

PRUDENTIAL FINANCIAL INC
Form DEF 14A
March 26, 2013
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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)

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

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No fee required.

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Thomas J. Baltimore, Jr.

Gordon M. Bethune

Gaston Caperton

Gilbert F. Casellas

James G. Cullen

Prudential Financial, Inc.

751 Broad Street, Newark, NJ 07102

March 26, 2013

**LETTER FROM THE BOARD OF DIRECTORS
TO OUR SHAREHOLDERS**

As stewards of your Company, we focus on achieving long-term performance and creating value for our shareholders through prudent execution of strong business strategies, excellent risk management, talent and succession planning, and oversight.

Over the past year, we have been gratified by your response to our efforts to improve shareholder engagement and outreach, which was one of our key priorities. As evidence of our progress, we received approximately 2,800 communications from you, a significant increase from 2011.

Thank you for your continued interest and engagement with us.

Your support for our advisory say on pay proposal at the rate of almost 96% of votes cast expressed satisfaction with Prudential's executive compensation program. We regularly review our compensation programs, and we made further changes in 2012 to continue improving the alignment of our executive compensation with the strategic goals of the Company. We hope that we will continue to meet your expectations for oversight again this year.

GROW BY TAKING PRUDENT RISKS AND PROTECT BY LIVING OUR VALUES

Grow. In the past year, the Company grew its business through transactions that led the industry. We entered into innovative pension risk transfer agreements with two iconic American companies, capitalizing on our well established capabilities in insurance and our track record of keeping our promises to our customers. We also acquired The Hartford's Individual Life Insurance business, creating an organization with greater scale, enhanced product offerings and an expanded distribution network to meet the life insurance needs of Americans and their families. As a result of that acquisition, our Individual Life Insurance business will rank among the five largest individual life insurance companies in the US (in terms of new recurring premium sales). We will also have leadership positions in universal, term and variable life insurance. Together, these transactions build on the success of the recent Star Life and Edison Life acquisitions that strengthened our businesses in Japan.

Taking Prudent Risks. Risk taking is an inherent part of our business, and we take our responsibility for oversight of Prudential's risk profile very seriously. Through our oversight, we set standards for managing risks and monitoring the management of those risks within the Company.

We also reviewed the Company's Enterprise Risk Management Governance structure and the systems for identifying and managing risk on an ongoing basis. The complex environment in which we operate, as well as our regulatory responsibilities and growing businesses require vigilance for early identification and assessment of risk, followed by responses that are thoughtful and appropriate. To support this effort, we approved the restructuring of the Company's risk management function by separating the roles of our Chief Risk Officer and the Chief Actuary.

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LETTER FROM THE BOARD OF DIRECTORS (*CONTINUED*)

William H. Gray III

Mark B. Grier

Constance J. Horner

Martina Hund-Mejean

Karl J. Krapek

Protect. Prudential has a strong commitment in promoting a culture of ethics and integrity that defines how we do business.

As a Board, we work with management to cultivate a strong company culture and system of core values that give high priority to ethical standards, principles of fair dealing, professionalism, integrity and compliance with legal requirements. This is a foundational expectation of all our employees, and we believe that the right tone at the top should be apparent in all of our actions.

To preserve that tone and continue our business success, succession planning for our most senior managers is an important area of focus. Every year, we review and discuss plans for the development of our high potential leaders.

In addition, we are making strides to highlight the sustainable value we provide to shareholders and customers. We published our first Sustainability Report last year, and the Company has joined a growing network of investors, corporations and public interest groups committed to accelerating and expanding the adoption of sustainable business practices and solutions to build a healthy global economy.

Engagement and paying close attention to shareholder perspectives of the Company foster long-term relationships that are important components of sustainability. Therefore, in partnership with management, we work to connect with shareholders, address your concerns and sustain your trust throughout the year.

Living our Values. In the Company's commitment to social responsibility, Prudential thinks globally and acts locally. The Company has a long-standing and deep investment in our hometown of Newark, N.J., with a sharp focus on a few critical areas within education and economic development, especially public school reform and small business growth. We are beginning construction on a new office tower in downtown Newark, which will create another physical example of our ongoing commitment to the local community for many years to come.

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We want to underscore the Board's commitment to the values that distinguish Prudential as a company. These values served the Company and our employees well last year, as we faced the shock and aftermath of Superstorm Sandy right here in our communities and neighborhoods.

The Prudential Foundation committed \$3 million after the disaster to support 15 organizations, and we established programs to help our own employees who were impacted by the storm. In addition, more than 500 Prudential employees applied for and received immediate assistance from the Company's Associate Relief Fund. We could not be more proud of the Prudential employees who made donations of nearly \$80,000 which were matched by the Prudential Foundation. In addition, employee food drives collected more than 3,000 pounds of food for the Community Food Bank of New Jersey, which provided meals for individuals and families affected by the storm.

