in the separate account and, if such assets are not sufficient, by the full faith and credit of PICA.

Reinsurance products are issued by either Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, or The Prudential Insurance Company of America (PICA), Newark, NJ. Both are wholly owned subsidiaries of Prudential Financial Inc. (PFI) and have no affiliation with Prudential plc of the United Kingdom. Each company is solely responsible for its financial condition and contractual obligations. Neither PRIAC nor PICA are authorized or regulated by the U.K. Prudential Regulation Authority or regulated by the Financial Conduct Authority, nor do they offer insurance or reinsurance in the United Kingdom. PRIAC and PICA do provide off-shore reinsurance to companies that have acquired U.K. Pension risks through transactions with U.K. plan sponsors, PRIAC and PICA are not authorized or regulated by the Office of Superintendent of Financial Institutions for Canada or by the Financial Services Commission of Ontario.

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Products not available in all states.

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