

Prudential Retirement

Discussion of Asset-backed Securities Collateralized by Sub-prime Mortgages

As of March 31, 2008

There has been significant media attention surrounding events in the sub-prime mortgage market. You may be wondering if your retirement plan's Guaranteed Income Fund faces significant risk from the sub-prime market.

Prudential Retirement would like to take this opportunity to provide you with our assurance that we do not expect events in the sub-prime market to have a material adverse impact on our financial position or our ability to meet our obligations to you or other customers.

Your plan's Guaranteed Income Fund has three primary levels of protection:

1. **The fund invests in a diversified portfolio of fixed-income instruments** – Diversification of investments helps to reduce risk. These investments are used to help pay the interest on your account and provide a return on your deposits. The overall credit quality of the portfolio is investment grade. Keep in mind, application of asset allocation and diversification concepts does not ensure safety of principal and interest. **It is possible to lose money by investing in securities.**
2. **A guarantee from Prudential Retirement Insurance and Annuity Company** – Prudential Retirement Insurance and Annuity Company (PRIAC) is a wholly-owned subsidiary of The Prudential Insurance Company of America, a Prudential Financial company. PRIAC is rated Aa3 (Excellent) from Moody's and AA (Very Strong) from Standard & Poor's.

If the investments held directly by the portfolio are insufficient to meet our obligation to you, the Prudential Retirement Insurance and Annuity Company is obligated to use all of its legally available financial resources to do so.

3. **Detailed monitoring** - Prudential consistently monitors the financial markets, including the subprime mortgage market, and regularly evaluates the market's potential impact on its investments and financial position.

When establishing interest crediting rates for the Guaranteed Income Fund (GIF), Prudential considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within PRIAC's General Account (the PRIAC Defined Contribution portfolio or "PRIAC DC").

Approximately 3% of the \$13.9 billion in investments held by the PRIAC DC portfolio rely on sub-prime mortgages as their source of principal and interest payments and of these, roughly 64% are rated "AAA" (the highest rating category), while a further 22% are rated "AA".

Sub-prime mortgages are mortgage loans that are generally used to finance or refinance the purchase of homes. These loans generally entail a higher risk than prime mortgage loans because the borrowers may have a lower credit score than the average homeowner or for other reasons.

We believe that recent events in the sub-prime mortgage market will not have a material adverse impact on our financial position or our ability to meet our obligations to you or other customers invested in the PRIAC DC portfolio.

The Guaranteed Income Fund (GIF) is a group annuity insurance product issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT and is backed by the full faith and creditworthiness of the issuer. Deposits made to the product are deposited in the issuer's general account. Principal and interest are fully guaranteed by the issuer. Past interest rates are not indicative of future interest rates.