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LETTER FROM THE BOARD OF DIRECTORS (*CONTINUED*)

Christine A. Poon

John R. Strangfeld

James A. Unruh

YOUR VIEWPOINTS

We value your support. We encourage you to share your opinions, interests and concerns, and invite you to write to us with your comments and suggestions at the address below. You can also email the Independent Directors at independentdirectors@prudential.com or provide feedback on executive compensation at www.prudential.com/executivecomp.

If you would like to write us, you may do so at Prudential Financial, Inc. Board of Directors c/o Margaret M. Foran, Chief Governance Officer, Vice President and Corporate Secretary, 751 Broad Street, 21st Floor, Newark, NJ 07102.

The Board of Directors of Prudential Financial, Inc.

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Prudential Financial, Inc.

751 Broad Street, Newark, NJ 07102

March 26, 2013

DEAR FELLOW SHAREHOLDERS:

We are pleased to invite you to the Annual Meeting of Shareholders on May 14, 2013, at 751 Broad Street, Newark, NJ at 2:00 p.m. We hope that you will attend the meeting, but whether or not you are planning to attend, we encourage you to designate the proxies on the proxy card to vote your shares.

Because every shareholder's vote is important, we continue our outreach to give you more information about the Company. We are offering again an incentive to registered shareholders, to encourage them to vote. We are excited that voting has increased each year and we planted over 342,000 trees as a result of the incentive program. I thank you for your commitment to the Company and urge you to vote your shares.

Sincerely,

John R. Strangfeld

Chairman and Chief Executive Officer

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Prudential Financial, Inc.

751 Broad Street, Newark, NJ 07102

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF PRUDENTIAL FINANCIAL, INC.**

Date: May 14, 2013
Time: 2:00 p.m.
Place: Prudential's Corporate Headquarters
751 Broad Street, Newark, NJ 07102

AGENDA:

Election of 13 directors named in the proxy statement;

Ratification of appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013;

Advisory vote to approve named executive officer compensation;

Shareholder proposal regarding written consent; and

Transaction of other business that may properly come before the meeting.

Record date: You can vote if you were a shareholder of record on March 15, 2013.

If you are attending the meeting, you will be asked to present your admission ticket and photo identification, such as a driver's license as described in the Proxy Statement.

By Order of the Board of Directors,

Margaret M. Foran

Chief Governance Officer, Vice President and Corporate Secretary

March 26, 2013

Important Notice Regarding the Availability of Proxy Materials for the 2013 Annual Meeting of Shareholders to be held on May 14, 2013: Our 2013 Proxy Statement and Annual Report for the year ended December 31, 2012, are available free of charge on our website at www.prudential.com/governance.

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Summary Information

To assist you in reviewing the proposals to be acted upon, including the election of directors and the non-binding advisory vote to approve named executive officer compensation, we call your attention to the following information about the Company's 2012 financial performance and key executive compensation actions and decisions. The following description is only a summary. For more complete information about these topics, please review the Company's Annual Report on Form 10-K and the complete Proxy Statement.

BUSINESS HIGHLIGHTS

Financial Performance. 2012 was a year of major progress and accomplishment for our Company on many fronts:

Our Financial Services Businesses reported after-tax adjusted operating income of \$3.0 billion and posted earnings per share of Common Stock of \$6.27, compared to \$2.8 billion, and \$5.83 per share of Common Stock, in 2011⁽¹⁾.

We reported book value for our Financial Services Businesses, excluding accumulated other comprehensive income, of \$57.86 per share of Common Stock as of year-end 2012 compared to \$58.39 as of year-end 2011. Based on U.S. generally accepted accounting principles as of year-end 2012, we reported book value for our Financial Services Businesses of \$79.19 per share of Common Stock, compared to \$69.07 per share as of year-end 2011.

Our Financial Services Businesses reported operating return on average equity based on after-tax adjusted operating income of 10.8% for 2012 compared to 10.6% for 2011.

Assets under management surpassed, for the first time, the \$1 trillion milestone reaching \$1.06 trillion at December 31, 2012, an increase of 18% from a year earlier.

Dividend. We declared an annual dividend of \$1.60 per share of Common Stock for 2012, an increase of 10% from the 2011 Common Stock dividend, and announced that we will move to a quarterly Common Stock dividend schedule beginning in the first quarter of 2013.

- (1) Adjusted Operating Income (AOI) and earnings per share (EPS) are defined in the Compensation Discussion and Analysis (CD&A) section of this Proxy Statement. We use EPS and return on equity (ROE), which are based on AOI, and book value excluding accumulated other comprehensive income as performance metrics under our incentive compensation programs.

