

THE STRENGTH OF GUARANTEED GROUP ANNUITIES

GUARANTEED INCOME FROM PRUDENTIAL



Having a reliable source of income during retirement can give you invaluable peace of mind—and that is precisely what a guaranteed group annuity that pays fixed benefits can provide.

These types of annuities are financial products sold by insurance companies that provide a dependable stream of income to covered persons—or “annuitants”—for their entire lives, or in some cases, for the lifetime of a “joint annuitant” (such as a spouse) thereafter.

Guaranteed group annuities are backed by the financial strength and claims-paying ability of the issuing insurance company. When covered by a guaranteed group annuity issued by The Prudential Insurance Company of America (Prudential), you can have confidence in knowing your payments are secure, and that Prudential is wholly committed to providing you with guaranteed income.¹

OFFERING A NUMBER OF ADVANTAGES

Individuals covered by group annuities enjoy several advantages:

- **Reliability**—Guaranteed group annuities provide guaranteed income that can help pay everyday living expenses.
- **Certainty**—Fixed annuity income payments are protected from financial market fluctuations.
- **Longevity**—Annuitants are safeguarded from the possibility of outliving their income. (In some instances, payments are made for a specified period.)

PROVIDING SUPERIOR BENEFIT PROTECTION

Because they are issued by highly regulated insurance companies that are required to maintain reserves to fully meet all of their financial obligations, guaranteed group annuities have proven to be very safe. When issuing these group annuities, an insurance company is required to:

- Set aside capital to support the risk assumed;
- Test the sufficiency of its assets and reserves each year, adding more reserves if needed; and
- Remain subject to state regulatory supervision.

Group annuities are also backed by state guaranty association protection to the extent provided by state law.

COVERING MORE RETIREES, MORE EFFECTIVELY

Group annuities are designed for institutional employers. Rather than having a number of individual annuities, the group annuity is a contract that covers all eligible retirees. Group annuity contracts make it possible to provide more retirees with guaranteed retirement income less expensively than if each retiree had to be individually insured.

On the back page is a comparison of the benefits and features of traditional defined benefit pension plans to those of group annuity contracts.

DEFINED BENEFIT PENSION PLANS

GUARANTEED GROUP ANNUITY CONTRACTS

How They Provide Retirement Income

- Retirement income provided by assets in the pension fund
 - A plan's liabilities do not have to be fully funded, but an employer must fund the plan at a rate designed to achieve 100% funded status (or more) over a reasonable period of time
- Benefits guaranteed for the entire amount and are legal contracts between insurers and retirees
 - Funding requirements are carefully calculated and are subject to state regulation and monitoring

How They Manage Risk

- Typical plans are invested over 60% in risky investments like common stocks, private equity and hedge funds
 - A typical plan sponsor does not hold additional reserves to cushion possible losses
 - No precise amount of capital is required to account for possible losses
 - Assets are exposed to market volatility, varying significantly both up and down²
- Assets are invested primarily in high-grade, fixed-income securities
 - Insurers are legally required to hold reserves, designed to ensure fulfillment of all obligations
 - Insurers hold precise amounts of capital to account for possible losses
 - Assets are tested each year to ensure sufficient amounts exist to fulfill the promised benefits
 - State regulatory supervision continues for life of annuity

How They Are Protected

The last time the funded status of the 100 largest corporate pension plans in the U.S. was 100% or more was 2008.³

Three layers of protection:

- Current assets and investment results
 - Contributions employers are required to make to keep plans funded
 - Guarantees provided by the Pension Benefit Guaranty Corporation (PBGC), up to PBGC limits
- Group annuity contracts are fully funded at inception
 - Insurers' general accounts hold certain assets to support the payment obligations
 - Some group annuity contracts also are supported by an insurer separate account
 - Insurers' assets commonly are invested primarily in high-grade, fixed-income bonds, with cash flows intended to match liabilities

How The Government Backs Them Up

- PBGC guarantees payments up to specified limits and is not supported by separate reserve fund
 - 16% of annuitants whose benefits are paid by the PBGC had benefits reduced an average of 28%⁴
 - PBGC is permitted to operate with a long-term deficit (\$79.4 billion as of fiscal year 2016)⁵
- Each state (including Puerto Rico and the District of Columbia) has a state guaranty association operating under individual state laws
 - In the unlikely event of a insurance company failure, state insurance regulators provide annuitant protection through their state guaranty association, as provided by state law
 - Regulators place policyholders and annuitants first in priority for claims on a failed insurance carrier's assets

FOR MORE INFORMATION PLEASE CALL 800-621-1089 (hearing impaired call 877-760-5166), Monday through Friday, 8 a.m. to 9 p.m. ET

To learn more about Prudential's financial strength, visit prudential.com and click "Investor Relations."

¹ Guarantees are based on the claims-paying ability of the insurance company and are subject to certain limitations, terms, and conditions.

² Twice since 2000, U.S. corporate pension plans have lost over 30% funded status in market downturns. Source: Milliman 100 Pension Funding Index as of December 31, 2016.

³ Source: Milliman 100 Pension Funding Index, December 31, 2016.

⁴ Source: "PBGC's Guarantee Limits - An Update," Pension Benefit Guaranty Corporation, September 2008. Study describes effects of statutory and regulatory limitations on PBGC guarantees.

⁵ Pension Benefit Guaranty Corporation 2016 Annual Report.

For informational or educational purposes only. This material is not intended as advice or recommendation about investing or managing your retirement savings. By sharing it, Prudential Retirement is not acting as your fiduciary as defined by the Department of Labor's Fiduciary rule or otherwise. If you need investment advice, please consult with a qualified professional.

The Prudential Insurance Company of America (PICA) is solely responsible for its contractual obligations and financial condition. Products not available in all states. Group annuity contracts are issued by PICA, Newark, NJ, a Prudential Financial company.

© 2017 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.