

Market Conditions and Your Retirement Account with Prudential

In light of recent news, you may have questions about market volatility and Prudential's exposure to the events in the financial markets, your retirement account with Prudential, and the stable value investments within your plan. The information below addresses some concerns you may have.

What is market volatility?

Simply stated, it 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 novel. However, when the market fluctuates greatly (up and down) over a period of time, people get 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 (Lehman Brothers, 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.

Is my retirement account insured by the FDIC?

Because of regulatory differences, the money held in qualified 403(b) plan accounts is not insured like a bank savings or checking account,

What makes the Guaranteed Investment Fund (GIF) less subject to market volatility, and how is the money in GIF protected from bank failures? If you are invested in this product you do not experience the direct market value volatility that is experienced by most holders of equity and bond mutual funds.

The GIF participant account values are backed by a guarantee from Prudential Retirement Insurance and Annuity Company (PRIAC). PRIAC is a wholly-owned subsidiary of The Prudential Insurance Company of America, a Prudential Financial company.

The general account supports our Guaranteed Income Fund (GIF). With these products, PRIAC declares a rate of interest in advance, and contributions and credited interest are guaranteed by Prudential Retirement Insurance and Annuity Company and backed by all of the company's general assets.

PRIAC maintains large and well diversified portfolios to back-up its obligations as well as a large surplus of cash to meet its obligations to its customers. If the investments held directly by the portfolio are insufficient to meet our obligation to you, then PRIAC is obligated to use its surplus to do so. Other investments such as equity and bond mutual funds do not have this guarantee.

What if I am invested in the GIF and Prudential's financial condition becomes jeopardized?

If [Prudential Retirement Insurance and Annuity Company (PRIAC) was to become insolvent, any investments in the Guaranteed Income Fund (GIF), through PRIAC, are part of the insurance company's general account and are subject to claims of creditors. If such a situation were to occur, however, in general, policy claims (such as your account) represent one of the first significant categories of claims, ahead of general creditor and stockholder claims. In addition, in the event of insolvency, state insurance guaranty associations may afford some additional financial protection.

Does this mean I am better off moving all of my assets to the GIF?

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.

For more information about investing, visit www.prudential.com/prep. You will find resources including online asset allocation presentations, calculators and articles that can assist you with your retirement planning strategy.

What if I still have questions?

We are here to help you with your retirement needs.

If you ever have any questions or concerns about your account you can always call Prudential Retirement at 877-778-2100 to speak with a Customer Service Representative from 8:00 a.m. ET through 9:00 p.m. ET.

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.

Prudential Retirement's group variable annuity contracts are issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, or 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.

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

Ratings refer to the financial strength of PRIAC 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.

INST-20080922-A028414