

Retiree Life Solutions

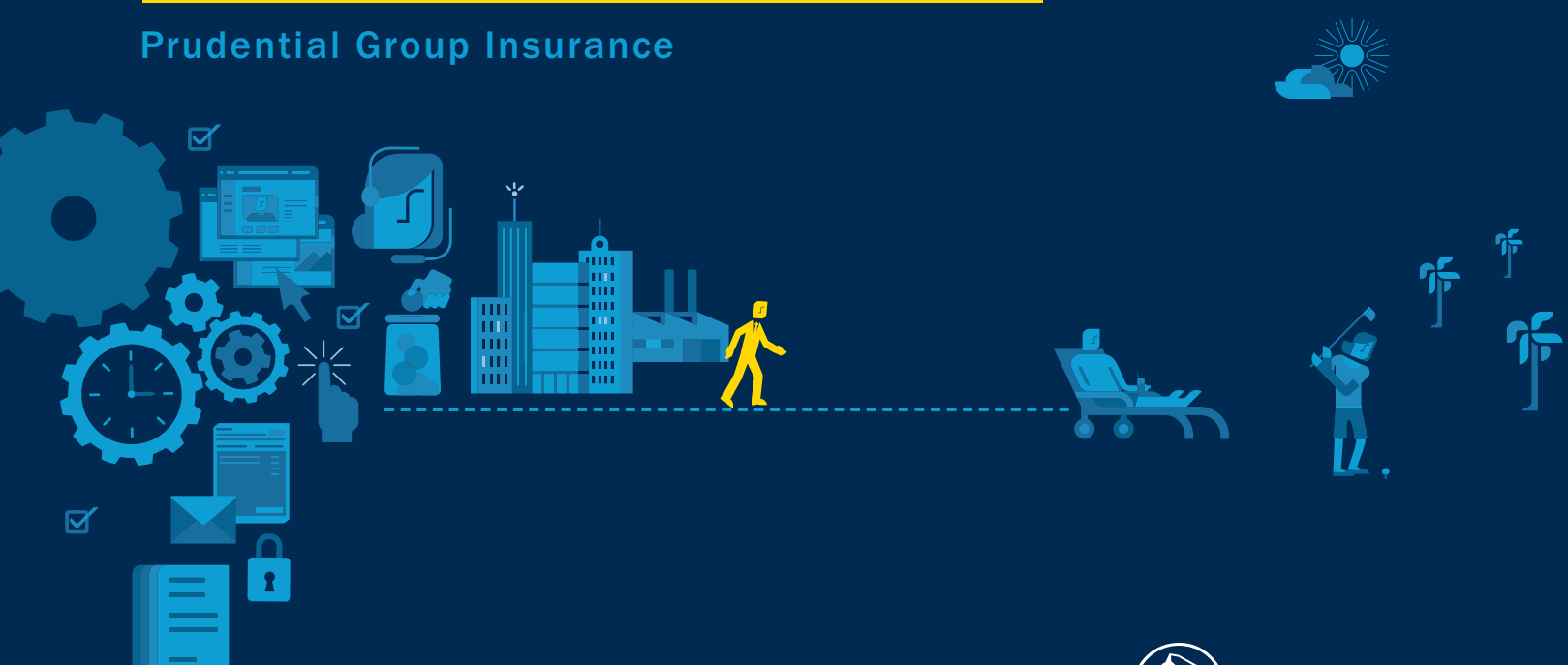
real

CHALLENGES

SOLUTIONS

RESULTS

Prudential Group Insurance



A scenic photograph of a forest stream with large rocks and evergreen trees. The stream flows through a lush green forest, with large, smooth boulders in the foreground. The water is clear and reflects the surrounding greenery. The trees are tall and dense, creating a sense of a deep, quiet forest.

Results-Driven Solutions

From a Name You Know and Trust

Since 1875, the Prudential brand has been synonymous with helping people achieve financial security and peace of mind. Our well-known rock symbol is an icon of strength, stability, expertise, and innovation that has stood the test of time.

