

PRUDENTIAL FINANCIAL INC  
Form DEF 14A  
March 20, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Prudential Financial, Inc.**

(Name of Registrant as Specified In Its Charter)

Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

**Table of Contents**

**Prudential Financial, Inc.**

751 Broad Street, Newark NJ 07102

March 20, 2009

Dear Fellow Shareholder:

On behalf of your Board of Directors, you are cordially invited to attend the Annual Meeting of Shareholders of Prudential Financial, Inc. Your Company's Annual Meeting will be held on May 12, 2009 at Prudential Financial's Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102 at 2:00 p.m. The location is accessible to handicapped persons, and, upon request, we will provide wireless headsets for hearing amplification.

The Notice of Meeting and proxy statement describe the matters to be voted on at the meeting.

**Your vote is important.** We urge you to participate in Prudential Financial's Annual Meeting, whether or not you plan to attend, by promptly voting via the Internet, telephone or completing a proxy card. Regardless of the size of your investment, your vote is important, so please act at your earliest convenience. Finally, if you do plan to attend the meeting, you will need an admission ticket and valid photo identification. Please refer to the instructions set forth in the Notice of Meeting, Notice of Internet Availability or the proxy card.

We appreciate your participation, support and interest in the Company.

Sincerely,

John R. Strangfeld

Chairman and Chief Executive Officer

**Table of Contents**

**Prudential Financial, Inc.**

751 Broad Street, Newark NJ 07102

**Notice of Annual Meeting of Shareholders**

**of Prudential Financial, Inc.**

**Date:** May 12, 2009

**Time:** 2:00 p.m.

**Place:** Prudential Financial's Corporate Headquarters

751 Broad Street

Newark, NJ 07102

At the 2009 Annual Meeting, shareholders will act upon the following matters:

1. Election of 14 directors listed on pages 3-6 of the enclosed proxy statement, for a term of one year;
2. Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the year ending December 31, 2009;
3. Shareholder proposal regarding a shareholder advisory vote on executive compensation;
4. Shareholder proposal on separating the offices of Chairman and Chief Executive Officer; and
5. Transaction of such other business as may properly come before the meeting.

Information about the matters to be acted upon at the Annual Meeting is contained in the proxy statement.

Shareholders of record at the close of business on March 13, 2009, will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

Shareholders will need an admission ticket and valid photo identification to attend the Annual Meeting. If your shares are registered in book entry or certificate form through our Transfer Agent, Computershare, an admission ticket is attached to the proxy card or the Notice of Internet Availability. If your shares are not registered through Computershare, you will need to bring proof of your share ownership to the meeting to receive an admission ticket. Please bring either a copy of your account statement or a letter from your broker, bank or other institution reflecting your share ownership as of March 13, 2009. Please note that the use of photographic and recording devices is prohibited in the building. For your safety, we reserve the right to inspect all personal items prior to admission to the Annual Meeting.

By Order of the Board of Directors,

Kathleen M. Gibson

Vice President, Secretary and Corporate Governance Officer

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 12, 2009. The 2008 Annual Report, 2009 Proxy Statement and other proxy materials are available at [www.investor.prudential.com](http://www.investor.prudential.com).**

**Your vote is important! Please take a moment to vote by Internet, telephone or completing a proxy card as detailed in the *How Do I Vote* section of this document. Your prompt cooperation will save your Company additional solicitation costs.**

March 13, 2009

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

<u>General Information</u>	1
<u>Voting Instructions and Information</u>	1
<u>Item 1: Election of Directors</u>	3
<u>Item 2: Ratification of the Appointment of the Independent Registered Public Accounting Firm</u>	7
<u>Report of the Audit Committee</u>	8
<u>Item 3: Shareholder Proposal on a Shareholder Advisory Vote on Executive Compensation</u>	10
<u>Item 4: Shareholder Proposal on Separating the Offices of Chairman and Chief Executive Officer</u>	12
<u>Corporate Governance</u>	13
<u>Policies and Procedures for the Review and Approval of Transactions with Related Parties</u>	15
<u>Committees of the Board of Directors</u>	18
<u>Compensation of Directors</u>	19
<u>Processes for Determining Executive Compensation</u>	20
<u>Compensation Committee Report</u>	21
<u>Compensation Discussion and Analysis</u>	22
<u>Compensation of Named Executive Officers</u>	32
<u>Summary Compensation Table</u>	32
<u>Grants of Plan-Based Awards</u>	35
<u>Outstanding Equity Awards at Fiscal Year-End</u>	37
<u>Option Exercises and Stock Vested in 2008</u>	38
<u>Pension Benefits</u>	39
<u>Nonqualified Deferred Compensation</u>	42
<u>Potential Post-Employment Payments</u>	43
<u>Voting Securities and Principal Holders Thereof</u>	49
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	50
<u>Submission of Shareholder Proposals</u>	50
<u>Householding of Proxy Materials and Elimination of Duplicates</u>	51
<u>Electronic Delivery of Proxy Materials</u>	51
<u>Annual Report on Form 10-K</u>	51
<u>Incorporation by Reference</u>	51
<u>Other Matters</u>	51

**Table of Contents**

2009 PROXY STATEMENT

**GENERAL INFORMATION**

The Board of Directors of Prudential Financial, Inc. ( Prudential Financial or the Company ) is providing this proxy statement in connection with the Annual Meeting of Shareholders to be held on May 12, 2009 (the Annual Meeting ) at 2:00 p.m. at Prudential Financial 's Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102, and at any adjournment or postponement thereof. Proxy materials or a Notice of Internet Availability were first sent to shareholders on or about March 20, 2009.

**VOTING INSTRUCTIONS AND INFORMATION**

**Who Can Vote?**

You are entitled to vote or direct the voting of your Prudential Financial Common Stock if you were a shareholder on March 13, 2009, the record date for the Annual Meeting. Shareholders of our Class B Stock, as of March 13, 2009, are also entitled to vote their shares. On that date, approximately 422,300,000 shares of Common Stock and 2,000,000 shares of Class B Stock were outstanding and the holders thereof entitled to notice of and to vote at the Annual Meeting. Each share of Prudential Financial Common Stock and Class B Stock is entitled to one vote, and the Common Stock and Class B Stock vote together as a single class on the matters submitted for a vote at this Annual Meeting.

**Who Is the Holder of Record?**

You may own shares of Common Stock either (1) directly registered in your name at our transfer agent, Computershare; or (2) indirectly through a broker, bank or other nominee.

If your shares are registered directly in your name at Prudential 's transfer agent, Computershare, you are the Holder of Record of these shares, and we are sending these proxy materials or Notice of Internet Availability of these materials directly to you. If you hold shares indirectly through a broker, bank or other nominee, these materials or Notice of Internet Availability of these materials are being sent to you by or on behalf of that entity.

**How Many Votes Are Required?**

A quorum is required to transact business at the Annual Meeting. We will have a quorum and be able to conduct the business of the Annual Meeting if the holders of 50% of the shares entitled to vote are present at the meeting, either in person or by proxy.



## How Do I Vote?

Your vote is important. We encourage you to vote promptly. You may vote in one of the following ways:

### Holders of Record

*By Telephone.* You can vote your shares by telephone, by calling 1-800-652-VOTE (8683). Telephone voting is available 24 hours a day. If you vote by telephone, you do not need to return a proxy card. Your vote by telephone must be received by 11:59 p.m. EDT, May 11, 2009.

*By Internet.* You can also vote on the Internet. The website address for Internet voting is [www.investorvote.com/prudential](http://www.investorvote.com/prudential). Internet voting is available 24 hours a day. If you vote by Internet, you do not need to return a proxy card. Your vote by Internet must be received by 11:59 p.m. EDT, May 11, 2009.

*By Mail.* If you choose to vote by mail, complete the proxy card, date and sign it, and return it in the postage-paid envelope provided. Your vote by mail must be received by 10:00 a.m. EDT, May 12, 2009, the date of the Annual Meeting. If you received a Notice of Internet Availability and would like to vote by mail, follow the instructions on the Notice to request a paper copy of the proxy materials.

*By Attending the Annual Meeting.* If you attend the Annual Meeting, you can vote your shares in person. You will need to have an admission ticket or other proof of ownership and valid photo identification with you for admission to the Annual Meeting. Please refer to the instructions noted on the proxy card or Notice of Internet Availability.

### Shares Held by Brokers, Banks and Nominees

If your shares of Common Stock are held through a broker, bank or other nominee, you will receive instructions from that entity in connection with the voting of your shares.

If you plan to attend the Annual Meeting and vote in person, you will need to contact your broker, bank or other nominee to obtain a legal proxy to permit you to vote by written ballot at the Annual Meeting.

## Table of Contents

PRUDENTIAL FINANCIAL, INC.

Upon the recommendation of our Corporate Governance and Business Ethics Committee, our Board of Directors recently amended our by-laws to provide for majority voting in the case of the election of Directors. Under our new by-law, a Director will be elected only if the votes cast for the Director exceed the votes cast against that Director.

If a quorum is present, an affirmative majority of the votes cast is required to ratify the selection of the independent auditor and adopt any of the shareholder proposals.

### **How Are Votes Counted?**

All shares that have been properly voted, and not revoked, will be voted at the Annual Meeting in accordance with your instructions. If you sign and return the proxy card but do not specify how you wish your shares to be voted, your shares represented by that proxy will be voted as recommended by the Board of Directors: *for* all of the 14 nominees for Director listed in this proxy statement; *for* ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2009; *against* the shareholder proposal regarding a shareholder advisory vote on executive compensation; and *against* the shareholder proposal to separate the offices of Chairman and Chief Executive Officer.

A New York Stock Exchange ( NYSE ) member broker who holds shares in street name for a customer has the authority to vote on certain items if the broker does not receive instructions from the customer. NYSE rules permit member brokers who do not receive instructions to vote on the election of Directors and the proposal to ratify the appointment of our independent auditor. Member brokers may not vote on either shareholder proposal without customer instruction. Proxies that are counted as abstentions and any proxies returned by brokers as broker non-votes on behalf of shares held in street name (because beneficial owners instructions have not been provided) will be treated as present for purposes of determining whether a quorum is present at the Annual Meeting. However, any shares not voted as a result of an abstention or a broker non-vote will not be counted as voting for or against a particular matter. Accordingly, abstentions and broker non-votes will have no effect on the outcome of a vote.

### **How Can I Revoke My Proxy or Change My Vote?**

You can revoke your proxy or change your vote by:

#### Holders of Record

Sending written notice of revocation to the Secretary of Prudential Financial;

Submitting another timely and later dated proxy by mail or, prior to 11:59 p.m., EDT, on May 11, 2009, by telephone or Internet; or

Attending the 2009 Annual Meeting and voting in person by written ballot.

Stock Held by Brokers, Banks and Nominees

You must contact your broker, bank or other nominee to obtain instructions on how to revoke your proxy or change your vote. You may also obtain a legal proxy from your broker, bank or other nominee to attend the Annual Meeting and vote in person by written ballot.

**Who Will Count the Vote?**

The Board of Directors has appointed IVS Associates, Inc. to act as the Inspector of Election at the 2009 Annual Meeting.

**Who Is the Proxy Solicitor?**

D.F. King & Co., Inc. has been retained by Prudential Financial to assist with the Annual Meeting, including the distribution of proxy materials and solicitation of votes, for a fee of \$30,000 plus reimbursement of expenses to be paid by the Company. In addition, our Directors, officers or employees, who will receive no additional compensation for soliciting, may solicit proxies for us in person or by telephone, facsimile, Internet or other electronic means.

*Page 2*

---

**Table of Contents**

2009 PROXY STATEMENT

**ITEM 1 ELECTION OF DIRECTORS**

At the Annual Meeting, 14 Directors are to be elected to hold office for a one-year term until the Annual Meeting of Shareholders to be held in 2010 and until their successors are duly elected or appointed.

Unless authority is withheld by the shareholder, it is the intention of persons named by Prudential Financial as proxies on its proxy card to vote *for* the nominees listed and, in the event that any nominees are unable or decline to serve (an event not now anticipated), to vote *for* the balance of the nominees and *for* any substitutes selected by the Board of Directors. The name, age, principal occupation and other information concerning each Director is set forth below.

Each of the nominees currently is a Director, and each has been recommended for re-election to the Board of Directors by the Corporate Governance and Business Ethics Committee and approved and nominated for re-election by the Board of Directors.

*The Board of Directors recommends that shareholders vote FOR all of the nominees.*

**Nominees for Director**

Thomas J. Baltimore, Jr. was elected as a Director of Prudential Financial, effective October 1, 2008. He has served as President of RLJ Development, LLC (a privately-held real estate investment company) since 2000. He served as Vice

President of Hilton Hotels Corporation from 1997 to 2000. He also served in various management positions with Marriott Corporation from 1994 to 1996. Mr. Baltimore's areas of expertise include real estate and investments. Other Directorships include: Integra Life Sciences Corporation and Duke Realty Corporation. Age 45.

Frederic K. Becker was elected as a Director of Prudential Financial in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a Director of Prudential Insurance in June 1994. He has served as President of

the law firm of Wilentz Goldman & Spitzer, P.A. since 1989 and has practiced law with the firm since 1960. Mr. Becker's primary expertise is in the area of law. Age 73.

Gordon M. Bethune was elected as a Director of Prudential Financial in February 2005. He served as Chairman and Chief Executive Officer of Continental Airlines, Inc. (international commercial airline company) from 1996

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

until his retirement in December 2004. Mr. Bethune was the President and Chief Executive Officer of Continental Airlines from November 1994 to 1996 and served as President and Chief Operating Officer from February 1994 to November 1994. Prior to joining Continental, Mr. Bethune held senior management positions with The Boeing Company, Piedmont Airlines, Western Air Lines, Inc. and Braniff Airlines. Mr. Bethune's primary expertise is in the area of business operations. Other Directorships include: Honeywell International, Inc. and Sprint Nextel Corporation. Age 67.

Gaston Caperton was elected as a Director of Prudential Financial in June 2004. He has served as the President of The College Board (nonprofit membership association of schools, colleges, universities and other educational organizations) since 1999. He was the Founder and Executive Director of Columbia University's Institute on Education & Government at Teachers College from 1997 to 1999 and a fellow at Harvard University's John F. Kennedy Institute of Politics from 1996 to 1997. Mr. Caperton served as the Governor of West Virginia from 1988 to 1996. Prior to his Governorship, he was an entrepreneur in the insurance business and was one of the principal owners of a privately held insurance brokerage firm. Mr. Caperton's areas of expertise include insurance, public policy and education. Other Directorships include: Owens Corning. Age 69.

*Page 3*

---

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

Gilbert F. Casellas was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since April 1998. He has served as Vice President, Corporate Responsibility of Dell Inc. since October

2007. He served as a member of the law firm of Mintz Levin Cohn Ferris Glovsky & Popeo, PC from June 2005 to October 2007. He served as President of Casellas & Associates, LLC, a consulting firm, from 2001 to 2005. During 2001, he served as President and Chief Executive Officer of Q-lix, Inc. (software development). He served as the President and Chief Operating Officer of The Swarthmore Group, Inc. (investment company) from January 1999 to December 2000. Mr. Casellas served as Chairman, U.S. Equal Employment Opportunity Commission from 1994 to 1998, and General Counsel, U.S. Department of the Air Force from 1993 to 1994. Mr. Casellas' areas of expertise include law, public policy, investments and education. Age 56.

James G. Cullen was elected as a Director of Prudential Financial in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a Director of Prudential Insurance in April 1994. He served as the President and

Chief Operating Officer of Bell Atlantic Corporation (global telecommunications) from December 1998 until his retirement in June 2000. Mr. Cullen was the President and Chief Executive Officer, Telecom Group, Bell Atlantic Corporation from 1997 to 1998 and served as Vice Chairman of Bell Atlantic Corporation from 1995 to 1997. Mr. Cullen's areas of expertise include business operations and sales and marketing. Other Directorships include: Agilent Technologies, Inc., Johnson & Johnson and NeuStar, Inc. Age 66.

William H. Gray III was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since September 1991. He has served as Chairman of the Amani Group (a business advisory and government

relations firm) since September 2004. He served as President and Chief Executive Officer of The College Fund/UNCF (philanthropic foundation) from 1991 until his retirement in 2004. Mr. Gray was a member of the U.S. House of Representatives from 1979 to 1991. Mr. Gray's areas of expertise include public policy and education. Other Directorships include: Dell Inc., JP Morgan Chase & Co., Pfizer Inc. and Visteon Corporation. Age 67.

Mark B. Grier was elected as a Director of Prudential Financial, effective January 1, 2008. He is Vice Chairman, and together with the Chief Executive Officer, a member of Prudential Financial's Office of the Chairman providing strategic

leadership to the enterprise. From April 2007 through January 18, 2008 he served as Vice Chairman responsible for the International Insurance and Investments and the Global Marketing and Communications divisions. He was initially elected a Vice Chairman of Prudential Financial in August 2002 and served as Executive Vice President from December 2000 to August 2002. He was elected Chief Financial Officer of Prudential Insurance in May 1995. Since May 1995 he has variously served as Executive Vice President, Corporate Governance, Executive Vice President, Financial Management, and Vice Chairman, Financial Management. He is a member of the Board of Managers of Wachovia Securities Financial Holdings, LLC, a joint venture formed in July 2003 as part of the combination of the retail brokerage and securities clearing businesses of Prudential Securities and Wachovia Securities. Prior to joining Prudential, Mr. Grier was an executive with Chase Manhattan Corporation. Age 56.

---

**Table of Contents**

2009 PROXY STATEMENT

Jon F. Hanson was elected as a Director of Prudential Financial in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a Director of Prudential Insurance in April 1991. He has served as Chairman of The Hampshire

Companies (a real estate investment fund management company) since 1976. Mr. Hanson served as the Chairman and Commissioner of the New Jersey Sports and Exposition Authority from 1982 to 1994. Mr. Hanson's areas of expertise include real estate, investments, government and business operations. Other Directorships include: HealthSouth Corporation and Pascoack Community Bank. Age 72.

Constance J. Horner was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since April 1994. She served as a Guest Scholar at The Brookings Institution (non-partisan research institute)

from 1993 to 2005, after serving as Assistant to the President of the United States and Director, Presidential Personnel from 1991 to 1993; Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991; and Director, U.S. Office of Personnel Management from 1985 to 1989. Mrs. Horner was a Commissioner, U.S. Commission on Civil Rights from 1993 to 1998. Mrs. Horner's areas of expertise include public policy and government. Other Directorships include: Ingersoll-Rand Company Limited and Pfizer Inc. Age 67.

Karl J. Krapek was elected as a Director of Prudential Financial in January 2004. He served as the President and Chief Operating Officer of United Technologies Corporation (global technology) from 1999 until his retirement in January 2002.

Prior to that time, Mr. Krapek held other management positions at United Technologies Corporation, which he joined in 1982. Mr. Krapek's areas of expertise include domestic and international business operations. Other Directorships include: The Connecticut Bank & Trust Company, Visteon Corporation and Northrop Grumman Corporation. Age 60.

Christine A. Poon was elected as a Director of Prudential Financial in September 2006. Ms. Poon served as Vice Chairman and a member of the Board of Directors of Johnson & Johnson from 2005 until her retirement on March 1,

2009. She will assume the role of Dean of Fisher College of Business, The Ohio State University in May 2009. Ms. Poon joined Johnson & Johnson in 2000 as Company Group Chair in the Pharmaceuticals Group. She became a member of Johnson & Johnson's Executive Committee and Worldwide Chair, Pharmaceuticals Group, in 2001, and served as Worldwide Chair, Medicines and Nutritionals from 2003 to 2005. Prior to joining Johnson & Johnson, she served in various management positions at Bristol-Myers Squibb for 15 years. Ms. Poon's areas of expertise include domestic and international business operations and sales and marketing. Age 56.

