

## Minette M. Genuchi

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**From:** Kerry P. Eagan  
**Sent:** Thursday, December 28, 2017 10:28 AM  
**To:** Minette M. Genuchi  
**Subject:** FW: Modifications to Prudential Day One Funds

Include this email under the CAO report.  
-kpe

**From:** Prudential Retirement [mailto:Prudential@e.email-prudential.com]  
**Sent:** Thursday, November 16, 2017 1:31 PM  
**To:** Kerry P. Eagan <KEagan@lancaster.ne.gov>  
**Subject:** Modifications to Prudential Day One Funds

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# IMPORTANT Investment update for your review

At Prudential, we continuously strive to improve our investment offerings that are available to your plan(s). To that end, this is to inform you of upcoming modifications to the Prudential Day One® IncomeFlex Target® Funds insurance company separate accounts (the "Funds," or each a "Fund") which are currently offered as investment options within your retirement plan(s). The scheduled changes (the "Day One® Fund Changes") include:

- an investment manager replacement occurring to the Funds' commodity component, and;
- a 0.02% reduction in the Funds' separate account management fees paid by your plan participants. All other charges, if any, will remain the same.

Prudential will implement these changes at close of business on **March 30, 2018**.

Details of the Day One® Fund Changes are outlined below. Please note Incomeflex benefits for your plan will not be affected by these changes.

### **Commodity Investment Manager Replacement**

As you know, each Prudential Day One® IncomeFlex Target® Fund is a "fund of funds" that invests in a series of underlying pooled insurance company separate accounts (the

"Underlying Funds"). This includes an allocation towards the Core Commodity Strategies (IS Platform) Fund which is currently managed by CoreCommodity Management, LLC. Prudential has decided to replace CoreCommodity Management, LLC with Quantitative Management Associates, LLC (aka "QMA")\* as the investment manager of the said underlying fund, at close of business on **March 30, 2018**.

While the investment manager will change, the investment strategy and risk/return profile of the underlying commodity fund are not expected to shift significantly. Like the current commodity strategy, QMA' aims to provide broad exposure to commodities while seeking to outperform the Bloomberg Commodity Index in a risk controlled fashion. Through the use of highly liquid futures instruments, it seeks to maintain an efficient exposure to a broad basket of commodities that can add diversification and inflation hedging potential to a multi-asset class portfolio such as the Day One® IncomeFlex Target® Funds.

### **Fee Decrease**

The Funds' allocation to the commodity sleeve is rather small and will continue to be so in 2018. Nevertheless, the pending commodity investment manager replacement will still result in a fractional percentage increase in the overall compensation to Prudential's affiliated asset managers. Therefore, starting at close of business on March 30, 2018, the separate account management fee paid by your plan('s/s') participants for investing in the Funds will be reduced by 0.02%. Any applicable plan-level charges and guarantees will remain the same.

### **Next Steps**

We are providing this notice to seek your permission to make the Day One® Fund Changes described above. If you find the Day One® Fund Changes acceptable, **no action is required on your part**; the changes will be effective on **March 30, 2018**.

As you are aware, you always have the ability to replace funds in your plan's investment line up. If you would prefer to remove any of the Day One® IncomeFlex Target® Funds from your plan's investment line up or elect to terminate your group annuity contract before the effective date of the Day One® Fund Changes, please provide good order alternative investment instructions by **January 19, 2018**. If we do not receive alternative investment instructions by this date, we will consider you to have consented to the Day One® Fund Changes.

A sample participant notice will be made available that may be distributed to plan participants and beneficiaries in accordance with regulations under ERISA section 404, including those with regard to qualified default investment alternatives ("QDIAs"), if applicable.

Your Prudential representative is available if you have questions on this communication.

Thank you for your continued business with Prudential Retirement.

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The Prudential Day One® IncomeFlex Target® Funds were designed for use with Prudential IncomeFlex Target®, an in-plan guaranteed retirement income product, and are available as insurance company separate accounts under group variable

annuity contracts issued by **Prudential Retirement Insurance and Annuity Company (PRIAC)**, Hartford, CT. PRIAC does not guarantee the investment performance or return on contributions to those separate accounts. PRIAC is solely responsible for its financial condition and contractual obligations. Availability and terms may vary by jurisdiction, subject to regulatory approvals. Guarantees are based on claims-paying ability of the insurance company and are subject to certain limitations, terms and conditions. Annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Contract form #GA-2020-TGWB4-0805. For more information, participants should access the participant service center or call 1-877-778-2100 for a copy of the Prudential IncomeFlex Target Important Considerations before investing. PRIAC is a Prudential Financial company.

\*QMA is an SEC registered investment adviser, a wholly-owned subsidiary of PGIM, Inc. (PGIM), and a Prudential Financial, Inc. company. QMA has been engaged by Prudential Retirement Insurance and Annuity Company to provide certain asset allocation and other investment advice relating to the operation of the Funds. QMA is the primary business name for Quantitative Management Associates LLC.

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