

# PLAN SPONSOR FREQUENTLY ASKED QUESTIONS

*Prudential Guaranteed Fund for Millennium Trust Company IRA Accounts*

## **1. What is the formal name? When was the General Account segment first used to support these types of contracts? When was the fund established?**

The formal name is the Prudential Guaranteed Fund (PGF) (the “Fund”). The segment of the General Account used to support the PGF Contract was first used for these types of contracts in 1984. We track the projected investment earnings for the segment of our General Account which supports certain retirement plan contracts as a consideration in establishing the interest crediting rates for this Contract. A segment is not a physical segregation of assets, but rather an accounting mechanism used to track the investment experience of assets which support the liabilities of similar contracts. This particular PGF Contract was established with Millennium Trust Company in December of 2015.

## **2. Can the Fund serve as the safe harbor investment option for automatic rollovers out of the plan?**

The PGF is consistent with the following DOL regulations finalized in September 2004: the PGF is offered by an insurance company (Prudential Insurance Company of America) and is designed to minimize risk, preserve principal, provide a reasonable rate of return and maintain liquidity.

The plan sponsor makes the fiduciary determination that the PGF meets the criteria for the safe harbor investment option.

## **3. What is the objective of the Fund?**

The PGF is a stable value fund designed to minimize risk, preserve principal, maintain liquidity, and provide a stable and reasonable rate of return.

## **4. What does the Fund offer and how does the crediting rate setting process work?**

The Fund offers:

- stability of crediting rate
- guaranteed protection from market volatility for principal and accumulated interest
- intermediate-term fixed-income returns

In determining crediting rates, Prudential consider factors such as:

- projected investment earnings
- current interest rate environment
- cash flows
- investment management expenses
- profit and risk component

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## 5. What is the structure and features?

The Fund is a group annuity product issued by Prudential Insurance Company of America (PICA), Newark, NJ 07102. The group annuity contract is issued to Millennium Trust Company (“Contract Holder”) as the Auto IRA custodian on behalf of Auto IRA participants. Participant funds are invested into the Fund with the establishment of the IRA. The participant receives instructions to access disclosures and account information via the Millennium Trust Company website. These underlying IRA accounts become part of the overall Contract Holder Account. Amounts contributed to the contract are deposited in PICA’s general account. Account holders may not make additional contributions to the PGF once invested. Principal and accumulated interest are guaranteed by PICA. Payment obligations and the fulfillment of any guarantees specified in the group annuity contract are insurance claims supported by the full faith and credit of PICA. Interest-crediting rate is declared in advance and is guaranteed for a six-month period.

## 6. Are there any participant-level liquidity restrictions and why are they needed?

Participants may withdraw their PGF balance at any time. However, there would be a withdrawal charge if certain trigger events occur. If the total dollar amount of all IRA account deposits in the Contract reaches \$25,000,000, a withdrawal charge may apply. The charge will apply as follows. If the total withdrawals from the Contract by all IRA account holders exceed twenty percent (20%) of the Contract balance at the start of the contract year, subsequent withdrawals during that contract year will be subject to a four percent (4.00%) withdrawal charge. A new contract year begins each September 1.

The withdrawal charge will not apply to withdrawals on account of a participant’s death, to satisfy the minimum distribution requirements (under Section 401(a)(9) of the Internal Revenue Code), due to the escheatment of a participant’s IRA account, or for withdrawals to pay any fees due to the custodian of your IRA.

It is necessary to maintain equity among general account clients and to protect remaining clients from adverse investment selection. Without a Withdrawal Charge, there would be an incentive to withdraw funds during periods of increasing interest rates because funds could then be invested at higher rates. The difference between book value and market value would then have to be absorbed by the remaining active clients through lower credited interest rates.

## 7. How is the Fund’s underlying portfolio invested?

The Fund is supported by a high quality portfolio which is broadly diversified across asset classes, industry sectors, geographic regions and issuers. The General Account is invested primarily in publicly traded and privately placed debt securities and mortgage loans, and it also includes, to a lesser extent, real estate and other equity investments. For public securities, private placement and commercial mortgages, Prudential closely monitors credit and interest rate risks and proactively adjusts portfolio exposures to adhere to risk limits and guidelines. The portfolio is invested predominantly in investment grade securities with limited exposure to below investment grade securities. In addition, financial instruments such as swaps and futures may only be used to manage risk.

