

PRUDENTIAL FINANCIAL INC
Form 11-K
June 26, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-16707

Full title of the plan and the address of the plan, if different from

that of the issuer named below:

The Prudential Employee Savings Plan

Name of issuer of the securities held pursuant to the plan and the

address of its principal executive office:

Prudential Financial, Inc.

751 Broad Street

Newark, New Jersey 07102

Financial Statements and Exhibits

(a) Financial Statements for the Year Ended December 31, 2008, and Independent Registered Public Accounting Firm's Report.

Edgar Filing: PRUDENTIAL FINANCIAL INC - Form 11-K

(b) The financial statements required to be filed hereunder appear commencing at page 3 hereof.

(c) Exhibits

(1) Exhibit 23.1 Consent of Independent Registered Public Accounting Firm (following financial statements).

Table of Contents

The Prudential Employee Savings Plan

Table of Contents

December 31, 2008 and 2007

<u>Report of Independent Registered Public Accounting Firm</u>	Page 1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u> <u>(Modified Cash Basis) at December 31, 2008 and December 31, 2007</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u> <u>(Modified Cash Basis) for the Year Ended December 31, 2008</u>	3
<u>Notes to Financial Statements</u>	4
<u>Supplemental Information*</u>	
<u>Schedule I – Schedule of Assets Held for Investment Purposes (Modified Cash Basis)</u>	23
Signature Page	

Exhibit	Description
23.1	Consent of Independent Registered Public Accounting Firm Thompson, Cobb, Bazilio & Associates, PC

* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Table of Contents

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

Certified Public Accountants and Management, Systems, and Financial Consultants

Main Office:
1101 15th Street, N.W.
Suite 400
Washington, DC 20005
(202) 737-3300
(202) 737-2684 Fax

Regional Office:
Two Penn Center
Suite 200
Philadelphia, PA 19102
(215) 854-6300
(215) 569-0216 Fax

Regional Office:
21250 Hawthorne Boulevard
Suite 150
Torrance, CA 90503
(310) 792-4640
(310) 792-4140 Fax

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

The Prudential Employee Savings Plan

We have audited the accompanying statements of net assets available for benefits (modified cash basis) of The Prudential Employee Savings Plan (the Plan) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits (modified cash basis) for the year ended December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements and supplemental schedule were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008, on the basis of accounting described in Note 2.

As described in Note 5 to the financial statements, the Plan has adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, which establishes a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental Schedule of Assets Held for Investment Purposes (modified cash basis) of the Plan as of December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Thompson, Cobb, Bazilio & Associates, PC

Washington, DC

June 19, 2009

Edgar Filing: PRUDENTIAL FINANCIAL INC - Form 11-K

A Professional Corporation

www.tcba.com

Table of Contents**The Prudential Employee Savings Plan****Statement of Net Assets Available for Benefits****(Modified Cash Basis)****December 31, 2008 and 2007**

	2008	2007
Assets		
Investments		
At Fair Value		
PESP Fixed Rate Fund (Note 3)	\$ 3,021,566,433	\$ 2,964,597,339
At Fair Value		
Insurance Company Pooled Separate Accounts		
Core Equity Account	153,020,679	293,786,605
Small Company Stock Account	208,823,088	376,479,978
Prudential Real Estate Fund	18,627,943	44,607,977
Large Cap Value/LSV Asset Management Fund	103,685,407	158,135,877
Core Bond Enhanced Index/PIM Fund	6,892,185	
Registered Investment Companies		
American High Income Trust Fund	19,597,533	28,411,409
Artisan Mid-Cap Value Fund	88,189,568	127,085,305
Dryden Active Allocation Fund	49,404,142	70,795,080
Dryden International Equity Fund	144,024,479	285,393,303
Dryden Stock Index Fund	140,426,795	229,506,533
Fidelity Advisor Government Income Fund	24,947,334	8,305,578
Jennison Growth Fund	222,144,966	371,542,873
Jennison Mid-Cap Growth Fund	74,500,196	119,342,398
Master Trust (Note 12)		
Prudential Financial, Inc. Common Stock Fund	80,433,147	83,351,887
Prudential Financial, Inc. Common Stock Fund (ESOP) (Note 9)	153,642,926	467,006,768
Prudential IncomeFlex		
Aggressive Fund	15,318,222	
Conservation Fund	8,083,557	
Moderate Fund	9,459,881	
Participant Loans	39,115,420	37,603,175
Net assets available for benefits at fair value	4,581,903,901	5,665,952,085
Adjustment from fair value to contract value for fully benefit-responsive investment contract	(45,985,073)	9,273,207
Net assets available for benefits	\$ 4,535,918,828	\$ 5,675,225,292