Prudential has been helping clients and their employees meet benefits challenges since 1916, when we first began underwriting group insurance plans. Today, our Group Insurance business unit is the nation's second-largest group life carrier, proudly servicing 13,000 employers—and insuring more than 23 million employees and their families.¹

Prudential is well recognized for the breadth and depth of our life products and services. We have expertise in providing quality insurance coverage to active employees and retired individuals. Our continued innovation helps ensure that you have retiree life solutions available to you that keep pace with an ever-changing business environment and shifting worker demographic.

The driving force of our customer-oriented philosophy is simple: Every Prudential professional is committed to giving you and your employees the ultimate in customer service.

Our combination of financial strength, excellent service, and innovative products allows us to help satisfy the cost and value requirements of your employee benefits programs.

Retiree Benefits Present Real Challenges for Employers and Employees

As employee demographics shift toward an older workforce, the prospect of continuing to provide retiree benefits raises new challenges for companies. Retiree benefit costs are increasing as more and more baby boomers retire and companies are adding additional retirees through mergers or acquisitions. Businesses are faced with increasing pressure to decrease benefits costs at a time when they are trying to protect retirees and their loved ones.

Retiree benefits also come with certain liabilities, such as FAS 106 (ASC 715).^{*} A FAS 106 liability occurs when an employer promises to pay a retiree life insurance benefit in the future. That liability must accrue on the balance sheet during the active years and into retirement. Retirees often need more support than active employees, making administering life benefits a complicated and time-consuming process for a benefits staff.

Employees are confronted with a number of challenges, too. They need to protect loved ones with valuable life insurance benefits to help cover burial expenses, medical bills, housing expenses, and income replacement. But as employees head toward retirement, securing or maintaining affordable, quality coverage may be difficult. It's also important that employees understand their coverage choices and receive prompt, courteous, and knowledgeable service—and to know their beneficiaries will be taken care of in the same way.

Retiree life insurance is part of a competitive benefits program that attracts and retains talented workers. According to Towers Watson, 64% of large companies maintain post-retirement life insurance benefits.² Retiree life and other retiree solutions from The Prudential Insurance Company of America (Prudential) help employers like you protect your employees and their loved ones, while giving you cost and administrative advantages.



^{*}Accounting Standards Codification (ASC) Topic 715, Compensation Retirement Benefits