Page 5

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

John R. Strangfeld is Chairman, Chief Executive Officer, and President of Prudential Financial. He was elected Chief Executive Officer, President and Director on January 1, 2008 and Chairman on May 13, 2008. Mr. Strangfeld is a member

of the Office of the Chairman of Prudential Financial, and served as Vice Chairman of Prudential Financial from 2002 through 2007. He was Executive Vice President of Prudential Financial from February 2001 to August 2002. He served as Chief Executive Officer, Prudential Investment Management from October 1998 until April 2002. Mr. Strangfeld was also Chairman of the Board and CEO of Prudential Securities (renamed Prudential Equity Group, LLC) from December 2000 to April 2008. Mr. Strangfeld is a member of the Board of Managers of Wachovia Securities Financial Holdings, LLC, a joint venture formed in July 2003 as part of the combination of the retail brokerage and securities businesses of Prudential Securities and Wachovia Securities. He has been with Prudential since July 1977, serving in various management positions, including Senior Managing Director, The Private Asset Management Group from 1995 to 1998; and Chairman, PRICOA Capital Group (London) Europe from 1989 to 1995. Age 55.

James A. Unruh was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since April 1996. He became a founding member of Alerion Capital Group, LLC (private equity investment

group) in 1998. Mr. Unruh was with Unisys Corporation (information technology services, hardware and software) from 1987 to 1997, serving as its Chairman and Chief Executive Officer from 1990 to 1997. He also held executive positions with financial management responsibility, including serving as Senior Vice President, Finance, Burroughs Corporation, from 1982 to 1987. Mr. Unruh's areas of expertise include finance, business operations, sales and marketing, technology and investments. Other Directorships include: CSG Systems International, Inc., Qwest Communications International, Inc. and Tenet Healthcare Corporation. Age 67.

Page 6



**Table of Contents**

2009 PROXY STATEMENT

**ITEM 2 RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP ( PricewaterhouseCoopers ) as the Company s independent registered public accounting firm (independent auditor) for 2009. We are not required to have the shareholders ratify the selection of PricewaterhouseCoopers as our independent auditor. We nonetheless are doing so because we believe it is a matter of good corporate practice. If the shareholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers, but may retain such independent auditor. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of Prudential Financial and its shareholders. Representatives of PricewaterhouseCoopers are expected to be present at the Annual Meeting with an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The following is a summary and description of fees for services provided by PricewaterhouseCoopers in 2008 and 2007.

**Worldwide Fees (in millions)**

<i>Service</i>	<i>2008</i>	<i>2007</i>
<b>Audit (A)</b>	\$ 36	\$ 33
<b>Audit-Related (B)</b>	\$ 4	\$ 4
<b>Tax (C)</b>	\$ 1	\$ 1
<b>All Other</b>		
<b>Total</b>	<b>\$ 41</b>	<b>\$ 38</b>

(A) The aggregate fees for professional services rendered for the integrated audit of the consolidated financial statements of Prudential Financial and, as required, audits of various domestic and international subsidiaries, the issuance of comfort letters, agreed-upon procedures required by regulation, consents and assistance with review of documents filed with the Securities and Exchange Commission ( SEC ).

(B) The aggregate fees for assurance and related services including internal control and financial compliance reports, agreed-upon procedures not required by regulation, and accounting consultation on acquisitions and International Financial Reporting Standards (IFRS).

(C) The aggregate fees for services rendered by PricewaterhouseCoopers tax department for tax return preparation, tax advice related to mergers and acquisitions and other international, federal and state projects, and requests for rulings. In 2008, tax compliance and preparation fees total \$1.0M and tax advisory fees total \$0.1M and in 2007, tax compliance and preparation fees total \$1.0M and tax advisory fees total \$0.2M.

PricewaterhouseCoopers also provides services to domestic and international mutual funds and limited partnerships not consolidated by Prudential Financial, but which are managed by Prudential Financial. PricewaterhouseCoopers identified fees paid by these entities of \$8M in

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

2008 and \$6M in 2007 and that all of these fees relate to audit, audit-related and tax services.

The Audit Committee has advised the Board of Directors that in its opinion the non-audit services rendered by PricewaterhouseCoopers during the most recent fiscal year are compatible with maintaining their independence.

The Audit Committee has established a policy requiring its pre-approval of all audit and permissible non-audit services provided by the independent auditor. The policy identifies the guiding principles that must be considered by the Audit Committee in approving services to ensure that the independent auditor's independence is not impaired; describes the Audit, Audit-Related, Tax and All Other services that may be provided and the non-audit services that may not be performed; and sets forth the pre-approval requirements for all permitted services. The policy provides for the general pre-approval of specific types of Audit, Audit-Related and Tax services and a limited fee estimate range for such services on an annual basis. The policy requires specific pre-approval of all other permitted services. The independent auditor is required to report periodically to the full Audit Committee regarding the extent of services provided in accordance with their pre-approval and the fees for the services performed to date. The Audit Committee's policy delegates to its Chairman the authority to address requests for pre-approval of services with fees up to a maximum of \$100,000 between Audit Committee meetings if the Chief Auditor deems it reasonably necessary to begin

*Page 7*

## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

the services before the next scheduled meeting of the Audit Committee, and the Chairman must report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not delegate to management the Audit Committee's responsibility to pre-approve permitted services of the independent auditor.

All Audit, Audit-Related, Tax and All Other fees disclosed above were approved by the Audit Committee before services were rendered.

*The Board of Directors recommends that shareholders vote FOR ratification of the appointment of PricewaterhouseCoopers as the Company's independent auditor for 2009.*

## **REPORT OF THE AUDIT COMMITTEE**

In accordance with its written charter, which was approved in its current form by the Board of Directors on November 11, 2008, the Audit Committee assists the Board of Directors in its oversight of the accounting, auditing and financial reporting practices of Prudential Financial. The Audit Committee Charter ( Charter ) is located on our website [at www.investor.prudential.com](http://www.investor.prudential.com).

The Audit Committee consists of four members who, in the business judgment of the Board of Directors, are independent within the meaning of the rules of both the NYSE and the SEC and financially literate as defined by the rules of the NYSE. In addition, the Board of Directors has determined that at least one member of the Audit Committee, Mr. Unruh, satisfies the financial expertise requirements of the NYSE and has the requisite experience to be designated an audit committee financial expert as that term is defined by rules of the SEC. Specifically, Mr. Unruh has accounting and financial management expertise, which he gained through his experience as Senior Vice President, Finance, of a NYSE listed company, as well as experience in financial management positions in other organizations and other similar positions.

Management is responsible for the preparation, presentation and integrity of the financial statements of Prudential Financial and for maintaining appropriate accounting and financial reporting policies and practices, and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations.

PricewaterhouseCoopers is responsible for auditing the consolidated financial statements of Prudential Financial and expressing an opinion as to their conformity with generally accepted accounting principles, as well as expressing an opinion on the effectiveness of internal control over financial reporting in accordance with the requirements of the SEC.

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

In performing its oversight function, the Audit Committee reviewed and discussed the audited consolidated financial statements of Prudential Financial as of and for the year ended December 31, 2008 and Management's Annual Report on Internal Control Over Financial Reporting with management and Prudential Financial's independent registered public accounting firm (independent auditor). The Audit Committee also discussed with Prudential Financial's independent auditor the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) Auditing Standard AU Section 380, Communication with Audit Committees, and Rule 2-07 of Regulation S-X promulgated by the SEC, as modified or supplemented.

The Audit Committee received from the independent auditor formal written statements pursuant to PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and the NYSE Corporate Governance rules, as currently in effect. The Audit Committee also considered whether the provision to Prudential Financial of non-audit services by PricewaterhouseCoopers is compatible with maintaining the independence of PricewaterhouseCoopers, and has discussed with the independent auditor the independent auditor's independence.

The Audit Committee has discussed with and received regular status reports from Prudential Financial's Chief Auditor and independent auditor on the overall scope and plans for their audits of Prudential Financial, including their scope and plans for evaluating the effectiveness of internal control over financial reporting. The Audit Committee meets with the Chief Auditor and the independent auditor, with and without management present, to discuss the results of their respective examinations. In determining whether to reappoint PricewaterhouseCoopers as Prudential Financial's independent auditor, the Audit Committee took into consideration a number of factors, including the quality of the Audit Committee's ongoing discussions with PricewaterhouseCoopers and an assessment of the

*Page 8*

**Table of Contents**

2009 PROXY STATEMENT

professional qualifications and past performance of the Lead Audit Partner and PricewaterhouseCoopers.

In addition, the Audit Committee reviewed and amended its Charter; and received reports as required by its policy for the receipt, retention and treatment of financial reporting concerns received from external and internal sources.

Based on the reports and discussions described in this report and subject to the limitations on the roles and responsibilities of the Audit Committee referred to above and in its Charter, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of Prudential Financial and Management's Annual Report on Internal Control Over Financial Reporting be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the SEC.

THE AUDIT COMMITTEE

Frederic K. Becker (Chairman)

Gilbert F. Casellas

James G. Cullen

James A. Unruh

*Page 9*

## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

### **ITEM 3 SHAREHOLDER PROPOSAL ON A SHAREHOLDER ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Mr. William Creighton, 74 Bow Street, Freeport, ME 04032, holder of 300 shares of Common Stock, has advised us that he intends to introduce the following resolution:

Resolved, that shareholders of Prudential Financial, Inc. request the board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers ( NEOs ) set forth in the proxy statement's Summary Compensation Table (the SCT ) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

#### **Supporting Statement**

Investors are increasingly concerned about mushrooming executive compensation, especially when insufficiently linked to performance. In 2007, then-CEO Arthur Ryan took home a total pay package worth over \$22 million dollars, which was more than 500 times the average pay of production workers in the insurance industry. In 2008, shareholders filed close to 100 Say on Pay resolutions. Votes on these resolutions have averaged over 43% in favor, with ten votes over 50%, demonstrating strong shareholder support for this reform.

An Advisory Vote establishes an annual referendum process for shareholders about senior executive compensation. We believe the results of this vote, combined with dialogue with investors, would provide the board and management useful information about shareholder views on the company's senior executive compensation.

In its 2008 proxy, Aflac submitted an advisory vote resulting in a 93% vote in favor, indicating strong investor support for good disclosure and a reasonable compensation package. Daniel Amos, Chairman and CEO said, "An advisory vote on our compensation report is a helpful avenue for our shareholders to provide feedback on our pay-for-performance compensation philosophy and pay package."

To date, ten other companies have also agreed to an advisory vote, including Verizon, MBIA, H&R Block, Ingersoll Rand, Blockbuster, and Tech Data. TIAA-CREF, the country's largest pension fund, has successfully utilized the advisory vote twice.

Influential proxy voting service RiskMetrics Group recommends votes in favor, noting: RiskMetrics encourages companies to allow shareholders to express their opinions of executive compensation practices by establishing an annual referendum process. An advisory vote on executive compensation is another step forward in enhancing board accountability.

The Council of Institutional Investors endorsed advisory votes, and a bill to allow annual advisory votes passed the U.S. House of Representatives by a 2-to-1 margin. We believe the statesmanlike approach for company leaders is to adopt an advisory vote voluntarily before being required to do so by law.

We believe that existing U.S. Securities and Exchange Commission rules and stock exchange listing standards do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast, in the United Kingdom, public companies allow shareholders to cast a vote on the directors remuneration report, which discloses executive compensation. Such a vote is not binding, but gives shareholders a clear voice that could help shape senior executive compensation.

## **Board of Directors Statement in Opposition to the Proposal**

*The Board of Directors recommends that shareholders vote AGAINST this proposal for the following reasons:*

The Board of Directors agrees that it is desirable to provide our shareholders with an appropriate forum to express their views on the Company's executive compensation practices. Accordingly, the Board has implemented a convenient and effective mechanism to communicate with the Board regarding executive compensation. On the new Executive Compensation section of our website, shareholders can conveniently access the compensation section of our 2009 proxy statement and provide us with feedback; thus, having a say on pay [www.prudential.com/Executivecomp](http://www.prudential.com/Executivecomp).

In addition, shareholders may provide feedback to the independent Directors on any issues of corporate

**Table of Contents**

2009 PROXY STATEMENT

governance or executive compensation by writing to the address provided on page 16 of this proxy statement or sending an email to [IndependentDirectors@prudential.com](mailto:IndependentDirectors@prudential.com).

In contrast to a yes or no annual advisory vote on the Board's specific compensation decisions as called for in the proposal, we believe that direct and ongoing communication with the Board will provide more useful feedback by allowing shareholders to present specific comments or views regarding the Company's compensation practices. This feedback can then be considered by the Directors in formulating future decisions.

The Compensation Committee and the Board keep abreast of shareholder views on executive compensation and have modified policies in response to specific feedback. In 2006, the Board reduced benefits for senior executives under its change of control program and eliminated the use of excise tax gross ups in response to feedback from investors. The Board believes that specific compensation decisions are best made with a full contextual understanding of our Company's strategy, goals and business environment, as well as in-depth knowledge of our executives' leadership capabilities, individual performance and potential for greater responsibilities. The Compensation Committee and the Board obtain this contextual understanding through ongoing discussions and oversight of these issues. Specific input from our investors on our compensation strategies and programs can further enhance the decision-making process.

We also note that there are a number of proposed legislative and regulatory proposals that would require some form of advisory vote on executive compensation. If adopted, those requirements may be inconsistent with the proposal and possibly subject the Company to conflicting standards.

In summary, the Board believes that specific and ongoing communication with investors is preferable to an annual yes or no vote on executive compensation decisions. Therefore we encourage our shareholders to provide feedback on our executive compensation program by using any of the communication tools described above and recommend a vote **against** the proposal.

*Page 11*



**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

**ITEM 4 SHAREHOLDER PROPOSAL ON SEPARATING THE OFFICES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Michael Hirsch, on behalf of the UNITE HERE Staff Retirement PLAN, 333 Westchester Avenue, White Plains, NY 10604, holder of 2,451 shares of Common Stock, has advised us that he intends to introduce the following resolution:

Resolved: Shareholders request that our Board establish a rule separating the roles of Chief Executive Officer and Board Chairperson so that an independent director who has not served as an executive officer of our Company serve as Chair whenever possible.

**Supporting Statement**

This proposal shall not apply to the extent that compliance would necessarily breach any contractual obligations in effect at the time of the 2009 shareholder meeting.

Given the extraordinary challenges currently facing the life insurance industry, the unprecedented public interest in our company's risk profile, capital adequacy and regulatory oversight, and the fact that our company lacks a stand-alone risk committee, there is a pressing need to reassure investors, policyholders and the public of the viability of our business model and the integrity of our risk management systems and procedures. Establishing an independent Board Chairperson can help accomplish these goals.

Since the credit market disruptions and failures of several large financial companies in 2008, life insurers generally and our company in particular have faced unprecedented challenges. In the fourth quarter of 2008, our company:

Suspended its share buyback program;

Declined to report an estimate of its excess capital reserves;

Reported total third quarter 2008 unrealized losses of \$5.9 billion; and

Cut its annual dividend by nearly 50%.

According to a *New York Times* article on November 11, 2008, a Goldman Sachs analyst predicted that the major life insurers, including our company, would need to raise additional capital and would suffer additional asset deterioration, particularly in their commercial mortgage portfolios.

We believe an Independent Board Chairperson could help restore confidence in our company. It is the role of our CEO and management to run the business, but it is the role of the Board of Directors to provide independent oversight of our CEO and management. Under the leadership of an independent Chairperson the board should give strategic direction and guidance and represent the best interests of shareholders in maximizing value, managing risk, and restoring public trust in our long run viability.

More companies are recognizing the separation of Chairperson and CEO to be a sound corporate governance practice. In addition, several respected institutions recommend separation. The Council of Institutional Investors adopted a Corporate Governance Policy which recommends, The Board should be chaired by an independent director.

The Conference Board's Commission on Public Trust and Private Enterprise 2003 report recommended as Best Practice that Each corporation should give careful consideration to separating the offices of Chairman of the Board and CEO, with those two roles being performed by separate individuals. The Chairman would be one of the independent directors.

In order to ensure that our Board can provide the proper strategic direction for our Company with independence and accountability, we urge a vote FOR this resolution.

## **Board of Directors Statement in Opposition to the Proposal**

*The Board of Directors recommends that shareholders vote AGAINST this proposal for the following reasons:*

The Board agrees that strong, independent Board leadership is a critical aspect of effective corporate governance. Based on its experience, the Board also believes that there is no one size fits all approach to assuring independent leadership. After careful consideration, the independent Directors believe that its current governance structure is appropriate for the Company at this time.

**Table of Contents**

2009 PROXY STATEMENT

The Board's current governance structure is characterized by:

a strong, independent lead director with well-defined responsibilities that support the Board's oversight responsibilities (Jon F. Hanson, who also serves as Chairman of the Executive, Investment and Finance Committees, currently serves as Lead Director.);

a robust Committee structure with shared oversight of various types of risks; and

an engaged and independent Board.

Our Corporate Governance Principles and Practices were amended in February 2009 to require that the independent directors designate one of their members to serve as lead director for a term of at least one year, but no longer than three years, with responsibilities that are similar to those typically performed by a separate chairman. As noted above, Jon F. Hanson currently serves as Lead Director. Mr. Hanson previously served as our Presiding Director and the recent modifications to our Governance Principles reflect the expansion of this role over the last several years. These responsibilities include:

convening and presiding at executive sessions of the independent directors (which are typically scheduled at each regular Board meeting);

in consultation with the Chairman and CEO, developing and approving agendas and meeting schedules for meetings of the Board, identifying the Board's information needs associated with agenda items, and identifying the need for and scope of related presentations;

communicating to the CEO (together with the chair of the compensation committee) the results of the Board's evaluation of CEO performance;

acting as liaison between independent directors and the CEO;

providing major shareholders with an additional point of communication, as requested and directed by the Board; and

performing such other duties as may be necessary for the Board to fulfill its responsibilities or as may be requested by the Board as a whole, by the non-management directors, by the independent directors, or by the CEO.

The Proponent cites the fact that the Board does not currently have a stand-alone Risk Committee of the Board as a factor supporting the separation of the offices of Chairman and CEO. As oversight of risk is multifaceted at Prudential, the various Board Committees (which are comprised solely of independent Directors) and the full Board, as appropriate, are engaged in discussions and oversight of different categories of risk. In general, the Audit Committee oversees risks related to financial controls; the Finance Committee oversees risks involving capital and

liquidity, and the Investment Committee oversees investment risk. As these issues often overlap, Committees hold joint meetings or discuss various issues with the full Board. Any of the independent Directors may request such joint meetings or request that a particular issue be addressed at any Committee or Board meeting.

All of our non-employee directors are considered independent under NYSE rules and are actively engaged in shaping the Board's agenda and the Company's strategy. The Board believes that its current governance structure provides independent board leadership and engagement while deriving the benefit of having our CEO also serve as Chairman of the Board. As the individual with primary responsibility for managing the Company's day-to-day operations, he is best positioned to chair regular Board meetings as we discuss key business and strategic issues. Coupled with an independent Lead Director, this combined structure provides independent oversight while avoiding unnecessary confusion regarding the Board's oversight responsibilities and the day-to-day management of business operations.