The accompanying notes are an integral part of these financial statements.

Table of Contents**The Prudential Employee Savings Plan****Statement of Changes in Net Assets Available for Benefits****(Modified Cash Basis)****For the Year Ended December 31, 2008**

Additions to net assets	
Investment income (loss)	
Net depreciation in fair value of investments	\$ (1,163,093,322)
Interest and dividend income	169,956,155
Total investment loss	(993,137,167)
Investment expenses (Note 6)	
Net investment loss	(993,137,167)
Contributions	
Employer	51,315,305
Employee	164,963,716
Total contributions	216,279,021
Total additions	(776,858,146)
Deductions from net assets	
Benefits paid to participants	362,400,048
Administrative Expenses	48,270
Total deductions	362,448,318
Net decrease	(1,139,306,464)
Net assets available for benefits	
Beginning of year	5,675,225,292
End of year	\$ 4,535,918,828

The accompanying notes are an integral part of these financial statements.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan

The following description of The Prudential Employee Savings Plan (the Plan or PESP) provides only general information. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan generally covering all United States employees and statutory agents of The Prudential Insurance Company of America (the Company) and its participating affiliates. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Participation

Each employee may enroll in PESP at any time, starting on their first day of employment with the Company.

Employees hired on or after January 1, 2001, who do not affirmatively elect either to participate or to decline participation in PESP within 30 days of hire, are enrolled automatically in PESP until they affirmatively elect otherwise.

Contributions

Employee Contributions. Participants can contribute from 1% to 50% of eligible earnings as defined in the Plan, in any combination of before-tax and/or after-tax contributions. Through automatic enrollment, participants contribute 4% of eligible earnings on a before-tax basis. Rollover contributions are allowed.

Participants may elect to increase, decrease or stop their contributions at any time, subject to the Company's Personal Securities Trading Policy.

Company Matching Contributions. The Company matches 100% of before-tax contributions up to a maximum of 4% of eligible earnings. Employees hired on or after January 1, 2004 are required to complete one year of service prior to becoming eligible for Company matching contributions.

Catch-Up Contributions. Participants age 50 or older who will reach the 401(k) limit for contributions for the year or certain of the Plan's other limits for contributions, may be eligible to make before-tax catch-up contributions to the Plan during the calendar year from eligible earnings. Before-tax catch-up contributions are not eligible for Company matching contributions. For 2008, catch-up contributions are limited to \$5,000.

Contributions are subject to certain limitations imposed by applicable provisions of the Plan and the Internal Revenue Code of 1986, as amended (IRC).

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of (a) the Company's matching contributions, and (b) Plan net earnings. Allocations are made pursuant to the terms of the Plan based on the participant's eligible earnings and account balances. A participant is entitled to the benefit that can be provided from the participant's vested account.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan (Continued)

Vesting

Participants are immediately vested in their before-tax, after-tax and rollover contributions plus earnings thereon. Generally, participants become 100% vested in Company matching contributions upon the completion of three years of vesting service.

Vesting will be accelerated and participants will be 100% vested in the Company's matching contribution and earnings thereon in the case of reaching age 65, death, or becoming totally disabled while an employee. A participant will be considered totally disabled for purposes of the Plan if he or she is eligible to receive long-term disability benefits under the Company's Welfare Benefits Plan.