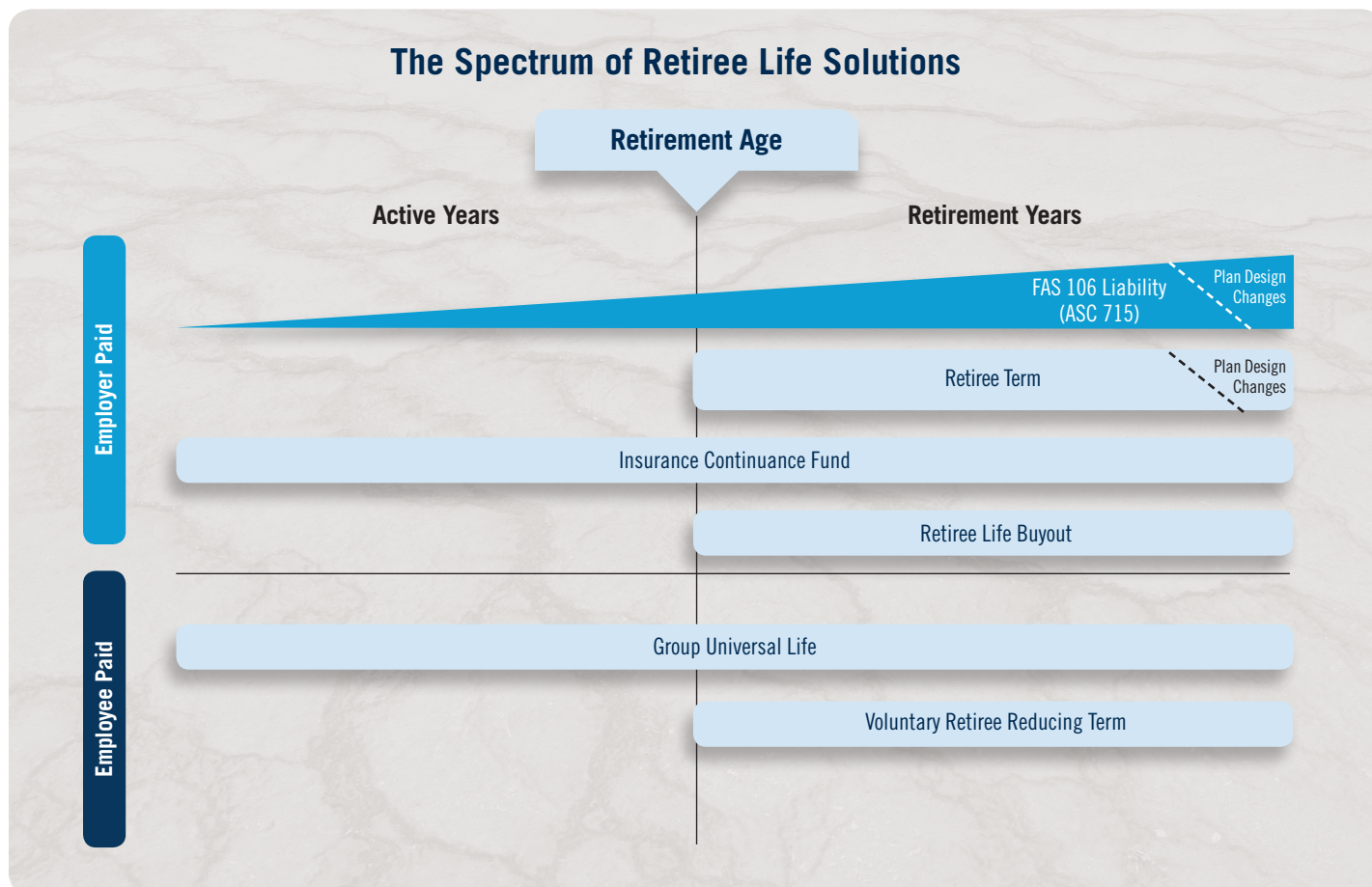
Minimizing Costs and Administrative Burden while Protecting Retirees and Their Loved Ones

By leveraging Prudential's range of life insurance products, you can offer retirees the valuable coverage they need while managing your costs and FAS 106 liabilities. At the same time, you can minimize work for your benefits staff. Some possible solutions include:

- **Plan Design Considerations**—By analyzing your retiree life plan design, we can help you understand your future costs and consult with you on options to maximize value.
- **Insurance Continuance Fund**—This product pre-funds retiree costs during the active years, helping to pay for retiree life insurance and offset the FAS 106 liability on the books.
- **Retiree Life Buyout**—This employer-funded option removes the liability, investment, and mortality risk on a distinct group of retirees.

- **Group Universal Life (GUL) Insurance**—The employee can contribute to GUL's Cash Accumulation Fund during the active years, so there is enough money to continue the plan into retirement or buy paid-up life insurance.
- **Voluntary Retiree Reducing Term (RRT) Life Insurance**—An employee-paid option, RRT provides an affordable and easy way to provide coverage in the retirement years.

The chart below illustrates who pays and when funding begins for the retiree life solutions Prudential offers. The top portion shows solutions paid for by the employer; the bottom, ones paid for by the employee. The left side shows funding that starts before retirement, and the right side highlights funding that starts at, or can continue into, retirement.