## 8. How is the investment team structured and how does the team approach risk management?

The Stable Value Portfolio Strategy Team is responsible for the overall portfolio strategy, design and structure, including asset allocation and diversification. The strategy utilizes a highly team oriented process with asset class specialists responsible for seeking and identifying the most attractive investments available in their respective sectors. Asset allocation is based on relative value judgments consistent with the overall portfolio profile.

Risk management is an essential component of the approach PICA uses to manage financial assets—and of our commitment to clients and participants. We have safeguards in place to prevent us from taking disproportionate risks. To help enhance the rigor of our approach, we separate risk-taking on the investment side from risk management.

We maintain an independent risk management organization within Prudential Financial. This structure demonstrates our commitment to a system of checks and balances. Our risk managers establish investment risk limits for exposures to any issuer, geographic region, type of security or industry sector.

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## 9. What are the additional safeguard considerations besides the risk management approach?

With more than 40 years' experience, Prudential is one of the top stable value managers and is a leader in the asset management business with strong credit analysis, quantitative and risk management capabilities. Prudential uses rigorous and in-depth credit research to manage risk.

### Portfolio Diversity

Principal and accumulated interest are guaranteed by The Prudential Insurance Company of America (PICA).

PICA maintains a large, well-diversified asset portfolio. Within the General Account, the PGF is supported by a diversified portfolio of fixed-income instruments (the PICA Defined Contribution portfolio, or "PICA DCP"). The portfolio is diversified in public bonds, private placements and commercial mortgages.

Prudential has strong capabilities within private placement and commercial mortgage investing, and our Public Fixed Income Management group is highly regarded with a long track record of success.

### Oversight

The scope of state regulation of the PICA General Account is broad, extending to areas such as required levels of capital and surplus, the calculation of policy reserves, investments, sales practices, market conduct, product design and company operations. Life insurers are subject to stringent capital requirements and close scrutiny of their liquidity management.

Like all life insurance companies, The Prudential Insurance Company of America must submit quarterly financial statements to the State of New Jersey and the National Association of Insurance Commissioners and annually to all other states in which it does business. These statements contain, among other things, information about the General Account's investments, and the method of computing reserves necessary to comply with state laws. The state insurance departments use this information to evaluate whether there is any cause for concern about a company's finances.

### Protection in Insolvency Situations

Despite these extensive protections, if PICA becomes insolvent, any investments in the PGF are considered part of PICA's General Account and are subject to claims of creditors. If such a situation were to occur, however, policyholders' claims would represent the first significant category of claims, following payment of any administrative and legal fees. The claims of policyholders come before the claims of general creditors and stockholders.



The Prudential Guaranteed Fund (PGF) is a group annuity product issued by The Prudential Insurance Company of America (PICA), Newark, NJ 07102. Amounts contributed to the contract are deposited in PICA's general account. Payment obligations and the fulfillment of any guarantees specified in the group annuity contract are insurance claims supported by the full faith and credit of PICA. PICA periodically resets the interest rate credited on contract balances, subject to a minimum rate specified in the group annuity contract. Past interest rates are not indicative of future rates. This product is neither a mutual fund nor a bank product. The obligations of PICA are not insured by the FDIC or any other federal governmental agency. Contract form # DC-408-PGF-IO-2015.

If the PICA General Account returns exceed interest credited, Prudential Retirement earns a profit; otherwise we incur a loss.

This frequently asked questions document is provided by The Prudential Insurance Company of America which is solely responsible for its content. **Questions should be directed to Prudential. Please contact your Millennium Trust service team for information on how to reach Prudential.** Millennium does not offer, sell or recommend the Prudential Guaranteed Fund or any investment. All requests for information on and questions as to the Prudential Guaranteed Fund and the group annuity contract offered through Prudential must be directed to Prudential.

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