Forfeitures

If a participant terminates employment with the Company prior to full vesting, the nonvested portion of his or her account attributable to the Company matching contributions and earnings thereon is forfeited. If the participant is reemployed within five years from the date of termination, the forfeited amount may be reinstated, subject to certain Plan provisions. During the five year period, as stated above, the pending forfeiture amounts are invested as part of the PESP Fixed Rate Fund. Any amounts not reinstated to a participant, after the five-year period are considered forfeitures that the Plan permits to be used to reduce future Company matching contributions, or to pay administrative expenses.

At December 31, 2008 and 2007, forfeiture amounts invested in the PESP Fixed Rate Fund amounted to \$3,069,734 and \$1,727,808, respectively. Forfeitures of \$1,995,762 were used to reduce the Company's matching contributions in 2008.

Investment Options

Employee Contributions. Participants may direct their current account balance and future contributions in 1% increments in any of the Plan's investment options.

Generally, there are no restrictions on the participant's investment direction, except in regard to the PFI Common Stock Fund, which are subject to the provisions of the Company's Personal Securities Trading Policy and the PESP Market Timing Policy.

Company Matching Contributions. Half of the Company matching contributions is automatically invested in the PFI Common Stock Fund. The remainder of the participant's Company matching contributions is invested according to the participant's current investment allocation direction.

Generally, there are no restrictions on transferring Company matching contributions from the PFI Common Stock Fund to any of the other investment options under the Plan, except for certain limitations including, but not limited to, the provisions of the Company's Personal Securities Trading Policy.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan (Continued)

The following are the investment options under the Plan:

PESP Fixed Rate Fund The goal of the PESP Fixed Rate Fund is to provide preservation of principal and stable competitive interest rates based on current market conditions. The guaranteed rate of return was reset annually through 2008, with each year's rate declared in advance of the year to which the rate applied. Effective January 1, 2009 the guaranteed rate of return will be reset quarterly. The PESP Fixed Rate Fund is offered under a group annuity contract issued by the Company.

Insurance Company Pooled Separate Accounts

Core Equity Account, VCA-IF This separate account seeks to provide long-term growth, taking into account both income and capital appreciation, by investing primarily in the equities of major, well-established companies that appear to be in sound financial condition and have the potential for price appreciation greater than broadly based stock indices. The separate account is offered under a group annuity contract issued by the Company.

Small Company Stock Account, VCA-6 This separate account seeks long-term growth of capital, taking into account income and capital appreciation. The portfolio invests primarily in common stocks of small, less well-known U.S. companies. The separate account is offered under a group annuity contract issued by the Company.

Prudential Retirement Real Estate Fund This separate account will invest primarily in existing private real estate funds, publicly traded real estate securities, including REIT (Real Estate Investment Trust) securities, and other real estate related investments. The Fund's objective is to meet or exceed a customized real estate and real estate securities benchmark return after fees and expenses. The separate account is offered under a group annuity contract issued by the Prudential Retirement Insurance and Annuity Company, an affiliate of the Company.

Large Cap Value/LSV Asset Management Fund This separate account seeks appreciation of capital and to outperform the Russell 1000 Value Index over rolling 3 and 5-year periods, or market cycles if longer. This portfolio invests primarily in equity-related securities of large and medium-sized companies that are undervalued. The separate account is offered under a group annuity contract issued by the Prudential Retirement Insurance and Annuity Company, an affiliate of the Company.

Core Bond Enhanced Index/PIM Fund This separate account seeks to achieve performance results similar to Lehman Brothers Aggregate Bond Index and is invested to reflect the characteristics of the Lehman Brothers Aggregate Bond Index. This portfolio invests primarily in corporate and government bonds. This separate account is offered under a group annuity contract issued by the Prudential Retirement Insurance and Annuity Company, an affiliate of the Company.