Prudential does not provide tax, legal, or accounting advice. Therefore, the employer should consult its own tax advisor and/or accounting advisor regarding the tax implications and/or FAS 106 accounting implications of the retiree life liability transfer arrangements they enter into with Prudential.



Plan Design Considerations

By understanding the short-term financial impact of your current benefit structure, we can work with you to identify cost-effective options to structure and finance your retiree programs.

Insurance Continuance Fund (ICF)

An ICF is a plan asset that offsets the FAS 106 liability because it has been segregated and restricted to pay retiree term life premiums. These plan assets are tax-advantaged vehicles funded by the employer during the active years, which help pay for the cost of retiree life insurance. Because the retiree term life insurance premium is pre-funded, the chance that you will be able to continue the retiree life benefit is increased.

The ICF has several cost advantages for employers. First, the contributions are tax-deductible up to DEFRA limits, which is typically premium associated with volumes up to \$50,000. Plus, the fund earns tax-deferred interest. Prudential deducts the retiree term life insurance premium from the ICF each month. We also conduct a full financial accounting of the premium, benefit charges, and retention at year-end, and send the report to you.

Retiree Life Buyout

A retiree life buyout allows you to remove the FAS 106 liability on a distinct group of retirees by paying a lump-sum premium. By lowering your total liabilities, you can in turn lower your debt-to-equity ratio, which may improve your credit rating. The retiree life buyout guarantees that Prudential will never charge additional premium regardless of actual mortality or investment experience. You will never have to worry about a rate increase or a renewal on this group at the end of a rate guarantee period. Your liability is capped at the lump-sum premium you paid. A buyout allows for an accelerated tax deduction up to DEFRA limits.

Once retirees are removed from an active/retiree combined plan, the rate may improve. In addition to taking over the financial liability, Prudential also handles most of the administration, including retiree communication, beneficiary records and updates, call center inquiries, and claims processing.

*Except for NY situated cases, where coverage will terminate at age 80.

Group Universal Life (GUL) Insurance

GUL Insurance allows employees to make decisions about their coverage needs post-retirement. Beginning when the employee is active, employee-funded GUL Insurance combines life insurance with a tax-deferred, fixed-interest rate Cash Accumulation Fund. An employee can contribute to the Cash Accumulation Fund so there is enough money to pay for insurance during retirement. The employee can continue this benefit to age 100 by pre-funding the Cash Accumulation Fund, paying the cost of insurance on a quarterly basis, or purchasing paid-up life insurance.

Unlike employer-paid term life insurance, GUL does not accumulate a FAS 106 liability because there is no promise by the employer to pay for a benefit at retirement. With GUL coverage, Prudential handles the majority of the record keeping, including beneficiary changes and assignments, claim preparation, and customer service.

Voluntary Retiree Reducing Term (RRT) Life Insurance

A new and exciting offering, Voluntary RRT is designed to provide an affordable benefit in a marketplace that offers few retiree-pay-all options. All retirees under age 100* are eligible to enroll, and all are eligible for an age-based guaranteed issue amount, with maximums based on age. As the name implies, coverage reduces as retirees age into new premium rates. But rates go up at the same rate that coverage reduces, keeping overall costs stable and affordable. This insurance is written as part of the active plan and features a guaranteed issue amount of \$15,000 for new entrants.

With Voluntary RRT, there is no employer benefit cost or FAS 106 liability carried by the employer. Because Prudential takes care of enrollment and billing, there is no additional administrative burden created by offering this coverage. All we need is a list of eligible retirees each month, and we'll mail to them, or you can, based on your preference.



Expect Real Results for You, Your Retirees, and Their Loved Ones

At Prudential, our expert teams are well versed in each retiree life solution we offer and are able to position the appropriate solution(s) based on the unique needs of your organization. Our consultative approach to benefits focuses on learning more about your needs so we can help determine which solution or solutions are most appropriate for your company, workforce, and retiree population.