## **CORPORATE GOVERNANCE**

The Board of Directors reviews Prudential Financial's policies and business strategies and advises and counsels the Chief Executive Officer and the other executive officers who manage Prudential Financial's businesses. The Board consists of 14 Directors, two of whom are currently employed by the Company (Messrs. Strangfeld and Grier). All of the 12 non-employee Directors (Ms. Horner and Ms. Poon and Messrs. Baltimore, Becker, Bethune, Caperton, Casellas, Cullen, Gray, Hanson, Krapek and Unruh) have been determined by the Board to be independent as that term is defined in the listing standards of the NYSE and in Prudential Financial's Corporate Governance Principles and

## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

Practices ( Corporate Governance Principles ). The full text of the Corporate Governance Principles, as well as the charters of the Corporate Governance and Business Ethics, Compensation and Audit Committees, the Code of Business Conduct and Ethics and the Related Party Transaction Approval Policy can be found at [www.investor.prudential.com](http://www.investor.prudential.com). Copies of these documents also may be obtained from the Secretary of Prudential Financial.

## **Director Independence**

The definition of independence adopted by the Board is set forth below:

The Prudential Financial Board believes that a significant majority of the Board should be independent directors. For this purpose, a director shall be considered to be independent only if the Board affirmatively determines that the director does not have any direct or indirect material relationship with Prudential Financial that may impair, or appear to impair, the director's ability to make independent judgments. With respect to each Director, the Board's assessment and determination of such Director's independence shall be made by the remaining members of the Board. In each case, the Board shall broadly consider all relevant facts and circumstances and shall apply the following standards:

An independent director is one who within the preceding three years:

has not been an employee, and whose immediate family member has not been an executive officer, of the corporation;

has not (nor has a member of his or her immediate family) received during any 12 month period more than \$100,000 in direct compensation from the corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

has not (nor has a member of his or her immediate family) been employed by or affiliated with the corporation's independent auditor in a professional capacity;

has not been employed as an executive officer of another company where any of the corporation's present executives serve on that company's compensation committee; and

has not had any other relationship with the corporation or its subsidiaries, either personally or through his employer, which, in the opinion of the board, would adversely affect the director's ability to exercise his or her independent judgment as a director.

The following relationships will not be considered to be relationships that would impair, or appear to impair, a director's ability to make independent judgments:

The director, or an immediate family member of a director, is an executive officer of a company that does business with Prudential Financial and the other company's annual sales to, or purchases from, Prudential Financial are less than two percent of the annual revenues of Prudential Financial and less than two percent of the annual revenues of such other company;

The director is an executive officer of a company that is indebted to Prudential Financial or is an executive officer of a company to which Prudential Financial is indebted and, in either case, the aggregate amount of such debt is less than two percent of the total consolidated assets of Prudential Financial and less than two percent of the total consolidated assets of such other company; or

The director, or an immediate family member of a director, serves as an executive officer of a non-profit entity to which Prudential Financial or the Prudential Foundation makes discretionary contributions (*i.e.*, excluding matching gifts) or other payments and all such discretionary contributions or other payments to such entity are less than two percent of that entity's total annual charitable receipts and other revenues.

The Board will review annually all commercial and non-profit relationships between each director and Prudential Financial during the preceding three years and make a determination of such director's independence, and Prudential Financial will disclose the Board's determinations in the proxy statement.

Because Prudential Financial is a major financial institution, directors or companies with which they are affiliated will sometimes be borrowers from Prudential Financial or one of its subsidiaries or otherwise have a business relationship (*e.g.*, investment management services, group insurance) with Prudential Financial or its subsidiaries. Directors and companies with which they are affiliated will not be given special treatment in

**Table of Contents**

2009 PROXY STATEMENT

these relationships, and borrowings by institutions affiliated with a director, other than publicly-offered debt instruments, must be specifically approved by the Investment Committee.

To help maintain the independence of the Board, all directors are required to deal at arm's length with Prudential Financial and its subsidiaries and to disclose circumstances material to the director that might be perceived as a conflict of interest.

In making its affirmative determination for 2008 that all of the non-employee Directors were independent, the Board considered ordinary course investment transactions or relationships between the Company and Johnson & Johnson and Dell, Inc. that were clearly immaterial under the standards described above. In particular, the Company, from time to time, holds proprietary and third-party funds in publicly traded debt securities of Johnson & Johnson and Dell, Inc. In each case, the amount of these debt securities is less than 1% of the consolidated assets of either company, which falls considerably below the applicable thresholds in our independence standards.

**POLICIES AND PROCEDURES FOR THE REVIEW AND APPROVAL OF TRANSACTIONS WITH RELATED PARTIES**

The Board of Directors and Prudential Financial's management have implemented a number of policies and procedures for the avoidance of conflicts of interest and the review and approval of transactions with Directors, executive officers and their immediate family members.

The Company's Code of Business Conduct and Ethics provides a general framework within which Prudential Financial associates are expected to conduct themselves. This policy applies to all full or part-time employees, employee agents, interns, officers and Directors of Prudential Financial, its subsidiaries and affiliates, and also applies to certain conduct by their family members. Under the Company's Code of Business Conduct and Ethics, all Prudential Financial associates are prohibited from engaging in any activity that would create, or appear to create, a potential or actual conflict of interest with respect to their ability to make decisions and/or act regarding Prudential's business. The ethics policy also provides procedures for disclosure and/or approval of matters governed by the policy, which varies according to the person's position and level. Prudential Financial's Code of Business Conduct and Ethics broadly covers activities such as:

Involvement in Outside Business;

Financial Transactions;

Transactions and Relationships with Suppliers;

Family or Household Member Business with Prudential Financial; and

Gifts and Entertainment.

In addition to its ethics policy, which applies to all Prudential Financial associates, the Company has also adopted a Related Party Transaction Approval Policy. The Related Party Transaction Approval Policy applies to:

any transaction or series of transactions in which the Company or a subsidiary is a participant;

the amount involved exceeds \$120,000; and

a related party (a director or executive officer of the Company, any nominee for director, any shareholder owning an excess of 5% of the total equity of the Company and any immediate family member of any such person) has a direct or indirect material interest.

The policy is administered by the Corporate Governance and Business Ethics Committee. The Committee will consider all of the relevant facts and circumstances in determining whether or not to approve or ratify such transaction, and will approve or ratify only those transactions that are, in the Committee's judgment, appropriate or desirable under the circumstances.

Both the Company's Code of Business Conduct and Ethics and the Related Party Transaction Approval Policy can be found on our website at [www.investor.prudential.com](http://www.investor.prudential.com).

#### **Lead Director**

The Board has designated Jon F. Hanson, who also serves as Chairman of the Executive, Investment and Finance Committees as the Lead Director.

The Board's Corporate Governance Principles were amended in February 2009 to provide that the independent directors shall designate an independent director to serve as lead director for a term of at least one year, but no longer than three years, with the following responsibilities: convening and presiding at



## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

executive sessions of the independent directors; with the Chair/CEO, developing and approving agendas and meeting schedules for meetings of the Board, identifying the Board's information needs associated with agenda items, and identifying the need for and scope of related presentations; communicating to the CEO (together with the chair of the compensation committee) the results of the Board's evaluation of CEO performance; acting as liaison between independent directors and the Chair/CEO; providing major shareholders with an additional point of communication, as requested and directed by the Board; and performing such other duties as may be necessary for the Board to fulfill its responsibilities or as may be requested by the Board as a whole, by the non-management directors, by the independent directors, or by the Chair/CEO.

The independent Directors typically schedule an executive session at each regular Board meeting.

### **Communication with Directors**

Interested parties, including shareholders, may communicate with any of the independent Directors, including Committee Chairs, by using the following address:

Prudential Financial, Inc.

Board of Directors

c/o Vice President, Secretary and

Corporate Governance Officer

751 Broad Street

21<sup>st</sup> Floor

Newark, NJ 07102

Beginning in 2009, shareholders may also communicate with any of the independent directors via email at [IndependentDirectors@prudential.com](mailto:IndependentDirectors@prudential.com). Shareholders can also provide feedback on executive compensation at the following website [www.prudential.com/Executivecomp](http://www.prudential.com/Executivecomp).

The Secretary of Prudential Financial serves as the agent for the independent Directors with respect to communication from shareholders. Communication from shareholders that pertains to non-financial matters will be forwarded to the Directors as soon as practicable. Communication received from interested parties regarding accounting or auditing matters will be forwarded to the appropriate Board members

in accordance with the time frames established by the Audit Committee for the receipt of communications dealing with these matters. In addition, communication that involves customer service matters will be forwarded to the Directors in accordance with internal procedures for responding to such matters.

### **Criteria for Director Selection**

The Prudential Financial Board and the Corporate Governance and Business Ethics Committee believe that Prudential Financial Directors should be individuals with substantial accomplishments, who have been associated with institutions noted for excellence and who have broad experience and the ability to exercise sound business judgment. Each Director is expected to serve the best interests of all shareholders. In selecting Directors, the Board generally seeks a combination of active or former CEOs or Presidents of major complex businesses (from different industry sectors and having varied experience in areas such as manufacturing, finance, marketing and technology), leading academics and individuals with substantial records of government service or other leadership roles in the not-for-profit sector, with a sensitivity to diversity. In light of the increasing complexity of the duties of Audit Committee members, recruiting Directors with financial acumen is also a focus. Information regarding the areas of expertise of our non-employee Directors is included on pages 3-6.

The Board believes that a significant majority of its members should be independent Directors. The Board's definition of independence is set forth on pages 14-15.

### **Process for Selecting Directors**

The Board believes that Directors should be recommended for Board approval by the Corporate Governance and Business Ethics Committee, which is comprised entirely of independent Directors as defined by the NYSE. While the Board expects the Corporate Governance and Business Ethics Committee to consider the views of the Chief Executive Officer in making appointments, it is the Corporate Governance and Business Ethics Committee's responsibility to make Director recommendations to the Board for submission to the shareholders each year in connection with Prudential Financial's annual meeting.

The Corporate Governance and Business Ethics Committee will consider nominations submitted by shareholders in accordance with the procedures set forth in our By-laws, as discussed in Submission of

**Table of Contents**

2009 PROXY STATEMENT

Shareholder Proposals on pages 50-51. Such nominations will be evaluated in accordance with the criteria for director selection described above. Nominations should be sent to the attention of the Secretary of Prudential Financial, Inc. at 751 Broad Street, Newark, NJ 07102.

The Corporate Governance and Business Ethics Committee regularly reviews the composition and size of the Board and the skill sets and experience of its members. The Company's by-laws provide that the size of the Board may range from 10 to 24 members. The Board's current view is that the optimal size is between 10 and 15 members. In anticipation of retirements over the next several years, the Committee is seeking one or more candidates who meet the criteria described above. The Corporate Governance and Business Ethics Committee is being assisted with its recruitment efforts by an independent search firm under retainer to recommend candidates that satisfy the Board's criteria. The search firm also provides research and other pertinent information regarding candidates, as requested. On the recommendation of the Corporate Governance and Business Ethics Committee, following consultation with a search firm, Thomas J. Baltimore, Jr. was elected as a Director in October 2008.

**Majority Voting Policy**

In February 2009, following the passage of enabling legislation by the State of New Jersey, the Board amended our by-laws to implement a majority voting standard for the election of Directors.

**Director Attendance**

During 2008, the Board of Directors held 12 meetings. Each of the incumbent Directors of the Board attended at least 87.5% of the combined total meetings of the Board and the committees on which he or she served in 2008. The average attendance of all Directors in 2008 was 96%. Directors are expected to attend the Annual Meeting of Shareholders. In 2008, 13 of 14 Directors attended the Annual Meeting.

*Page 17*

## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

## **COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors has established various committees to assist in discharging its duties, including standing Audit, Compensation, Corporate Governance and Business Ethics, Finance and Investment Committees. The primary responsibilities of each of the standing committees of Prudential Financial's Board of Directors are set forth below, together with their current membership. In accordance with applicable regulations, the charters of the Audit, Compensation and Corporate Governance and Business Ethics Committees can be found on our website at [www.investor.prudential.com](http://www.investor.prudential.com).

### **Audit Committee**

Members: Directors Becker (Chair), Casellas, Cullen and Unruh.

Number of Meetings in 2008: 12

The primary purpose of the Audit Committee, which consists solely of independent Directors as defined by the rules of the NYSE and the SEC, is to assist the Board of Directors in its oversight of: the Company's accounting and financial reporting and disclosure processes; the adequacy of the systems of disclosure and internal control established by management; and the audit of the Company's financial statements. Among other things the Audit Committee: appoints the independent auditor and evaluates their independence and performance; reviews the audit plans for and results of the independent audit and internal audits; and reviews reports related to processes established by management to provide compliance with legal and regulatory requirements.

### **Compensation Committee**

Members: Directors Cullen (Chair), Bethune and Horner.

Number of Meetings in 2008: 7

The Compensation Committee of the Board of Directors is composed solely of Directors who are considered to be independent under the rules of the NYSE. The Compensation Committee is directly responsible to the Board of Directors, and through it to the Company's shareholders, for overseeing the development and administration of Prudential Financial's compensation and benefits policies and programs.

### **Corporate Governance and Business Ethics Committee**

Members: Directors Gray (Chair), Bethune and Horner.

Number of Meetings in 2008:7

The primary responsibilities of the Corporate Governance and Business Ethics Committee, which consists solely of independent Directors as defined by the rules of the NYSE, are to oversee, on behalf of the Board of Directors, the Company's corporate governance procedures and practices, including the recommendations of individuals for seats on the Board, and to oversee the Company's ethics and conflict of interest policies and its political contributions.

### **Executive Committee**

Members: Directors Hanson (Chair), Becker, Cullen, and Gray.

Number of Meetings in 2008: 0

The Executive Committee is authorized to exercise the corporate powers of the Company between meetings of the Board, except for those powers reserved to the Board of Directors by the By-laws or otherwise.

### **Finance Committee**

Members: Directors Hanson (Chair), Caperton, Krapek and Poon.

Number of Meetings in 2008: 7

The primary responsibility of the Finance Committee is to oversee and take actions with respect to the capital structure of Prudential Financial, including borrowing levels, subsidiary structure and major capital expenditures.

### **Investment Committee**

Members: Directors Hanson (Chair), Caperton, Krapek and Poon.

Number of Meetings in 2008: 6

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

The primary responsibilities of the Investment Committee are: overseeing and taking actions with respect to the acquisition, management and disposition of invested assets; reviewing the investment performance of the pension plan and funded employee benefit plans; and reviewing investment risks and exposures, as well as the investment performance of products and accounts managed on behalf of third parties.

*Page 18*

**Table of Contents**

2009 PROXY STATEMENT

**COMPENSATION OF DIRECTORS****2008 Director Compensation**

<i>Name</i>	<i>Fees</i>		
	<i>Earned or</i>		
	<i>Paid in</i>	<i>Stock</i>	<i>Total(\$)</i>
<i>Cash(\$)</i>	<i>Awards(\$)*</i>		
Thomas J. Baltimore**	\$ 25,000	\$ 125,000	\$ 150,000
Frederic K. Becker	\$ 120,000	\$ 120,000	\$ 240,000
Gordon M. Bethune	\$ 110,000	\$ 110,000	\$ 220,000
Gaston Caperton	\$ 110,000	\$ 110,000	\$ 220,000
Gilbert F. Casellas	\$ 116,250	\$ 112,500	\$ 228,750
James G. Cullen	\$ 125,000	\$ 125,000	\$ 250,000
William H. Gray III	\$ 112,500	\$ 112,500	\$ 225,000
Jon F. Hanson	\$ 141,250	\$ 137,500	\$ 278,750
Constance J. Horner	\$ 113,750	\$ 110,000	\$ 223,750
Karl J. Krapek	\$ 110,000	\$ 110,000	\$ 220,000
Christine A. Poon	\$ 110,000	\$ 110,000	\$ 220,000
James A. Unruh	\$ 112,500	\$ 112,500	\$ 225,000

\* Represents amounts that are automatically deferred in units of Prudential Financial Common Stock and recognized as an expense for financial statement reporting purposes under FAS 123R on the date of grant. The FAS 123R value is calculated by multiplying the per share price of Prudential Financial Common Stock on the date of grant by the number of units earned. As further explained below, Directors may also choose to defer the cash portion of their fees in stock units. As of December 31, 2008, the aggregate balance in each of the non-employee Directors accounts in the Deferred Compensation Plan denominated in units of Prudential Financial Common Stock (which includes all deferrals from prior years) and the year-end values under FAS 123R were as follows: Mr. Baltimore: 3,226 and \$97,624 ; Mr. Becker: 19,078 and \$577,315; Mr. Bethune: 7,313 and \$221,293; Mr. Caperton: 15,173 and \$459,158; Mr. Casellas: 17,291 and \$523,245; Mr. Cullen: 28,225 and \$854,127; Mr. Gray: 17,123 and \$518,161; Mr. Hanson: 61,110 and \$1,849,192; Ms. Horner: 17,164 and \$519,393; Mr. Krapek: 17,064 and \$516,388; Ms. Poon: 4,775 and \$144,491; and Mr. Unruh: 18,045 and \$546,075.

\*\* Mr. Baltimore became a Director on October 1, 2008, and his fees were prorated based on his length of service.

The Corporate Governance and Business Ethics Committee reviews Director compensation approximately every two to three years and recommends any changes to the Board. Accordingly, the Committee conducted reviews of Director compensation in 2005 and 2007 and recommended several modifications to reflect competitive practice. The Committee sought the advice of Frederic W. Cook & Co., Inc., an independent consultant, during the course of each review. The non-employee Director Compensation program reflects the view of the Board that a significant amount of annual compensation should be in the form of Prudential Financial stock units. In addition, the Board has adopted stock ownership guidelines for Directors that encourage Directors to have an ownership interest. Each non-employee Director is expected to have an

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

ownership in Prudential Financial Common Stock or deferred stock units having a value equivalent to two times the annual cash and deferred stock retainers within three years of joining the Board.

The primary components of compensation for the non-employee Directors in effect during 2008 and represented in the table above are as follows:

An annual retainer of \$100,000 in cash, which may be deferred, at the Director's option, in the Deferred Compensation Plan summarized below.

An annual retainer of \$100,000 in the form of stock units of Prudential Financial that are required to be deferred until the earlier of termination of service on the Board or age 70 1/2.

An annual retainer of \$25,000 for service on the Audit Committee, half of which is deferred in stock units.

*Page 19*



## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

An annual retainer of \$10,000 for members of all other Board Committees (including any non-standing committee of Directors that may be established from time to time, but excluding the Executive Committee), half of which is deferred in stock units.

An annual retainer fee of \$15,000 for the Chairperson of each committee, half of which is deferred in stock units.

An annual retainer of \$25,000 for the Lead Director, half of which is deferred in stock units.

A \$1,250 per meeting fee for members of Prudential Financial's Community Resources Oversight Committee, a committee composed of members of management and the Board of Directors. This Committee typically meets on a day separate from Board and Board Committee meetings. The members of this Committee currently include Messrs. Casellas, Hanson and Ms. Horner. The Community Resources Oversight Committee met three times in 2008.

Each new Director receives a one-time grant of \$100,000 in the form of Prudential Financial stock units that is required to be deferred until the earlier of termination of service on the Board or age 70 1/2.

