



## Market Conditions and Your Retirement Account with Prudential Questions and Answers

In light of recent news, you may have questions about market volatility and Prudential's exposure to the events surrounding the financial markets. Of more importance, you may ask about the safety of your retirement account(s) with Prudential®. The information below addresses some questions you may have.

### **What is market volatility?**

Simply stated, volatility is the unpredictability of the investment market. Because no one really knows what the market will do from day to day, market volatility is a general fact of life. In that sense, it is nothing new or unusual. However, when the market fluctuates greatly (up and especially down) over a short period of time, people become concerned about the safety of their investments; and, the topic of market volatility (the unpredictability of the market) becomes a greater concern.

### **Why is the market so volatile?**

There is no one reason for the recent volatility, but it has probably been spurred by heightened concerns over financial institutions (such as Lehman Brothers, AIG, and Merrill Lynch); worsening economic and corporate data, including further write-downs by banks; tighter mortgage lending; and a deteriorating outlook for housing prices. In addition, the increase in fuel costs across the board has had an impact on costs for both households and businesses.

### **With the recent dramatic news about several financial companies, should I be concerned about Prudential's overall stability?**

Prudential's balance sheet is strong and the company is highly rated by the major independent rating agencies. We have the capital strength and the diversified mix of businesses that position us for sustainable, long-term performance.

Prudential Financial companies have been helping grow and protect our customers' wealth for over 130 years. While Prudential is not immune from the issues facing the financial markets, we have risk-management procedures in place that are designed to limit the company's exposure to any single company.

### **What makes the North Carolina Stable Value Fund less subject to market volatility?**

If you are invested in this product you do not experience the direct market value volatility experienced by most holders of equity and bond mutual funds.

With this product, Prudential Insurance Company of America (PICA) declares a rate of interest in advance, and contributions and credited interest are supported by a portfolio of assets held in trust for the exclusive benefit of plan participants. In the event that such assets are not sufficient to meet payment obligations, balances are backed by a guarantee from PICA, a wholly-owned subsidiary of Prudential Financial.

PICA maintains a well diversified general account with a significant surplus position which we consider adequate to support its obligations. Other investments such as equity and bond mutual funds do not have this guarantee.

### **What about the safety of my defined contribution plan?**

- **FDIC Insurance.** The money held in an IRS qualified defined contribution plan, such as a 401(k) plan or Profit Sharing plan, is not insured by the Federal Deposit Insurance Corporation (FDIC), like a bank savings or checking account.
- **Assets Held in Trust.** Assets in an IRS qualified retirement plan, like a 401(k) or Taft Hartley (Union) Annuity Savings Plan, are segregated from the other funds of your employer or the general assets of the Union. If you are part of a governmental 457(b) or 403(b) plan, these assets

are required to be held in either a trust or similarly a group annuity contract. This trust is established exclusively for the benefit of the Plan's members.

Plan assets can only be accessed by certain individuals delegated and authorized by the Plan Sponsor or Union Plan Trustees to perform certain actions on behalf of the Plan. The Plan Sponsor or Union Plan Trustees appoints a committee or individuals charged with the overall administration of the Plan. The Plan Sponsor, Union Plan Trustees, its designated committee members, and other individuals involved with the Plan's operation, are Fiduciaries with regard to the Plan's operation and can be held responsible for their actions.

The financial status of the insurance company record-keeping an employer's Plan does not directly impact the value of such assets.

- **Market Fluctuation. North Carolina Stable Value Fund** balances grow at a predetermined crediting rate and are not subject to market value fluctuations. Most other investments are subject to market fluctuation of both positive and negative investment results; and may, unless specifically noted, be subject to loss of principal. You should refer to a specific fund's profile/facts sheet or prospectus for more information regarding a specific fund you want to invest in.

### **What if I am invested in the North Carolina Stable Value Fund and PICA's financial condition becomes jeopardized?**

If PICA was to become insolvent, any investments in **North Carolina Stable Value Fund**, are held in trust for the exclusive benefit of plan participants, and are not subject to claims of PICA's general account creditors.

### **Does this mean I am better off moving all of my assets to the North Carolina Stable Value Fund?**

While it is understandable that difficult periods in the market can result in concern for investors, only you can decide when to buy or sell investments within your retirement account. While the financial markets may remain volatile for a period of time, we encourage you to continue to remain focused on your long-term retirement goals.

This information has been provided for your benefit and is not intended as or designed to be investment or tax advice. Neither Prudential Retirement®, nor any of its representatives, may give legal or tax advice.

The Stable Value Fund is a combination of a group annuity contract issued by The Prudential Insurance Company of America (PICA), Newark, NJ 07102 and a portfolio of assets held in trust for the exclusive benefit of plan participants. Amounts contributed to the Stable Value Fund are deposited to the plan's designated trust account. Payment obligations and the fulfillment of any guarantees specified in the group annuity contract are insurance claims supported by the assets in the plan trust account and, if such assets are not sufficient, by the full faith and credit of PICA. The obligations of PICA are not insured by the FDIC or any other federal governmental agency. The interest rate credited on contract balances is reset pursuant to a formula contained in the group annuity contract. **Past interest rates are not indicative of future rates.**

Prudential Retirement's group variable annuity contracts are issued by Prudential Insurance Company of America (PICA), Newark, NJ, Prudential Financial companies.

Securities products and services are offered by Prudential Investment Management Services LLC (PIMS), Three Gateway Center, 14th Floor, Newark, NJ 07102-4077. PIMS is a Prudential Financial company.

Ratings refer to the financial strength of PICA and not to the safety or performance of any products or underlying funds.

All guarantees are based on the claims paying ability of the issuing company. Each company is solely responsible for its financial condition and contractual obligations.

Prudential Retirement and Prudential Financial are registered service marks of The Prudential Insurance Company of America, Newark, NJ and its affiliates. Prudential Retirement is a Prudential Financial business.