When you choose Prudential as your carrier for retiree solutions, you have a variety of options available to you to protect employees—without the administrative hassle or increased FAS 106 liability. You will optimize the value of your benefits plans with a choice of solutions targeted toward active employees and retirees at various stages of the employment continuum, helping keep your benefits plans financially strong.

We pride ourselves on providing outstanding customer service for employers, employees, retirees, and their beneficiaries, and conduct regular surveys about our performance. Here are some recent results:

- 95% for Overall Client Satisfaction³
- 96% for Overall Beneficiary Satisfaction⁴
- 92% for Overall Call Center Performance⁵

Retiree Life Solutions: Results at a Glance

	Cost Advantage	Liability Advantage	Administrative Advantage	Employee Advantage
Plan Design Considerations	✓	✓		
Insurance Continuation Fund	✓	✓		✓
Retiree Life Buyout	✓	✓	✓	✓
Group Universal Life	✓	✓	✓	✓
Voluntary Retiree Reducing Term	✓	✓	✓	✓



*For more information, contact your Prudential representative today
or visit us online at www.prudential.com/gi.*

Choose Solutions That Help Deliver Results

Life Insurance

- Basic, Optional, and Dependent Term Life
- Basic and Optional Accidental Death & Dismemberment
- Business Travel Accident
- Group Universal Life
- Group Variable Universal Life
- Executive Group Variable Universal Life

Disability Insurance and Services

- Short Term Disability
- Long Term Disability
- Integrated Short & Long Term Disability
- State Mandated Disability
- Absence Management
- Return to Work Services

Retiree Solutions

- Insurance Continuance Fund
- Variable Insurance Continuation Fund
- Retiree Life Buyout
- Group Universal Life Insurance
- Group Variable Universal Life Insurance
- Executive Group Variable Universal Life Insurance
- Voluntary Retiree Reducing Term Life Insurance
- Retiree Portability

Global Solutions

- Multinational Pooling
- Prudential Zurich Global Benefit Solutions
- Captive Reinsurance

Non-Qualified Benefits

- Corporate Owned Life Insurance
- Trust Owned Life Insurance
- Bank Owned Life Insurance

¹ 2011 Statutory Annual Statement of Prudential (Blue Book). Client counts and lives covered are based upon number of contracts and certificates in force. ² Accounting for Defined Benefit Pensions and Other Postretirement Benefits, 2012—Reporting Under U.S. GAAP Among Fortune 1000 Companies. Towers Watson. ³ The Prudential Insurance Company of America, 2012 Group Insurance Middle Market and National Account Client Relationship Survey. ⁴ Prudential Group Life Beneficiary Satisfaction Survey, year-to-date as of June 30, 2012 ⁵ Prudential Group Insurance Transactional Studies, June 2012

Group Life, Accidental Death & Dismemberment, and Disability Insurance coverages are issued by The Prudential Insurance Company of America, 751 Broad Street, Newark, NJ 07102. The Group Contract discusses all details, including any policy exclusions, limitations, and restrictions, which may apply. Contract Series: 83500 and 96945.

Group Variable Universal Life Insurance Coverages are issued by The Prudential Insurance Company of America and distributed through Prudential Investment Management Services LLC (“PIMS”). The Prudential Insurance Company of America is located at 751 Broad St., Newark, NJ 07102 and PIMS is located at Three Gateway Center, 14th Floor, Newark, NJ 07102. Both are Prudential Financial companies. Contract Series: 89759

Investors should consider the contract and the underlying portfolios' investment objectives, risks, and charges and expenses carefully before investing. The contract's prospectus and the underlying portfolio's prospectus contain information relating to investment objectives, risks, and charges and expenses as well as other important information. Contact your financial professional for the prospectuses. You should read the prospectuses carefully before investing.

The Real Challenges Solutions Results logo is a registered service mark of The Prudential Insurance Company of America.

© 2013 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, the Rock symbol, and Bring Your Challenges are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

26502



Produced with the environment in mind.

0237531-00001-00