The Deferred Compensation Plan for Non-Employee Directors was ratified by shareholders in 2003 and is designed to align Director and shareholder interests. As noted above, 50% of the annual Board and Committee retainer is automatically deferred in a notional account that replicates an investment in the Prudential Financial Common Stock Fund under the Prudential Employee Savings Plan ( PESP ). In addition, a Director may elect to invest the cash portion of his or her retainer and fees in notional accounts that replicate investments in either the Prudential Financial Common Stock Fund or the Fixed Rate Fund, which accrues interest in the same manner as funds invested in the Fixed Rate Fund offered under the PESP. The Plan requires that distributions commence in the year a director reaches the age of 70 1/2. Therefore, once a director reaches the age of 70 1/2, he or she may choose to receive his or her fees currently in any combination of cash or Prudential Financial common stock. Each Director receives dividend equivalents on the share units contained in his or her deferral account, which are equal in value to dividends paid on the Company's Common Stock. The dividend equivalents credited to the account are then reinvested in the form of additional share units.

## **PROCESSES FOR DETERMINING EXECUTIVE COMPENSATION**

The Compensation Committee is responsible to the Board of Directors for overseeing the development and administration of the Company's compensation and benefits policies and programs. The Compensation Committee consists of three directors who, in the business judgment of the Board of Directors, are independent under the rules of the NYSE.

The Committee is supported in its work by the head of the Human Resources Department and her staff. The Compensation Committee has also engaged Frederic W. Cook & Co. Inc. (the Consultant ) for advice on matters of senior executive compensation. The Committee retains sole

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

authority to hire the Consultant, approve its compensation, determine the nature and scope of its services, evaluate its performance and terminate its engagement.

The Committee instructed the Consultant to perform the following services for 2008: provide an annual competitive evaluation of total compensation for the Chief Executive Officer and Vice Chair positions; provide independent recommendations on Chief Executive Officer compensation; review Committee meeting agendas and materials; and provide advice on competitive practice and executive compensation issues as requested by the Committee. The Consultant provided services to the Corporate Governance and Business Ethics Committee in 2007 in connection with its review of director compensation. Except as described above, the Consultant provided no other services to Prudential Financial in 2008.

The Consultant presents its recommendations regarding compensation for the Chief Executive Officer to the Compensation Committee for its consideration, without the prior knowledge or consent of the Chief Executive Officer. Following considerable review and discussion, the Compensation Committee presents its recommendations regarding compensation for the Chief Executive Officer to the Board for approval. As part of the process, the Lead Director conducts an evaluation of the Chief Executive Officer's performance, the results of which are discussed with the Chair of the Compensation Committee in advance of the Compensation Committee's deliberations regarding compensation for the Chief Executive Officer.

*Page 20*

## **Table of Contents**

2009 PROXY STATEMENT

The Chief Executive Officer makes compensation recommendations annually for executives at the senior vice president level and above to the Committee. Following review and discussion, the Compensation Committee submits its recommendations for compensation for these executives to the Board for approval.

### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee is or ever has been one of our officers or employees. In addition, none of our executive officers are members of boards or compensation committees of any entity that has one of its executive officers serving as a member of our Board of Directors or Compensation Committee.

### **Process for Approving Equity Grants**

Prudential Financial became a public company in December 2001. The timing of our first grant of stock options to executives was subject to approval by insurance regulators and occurred in December of 2002. Since that time, it has been our practice for the Compensation Committee to approve equity grants (including stock options, performance shares and restricted stock units) on an annual basis at the regularly scheduled February Committee meeting.

The Compensation Committee has delegated authority to management to approve equity grants in connection with new hires and promotions of individuals below the level of senior vice president, which occur during other times of the year. These grants are effective on the 15<sup>th</sup> of the month following the hiring or promotion. The Compensation Committee approves any grants to newly hired or promoted senior executives. The grant date for these equity awards is the applicable meeting date of the Compensation Committee at which the grants are approved.

Under the terms of our Omnibus Incentive Plan (the Omnibus Plan ), which was approved by shareholders in 2003, stock options are required to be priced at fair market value, which is the closing price of the stock on the date of grant. The number of stock options, performance shares or restricted units awarded to an individual is determined by a formula that divides the compensation value of the grant being awarded by the average closing price of the Company's common stock on the NYSE for the final 20-day trading period in the month prior to the grant date.

While we do not have a policy that addresses the specific issue of whether equity grants may be approved prior to the release of material information, our practice of approving annual equity grants at our regularly scheduled February meeting of the Compensation Committee is designed so that grants closely follow our public disclosure by press release of our year-end results and to minimize any discretion in the timing of grants.

## **COMPENSATION COMMITTEE REPORT**

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

The Compensation Committee has reviewed and discussed with management the contents of the Compensation Discussion and Analysis set forth below. Based on its review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

THE COMPENSATION COMMITTEE

James G. Cullen (Chairman)

Gordon M. Bethune

Constance J. Horner

*Page 21*

## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

## **COMPENSATION DISCUSSION AND ANALYSIS**

The following compensation discussion and analysis contains information regarding certain performance targets and goals. These targets and goals are disclosed in the limited context of Prudential Financial's compensation programs and should not be understood to be statements of management's performance expectations or guidance or anticipated results. Investors should not apply these performance targets and goals to other contexts.

### **Objectives, Philosophy and Strategy of Compensation Program**

The philosophy behind our compensation program is to provide an attractive, flexible and market-based total compensation program tied to performance and aligned with shareholder interests. Our goal is to recruit and retain the caliber of executives and key employees necessary to deliver sustained high performance to our shareholders, customers and communities where we have a strong presence. Our compensation programs are an important component of these overall human resources policies. Equally important, we view compensation practices as a means for communicating our goals and standards of conduct and performance and for motivating and rewarding employees in relation to their achievements.

Since leadership talent is a critical component of success in our various lines of business, we have also established a robust succession planning process, the results of which are regularly reviewed with the Board of Directors and are considered, as appropriate, in the compensation process.

Overall, the same principles that govern the compensation of all our salaried associates apply to the compensation of Prudential Financial's executives. Within this framework, we believe:

All associates should have base salaries and employee benefits that are market competitive and that permit us to hire and retain high-caliber associates at all levels;

A significant portion of annual compensation should vary with annual business performance and each individual's contribution to that performance;

Executives should be rewarded for achieving long-term results, and such rewards should be aligned with shareholder interests;

A significant portion of executives' compensation should be tied to measures of performance of the Financial Services Businesses of Prudential Financial;

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

The interests of executives should be linked with those of shareholders through the risks and rewards of the ownership of Prudential Financial Common Stock; and

Special benefits and perquisites for management should be minimized and based on a business purpose.

### Competitive Benchmarking

Prudential Financial competes in several different businesses, most of which are involved in helping individuals and institutions grow and protect their assets. These businesses draw their key people from different segments of the marketplace. Therefore, our compensation programs are designed with the flexibility to be competitive and motivational within the different marketplaces in which we compete for talent, while being subject to centralized design, approval and control.

As a reference point to assess the competitiveness of executive compensation, we use a peer group that comprises companies in the Standard & Poor's 500 Financials Index in the insurance, asset management and other diversified financial services industries. We believe this group represents the industries with similar lines of business with which we currently compete for executive talent. The current compensation peer group consists of the following companies:

Aflac Incorporated	JP Morgan Chase & Co.
American International Group, Inc.	Legg Mason
American Express Company	Lincoln National
Ameriprise Financial, Inc.	Loews Corporation
Bank of America Corporation	Manulife Financial Corporation
The Bank of New York Mellon Corporation	MetLife, Inc.
Blackrock, Inc.	Northern Trust Corporation
Capital One Financial Corporation	Principal Financial Group
Citigroup Inc.	SLM
Franklin Resources, Inc.	State Street Corporation
Genworth Financial, Inc.	Sun Life Financial, Inc.
The Hartford Financial Services Group, Inc.	T. Rowe Price Group
INVESCO	UnumProvident Corporation
	U.S. Bancorp
	Wells Fargo & Company

---

**Table of Contents**

2009 PROXY STATEMENT

We generally compare each executive's compensation in relation to the median and the 75th percentile of the comparator group for similar positions as Prudential Financial is above the median of the peer group in terms of size. In addition, we also take into account various factors such as Prudential Financial's performance within the peer group, the unique characteristics of the individual's position and succession and retention considerations. In general, compensation levels for an executive who is new to a position tend to be at the lower end of the competitive range, while seasoned executives with strong performance who are viewed as critical to retain would be positioned at the higher end of the competitive range.

**Linking Compensation to Performance**

Our strategy to correlate compensation and performance is to construct a balanced mix of both quantitative and qualitative performance criteria and directly link a portion of compensation to shareholder interests. Reflecting this strategy, several of the elements of executive compensation are based on growth in adjusted operating income, or AOI, growth in earnings per share based on after-tax AOI, or EPS, and/or return on equity based on after-tax AOI, or ROE, for our Financial Services Businesses. In addition, the total amount of the annual incentive payment, performance shares and restricted units payable to a Named Executive Officer in any given year may not exceed 0.6% of the Company's pre-tax AOI in the prior year. This limit is contained in the Omnibus Incentive Plan, which was approved by shareholders in 2003.

The mix of performance metrics is reviewed periodically in an effort to continually strengthen the link between compensation and performance. In light of current economic conditions and emerging best practices, the Committee plans to explore whether any performance metrics create incentives for excessive risk.

Additional discussion regarding the criteria used in determining executive compensation is included in the next section which describes the Elements of Executive Compensation.

(1) Adjusted operating income, or AOI, is a non-GAAP measure of performance of our Financial Services Businesses. For a description of how we calculate pre-tax AOI and for a reconciliation of pre-tax AOI to the nearest comparable GAAP measure, see the notes to the consolidated financial statements included in our filings with the Securities and Exchange Commission on Form 10-K and Form 10-Q, which can be found on our website at [www.investor.prudential.com](http://www.investor.prudential.com). After-tax AOI is adjusted operating income before taxes, less the income tax effect applicable to pre-tax AOI, as publicly disclosed in Prudential Financial's Quarterly Financial Supplements, also available on our website. Return on equity, or ROE, is Operating return on average equity (based on after-tax adjusted operating income), as defined and publicly disclosed in Prudential Financial's Quarterly Financial Supplements. Earnings per share, or EPS, is Earnings Per Share of Common Stock (diluted): Financial Services Businesses after-tax adjusted operating income, as publicly disclosed in Prudential Financial's Quarterly Financial Supplements.

**Elements of Executive Compensation**

Prudential Financial's compensation program consists of the four principal elements described below.

## **1. Base Salaries**

Base salaries are the smallest component of compensation for executives and are determined by considering the relative importance of the position, the competitive marketplace and the individual's performance and contribution. Salaries are reviewed annually. However, reflecting practices in the financial community, most of our focus is on annual and long-term incentives rather than base salary. Thus, our common practice has been for an executive to have his or her salary increased only infrequently and then mostly related to job changes. The role of base salary in the executive compensation program may be re-evaluated when the Compensation Committee conducts a risk analysis of the Company's executive compensation programs and practices.

## **2. Annual Incentives**

Annual incentives for executive officers are paid through an incentive pool that covers approximately 2,700 employees. The initial size of the pool is the final pool amount from the previous year. This amount is then adjusted for changes in headcount and for business performance relative to the prior year and relative to the Board-approved financial plan for the current year.



## Table of Contents

PRUDENTIAL FINANCIAL, INC.

We currently use the change in the following four key financial measures of our operating performance to determine the adjustment to the incentive pool described above:

pre-tax AOI 30% weighting;

ROE 30% weighting;

operating revenues (AOI basis) 15% weighting; and

EPS 25% weighting.

After the calculation of the incentive pool using these measures, the pool may be adjusted up or down to reflect additional quantitative and qualitative factors, such as total shareholder return, employee satisfaction measures and strategic positioning relative to competitors.

For 2008 our pre-tax AOI was \$1.5 billion compared to \$4.6 billion in 2007; ROE was 5.4% compared to 15.5% in 2007; operating revenues (AOI basis) were \$26 billion, compared to \$26.5 billion in 2007; and EPS (AOI basis) was \$2.69 compared to \$7.21 in 2007. These results, together with additional qualitative and quantitative factors, resulted in a decision to reduce the total amount of the 2008 annual incentive pool compared to the 2007 pool.

While the criteria used for funding of the annual incentive pool may provide guidance for the Compensation Committee, these criteria are not determinative of the amount of an individual's award in a given year. The Compensation Committee determines the amount of an individual executive's annual incentive award based on his or her individual contributions during the year with reference to market data for the individual's position in the peer group. Factors used in determining awards for the named executive officers for 2008 (the Named Executive Officers or NEOs) are discussed below in the section on 2008 Results and Compensation of Named Executive Officers.

### **3. Long-Term Incentives**

**Components.** Our standard practice has been to provide long-term equity incentive awards in the form of a balanced mix of performance shares (60%) and stock options (40%) to executives at the level of senior vice president and above, consistent with competitive practice. Factors considered in determining the amount of an equity grant include individual performance, potential and retention considerations with reference to market data for the individual's position in the peer group. The actual value realized by executives is based on stock price performance as well as attainment of specific performance goals that contribute to shareholder value.

Long-term incentives may also be granted when an individual is promoted to recognize the increase in the scope of responsibilities. Periodically, special grants are provided to commemorate major milestones, such as the Associates Grants upon demutualization and again after the achievement of 12 percent ROE, or selective grants in leadership transition situations.

**Performance Criteria.** At the time Prudential Financial became a publicly traded company in December 2001, we announced to shareholders our goal of achieving a 12% ROE by the end of 2005. The Compensation Committee used this goal to form the payment scale for performance shares that were granted to executive officers. The Committee's practice has been to

adjust the payment scale to align goals to guidance communicated to investors for ROE and, since 2005, growth in EPS. In February 2008 the NEOs were awarded a target number of performance shares for the 2008-2010 performance period. The actual number of shares earned at the end of the three-year performance period will vary from 0% to 150% of the target shares awarded based on ROE and EPS achievement over the performance period. Half of the shares earned are based on average ROE performance and the other half is based on EPS growth for the applicable three-year performance period. The specific performance criteria for the 2008-2010 performance period is described on pages 30-31.

Given the difficulties in establishing three-year goals in a turbulent and uncertain market and economic environment, the Committee deemed it appropriate to temporarily suspend for 2009 the practice of granting performance shares with three-year ROE and EPS goals. Among the factors considered in making this determination was the Company's decision not to establish and communicate new ROE and EPS goals to investors for the next three-year period. The Committee will re-examine the program in 2009 for awards to be made for 2010. The equity awards for executives at the level of senior vice president and above in 2009 will consist of 60% restricted stock units and 40% stock options in terms of grant value. This is the mix of equity vehicles that is used for executive direct reports at the

---

**Table of Contents**

2009 PROXY STATEMENT

vice president level. However, as previously noted, there is an additional performance element in that the total amount of restricted stock units, performance shares and annual incentive bonus payable to a Named Executive Officer in any given year may not exceed 0.6% of the Company's pre-tax AOI in the prior year.

**Executive Stock Ownership.** Summarized below are various policies and practices to encourage stock ownership by executives. As with other elements of our compensation program, it is expected that these guidelines will be reviewed to determine whether they create incentives for excessive risk.

**Stock Ownership Guidelines.** We have adopted stock ownership guidelines for our senior executives to encourage them to build their ownership position in our stock over time by direct market purchases, making investments available through the PESP and the Deferred Compensation Plan and retaining shares they earn through our equity incentive and option plans. These guidelines are stated as stock value as a percent of base salary and are 200% for senior vice presidents, 300% for vice chairmen and executive vice presidents and 500% for our CEO. It is expected that these guidelines be achieved within five years of the date they become applicable to the executive.

**Stock Retention Guidelines.** In 2003, we adopted stock retention requirements for executive officers. Each executive officer is required to retain 50% of the net shares (after payment of the applicable exercise price, if any, applicable fees and applicable taxes) acquired upon the exercise of stock options or the vesting of any performance shares and restricted stock units. The executive is required to hold such shares until the later of (i) one year following the date of acquisition of such shares or (ii) the date that the executive satisfies the ownership guidelines.

**Policy on Hedging.** All employees are subject to the Company's Personal Securities Trading Policy. Under this policy, employees are prohibited from selling short including short sales against the box and from hedging their equity-based awards. The Board has also adopted a policy prohibiting officers subject to Section 16 of the Securities and Exchange Act from holding Prudential Financial common stock in a margin account. In addition, Section 16 officers may not enter into other arrangements involving the pledge or use as collateral of Company securities to secure personal loans or other obligations.

**4. Benefits**

The benefits described below are divided into the following categories:

Retirement;

Severance and Change of Control; and

Perquisites.

## Retirement Benefits

Providing our employees with plans and programs to provide for retirement is viewed as an important aspect of our total compensation program. Descriptions of the various plans and programs are provided below.

Prudential Insurance, an indirectly wholly owned subsidiary of Prudential Financial, sponsors two tax-qualified defined benefit pension, defined contribution and profit sharing retirement plans, which are available to U.S. employees, including the Named Executive Officers:

The Prudential Merged Retirement Plan ( Merged Retirement Plan ); and

The Prudential Employee Savings Plan ( PESP ).

In addition, certain executives, including the Named Executive Officers, are eligible for additional benefits under (i) the Prudential Supplemental Retirement Plan ( Supplemental Retirement Plan ) and Prudential Supplemental Employee Savings Plan ( SESP ); and (ii) the Prudential Insurance Supplemental Executive Retirement Plan or the PFI Supplemental Executive Retirement Plan (collectively, Prudential SERPs ) and the Prudential Insurance Company of America Deferred Compensation Plan ( Deferred Compensation Plan ).

**Merged Retirement Plan.** The Merged Retirement Plan is a tax-qualified retirement plan that provides benefits to essentially all of Prudential's United States employees. It is subject to both the Employee Retirement Income Security Act of 1974 ( ERISA ) and the Internal Revenue Code (the Code ). The Merged Retirement Plan has two formulas under which participants may have their retirement benefits for ongoing service determined: the Traditional Pension Formula or the Cash Balance Formula.

**Traditional Pension Formula.** All employees under the Traditional Pension Formula are 100% vested in their accrued benefits. Benefits payable under the Traditional Pension Formula are determined using a formula based on Average Eligible Earnings and

---

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

years of Credited Service. Average Eligible Earnings are determined by taking an average of eligible earnings (base salary and annual incentive payments) over a period of time after dropping the lowest two years worth of eligible earnings in that period.

**Cash Balance Formula.** The Cash Balance Formula was added to the Merged Retirement Plan for employees hired on or after January 1, 2001, except employees of Prudential Securities Incorporated. In conjunction with this decision, the Company offered in 2001 a one-time conversion election, known as the Pension Choice Election, for then current Merged Retirement Plan participants with benefits under the Traditional Pension Formula to choose whether to have their individual retirement benefits determined under the Traditional Pension Formula or the Cash Balance Formula. Those who chose the Cash Balance Formula through the Pension Choice Election process are 100% vested in their Cash Balance Formula benefit. Otherwise, participants are generally vested in their Cash Balance Formula benefit after 3 years of service. Pension benefits under the Cash Balance Formula are generally stated as a lump sum amount credited to a hypothetical account in each participant's name, although participants may also elect to have benefits distributed as an annuity. The hypothetical accounts are allocated basic credits equal to 2%-14% (depending on age and service) of base salary and annual incentive payments. Interest credits are made to the participant's hypothetical account each month. The Cash Balance Formula sets the interest rate each year based on the average yield on 30-year U.S. Treasury securities (constant maturities) for October of the prior year, with a minimum rate of 4.25%. The rate in effect for 2008 was 4.77%.