Registered Investment Companies

American High Income Trust Fund, Class-A This mutual fund seeks to provide a high level of current income with capital appreciation as a secondary goal. It invests primarily in higher-

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan (Continued)

yielding and generally lower-rated (below investment) grade or equivalent unrated corporate bonds and other debt securities, including those of non-U.S. issuers.

The fund may also invest in equity securities that provide an opportunity for capital appreciation. Additionally it may hold cash or money market instruments.

Artisan Mid-Cap Value Fund, Class Z This mutual fund seeks to provide long-term growth of capital. The fund normally invests at least 80% of net assets in the common stocks of mid-capitalization companies that management believes to be undervalued relative to their intrinsic value, and are improving, or are likely to improve, their returns on invested capital. It defines a mid-cap company as one that falls within the range of the Russell Mid-Cap index.

Dryden Active Allocation Fund, Class-Z This mutual fund seeks income and long-term growth of capital by investing in a portfolio of equity, fixed-income, and money market instruments. The fund is actively managed to capitalize on undervalued securities as perceived by the fund managers.

Dryden International Equity Fund, Class Z This mutual fund seeks to achieve long-term growth of capital through investments primarily in medium-sized foreign companies based in at least five different countries (non-U.S. based) and emerging markets securities. Additionally, it may hold cash or money market instruments, investment grade bonds, foreign currency forward contracts, future contracts, swaps and options.

Dryden Stock Index Fund, Class-I This mutual fund seeks to provide investment results that correspond to the price and yield performance of the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index).

Fidelity Advisor Government Income Fund, Class I This mutual fund seeks to provide a high level of current income by investing at least 80% of its assets in intermediate-term U.S. Government securities as well as repurchase agreements for these securities. This fund may also have allocations to agency issuers, including mortgage-backed securities.

Jennison Growth Fund, Class-Z This mutual fund seeks long-term growth of capital. It invests primarily in equity securities issued by companies with market capitalization exceeding \$1 billion and believed to have above-average growth prospects.

Jennison Mid Cap Growth Fund, Class-Z This mutual fund seeks long-term capital appreciation. It invests primarily in stocks of small- and medium-sized U.S. companies with the potential for above-average growth. Prior to March 15, 2007, this fund was called the Jennison U.S. Emerging Growth Fund.

Master Trust

Prudential Financial, Inc. (PFI) Common Stock Fund This portfolio primarily invests in Prudential Financial, Inc. common stock and a small portion is invested in money market shares or other liquid investments. The goal is to approximate the returns of a direct investment in shares of PFI common stock in a fund that also provides modest liquidity. This option has an ESOP and non-ESOP portion (Note 9).

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****1. Description of the Plan (Continued)**

Prudential IncomeFlex

The Prudential IncomeFlex option, available to Plan participants who have attained age 50, provides guaranteed withdrawals over the participant's lifetime based on continued investment in three customized IncomeFlex portfolios composed of investments in seven of the Plan's investment options: the Core Equity Account, Small Company Stock Account, Large Cap Value/LSV Asset Management Fund, Core Bond Enhanced Index/PIM Fund, Dryden International Equity Fund, Jennison Growth Fund, and Jennison Mid Cap Growth Fund. Each portfolio has a specific asset class mix. Each IncomeFlex portfolio is rebalanced daily.

Aggressive Fund The asset class mix for this fund is 70% stock (39% large cap stocks, 8% mid cap stocks, 9% small cap stocks, and 14% international stocks) and 30% bonds.

Conservative Fund The asset class mix for this fund is 35% stock (18% large cap stocks, 5% mid cap stocks, 5% small cap stocks, and 7% international stocks) and 65% bonds.

Moderate Fund The asset class mix for this fund is 55% stock (31% large cap stocks, 6% mid cap stocks, 7% small cap stocks, and 11% international stocks) and 45% bonds.