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Summary Information (*continued*)

Corporate Transactions. We solidified our position as the preferred provider of pension risk transfer strategies by entering into and completing landmark agreements to take on retiree pension obligations from General Motors Co. and Verizon Communications, Inc., which together brought us over \$33 billion in group annuity account values. In September 2012, we announced an agreement to acquire The Hartford's Individual Life Insurance business, including approximately 700,000 life insurance policies

with face amount in force of approximately \$135 billion, through a reinsurance transaction for cash consideration of \$615 million. The transfer was completed in January 2013.

Share Repurchase Program. We repurchased \$650 million of our outstanding shares of Common Stock, including \$150 million under a program announced in June 2012 to repurchase up to \$1 billion of our outstanding shares of Common Stock through June 2013.

COMPENSATION HIGHLIGHTS

The Compensation Committee has increased the rigor of the performance goals and payout scales under our incentive programs with respect to 2012 performance:

There was no increase in base salaries for any of the Named Executive Officers (NEOs);

The size of the annual incentive pool was reduced by approximately 10% from the 2011 level;

The Annual Incentive Award earned by our CEO decreased by approximately 11% on a year-over-year basis while his long-term incentive awards are unchanged, resulting in a decrease of approximately 4% in total direct compensation;

The mandatory deferral of each NEO's annual incentive award was increased from 20% to 30%;

The rigor of the annual incentive award program was strengthened by setting target and maximum awards for senior executives, including the NEOs, and requiring achievement of at least the midpoint of guidance to maintain the same level of funding as in 2011;

The rigor of the performance shares program was strengthened by requiring average ROE (AOI basis, subject to certain adjustments) of 13.5% over the 2013-2015 performance period to receive a target award; and

Approximately 90% of our NEOs' total direct compensation is performance based. For additional information, see the CD&A in this Proxy Statement.

The compensation of our NEOs reflects both our 2012 performance and the increased rigor of our annual incentive program.

Named Executive Officer	2012 Base Salary	2012 Annual Incentive Award (as adjusted for mandatory deferrals) ⁽¹⁾	2012 Long-Term Incentive Award Value ⁽²⁾	2012 Total Direct Compensation
John R. Strangfeld	\$1,400,000	\$3,941,000	\$10,189,000	\$15,530,000
Richard J. Carbone	\$700,000	\$1,732,500	\$2,742,500	\$5,175,000
Mark B. Grier	\$1,190,000	\$3,377,500	\$8,447,500	\$13,015,000
Edward P. Baird	\$770,000	\$2,310,000	\$4,490,000	\$7,570,000
Charles F. Lowrey	\$770,000	\$2,835,000	\$5,715,000	\$9,320,000

(1) The following amounts are not included in the 2012 Annual Incentive Award column because they have been mandatorily deferred into the Book Value Performance Program: Mr. Strangfeld \$1,689,000; Mr. Carbone, \$742,500; Mr. Grier, \$1,447,500; Mr. Baird, \$990,000; and Mr. Lowrey, \$1,215,000.

(2) Represents long-term awards granted in 2013 for 2012 performance.

Response to advisory vote and shareholder feedback

We were gratified that almost 96% of the votes cast in 2012 on the non-binding advisory vote on our named executive officer compensation voted in support of the compensation paid to senior executives. Nevertheless, consistent with its strong interest in shareholder engagement, communication, and transparency, the Compensation Committee continued to examine our executive compensation program to assure alignment between the interests of our senior executives and shareholders.

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Summary Information *(continued)*

RECENT CORPORATE GOVERNANCE CHANGES

Elimination of Supermajority Voting Requirement. At the 2012 Annual Meeting of Shareholders, our shareholders, upon the recommendation of our Board, approved amendments to our Certificate of Incorporation to eliminate supermajority voting requirements. These amendments and corresponding changes to our By-Laws were implemented effective May 9, 2012.

Special Meeting Authorization Requirement. Our Board recently amended our By-Laws to reduce the threshold that allows shareholders to call a special meeting to 10%. This right, as well as our established shareholder communication and engagement mechanisms, provides shareholders the opportunity to raise important matters outside the annual meeting process.

SHAREHOLDER ACTIONS

ELECTION OF DIRECTORS (Item 1)

You will find important information about the qualifications and experience of each of the director nominees who you are being asked to elect. The Corporate Governance and Business Ethics Committee performs an annual assessment to see that your directors have the skills and experience to effectively oversee the Company. All of your directors have proven leadership, sound judgment, integrity and a commitment to the success of our Company.

RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Item 2)

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 2013. We are not required to have shareholders ratify the selection of PricewaterhouseCoopers as our independent auditor. We are doing so because we believe it is good corporate practice. If shareholders do not ratify the selection, the Audit Committee will reconsider the appointment, but may nevertheless retain PricewaterhouseCoopers as the Company's independent auditor.