**PESP.** The PESP is a tax-qualified defined contribution profit-sharing plan intended to qualify under Section 401(a) of the Code. Essentially all U.S. employees are eligible to participate. Employees may contribute up to 50% of eligible earnings (base salary only for the Named Executive Officers) in any combination of before-tax and/or after-tax contributions, subject to Code limitations. In order to satisfy Code non-discrimination requirements, highly compensated employees were limited to 15% on a before-tax basis and 11% on an after-tax basis for all of 2008. The Company matches 100% of an employee's before-tax contributions, after one year of service, up to 4% of eligible earnings, subject to Code limitations.

**Supplemental Retirement Plan.** The Supplemental Retirement Plan is a nonqualified retirement plan exempt from most of ERISA's substantive provisions and designed to provide benefits larger than those permitted under the Code limits. It is designed to complement the Merged Retirement Plan by providing benefits to all participants of the Merged Retirement Plan, including the Named Executive Officers, who would have been provided additional benefits under the Traditional Pension Formula or Cash Balance Formula of the Merged Retirement Plan except for Code provisions that limit the amount of pension benefits that may be paid and earnings that may be considered in determining pension benefits under a qualified retirement plan. As a result, until January 1, 2009, the Supplemental Retirement Plan provides pension benefits generally in the same form, using the same applicable formula, and paid at the same time as under the Traditional Pension Formula or Cash Balance Formula of the Merged Retirement Plan, but with no Code limits. Effective for payments commencing on or after January 1, 2009, the form and timing of benefits under the Supplemental Retirement Plan will no longer be based on the form and timing of the Merged Retirement Plan benefits, but will instead be payable at a pre-determined time and in a pre-determined form set forth in the plan document in accordance with Code Section 409A. In 2008, certain eligible employees were permitted to make an irrevocable election regarding the form of payment for their Supplemental Retirement Plan benefits—either a lump sum or an annuity.

**SESP.** The SESP is a nonqualified profit-sharing plan designed to provide benefits in excess of amounts permitted to be contributed under the PESP. It allows employees to elect to defer from 1% to 4% of their eligible earnings paid after the Code limit is exceeded in the year (\$230,000 in 2008) to a hypothetical recordkeeping account on a pre-tax basis through payroll deduction. Prudential Financial matches 100% of an employee's deferrals. Eligible earnings for the Named Executive Officers under the SESP are limited to salary only. Interest is earned on the participant's account at the same rate as the Fixed Rate Fund under PESP. This rate is generally set annually for a calendar year, and the rate in effect for 2008 was 5.00%. A participant's account is distributed to an employee 6 months after the participant's separation from service.

**Prudential SERPs.** The Prudential SERPs provide Mid-Career Hire Benefits and Early Retirement

Page 26

**Table of Contents**

2009 PROXY STATEMENT

Benefits to certain eligible executives, including Named Executive Officers. The provision of either of these benefits requires the approval of the Compensation Committee and the Board of Directors.

Mid-Career Hire Benefits are designed to attract and retain key talent at the highest level by compensating eligible executives for the loss of potential retirement benefits if they resign their position with another employer in order to work for the Company. Under this provision, service with the prior employer is assumed to be included in the benefit calculations under the Merged Retirement Plan and the Supplemental Retirement Plan with payment being made under the SERP. No Named Executive Officer is currently accruing benefits under this provision.

Early Retirement Benefits are designed to recognize the service and contributions of certain eligible executives who are involuntarily terminated by exempting these executives from the reduction factor for early retirement between the ages of 55 and 65, a reduction of up to 50%, which would otherwise be applicable under the Merged Retirement Plan and the Supplemental Retirement Plan. Because an employee becomes eligible for the SERP only on involuntary termination, no Named Executive Officer is currently eligible for Early Retirement Benefits under the SERPs.

**Deferred Compensation Plan.** Employees at certain executive levels, including the Named Executive Officers, may elect to participate in the Deferred Compensation Plan, and defer up to 85% of their annual incentive awards. Deferrals may be invested in notional funds that generally mirror the PESP fund offerings, including Prudential Financial Common Stock.

**Severance and Change of Control**

**The Severance Plan.** The Prudential Severance Plan for Senior Executives (the Severance Plan) provides the conditions under which severance payments may be made to executives. The Severance Plan covers approximately 130 executives, and does not include the Chief Executive Officer. If an involuntary termination occurs that satisfies the conditions in the Severance Plan, an executive would be eligible for severance payments ranging from 12 to 18 months of salary and bonus (as calculated under the Severance Plan).

The Severance Plan does not provide for:

accelerated vesting of equity grants; or

severance payments if an executive voluntarily resigns or retires or terminates by reason of death or disability.

**Executive Severance Policy and the Change of Control Program**

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

In connection with becoming a public company in 2001, the Board adopted the Prudential Financial Executive Change of Control Severance Program (the Change of Control Program or the Program ), which was amended in 2003, 2006 and 2008. In developing and refining the Change of Control Program, the Compensation Committee sought the advice of its Consultant. The purpose of the Change of Control Program is to provide a mechanism to encourage a limited group of executives to negotiate a transaction that could provide significant value to shareholders, despite the uncertainty of whether the culmination of the transaction will result in the executive's employment being terminated or in his or her position being substantially reduced. Of the executives eligible to participate in the Change of Control Program, currently 11 executives, including the Named Executive Officers, have been designated by the Compensation Committee as Tier 1 executives who are eligible for the maximum benefits payable under the program.

Before severance can be paid under the Program, two events (or triggers) must have occurred:

a change of control must have occurred; and

the designated executive's employment must, within two years following the change of control, either be terminated involuntarily without cause or must be terminated by the designated executive for good reason . A designated executive would have good reason to terminate employment if a material reduction in compensation occurs and the terms and conditions of the executive's employment were to adversely change (e.g., reduction in job responsibilities, title or forced relocation).

In 2006, the Board adopted the following policy:

The Company will not enter into any severance or change of control agreements with any of its executive officers that provide for benefits that exceed 2.99 times the sum of the officer's base salary and most recently earned cash bonus without shareholder approval or ratification.



## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

For purposes of this policy, benefits do not include: the value of accelerated vesting of previously-granted equity-based awards in accordance with the terms of a shareholder approved plan; previously-earned retirement benefits; or other amounts previously earned or accrued under any of the Company's compensation or benefit plans.

The Board also approved a reduction in benefits under the Change of Control Program that became effective in October 2007. The current benefits under the Program, as reduced, are described below.

**Salary and Bonus.** If there is a change of control and the individual is terminated or resigns for good reason, the individual would be entitled to a lump-sum payment equal to the sum of two times his or her annual salary and bonus, but only if the individual agrees to execute a non-solicitation and non-competition agreement. The amount of the bonus payable would be calculated as the average of the last three calendar years' annual bonuses.

**Benefits.** An individual would be entitled to a payment equal to the present value of the retirement benefits that he or she would have accrued during the period of time on which the lump-sum payment above is based and would be eligible for continued health benefits at active employee contribution levels for eighteen months, plus a gross up for any expected tax consequences associated with providing these health benefits.

**Accelerated Vesting of Equity Grants.** Both the Program and the Omnibus Plan, which was approved by shareholders in 2003, provide for accelerated vesting of equity grants in the event of a change of control only if the Compensation Committee determines prior to the change of control that outstanding awards will not be honored or assumed or substituted with equitable replacement awards made by a successor employer. This provision of the Omnibus Plan applies to all employees who hold unvested equity grants in the event of a change of control, and is not an additional benefit provided to participants in the Program. If the Compensation Committee determines in good faith that such awards will be honored or assumed or substituted with equitable replacement awards made by a successor employer, then the vesting of such awards will not accelerate and payments will be made early only if a participant is subsequently terminated.

## **Perquisites**

As noted on page 22 special benefits and perquisites for executives are minimized and based on a business purpose.

The incremental cost of any personal use of Company-provided aircraft by the Named Executive Officers is required to be reimbursed to the Company.

The Company provided vehicles and drivers for Messrs. Strangfeld, Carbone, Grier, Baird and Winograd for security purposes and business convenience in 2008. The cost allocated to personal use of Company-provided vehicles by these executives, including personal commutation

expenses, is reported in the Summary Compensation Table. The Company also provided security at the residence of the Chief Executive Officer in 2008, and this cost is also included in the Summary Compensation Table.

## 2008 Results and Compensation of Named Executive Officers

**Background.** The global financial and credit crisis has presented challenges for many companies, including Prudential Financial. Our 2008 financial results reflected the unfavorable financial and economic conditions and overshadowed solid fundamentals in many of our businesses. In light of these conditions, the Compensation Committee's general framework for compensation decisions for senior executives (including the NEOs) made in February 2009 included: no increases in base salary; reductions in annual incentive payments consistent with business results but taking into account increase in responsibility that occurred at the start of 2008 in connection with the management transition, and individual performance; and no increases in annual long-term compensation values.

During the course of its periodic analysis of the components of executive compensation, the Committee reviewed data on the decline in value of prior long-term incentive grants. As illustrated in the Summary Compensation Table and the Outstanding Equity Awards Table, there were significant declines in the expected values of prior performance share grants and restricted stock units compared to the anticipated value at the time of grant. In addition, at the time of the Committee's review, the exercise price of virtually all outstanding prior grants of stock options was higher than the current stock price. These declines further illustrate the relationship between compensation and performance.

**Table of Contents**

2009 PROXY STATEMENT

In general, the differences in the levels of total compensation for the Named Executive Officers is primarily driven by the scope of their responsibilities, market data for similar positions and considerations of internal equity. The principal elements of compensation considered in determining the total compensation for the Named Executive Officers in February 2009 were base salary, annual incentive and long-term incentive. The two key drivers of the 2008 annual incentive awards for the Named Executive Officers were:

(i) the senior management succession in January 2008 and

(ii) the financial performance of the Company.

The former generally increased Named Executive Officer bonus opportunity in line with the significant increase in the scope of responsibilities and the latter reduced the award amounts reflecting the decrease in financial results. After considering individual performance, the net result is typically an approximate 25% reduction in 2008 bonuses in comparison to 2007 awards. Comparing the total bonuses awarded to the five Named Executive Officers in this year's proxy to the top five Executive Officer bonuses in last year's proxy statement, the total decrease in bonuses was 41%.

The table below shows the Compensation Committee's perspective of the 2007 and 2008 compensation for the CEO using the framework described above:

**2007-2008 CEO Compensation**

	<i>2007</i>	<i>2008</i>	<i>% Change</i>
Salary <sup>1</sup>	\$ 1,000,000	\$ 1,000,000	0
Annual Incentive Payment	\$ 4,400,000 <sup>2</sup>	\$ 3,300,000	-25%
Long-Term Incentive Compensation Value <sup>3</sup>	\$ 6,500,000	\$ 6,500,000	0
Total	\$ 11,900,000	\$ 10,800,000	-9%

(1) Represents annualized salary at time of Compensation Committee decision in February of 2008 and 2009.

(2) Represents award for former role as Vice Chairman, U.S. Businesses.

(3) Long-term incentive compensation value as determined by the Compensation Committee in February of 2008 and 2009. Please note that the long-term grant values in the Summary Compensation Table and other tables do not match these amounts. The amounts shown above exclude the special one-time equity awards provided to Mr. Strangfeld in January 2008 in connection with the leadership transition and disclosed in last year's proxy statement.

#### **Annual Incentive Award and Base Salary for the 2008 Chief Executive Officer**

In accordance with the Board's established procedures, the Lead Director conducted an evaluation of Mr. Strangfeld's performance for 2008, the results of which were discussed with the Chair of the Compensation Committee in advance of the Compensation Committee's deliberations regarding Mr. Strangfeld's compensation. The Consultant presented its recommendations regarding compensation for Mr. Strangfeld to the Committee for its consideration, together with information on peer group CEO compensation for 2007 and expected trends in 2008.

**Mr. Strangfeld** was elected as Chief Executive Officer, effective January 1, 2008, and his salary was approved at \$1,000,000 at that time. His salary was not increased in 2009.

In evaluating Mr. Strangfeld's performance for 2008, the Board considered a broad range of Company and individual performance factors, including financial performance of the Company as a whole and its individual business units; new product development; critical leadership in crisis management (particularly as a new CEO); and accomplishments related to talent management and development.

Based on the framework and factors described above, the Committee recommended, and the non-employee Directors approved, an annual incentive payment of \$3,300,000 for Mr. Strangfeld for his performance in 2008, compared to \$4,400,000 for 2007 (when he was Vice Chairman - U.S. Businesses).

Equity awards for Mr. Strangfeld and the other Named Executive Officers are discussed below.

#### **Annual Incentive Awards and Base Salaries for the Other Named Executive Officers**

Mr. Strangfeld presented his compensation recommendations for the other Named Executive Officers to the Committee for its consideration. Following review and discussion, the Committee submitted its recommendations to the non-employee Directors for approval. In general, the determination of the annual incentive awards considered the framework previously described and the individual performance factors noted below.

**Mr. Carbone** was promoted to the level of Executive Vice President in January 2008 and his salary was approved at \$500,000 at that time. Mr. Carbone did not

## **Table of Contents**

PRUDENTIAL FINANCIAL, INC.

receive a salary increase in 2009. Mr. Carbone's annual incentive award for his 2008 performance was \$1,320,000, compared to \$1,750,000 for 2007. Among the individual performance factors considered in determining the award were his leadership in capital management efforts in light of the global economic and credit crisis.

**Mr. Grier's** role as a member of the Office of the Chairman was expanded in January 2008 to include a broad range of risk management and operational functions, as well as responsibility for global strategic initiatives. Mr. Grier's salary was approved at \$850,000 at that time; he did not receive a salary increase in 2009. Mr. Grier's annual incentive award for his 2008 performance was \$2,750,000, compared to \$3,600,000 for 2007. In determining the amount of Mr. Grier's annual incentive award, the Committee considered Mr. Grier's strategic leadership role as a member of the Office of the Chairman in managing the myriad issues arising from the global economic and credit crisis.

**Mr. Baird** was promoted to the position of Executive Vice President, International Businesses in January 2008 and his salary was established at \$450,000 at that time. Mr. Baird did not receive a salary increase in 2009. Mr. Baird's annual incentive award for his 2008 performance was \$1,100,000. Among the factors considered in determining Mr. Baird's annual incentive payment were the strong performance of the International Insurance businesses and the successful transition to his new role.

**Mr. Winograd** was promoted to the position of Executive Vice President, U.S. Businesses in January 2008 and his salary was established at \$600,000 at that time. He did not receive a salary increase in 2009. Mr. Winograd's annual incentive award for his 2008 performance was \$2,500,000. Among the factors considered in determining Mr. Winograd's annual incentive payment were his strategic leadership in facing the critical issues raised by the effects of the credit and equity markets on the investment businesses for which he is responsible, as well as the solid performance of the traditional insurance businesses for which he is also responsible.

## **Long-Term Incentives**

### **January 2008 Special One-Time Equity Awards**

In connection with the transition to a new senior management team in January 2008, the Committee approved special one-time equity awards in the form of stock options and restricted units to Messrs. Strangfeld, Grier, Carbone, Baird and Winograd to reflect their respective promotions or expansion of responsibilities. These grants are included in the Summary Compensation Table and the Grants of Plan-Based Awards Table. The closing stock price on the grant date was \$80.00.

One half of the options for Messrs. Strangfeld, Grier, Baird and Winograd will become exercisable after two years from the date of grant and one quarter will become exercisable after each of the third and fourth years from the date of grant. Two thirds of the options for Mr. Carbone will become exercisable after two years from the date of grant, and, except as provided in the grant acceptance agreement related to this grant, the remaining one third will become exercisable after three years from the date of grant.

The restrictions on one half of the restricted units awarded to Messrs. Strangfeld, Grier, Baird and Winograd will lapse after two years from the date of grant and one quarter will lapse after each of the third and fourth years from the date of grant. The restrictions on two-thirds of the restricted units for Mr. Carbone will lapse after two years from the date of grant, and, except as provided in the grant acceptance agreement related to this award, the remaining one third will lapse after three years from the date of grant.

### **2008 Annual Equity Awards**

In February 2008, we provided annual equity awards in the form of performance shares (60%) and stock options (40%) to the Named Executive Officers based on an evaluation of their individual performance during 2007, increased responsibilities, market pay positioning and retention considerations.

With respect to the performance shares granted in 2008, the Compensation Committee will determine the actual number of shares the executive will receive under the performance share program in February 2011 after the end of the 2008-2010 performance period. The target number of shares will be received upon attainment of an average ROE of 16% and a compounded annual growth rate in EPS of 13% over the 2008 through 2010 performance period. Both the ROE and EPS targets are based on after-tax AOI for the Financial Services Businesses, normalized for significant one-time benefits or charges that do not accurately reflect the operating

**Table of Contents**

2009 PROXY STATEMENT

performance of the Company's businesses in the judgment of the Compensation Committee. Attainment of average ROE of 17% and EPS growth of 16% would result in an award of 150% of target. No award would be earned if average ROE is 11% or less and EPS growth is 6% or less.

In accordance with SEC rules, we have included in the Summary Compensation Table the dollar value of the amount of accounting expense for each Named Executive Officer in 2008 under FAS 123R. These amounts include grants from prior years and accelerate the recognition of grants for individuals who become retirement eligible.

**2006 2008 Performance Share Units Payment**

The Named Executive Officers received payment of performance shares at 80.75% of target in February 2009. The Company exceeded the target goal of average ROE of 12.5%, but did not meet the goal of EPS target growth of 12% for the 2006-2008 performance period.

**2009 Annual Equity Awards**

The Committee awarded stock options and restricted stock units for each Named Executive Officer in February 2009 based on individual performance in 2008, competitive positioning and retention considerations. While these grants will not be included in the Summary Compensation Table until next year, we are providing information on the number of shares granted below. The closing stock price on the grant date was \$25.30.

<i>Name</i>	<i>Stock Options</i>	<i>Restricted</i>
		<i>Stock Units</i>
John R. Strangfeld	242,312	137,615
Richard J. Carbone	48,463	27,523
Mark B. Grier	193,850	110,092
Edward P. Baird	55,918	31,758
Bernard B. Winograd	93,197	52,929

**Policy on Tax Deductibility of Executive Compensation**

It is our policy to structure and administer our annual and long-term incentive plans and stock option grants for our CEO and other Named Executive Officers to maximize the tax deductibility of the payments as performance-based compensation under Section 162(m) of the Code. In 2008, all such compensation was deductible. The Compensation Committee, however, may provide benefits that are not tax deductible if the Committee determines it is appropriate to do so.

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

The Omnibus Plan contains an overall limit on compensation paid to executive officers to comply with the conditions for determining performance-based compensation under Section 162(m) of the Code. Section 162(m) and guidance under that section generally disallows a tax deduction to public companies for compensation over \$1,000,000 paid to a company's chief executive officer and the next three most highly compensated executives (other than the chief financial officer) reported in the proxy statement. Under the terms of the Omnibus Plan, the total amount of annual incentive, performance shares and restricted stock units paid to a Named Executive Officer who is covered under Section 162(m) of the Code in a given year cannot exceed 0.6% of the Company's pre-tax AOI for the prior year. The Compensation Committee monitors compliance with this limit on an annual basis.

*Page 31*



**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

**COMPENSATION OF NAMED EXECUTIVE OFFICERS**

The tables below contain information for the Chief Executive Officer, the Chief Financial Officer and the next three highest paid executive officers in 2008.

**Summary Compensation Table**

<i>Name &amp; Principal</i>				<i>Stock</i>	<i>Option</i>	<i>Change in</i>	<i>All Other</i>	
<i>Position</i>	<i>Year</i>	<i>Salary(\$)</i>	<i>Bonus(\$)<sup>1</sup></i>	<i>Awards(\$)<sup>2</sup></i>	<i>Awards(\$)<sup>3</sup></i>	<i>Pension</i>	<i>Compensation(\$)<sup>5</sup></i>	<i>Total(\$)</i>
				<i>Value(\$)<sup>4</sup></i>				
John R. Strangfeld Chairman and Chief Executive Officer	2008	\$ 970,769	\$ 3,300,000	\$ 474,776	\$ 3,845,406	\$ 5,282,659	\$ 144,745	\$ 14,018,355
	2007	\$ 600,000	\$ 4,400,000	\$ 2,740,545	\$ 1,542,464	\$ 729,524	\$ 45,147	\$ 10,057,680
	2006	\$ 600,000	\$ 3,800,000	\$ 2,459,396	\$ 1,265,405	\$ 3,135,316	\$ 39,578	\$ 11,299,695
Richard J. Carbone Executive Vice President and Chief Financial Officer	2008	\$ 497,808	\$ 1,320,000	\$ (306,749)	\$ 819,022	\$ 472,114	\$ 34,963	\$ 2,837,158
	2007	\$ 470,000	\$ 1,750,000	\$ 1,226,174	\$ 756,676	\$ 261,484	\$ 18,800	\$ 4,483,134
	2006	\$ 465,192	\$ 1,600,000	\$ 1,676,976	\$ 901,025	\$ 268,238	\$ 18,608	\$ 4,930,039
Mark B. Grier Vice Chairman	2008	\$ 831,731	\$ 2,750,000	\$ (1,240,870)	\$ 2,176,990	\$ 673,318	\$ 62,850	\$ 5,254,019
	2007	\$ 565,096	\$ 3,600,000	\$ 3,598,886	\$ 2,270,762	\$ 286,849	\$ 51,648	\$ 10,373,241
	2006	\$ 525,000	\$ 3,000,000	\$ 2,578,456	\$ 1,345,436	\$ 389,847	\$ 46,019	\$ 7,884,758
Edward P. Baird <sup>6</sup> Executive Vice President, International Businesses	2008	\$ 442,692	\$ 1,100,000	\$ (114,013)	\$ 669,031	\$ 1,200,974	\$ 32,581	\$ 3,331,265
Bernard B. Winograd <sup>7</sup> Executive Vice President, U.S. Businesses	2008	\$ 592,692	\$ 2,500,000	\$ (841,664)	\$ 1,029,171	\$ 2,328,180	\$ 38,508	\$ 5,646,887

(1) The amounts in the **Bonus** column represent bonuses paid in February 2009 for performance in 2008, February 2008 for performance in 2007, and March 2007 for performance in 2006. Mr Strangfeld elected to defer \$380,000 or 10% of his 2006 bonus under the Deferred Compensation Plan.

(2) The amounts in the **Stock Awards** column represents expenses, based upon the requisite service period, for performance shares and restricted stock units in each respective year as prescribed by FAS 123R. The performance shares include a retirement eligibility feature that recognizes 100% of the awards total cost by the retirement eligibility date. This retirement eligibility feature therefore recognizes expense over a shorter time period than the normal 3 year vesting period. Expense for the special one-time restricted stock unit grant on January 18, 2008 is generally recognized ratably according to the vesting schedule.

The 2008 expense for each Named Executive Officer includes, within the total, a negative value due to a reversal of prior year accruals reflecting lower expected payouts for the 2006 and 2007 performance share grants. Mr. Strangfeld became retirement eligible in 2008. Accordingly, the total cost of his 2006 and 2007 performance shares were not 100% expensed at the end of 2007. The 2006 and 2007

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

performance share awards for the other Named Executive Officers were 100% expensed at the end of 2007 since they met the retirement eligibility criteria for those years. Thus, the 2008 expense for Mr. Strangfeld's 2006 and 2007 performance share awards included expense for additional vesting and negative expense for the effect of reduced performance leverage factors. The 2008 expense for the other Named Executive Officers' 2006 and 2007 performance shares included only the negative expense effect of reduced performance leverage factors. The percentage of expense recorded for prior years is illustrated in the next section on FAS 123R.

(3) The amounts in the **Option Awards** column represents expenses, based upon the requisite service period, for stock options in each respective year as prescribed by FAS 123R. The stock options include a retirement eligibility feature that recognizes 100% of the awards' total cost by the retirement eligibility date. This retirement eligibility feature therefore recognizes expense over a shorter time period than the normal 3 year vesting period. Expense for the special one-time option grant on January 18, 2008 is generally recognized ratably according to the vesting schedule.

(4) The amounts in the **Change in Pension Value** column represent the change in the actuarial present value of each Named Executive Officer's accumulated benefit under the Merged Retirement Plan, the Supplemental Retirement Plan and the Prudential SERPs, as applicable, determined using interest rate and mortality rate assumptions consistent with those used for the Company's consolidated financial statements on September 30, 2005, September 30, 2006, September 30, 2007 and December 31, 2008, as applicable; namely, the RP 2000 generational mortality table with white collar adjustments, an interest discount rate of 5.50% for 2005, 5.75% for 2006, 6.25% for 2007 and 6.00% for 2008, and a Cash Balance Formula interest crediting rate of 4.50% for 2005, 4.75% for 2006, 4.75% for 2007 and 4.25% for 2008. Accordingly, the change in pension value for 2006, 2007 and 2008 is 12 months, 12 months and 15 months respectively. The amounts represented above may fluctuate significantly in a given year.

---

**Table of Contents**

2009 PROXY STATEMENT

depending on a number of factors that affect the formula to determine pension benefits, including age, years of service and the measurement of average annual earnings.

Messrs. Strangfeld, Baird and Winograd accrue pension benefits under the Traditional Pension Formula and the other Named Executive Officers accrue pension benefits under the Cash Balance Formula (both formulas are described on pages 40-41). In accordance with the provisions of the Traditional Pension Formula, the years of earnings used for determining Average Eligible Earnings change every two years (most recently on January 1, 2008). The increase in the Change in Pension Value for Mr. Strangfeld in 2006 and 2008 and Messrs. Baird and Winograd in 2008 are due in large part to the increase in the average earnings as measured on September 30, 2005 and September 30, 2006, for 2006 and September 30, 2007 and December 31, 2008 for 2008 reflecting in part the effect of the change in the years of earnings used and a decrease in the period of time over which the pension benefits are discounted in determining present values.

(5) The amounts in the **All Other Compensation** column are described in the supplemental **All Other Compensation** table on page 34. Based on the SEC guidance that dividend equivalents do not need to be reported if the share grants were made at the fair value of Prudential Common Stock on the grant date, no dividend equivalent amounts are reported for 2008 and prior years.

(6) Mr. Baird was appointed an executive officer in January 2008.

(7) Mr. Winograd was appointed an executive officer in January 2008.

**FAS 123R Valuation of Equity Awards.** Under applicable accounting standards, equity awards are generally expensed ratably over the vesting period (in our case, typically three years). However, beginning with awards granted in 2006, we are required to recognize 100% of the expense in the year of grant for those individuals who are or become eligible for approved retirement treatment during the year under the Omnibus Plan, and record the expense for other individuals in light of how close they are to being eligible for approved retirement treatment. All of the Named Executive Officers qualify for approved retirement treatment under the Omnibus Plan. As a result, 100% of their February 2008 equity grants were expensed in 2008. Special one-time equity awards granted on January 18, 2008 are expensed ratably according to the vesting schedule. Since Mr. Strangfeld became retirement eligible during 2008, the amounts listed in the Summary Compensation Table for his 2008 performance shares and restricted units also include amounts related to prior years. As illustrated in the table below, the amounts listed for each individual in the Summary Compensation Table for Stock Awards and Option Awards consist of varying percentages of the total expense for each grant year that was expensed in 2008.

**Percentage of Total Expense for Each Grant Year Expensed in 2008**

**Performance Shares and Restricted  
Stock Units**

<i>Name</i>	<i>2005 Grants</i>	<i>2006 Grants</i>	<i>2007 Grants</i>	<i>2008 Grants</i>	<i>2008 Special Grants</i>
John R. Strangfeld	0.00%	33.18%	49.86%	100.00%	23.82%
Richard J. Carbone	0.00%	0.00%	0.00%	100.00%	47.61%
Mark B. Grier	0.00%	0.00%	0.00%	100.00%	23.82%
Edward P. Baird	0.00%	0.00%	0.00%	100.00%	23.82%
Bernard B. Winograd	0.00%	0.00%	0.00%	100.00%	23.82%

**Stock Options**

<i>Name</i>	<i>2005 Grants</i>	<i>2006 Grants</i>	<i>2007 Grants</i>	<i>2008 Grants</i>	<i>2008 Special Grants</i>
John R. Strangfeld	3.73%	34.57%	53.00%	100.00%	23.82%
Richard J. Carbone	3.73%	0.00%	0.00%	100.00%	47.61%
Mark B. Grier	3.73%	0.00%	0.00%	100.00%	23.82%
Edward P. Baird	3.73%	0.00%	0.00%	100.00%	23.82%
Bernard B. Winograd	3.73%	0.00%	0.00%	100.00%	23.82%

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

The table below supplements the Summary Compensation Table to provide detail on information disclosed in the All Other Compensation column.

**All Other Compensation**

<i>Name</i>	<i>Year</i>	<i>Perquisites<sup>1</sup></i>	<i>PESP Contributions<sup>2</sup></i>	<i>SESP Contributions<sup>2</sup></i>	<i>Total<sup>3</sup></i>
John R. Strangfeld	2008	\$ 107,768	\$ 7,346	\$ 29,631	\$ 144,745
	2007	\$ 22,762	\$ 7,385	\$ 15,000	\$ 45,147
	2006	\$ 19,310	\$ 6,923	\$ 13,345	\$ 39,578
Richard J. Carbone	2008	\$ 15,051	\$ 9,200	\$ 10,712	\$ 34,963
	2007		\$ 9,000	\$ 9,800	\$ 18,800
	2006		\$ 8,800	\$ 9,808	\$ 18,608
Mark B. Grier	2008	\$ 29,581	\$ 9,200	\$ 24,069	\$ 62,850
	2007	\$ 29,044	\$ 9,000	\$ 13,604	\$ 51,648
	2006	\$ 25,019	\$ 8,800	\$ 12,200	\$ 46,019
Edward P. Baird	2008	\$ 14,873	\$ 9,200	\$ 8,508	\$ 32,581
Bernard B. Winograd	2008	\$ 16,908	\$ 7,092	\$ 14,508	\$ 38,508

(1) For Mr. Strangfeld, the amount in the **Perquisites** column represents costs for home security of \$85,767 and Company-provided vehicles for personal and commuting purposes of \$22,001. The Company views the provision of security for its Chief Executive Officer as a necessary business expense. The home security charges for 2008 for Mr. Strangfeld represent significant one-time costs for installation and will be considerably less in future years. For Messrs. Carbone, Grier, Baird and Winograd the amount represents costs for personal and commuting usage of Company-provided vehicles. The amounts included in the above table for personal and commuting use of vehicles reflect the Company's determination of the costs allocable to the actual personal and commuting usage of each individual and is based on a formula that takes into account various expenses, including costs associated with the driver and fuel.

(2) The amounts in the **PESP** and **SESP Contributions** columns represent employer contributions to the Named Executive Officers' accounts.

(3) Based on SEC guidance that dividend equivalents do not need to be reported if the share grants were made at the fair value of Prudential Common Stock on the grant date, no dividend equivalent amounts are reported for 2008 and prior years.



**Table of Contents**

2009 PROXY STATEMENT

The following table details all of the plan-based awards granted to each of the Named Executive Officers in 2008.

**Grants of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards <sup>1</sup>			All Other Stock Awards, Number of Shares of Stock or Units <sup>2</sup>	All Other Option Awards: Number of Securities Underlying Options(#) <sup>3</sup>	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards <sup>4</sup>
		Threshold(#)	Target(#)	Maximum(#)				
John R. Strangfeld	01/18/08				50,907		\$ 4,072,560	
	01/18/08					143,177	\$ 2,681,705	
	02/12/08	0	45,418	68,127			\$ 3,135,205	
	02/12/08					146,315	\$ 1,997,200	
Richard J. Carbone	01/18/08				15,909		\$ 1,272,720	
	01/18/08					45,393	\$ 839,771	
	02/12/08	0	9,084	13,626			\$ 627,069	
	02/12/08					29,263	\$ 399,440	
Mark B. Grier.	01/18/08				42,953		\$ 3,436,240	
	01/18/08					120,806	\$ 2,262,696	
	02/12/08	0	36,334	54,501			\$ 2,508,136	
	02/12/08					117,052	\$ 1,597,760	
Edward P. Baird	01/18/08				15,909		\$ 1,272,720	
	01/18/08					44,743	\$ 838,036	
	02/12/08	0	10,481	15,722			\$ 723,503	
	02/12/08					33,765	\$ 460,892	
Bernard B. Winograd	01/18/08				19,091		\$ 1,527,280	
	01/18/08					53,692	\$ 1,005,651	
	02/12/08	0	17,469	26,204			\$ 1,205,885	
	02/12/08					56,275	\$ 768,154	

(1) The amounts in the columns under the **Estimated Future Payouts Under Equity Incentive Plan Awards** section of this table represent grants of performance shares made under the 2008 performance share program described in the Compensation Discussion and Analysis. The number of shares actually received will be determined over a three-year performance period based on the satisfaction of performance goals. Under the 2008 performance shares program, the target number of performance shares will be earned if average ROE for the 2008-2010 performance period is 16% and the compounded annual growth rate for EPS is 13%. Achievement of 17% or more average ROE and EPS growth of 16% or more would result in an award of 150% of the target. No award would be earned if average ROE is 11% or less and EPS growth is 6% or less. The actual number of shares to be received will be determined by the Compensation Committee in February 2011. Dividend equivalents are paid on the final number of performance shares earned up to the target number of shares.

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

(2) The **All Other Stock Awards** column represents restricted stock units granted under the Omnibus Plan. For Messrs. Strangfeld, Grier, Baird, and Winograd, restrictions on one-half of the restricted stock units will lapse after two years and one-quarter will lapse after each of the third and fourth years. For Mr. Carbone, restrictions on two-thirds of the restricted stock units will lapse after two years, and except as provided in the grant acceptance agreement related to this grant, the remaining one-third will lapse after three years.

(3) The **All Other Option Awards** column represents the number of stock options granted under the Omnibus Plan. For the January 18, 2008 grants to Messrs. Strangfeld, Grier, Baird, and Winograd, stock options vest one-half after two years, and one-quarter each after year three and four. The January 18, 2008 grant for Mr. Carbone vests at two-thirds after two years, and except as provided in the grant acceptance agreement related to this grant, the remaining one-third will become exercisable after three years from the date of grant. For the February 12, 2008 grants, stock options vest one-third each year on the anniversary of the



**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

grant date. Grants expire 10 years from grant date. The exercise price for these stock options is the closing price of Prudential Financial Common Stock on the grant dates of January 18, 2008 and February 12, 2008 respectively.

(4) The **Grant Date Fair Value** for performance shares is calculated as the target number of performance shares multiplied by the closing price of \$69.03 of Prudential Financial Common Stock on the grant date of February 12, 2008. The Grant Date Fair Value for restricted stock units is calculated as the number of units multiplied by the closing price on the grant date of January 18, 2008, \$80.00. For stock options, these values are hypothetical values developed under a binomial option pricing model, which is a complex, mathematical formula to determine fair value of stock options on the date of grant. The binomial option pricing model is a flexible, lattice-based valuation model that takes into consideration transferability, fixed estimate of volatility, and expected life of the options. As such, the table values are hypothetical and may not reflect the true value an option holder would realize upon exercise. We made the following assumptions when calculating the grant date fair value of the stock option grants of February 12, 2008: exercise price is equal to our share price on the grant date, 4.69 year life expected for each option, expected dividend yield is 1.1%, risk-free rate of return of 2.91%, and expected price volatility of 20.59%. Assumptions for the January 18, 2008 grant to Messrs. Strangfeld, Grier, Baird and Winograd: exercise price is equal to our share price on the grant date, 6.03 year life expected for each option, expected dividend yield is 1.1%, risk-free rate of return of 3.04%, and expected price volatility of 21%. Assumptions for the January 18, 2008 grant to Mr. Carbone: exercise price is equal to our share price on the grant date, 5.9 year life expected for each option, expected dividend yield is 1.1%, risk-free rate of return of 3.01%, and expected price volatility of 21.11%.

*Page 36*

**Table of Contents**

2009 PROXY STATEMENT

The following table sets forth outstanding equity awards held by each of the Named Executive Officers as of December 31, 2008.

**Outstanding Equity Awards  
at Fiscal Year-End**

Name	Grant Date	Option Awards <sup>1</sup>				Stock Awards <sup>2</sup>	
		Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price(\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(\$)
John R. Strangfeld	02/12/2008	0	146,315	\$ 69.03	02/12/2018	45,418	\$ 1,374,349
	01/18/2008	0	143,177	\$ 80.00	01/18/2018	50,907	\$ 1,540,446
	02/13/2007	22,103	44,207	\$ 91.73	02/13/2017	21,569	\$ 652,678
	02/14/2006	47,752	23,876	\$ 76.15	02/14/2016	23,873	\$ 722,397
	02/08/2005	95,026	0	\$ 55.75	02/08/2015		
	02/10/2004	111,810	0	\$ 45.00	02/10/2014		
Richard J. Carbone	02/12/2008	0	29,263	\$ 69.03	02/12/2018	9,084	\$ 274,882
	01/18/2008	0	45,393	\$ 80.00	01/18/2018	15,909	\$ 481,406
	02/13/2007	9,056	18,113	\$ 91.73	02/13/2017	8,838	\$ 267,438
	02/14/2006	19,565	9,783	\$ 76.15	02/14/2016	9,782	\$ 296,003
	02/08/2005	41,225	0	\$ 55.75	02/08/2015		
	02/10/2004	48,917	0	\$ 45.00	02/10/2014		
Mark B. Grier	02/12/2008	0	117,052	\$ 69.03	02/12/2018	36,334	\$ 1,099,467
	01/18/2008	0	120,806	\$ 80.00	01/18/2018	42,953	\$ 1,299,758
	02/13/2007	22,103	44,207	\$ 91.73	02/13/2017	21,569	\$ 652,678
	02/14/2006	42,446	21,223	\$ 76.15	02/14/2016	21,221	\$ 642,147
	02/08/2005	83,846	0	\$ 55.75	02/08/2015		
Edward P. Baird	02/12/2008	0	33,765	\$ 69.03	02/12/2018	10,481	\$ 317,155
	01/18/2008	0	44,743	\$ 80.00	01/18/2018	15,909	\$ 481,406
	02/13/2007	4,298	8,597	\$ 91.73	02/13/2017	4,195	\$ 126,941
	02/14/2006	9,285	4,643	\$ 76.15	02/14/2016	4,642	\$ 140,467
	02/08/2005	17,748	0	\$ 55.75	02/08/2015		
	02/10/2004	18,344	0	\$ 45.00	02/10/2014		
Bernard B. Winograd	02/12/2008	0	56,275	\$ 69.03	02/12/2018	17,469	\$ 528,612
	01/18/2008	0	53,692	\$ 80.00	01/18/2018	19,091	\$ 577,694
	02/13/2007	12,893	25,787	\$ 91.73	02/13/2017	12,582	\$ 380,731
	02/14/2006	24,539	12,270	\$ 76.15	02/14/2016	12,268	\$ 371,230

Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

02/08/2005	29,812	0	\$ 55.75	02/08/2015
02/10/2004	16,306	0	\$ 45.00	02/10/2014

(1) The **Option Awards** listed above vest at the rate of one-third per year on the anniversary of the date of grant, except for grants of January 18, 2008. For these grants to Messrs. Strangfeld, Grier, Baird, and Winograd, stock options vest one-half after two years, and one-quarter each after year three and four. The January 18, 2008 grant for Mr. Carbone vests at two-thirds after two years, and except as provided in the grant acceptance agreement related to this grant, the remaining one-third will become exercisable after three years from the date of grant.