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION (Item 3)

Shareholders are being asked to cast a non-binding, advisory vote on our named executive officer compensation. We were gratified that, last year, almost 96% of our shareholders' votes supported our executive compensation program. Please see Consideration of Last Year's Say on Pay Vote in our CD&A for a discussion of how our Board and the Compensation Committee responded to the results of the 2012 advisory vote.

Consistent with the recommendation of our Board and the preference of our shareholders, we have decided to hold an annual Say on Pay vote. In evaluating this year's Say on Pay proposal, we recommend that you review our CD&A, which explains how and why the Compensation Committee arrived at its executive compensation actions and decisions for 2012. We suggest you also refer to our corporate governance policies which are contained in this Proxy Statement.

SHAREHOLDER PROPOSAL (Item 4)

Finally, you are also being asked to consider one shareholder proposal regarding written consent contained in this Proxy Statement.

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PROXY STATEMENT	

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 14, 2013, at 2:00 p.m., at Prudential Financial's Corporate Headquarters, 751 Broad Street, Newark, NJ 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 26, 2013.

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Item 1 Election of Directors

Our Board of Directors has nominated 13 directors for election at this Annual Meeting to hold office until the next annual meeting and the election of their successors. All of the nominees are currently directors. Each agreed to be named in this Proxy Statement and to serve if elected. All of the nominees are expected to attend the 2013 Annual Meeting. All directors attended the 2012 Annual Meeting.

We have no reason to believe that any of the nominees will be unable or unwilling for good cause to serve if elected. However, if any nominee should become unable for any reason or unwilling for good cause to serve, proxies may be voted for another person nominated as a substitute by the Board, or the Board may reduce the number of directors.

DIRECTOR CRITERIA, QUALIFICATIONS AND EXPERIENCE

Prudential Financial is a financial services company that offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, and investment management. The Corporate Governance and Business Ethics Committee performs an assessment of the skills and the experience needed to properly oversee the interests of the Company. Generally, the Committee reviews both the short- and long-term strategies of the Company to determine what current and future skills and experience are required of the Board in exercising its oversight function. The Committee then compares those skills to the skills of the current directors and potential director candidates. The Committee conducts targeted efforts to identify and recruit individuals who have the qualifications identified through this process, keeping in mind its commitment to diversity.

While the Company does not have a formal policy on Board diversity, diversity is an integral part of our Corporate Governance Principles, and the Committee actively considers diversity in recruitment and nominations of directors. The current composition of our Board reflects those efforts and the importance of diversity to the Board:

Two director nominees have worked outside the United States;

Two director nominees are African-American;

One director nominee is Asian-American;

One director nominee is Hispanic; and

Three director nominees are women.

The Committee looks for its current and potential directors collectively to have a mix of skills and qualifications, some of which are described below:

DIRECTORS SKILLS AND QUALIFICATIONS

academia/education	financial services
business ethics	government/public policy
business head/ administration	insurance industry
business operations	international
corporate governance	investments
environmental/ sustainability/corporate responsibility	marketing/sales
finance/capital allocation	real estate
financial expertise/literacy	risk management
	talent management
	technology/systems

It is of critical importance to the Company that the Committee recruit directors who have qualities to achieve the ultimate goal of a well-rounded, diverse Board that functions collegially as a unit. With respect to the Board's slate of director nominees, the Board has also considered whether the slate, taken as a whole, has representatives with the above listed skills and qualifications.

Additionally, the Committee expects each of the Company's directors to have proven leadership, sound judgment, integrity and a commitment to the success of the Company. In evaluating director candidates and considering incumbent directors for nomination to the Board, the Committee considers each nominee's independence, financial literacy, personal and professional accomplishments, and experience in light of the needs of the Company. For incumbent directors, the factors also include past performance on the Board and contributions to their respective committees.

Below each nominee's biography, we have included an assessment of the skills and experience of such nominee. We have also included a chart that covers the assessment for the full Board.

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Item 1 Election of Director~~s~~(continued)

Director Nominees

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

THOMAS J. BALTIMORE, JR.

Prudential Committees:

Public Directorships:

Age: 49

Executive

RLJ Lodging Trust

Director Since: October 2008

Finance

Duke Realty Corporation

Investment (Chair)

Former Directorships Held During the Past Five Years:

Integra Life Sciences Corporation (August 2012)

Mr. Baltimore has been the President and Chief Executive Officer of RLJ Lodging Trust (a NYSE-listed real estate investment company) since May 2011. Previously, he served as Co-Founder and President of RLJ Development, LLC (RLJ Lodging's predecessor company) from 2000 to May 2011. He served as VP, Gaming Acquisitions, of Hilton Hotel