*Page 37*

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

(2) The **Stock Awards** columns reflect the number of outstanding performance shares at target payout for the 2006, 2007 and 2008 grants. The dollar values represent the estimated value of outstanding performance shares at target payout for the 2006, 2007 and 2008 grants, based on a stock price of \$30.26 per share, the closing price of Prudential Financial Common Stock on December 31, 2008. For the January 18, 2008 grants, the columns represent the number of restricted stock units outstanding, and corresponding value based on the December 31, 2008 closing price.

The following table sets forth the value realized by each of the Named Executive Officers as a result of the exercise of options and the vesting of stock awards in 2008.

**Option Exercises and Stock Vested in 2008**

<i>Name</i>	<i>Option Awards</i>		<i>Stock Awards</i>	
	<i>Number of Shares Acquired on Exercise(#)</i>	<i>Value Realized on Exercise(\$)</i>	<i>Number of Shares Acquired on Vesting(#)<sup>1</sup></i>	<i>Value Realized on Vesting(\$)<sup>2</sup></i>
John R. Strangfeld	0	\$ 0	47,522	\$ 3,280,444
Richard J. Carbone	0	\$ 0	20,616	\$ 1,423,122
Mark B. Grier	0	\$ 0	41,931	\$ 2,894,497
Edward P. Baird	0	\$ 0	8,876	\$ 612,710
Bernard B. Winograd	0	\$ 0	22,364	\$ 1,543,787

(1) The amounts in the **Stock Awards Number of Shares Acquired on Vesting** column represents the maximum payout of shares of Prudential Financial Common Stock for the 2005 performance share grants at 150% of target in February 2008.

(2) The amounts in the **Stock Awards Value Realized on Vesting** column represents the product of the number of shares released and the closing sale price of Prudential Financial Common Stock on the date of vesting in February 2008, \$69.03.

**Table of Contents**

2009 PROXY STATEMENT

**PENSION BENEFITS**

The table below shows the present value of accumulated benefits as of December 31, 2008, except as noted, payable for each of the Named Executive Officers, including the years of service credited to each such Named Executive Officer, under each of the retirement plans determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements; namely, the RP

2000 generational mortality table with white collar adjustments and an interest discount rate of 6.00%. Cash Balance Formula accounts are assumed to grow with interest at 4.25% until commencement of pension benefits. No additional earnings or service after December 31, 2008, are included in the calculation of the pension benefit.

**Pension Benefits**

<i>Name</i>	<i>Plan Name</i>		<i>Number of Years of Credited Service(#)</i>	<i>Present Value of Accumulated Benefit(\$)</i>	<i>Payments During Last Fiscal Year(\$)</i>
John R. Strangfeld.	Merged Retirement Plan	Traditional Pension Formula	31	\$ 1,592,838	\$ 0
	Supplemental Retirement Plan	Traditional Pension Formula	31	\$ 21,049,996	\$ 0
	Supplemental Retirement Plan	Cash Balance Formula	n/a <sup>1</sup>	\$ 22,753	\$ 0
Richard J. Carbone	Merged Retirement Plan	Cash Balance Formula	11	\$ 1,317,557	\$ 0
	Supplemental Retirement Plan	Cash Balance Formula	11	\$ 1,161,159	\$ 0
Mark B. Grier	Merged Retirement Plan	Cash Balance Formula	13	\$ 1,281,483	\$ 0
	Supplemental Retirement Plan	Cash Balance Formula	13	\$ 2,211,138	\$ 0
Edward P. Baird	Merged Retirement Plan	Traditional Pension Formula	29	\$ 2,211,917	\$ 0
	Supplemental Retirement Plan	Traditional Pension Formula	29	\$ 4,012,447	\$ 0
	Supplemental Retirement Plan	Cash Balance Formula	n/a <sup>1</sup>	\$ 22,826	\$ 0
Bernard B. Winograd	Merged Retirement Plan	Traditional Pension Formula	12	\$ 378,008	\$ 0
	Merged Retirement Plan	Cash Balance Formula	n/a <sup>1</sup>	\$ 4,542	\$ 0
	Supplemental Retirement Plan	Traditional Pension Formula	12	\$ 5,399,667	\$ 0
	Supplemental Retirement Plan	Cash Balance Formula	12	\$ 5,399,667	\$ 0

(1) This benefit is a result of an allocation of demutualization compensation distributed to all participants in the Merged Retirement Plan in 2002 ( Demutualization Credit ). Ongoing service is not a consideration in determining this benefit for these participants.

Page 39

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

**Traditional Pension Formula**

Traditional Pension Formula benefits are subject to Code limits and determined using the following formula:

(1.35% x Average Eligible Earnings up to Covered  
Compensation

+

2% x Average Eligible Earnings in excess of Covered  
Compensation)

x

Years of Credited Service up to 25 years

+

(.75% x Average Eligible Earnings up to Covered Compensation

+

1.35% x Average Eligible Earnings in excess of Covered  
Compensation)

x

Years of Credited Service for the next 13 years

+

1% x Average Eligible Earnings

x

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

### Years of Credited Service

in excess of 38 years

For a separation from service in 2008, Average Eligible Earnings are determined by taking an average of earnings (base salary plus annual incentive payments for performance for that year) over a period of time beginning January 1, 2001, and ending on the date of separation after dropping the lowest two years of earnings in that period. Under the Traditional Pension Formula, the starting point for the averaging period is moved forward two years on January 1 of every even calendar year. Covered Compensation for a year is the average of the Social Security wage bases for the 35 years ending in the year the participant will reach Social Security normal retirement age. Benefits are payable as early as age 55 (with a reduction in benefit) as a single life annuity if not married or an actuarially equivalent 50% joint and survivor annuity if married.

Generally, a participant's benefit will be determined as the greater of:

the benefit as determined above calculated at the time of separation from service; and

the benefit as determined above calculated as of January 1, 2002, plus all or a portion of the Supplemental Retirement Plan benefit calculated as of January 1, 2002.

Additional benefits are provided to participants who are eligible to retire upon separation from service. A participant is eligible to retire if he or she separates from service either:

after attainment of age 55 with 10 years of vesting service;

after attainment of age 65; or

due to an involuntary termination (other than for cause or exhausting short term disability benefits) after attainment of age 50 with 20 years of continuous service (the 50/20 Provision).

If a participant is eligible to retire, the following additional benefits are provided under the Traditional Pension Formula:

survivor benefits with no actuarial reduction;

lesser, or no, reduction in benefit for benefit commencement before age 65; and

an additional benefit paid to age 65.

Benefits in the table above are assumed to commence in the form of a 50% joint and survivor annuity on the date the participant is eligible for an unreduced benefit, *i.e.*, the earlier of i) the first of the month on or following the later of attainment of age 60 and 30 years of service and ii) the first of the month on or following attainment of age 65 ( Normal Retirement Date ).

**Cash Balance Formula**

Benefits are subject to Code limits and computed using a cash balance methodology that provides for credits to be made to a hypothetical account. The hypothetical accounts are allocated basic credits equal to 2% to 14% (depending on age and service) of base salary and annual incentive payments (when paid). Interest credits are made to the participant's hypothetical account each

*Page 40*



---

**Table of Contents**

2009 PROXY STATEMENT

month. The Cash Balance Formula sets the interest rate each year based on the average yield on 30-year U.S. Treasury securities (constant maturities) for October of the prior year, with a minimum rate of 4.25%. Active participants on June 30, 2003, received an additional credit equal to the participant's Supplemental Retirement Plan cash balance formula benefit determined as of January 1, 2002, if any. Benefits are payable at any time after separation of service as a lump sum amount (based on the account balance) or an actuarially equivalent single life annuity, 50%, 75% or 100% joint and survivor annuity or 50% contingent annuity. Employees who chose the Cash Balance Formula in the Pension Choice Election process have a frozen Grandfathered Benefit determined as the accrued benefit under the Traditional Pension Formula as of January 1, 2002. The value of the Grandfathered Benefit, and early retirement subsidies on this benefit, if applicable, are included in determining the payable benefit.

In the table above, cash balance accounts are assumed to grow with interest until and benefits will commence on:

for Messrs. Strangfeld, Baird and Winograd (whose Cash Balance Formula benefits are due only to the Demutualization Credit), the same date benefits are assumed to commence under the Traditional Pension Formula; and

for Mr. Carbone and Mr. Grier, the participant's Normal Retirement Date.

Benefits are assumed to commence in a form that is based on a value comparison between a lump sum and a 50% joint and survivor annuity.

**The Supplemental Retirement Plan and Prudential SERPs**

Prior to January 1, 2009, pension benefits under the Supplemental Retirement Plan and Prudential SERPs are generally paid in the same form and at the same time as elected under the applicable component of the Merged Retirement Plan. Retirement-eligible Traditional Pension Formula participants may elect to receive the Supplemental Retirement Plan and Prudential SERP benefits in the form of a lump sum.

Benefits in the table above are assumed to commence in the same form and at the same time as under the Merged Retirement Plan benefit.

Effective January 1, 2009, in accordance with IRC Section 409A, pension benefits under the Supplemental Retirement Plan and Prudential SERPs will no longer be paid in the same form and at the same time as elected under the applicable component of the Merged Retirement Plan, but rather at a pre-determined time and in a pre-determined form as set forth in the plan document.

Certain eligible employees, including the Named Executive Officers, were permitted to make an irrevocable election regarding the form of payment for these pension benefits. As part of this election, all of the Named Executive Officers elected to receive their Supplemental Retirement Plan and Prudential SERP benefits, if any, in the form of a lump sum. By doing so, Mr. Carbone and Mr. Grier forfeited their

eligibility for a Prudential SERP benefit since Prudential SERP benefits are not provided to participants under the Cash Balance Formula who receive their benefit in the form of a lump sum.

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

The following table illustrates the Named Executive Officers' participation in the SESP and the Deferred Compensation Plan, both of which are discussed on pages 26-27.

**Nonqualified Deferred Compensation**

<i>Name</i>	<i>Executive Contributions in Last FY(\$)<sup>1</sup></i>	<i>Registrant Contributions in Last FY(\$)</i>	<i>Aggregate Earnings in Last FY(\$)</i>	<i>Aggregate Withdrawals/Distributions(\$)<sup>2</sup></i>	<i>Aggregate Balance at Last FYE(\$)<sup>3</sup></i>
John R. Strangfeld	\$ 29,631	\$ 29,631	\$ (2,641,280)	\$ 0	\$ 4,512,159
Richard J. Carbone	\$ 10,712	\$ 10,712	\$ 193,924	\$ (214,499)	\$ 3,982,846
Mark B. Grier	\$ 24,069	\$ 24,069	\$ 11,293	\$ 0	\$ 267,824
Edward P. Baird	\$ 8,508	\$ 8,508	\$ 5,090	\$ 0	\$ 119,726
Bernard B. Winograd	\$ 14,508	\$ 14,508	\$ (1,462,041)	\$ 0	\$ 2,496,919

(1) The **Executive Contributions in Last FY** column represents: a) Elective contributions of a portion of their salary to the SESP by Messrs. Strangfeld, Carbone, Grier, Baird and Winograd in the amounts of \$29,631, \$10,712, \$24,069, \$8,508 and \$14,508, respectively (which amounts are also included in the Salary Column of the Summary Compensation Table).

(2) The **Aggregate Withdrawals/Distributions** column represents distributions in 2008 from the Deferred Compensation Plan for Mr. Carbone for the 2000 plan year in the form of monthly payments that began in 2003 and the 2001 plan year which began as monthly payments in 2007. Distribution options for payments under the Deferred Compensation Plan are chosen as lump sum or monthly payments over a period of up to 10 years. A recordkeeping account is created for the deferred earnings for the participant. Interest is earned on the account based on the participant's notional fund elections. Participants may change notional fund elections once per month.

(3) The **Aggregate Balance at Last FYE** column represents balances from SESP and the Deferred Compensation Plan and includes various amounts previously reported in the Summary Compensation Table as salary or annual incentive payments.

**Table of Contents**

2009 PROXY STATEMENT

**Potential Post-Employment Payments**

The following table provides information with respect to the potential post-employment payments for Named Executive Officers in the event of:

voluntary termination;

involuntary termination without cause;

separation due to change of control of the Company;

separation due to disability; and

separation due to death.

We have provided additional information concerning these termination events following the table.

The table has been prepared in accordance with the SEC rules and, in accordance with those rules, assumes the relevant termination of employment occurred on December 31, 2008 and, in calculating payments, uses the closing price of Prudential Common Stock on December 31, 2008 (\$30.26).

Retirement eligibility differs according to the employment separation event. The table assumes that benefits are paid in an annuity form and commence on January 1, 2009, unless stated otherwise. The table assumes Board approval of various payments and Prudential SERP Early Retirement Benefits, as applicable, for all Named Executive Officers.

Excluded from the table are:

the benefits the Named Executive Officers would be entitled to in the SESP and the Deferred Compensation Plan (these benefits are described on pages 26-27 and disclosed in the Nonqualified Deferred Compensation table on page 42).

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

additional payments to the Named Executive Officers under PESP and The Prudential Welfare Benefits Plan (a plan providing, among other things, life insurance, disability insurance, medical insurance and dental insurance), which do not discriminate in scope, terms, or operation in favor of the Named Executive Officers and are generally available to all salaried employees.

the effects of an involuntary separation for cause, which will result in a forfeiture of all outstanding vested and unvested stock options, restricted stock units, and performance shares. Named Executive Officers will receive no additional payments for a separation for cause.

**The amounts in the following table are hypothetical based on the rules of the SEC. Actual payments will depend on the circumstances and timing of any termination. The information below constitutes forward-looking statements for purposes of the Private Litigation Securities Reform Act of 1995.**

*Page 43*

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

**Potential Post-Employment Payments**

<i>Name</i>	<i>Payments/Benefits Upon Termination</i>	<i>Voluntary Termination/ Early or Normal Retirement(\$)</i>	<i>Involuntary Termination Without Cause(\$)</i>	<i>Separation Due to Change of Control(\$)</i>	<i>Separation Due to Disability(\$)</i>	<i>Separation Due to Death(\$)</i>
John R. Strangfeld	Severance Payment			\$ 12,740,404 <sup>1</sup>		
	Annual Incentive	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000
Chairman & Chief	Long Term Incentives					
	Stock Options <sup>2</sup>					
Executive Officer	Restricted Stock Units			\$ 1,540,446 <sup>3</sup>	\$ 1,540,446 <sup>3</sup>	\$ 1,540,446 <sup>3</sup>
	Performance Shares			\$ 2,749,424 <sup>4</sup>	\$ 2,749,424 <sup>4</sup>	\$ 2,749,424 <sup>4</sup>
	Benefits/Perquisites					
	SERP		\$ 11,278,138	\$ 11,278,138		
	Health/Life			\$ 4,130 <sup>5</sup>	\$ 15,918,183	
	Additional Retirement Accruals	\$ 1,095,794	\$ 1,095,794	\$ 1,095,794	\$ 1,095,794	\$ 545,706
	<b>TOTAL:</b>	<b>\$ 4,995,794</b>	<b>\$ 16,273,932</b>	<b>\$ 33,308,336</b>	<b>\$ 25,203,847</b>	<b>\$ 8,735,576</b>
Richard J. Carbone	Severance Payment		\$ 3,075,000	\$ 4,933,399 <sup>1</sup>		
	Annual Incentive	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000
Executive Vice President and Chief Financial Officer	Long Term Incentives					
	Stock Options <sup>2</sup>					
	Restricted Stock Units			\$ 481,406 <sup>3</sup>	\$ 481,406 <sup>3</sup>	\$ 481,406 <sup>3</sup>
	Performance Shares			\$ 838,323 <sup>4</sup>	\$ 838,323 <sup>4</sup>	\$ 838,323 <sup>4</sup>
	Benefits/Perquisites					
	SERP					
	Health/Life			\$ 11,905 <sup>5</sup>	\$ 3,939,114	
	Additional Retirement Accruals	\$ 178,928	\$ 533,899	\$ 178,928	\$ 963,090	\$ 184,450
	<b>TOTAL:</b>	<b>\$ 1,728,928</b>	<b>\$ 5,158,899</b>	<b>\$ 7,993,961</b>	<b>\$ 7,771,933</b>	<b>\$ 3,054,179</b>
Mark B. Grier	Severance Payment		\$ 5,950,100	\$ 9,396,489 <sup>1</sup>		
	Annual Incentive	\$ 3,116,700	\$ 3,116,700	\$ 3,116,700	\$ 3,116,700	\$ 3,116,700
Vice Chairman	Long Term Incentives					
	Stock Options <sup>2</sup>					
	Restricted Stock Units			\$ 1,299,758 <sup>3</sup>	\$ 1,299,758 <sup>3</sup>	\$ 1,299,758 <sup>3</sup>
	Performance Shares			\$ 2,394,292 <sup>4</sup>	\$ 2,394,292 <sup>4</sup>	\$ 2,394,292 <sup>4</sup>
	Benefits/Perquisites					
	SERP					
	Health/Life			\$ 12,797 <sup>5</sup>	\$ 15,296,760	
	Additional Retirement Accruals	\$ 289,290	\$ 841,576	\$ 289,290	\$ 3,015,695	\$ 299,203
	<b>TOTAL:</b>	<b>\$ 3,405,990</b>	<b>\$ 9,908,376</b>	<b>\$ 16,509,326</b>	<b>\$ 25,123,205</b>	<b>\$ 7,109,953</b>
Edward P. Baird	Severance Payment		\$ 1,640,100	\$ 2,740,424 <sup>1</sup>		
	Annual Incentive	\$ 643,400	\$ 643,400	\$ 643,400	\$ 643,400	\$ 643,400
Executive Vice President, International Businesses	Long Term Incentives					
	Stock Options <sup>2</sup>					
	Restricted Stock Units			\$ 481,406 <sup>3</sup>	\$ 481,406 <sup>3</sup>	\$ 481,406 <sup>3</sup>
	Performance Shares			\$ 584,563 <sup>4</sup>	\$ 584,563 <sup>4</sup>	\$ 584,563 <sup>4</sup>
	Benefits/Perquisites					
	SERP			\$ 223,458		
	Health/Life			\$ 2,904 <sup>5</sup>	\$ 2,444,692	
	Additional Retirement Accruals	\$ 300,784	\$ 922,580	\$ 300,784	\$ 300,784	\$ 150,183
	<b>TOTAL:</b>	<b>\$ 944,184</b>	<b>\$ 3,206,080</b>	<b>\$ 4,976,939</b>	<b>\$ 4,454,845</b>	<b>\$ 1,859,552</b>



**Table of Contents**

2009 PROXY STATEMENT

<i>Name</i>	<i>Payments/Benefits Upon Termination</i>	<i>Voluntary Termination/ Early or Normal Retirement(\$)</i>	<i>Involuntary Termination Without Cause(\$)</i>	<i>Separation Due to Change of Control(\$)</i>	<i>Separation Due to Disability(\$)</i>	<i>Separation Due to Death(\$)</i>
Bernard B. Winograd	Severance Payment		\$ 5,425,100	\$ 9,582,483 <sup>1</sup>		
	Annual Incentive	\$ 3,016,700	\$ 3,016,700	\$ 3,016,700	\$ 3,016,700	\$ 3,016,700
Executive Vice President, U.S. Businesses	Long Term Incentives					
	Stock Options <sup>2</sup>					
	Restricted Stock Units			\$ 577,694 <sup>3</sup>	\$ 577,694 <sup>3</sup>	\$ 577,694 <sup>3</sup>
	Performance Shares			\$ 1,280,573 <sup>4</sup>	\$ 1,280,573 <sup>4</sup>	\$ 1,280,573 <sup>4</sup>
	Benefits/Perquisites					
	SERP		\$ 3,832,133	\$ 3,318,032		
	Health/Life			\$ 3,023 <sup>5</sup>	\$ 9,317,396	
	Additional Retirement Accruals	\$ 573,808	\$ 1,691,772	\$ 573,808	\$ 573,808	\$ 286,061
	<b>TOTAL:</b>	<b>\$ 3,590,508</b>	<b>\$ 13,965,705</b>	<b>\$ 18,352,313</b>	<b>\$ 14,766,171</b>	<b>\$ 5,161,028</b>

(1) Includes severance payments equal to two times annual cash compensation (subject to execution of a non-competition agreement), and a cash payment for the pension impact of additional two years of credited service.

(2) For disability and death, accelerated vesting of all stock options with up to 3 years to exercise.

(3) Includes the accelerated value of the 2008 restricted stock units based on the closing common stock price on December 31, 2008, \$30.26.

(4) Includes the value of 2006, 2007 and 2008 target performance shares paid based on the closing common stock price on December 31, 2008, \$30.26.

(5) Reflects the expected contribution subsidy for 18 months and the associated tax gross-up. For this purpose, we have assumed the 2009 premium and contribution rates continue for the full 18 months.

Page 45



**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

**Voluntary Termination; Early or Normal Retirement**

*Severance.* The Named Executive Officers are not entitled to a severance payment upon voluntary separation.

*Annual Incentives.* Subject to Board approval, upon a voluntary termination, the Named Executive Officers may be eligible to receive an annual incentive payment based on an average of the previous three years' annual incentive awards because they are retirement eligible under the Merged Retirement Plan.

*Stock Options.* Except for stock options granted on January 18, 2008, upon a voluntary termination of the Named Executive Officers, each of whom is eligible for approved retirement treatment under the Omnibus Incentive Plan:

vested stock options remain exercisable for a period of up to 5 years from the employment termination date; and

unvested stock options continue to vest according to the original vesting schedule if a release is executed. Once vested, these options can be exercised up to 5 years from the employment termination date.

For stock options granted on January 18, 2008, upon a voluntary termination:

by a Named Executive Officer (other than Mr. Carbone) before January 18, 2012, unvested stock options are cancelled and vested stock options are exercisable up to 90 days from the employment termination date.

by a Named Executive Officer (other than Mr. Carbone) on or after January 18, 2012, unexercised stock options remain exercisable for a period of up to 5 years from the employment termination date.

by Mr. Carbone before January 18, 2011, except as provided in the grant acceptance agreement, unvested stock options are cancelled and vested stock options are exercisable up to 90 days from the employment termination date.

by Mr. Carbone on or after January 18, 2011, unexercised stock options remain exercisable for a period of up to 5 years from the employment termination date.

**Restricted Stock Units.** Upon a voluntary termination, all outstanding units are forfeited, unless provided otherwise in the grant acceptance agreement.

**Performance Shares.** Upon a voluntary termination of the Named Executive Officers, each of whom is eligible for approved retirement treatment under the Omnibus Incentive Plan:

each grant of performance shares will be paid out at the end of its respective performance period based on the actual number of shares earned as determined by the Compensation Committee, if a release is executed.

**Additional Retirement Accruals.** Upon a voluntary termination, the Named Executive Officers, all of whom are retirement eligible under the Merged Retirement Plan, will receive an additional benefit based on the annual incentive.

### **Involuntary Termination Without Cause**

**Severance.** Assuming all eligibility conditions are satisfied, under the Severance Plan, the Named Executive Officers, except Mr. Strangfeld, may be eligible for severance payments of up to 18 months of salary and annual incentive (as calculated under the Severance Plan).

Mr. Strangfeld is not eligible for severance benefits under any of the Company's severance plans.

**Annual Incentives.** Subject to Board approval, each Named Executive Officer may be eligible to receive an annual incentive payment based on an average of the previous three years' annual incentive awards.

**Stock Options.** Except for stock options granted on January 18, 2008, upon an involuntary termination of the Named Executive Officers, all of whom are eligible for approved retirement treatment under the Omnibus Plan:

vested stock options remain exercisable for a period of up to 5 years from the employment termination date; and

unvested stock options continue to vest according to the original vesting schedule if a release is executed. Once vested, these options can be exercised up to 5 years from the employment termination date.

For stock options granted on January 18, 2008, upon an involuntary termination by a Named Executive Officer, the unvested stock options are prorated and are exercisable up to 90 days from the employment termination date.

**Table of Contents**

2009 PROXY STATEMENT

***Restricted Stock Units.*** Upon an involuntary termination, outstanding units are prorated and replaced with unrestricted shares of Prudential Financial Common Stock.

***Performance Shares.*** Upon an involuntary termination of the Named Executive Officers, all of whom are eligible for approved retirement treatment under the Omnibus Plan:

each grant of performance shares will be paid out at the end of its respective performance period based on the actual number of shares earned as determined by the Compensation Committee, if a release is executed.

***SERP.*** Upon an involuntary termination, Mr. Strangfeld and Mr. Winograd will be retirement eligible and may receive a Prudential SERP Early Retirement Benefit.

***Additional Retirement Accruals.*** Upon an involuntary termination with severance paid under the Severance Plan, the Named Executive Officers will receive additional benefits based on their respective annual incentive payments and, except for Mr. Strangfeld who is not eligible for the Severance Plan, additional benefits based on severance payments. Traditional Pension Formula and Supplemental Retirement Plan payments to Mr. Baird and Mr. Winograd will include the amount of severance paid as eligible earnings and will add as Credited Service the period of time over which the severance is based (*e.g.*, 78 weeks). Cash Balance Formula and Supplemental Retirement Plan payments to Mr. Carbone and Mr. Grier will include the amount of severance as eligible earnings.

**Separation Due to Change of Control**

The Change of Control Program is described on pages 27-28. The following information reflects the Change of Control Program in effect on December 31, 2008.

***Annual Incentives.*** Subject to Board approval, the Named Executive Officers may be eligible to receive their respective annual incentive payment based on an average of the previous three years' annual incentive awards.

***Stock Option/Restricted Stock Units/Performance Shares.*** Both the Change of Control Program and the Omnibus Plan, which was approved by shareholders in 2003, provide for accelerated vesting of stock options and restricted stock units, and the payment of outstanding performance shares at target in cash within 30 days of a change of control only if the Compensation Committee determines prior to the change of control that outstanding awards will not be honored or assumed or substituted with equitable replacement awards made by a successor employer. This provision of the Omnibus Plan applies to all employees who hold unvested equity grants in the event of a change of control, and is not an additional benefit provided to Named Executive Officers. If the Compensation Committee determines in good faith that such awards will be honored or assumed or substituted with equitable replacement awards made by a successor employer, then the vesting of such awards will not

accelerate and payments will be made early only if a participant is subsequently involuntarily terminated without cause. For the purposes of the table, we have assumed that the existing awards of the Named Executive Officers will not be substituted for other awards.

**SERP.** Upon a separation due to change of control, Messrs. Strangfeld, Baird and Winograd will be retirement eligible and may receive a Prudential SERP Early Retirement Benefit.

**Additional Retirement Accruals.** Upon a separation due to a change of control, the Named Executive Officers will receive additional benefits based on their respective annual incentive payments.

### **Separation Due to Disability**

**Annual Incentives.** Subject to Board approval, each Named Executive Officer will be eligible to receive a discretionary annual incentive payment based on an average of the previous three years' annual incentive awards.

**Stock Options.** Upon a separation due to disability, stock option vesting accelerates with up to 3 years to exercise.

**Restricted Stock Units.** All restricted stock units become fully vested and replaced with unrestricted shares of Prudential Financial Common Stock.

**Performance Shares.** All outstanding grants of performance shares are paid at target in shares of Prudential Financial Common Stock.

**Health/Life.** Upon a separation due to disability, each Named Executive Officer receives a monthly disability payment based on the Named Executive Officer's salary plus the most recently paid annual incentive.

**Additional Retirement Accruals.** Upon a separation due to disability, under the Cash Balance Formula, Mr. Carbone and Mr. Grier would receive additional

**Table of Contents**

PRUDENTIAL FINANCIAL, INC.

credits until pension commencement, which is assumed to be each Named Executive Officer's Normal Retirement Date. The Named Executive Officers will also receive additional benefits based on their respective annual incentive payments.

**Separation Due to Death**

**Annual Incentives.** Subject to Board approval, each Named Executive Officer will be eligible to receive an annual incentive payment based on an average of the previous three years' annual incentive awards.

**Stock Options.** Upon a separation due to death, stock option vesting accelerates with a minimum of 1 and up to 3 years to exercise.

**Restricted Stock Units.** All restricted stock units become fully vested and replaced with unrestricted shares of Prudential Financial Common Stock.

**Performance Shares Grants.** All outstanding grants of performance shares are paid at target in shares of Prudential Financial Common Stock.

**Additional Retirement Accruals.** Upon a separation due to death, the benefit payable to the Named Executive Officer's spouse will be increased by including in eligible earnings the Named Executive Officer's annual incentive payment.

Page 48

**Table of Contents****VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The following table sets forth information regarding the beneficial ownership of our Common Stock as of February 13, 2009, by:

each Director and Named Executive Officer; and

all Directors and Executive Officers of Prudential Financial as a group.

We have also included in the table amounts invested in units of Prudential Financial Common Stock in the Deferred Compensation Plan for Non-Employee Directors and the Executive Deferred Compensation Plan. Although these amounts are not considered to be beneficially owned under SEC rules, we believe these vested holdings would be of interest to shareholders. In addition, we have included the target number of performance shares awarded to the Named Executive Officers under the performance share program as well as restricted stock units. Again, although these shares vest only upon the satisfaction of certain conditions, they represent an economic interest of the Named Executive Officers and have been reported to the SEC in Form 4 filings.

<i>Name of Beneficial Owner</i>	<i>Number of Shares/ Deferred Units<sup>1</sup></i>	<i>Number of Shares Subject to Exercisable Options</i>	<i>Target Number of Performance Shares<sup>2</sup></i>	<i>Restricted Stock Units<sup>3</sup></i>
Thomas J. Baltimore, Jr.	3,226			
Frederic K. Becker	29,384			
Gordon M. Bethune	7,313			
Gaston Caperton	15,173			
Gilbert F. Casellas	17,791			
James G. Cullen	30,258			
William H. Gray III	17,136			
Jon F. Hanson	69,411 <sup>4</sup>			
Constance J. Horner	18,188			
Karl J. Krapek	17,064			
Christine A. Poon	6,125			
James A. Unruh	20,806			
John R. Strangfeld	175,773 <sup>5</sup>	347,565	66,987	188,522
Mark B. Grier	64,296 <sup>6</sup>	209,515	57,903	153,045
Richard J. Carbone	58,644	137,573	17,922	43,432
Edward P. Baird	21,086	65,228	14,676	47,667
Bernard B. Winograd	31,626	115,201	30,051	72,020
All directors and executive officers as a group (21 persons)	683,002 <sup>7</sup>	1,190,423	229,995	575,083

(1) Includes the following number of shares or share equivalents in deferred units, as to which no voting or investment power exists: Mr. Baltimore 3,226; Mr. Becker, 5,072; Mr. Bethune, 7,313; Mr. Caperton, 15,173; Mr. Casellas, 17,291; Mr. Cullen, 28,225; Mr. Gray,

## Edgar Filing: PRUDENTIAL FINANCIAL INC - Form DEF 14A

17,123; Mr. Hanson, 43,076; Ms. Horner, 17,164; Mr. Krapek, 17,064; Mr. Unruh, 18,045; and Mr. Strangfeld, 34,272.

(2) The number of performance shares included in the table for each Named Executive Officer represents the target number of shares to be received upon the attainment of ROE and EPS goals under the performance share program described under Compensation Discussion and Analysis .

(3) The restricted units do not have any voting or investment power.

(4) Includes 1,953 shares held by the Hampshire Foundation, of which Mr. Hanson is a trustee.

*Page 49*

2009 PROXY STATEMENT

**Table of Contents**

(5) Includes 7,000 shares held by the John and Mary K. Strangfeld Foundation.

(6) Includes 33,816 shares held by Mr. Grier in an account that is subject to a margin loan. This arrangement was authorized prior to the adoption of the Board's policy prohibiting such arrangements and will be terminated in 2009.

(7) The total beneficial ownership is less than 1% of the shares of Common Stock outstanding, as of February 13, 2009.

The following table shows all entities that were the beneficial owners of more than 5% of any class of Prudential Financial's voting securities.

<i>Title of Class</i>	<i>Name and Address of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Percent of Class</i>
Class B Stock	National Union Fire Insurance Company of Pittsburgh, PA <sup>1</sup> c/o AIG Global Investment Group 2929 Allen Parkway, Suite A-36-04 Houston, TX 77019	885,714	44.3%
Class B Stock	Lexington Insurance Company <sup>1</sup> c/o AIG Global Investment Group 2929 Allen Parkway, Suite A-36-04 Houston, TX 77019	914,286	45.7%
Class B Stock	Pacific LifeCorp 700 Newport Center Drive Newport Beach, CA 92660	200,000	10.0%

(1) National Union Fire Insurance Company of Pittsburgh, PA, and Lexington Insurance Company are subsidiaries of American International Group, Inc. ( AIG ), resulting in AIG's beneficially owning 90% of the Class B Stock.



To our knowledge, no person or entity is the beneficial owner of more than 5% of our Common Stock or more than 5% of the voting power of the combined Common Stock and Class B Stock.

## **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Each Director, certain officers of Prudential Financial and beneficial owners of more than 10% of the Common Stock are required to report to the SEC, by a specified date, his or her transactions related to the Common Stock. Based solely on review of the copies of reports furnished to Prudential Financial and on written representations that no other reports were required to be filed, Prudential Financial believes that there were no filing deficiencies during 2008 by those required to file.

## **SUBMISSION OF SHAREHOLDER PROPOSALS**

In order to submit shareholder proposals for the 2010 Annual Meeting of Shareholders for inclusion in

Prudential Financial's proxy statement pursuant to SEC Rule 14a-8 under the Securities Exchange Act of 1934 ( Exchange Act ), materials must be received by the Secretary at Prudential Financial's principal office in Newark, New Jersey, no later than November 21, 2009.

Such proposals must comply with all of the requirements of SEC Rule 14a-8. Proposals should be addressed to: Secretary, Prudential Financial, Inc., 751 Broad Street, Newark, NJ 07102. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion.

In accordance with the Company's By-laws, in order to be properly brought before the 2010 Annual Meeting, a notice of the matter the shareholder wishes to present at the meeting must be delivered to the Secretary at the Company's principal office in Newark (see preceding paragraph), not less than 120 or more than 150 days

*Page 50*

PRUDENTIAL FINANCIAL, INC.

## **Table of Contents**

prior to the first anniversary of the date of this year's Annual Meeting. As a result, any notice given by or on behalf of a shareholder pursuant to these provisions of the Company's By-laws (and not pursuant to SEC Rule 14a-8) must be received no earlier than December 13, 2009, and no later than January 12, 2010. All director nominations and shareholder proposals must comply with the requirements of Prudential Financial's By-laws, a copy of which may be obtained at no cost from the Secretary of Prudential Financial.

## **HOUSEHOLDING OF PROXY MATERIALS AND ELIMINATION OF DUPLICATES**

A single proxy statement and annual report, along with individual proxy cards, or individual Notices of Internet Availability will be delivered in one envelope to multiple shareholders having the same last name and address and to individuals with more than one account registered at Computershare with the same address unless contrary instructions have been received from an affected shareholder. If you are a shareholder who shares the same last name and address as other shareholders of Prudential Financial or if you own more than one account registered at Computershare with the same address and would like to receive a separate copy of current or future proxy mailings or Notice of Internet Availability, please contact Computershare at 1-800-305-9404. If you prefer, you can send a written request to Prudential Financial, Inc., Attn: Prudential Shareholder Services, P.O. Box 1708, Newark, NJ 07101-1708. If you share the same last name and address as multiple shareholders or if you own more than one account registered at Computershare with the same address and you would like Prudential Financial to send only one copy of future proxy mailings or Notice of Internet Availability, please contact Computershare at the above phone number.

## **ELECTRONIC DELIVERY OF PROXY MATERIALS**

In an effort to reduce paper mailed to your home and help lower printing and postage costs, we are pleased to offer shareholders the convenience of viewing online proxy statements, annual reports and related materials. With your consent, we can stop sending future paper copies of these documents. To participate during the voting season, registered shareholders may follow the instructions when voting online at [www.investorvote.com/prudential](http://www.investorvote.com/prudential). Following the 2009 Annual Meeting, you may continue to register by visiting [www.computershare.com/investor](http://www.computershare.com/investor). If you own shares indirectly through a broker, bank, or other nominee, please contact your financial institution for additional information regarding enrolling for electronic delivery.

## **ANNUAL REPORT ON FORM 10-K**

**The Company will provide by mail, without charge, a copy of its Annual Report on Form 10-K, at your request. Please direct all inquiries to Prudential Financial's Corporate Information Service at 1-877-998-ROCK (7625).**

## **INCORPORATION BY REFERENCE**

To the extent that this proxy statement has been or will be specifically incorporated by reference into any other filing of Prudential Financial under the Securities Act of 1933 or the Exchange Act, the sections of this proxy statement entitled "Report of the Audit Committee" (to the extent permitted by the rules of the SEC) and "Compensation Committee Report" shall not be deemed to be so incorporated, unless specifically provided otherwise in such filing.

## **OTHER MATTERS**

The Board of Directors is not aware of any matters other than those set forth in this proxy statement that will be presented for action at the Annual Meeting. However, if any other matter should properly come before the meeting, the persons authorized by the accompanying proxy will vote and act with respect thereto in what, according to their judgment, is in the interests of Prudential Financial and its shareholders.

A list of shareholders entitled to vote at the Annual Meeting will be available for examination by shareholders at the Annual Meeting.

*Page 51*

2009 PROXY STATEMENT

**Table of Contents**

**Table of Contents**





**Table of Contents**



**Table of Contents**

**Table of Contents**

**Table of Contents**

**Table of Contents**

**Table of Contents**

**Table of Contents**