The asset allocation by the Plan's investment options under Prudential IncomeFlex are shown in the following chart:

	Aggressive	Conservative	Moderate
Large Cap Stocks			
Core Equity Account	15%	7%	12%
Jennison Growth Fund	14%	6%	11%
Large Cap Value / LSV Management	10%	5%	8%
Mid Cap Stocks			
Jennison Mid Cap Growth Fund	8%	5%	6%
Small Cap Stocks			
Small Company Stock Account	9%	5%	7%
International Stocks			
Dryden International Equity Fund	14%	7%	11%
Bonds			
Core Bond Enhanced Index / PIM Fund	30%	65%	45%

Payment of Benefits

When employment with Prudential and its affiliates ends, a participant may elect to (a) receive a lump sum distribution equal to the value of the participant's vested interest in his or her account, (b) receive an annuity from the Company in the amount that can be purchased with the vested value in his or her account, (c) receive a combination of a single payment for less than the total vested value of his or her account plus an annuity, (d) receive partial distributions (no more than five withdrawals per Plan year and the amount of any such withdrawal must equal at least \$300) or (e) delay taking a distribution of the vested value of his or her account until it is required by law.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan (Continued)

Actively employed participants can make in-service withdrawals from PESP. The amount available for in-service withdrawals includes amounts credited to a participant's After-Tax Contributions Account, Rollover Contributions Account (if any), and pre-2001 Company Matching Contributions Account. Participants who have attained age 59 1/2 can also withdraw amounts from their Before-Tax Contributions Account and post-2000 Company Matching Contributions Accounts. Participants can make up to five withdrawals each calendar year, and the withdrawals will be subject to a 10% federal early distribution tax for participants less than 59 1/2 years of age, in addition to the regular income tax that applies, except for after-tax contribution amounts.

When funds are not available from an in-service withdrawal or when a loan will create a hardship, participants may apply for a hardship withdrawal without first taking a loan. To qualify for a hardship withdrawal under the Plan, participants must demonstrate that they need the money to meet an immediate and heavy financial need for which they have no other resources available to them.

Participant Loans

Participants may take loans from their Before-Tax Contributions Account and/or Rollover Contributions Accounts.

Loans may range from a minimum of \$500 up to a maximum equal to the lesser of:

- a) \$50,000 reduced by the participant's highest outstanding loan balance during the preceding twelve months in the plan, or
 - b) 50% of their entire vested Plan account, or
 - c) 100% of the value of the sum of the balance, if any, of the participant's Before-Tax contribution account and rollover account.
- The \$50,000 maximum takes into account all loans to the participant from any plan maintained by the Company or an affiliate of the Company.

Only one loan is permitted to be outstanding at any time. The loan repayment period may range from one to five years. Currently, the interest rate applicable to the loan is the prime rate as of the fifteenth business day of March, June, September or December and is effective for loans initiated during the following quarter.

2. Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting is a cash receipts and disbursements method of accounting with investments stated at fair value.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

2. Summary of Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Investment Valuation

The Plan's investments are stated at fair value except for its investment contract (the PESP Fixed Rate Fund), which is valued at contract value (Note 3).

The fair value of the shares owned by the Plan in registered investment companies is based on quoted net asset value of shares.

The fair value of the participation units owned by the Plan in insurance company pooled separate accounts is based on quoted redemption values.

The fair value of the participation units owned by the Plan in the master trust is based on quoted redemption values.

Purchases

Purchases of registered investment companies are recorded on a trade-date basis.

Purchases of units of participation in insurance company pooled separate accounts are recorded on a trade-date basis.

Income Recognition

The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and unrealized appreciation (depreciation) on those investments.

Sales of registered investment companies are recorded on a trade-date basis.

Sales of units of participation in insurance company pooled separate accounts are recorded on a trade-date basis.

Interest and dividend income is recorded when received.

Payment of Benefits

Benefits are recorded when paid.

Participant Loans

Participant loans are funded directly from the participant's account balance. Repayments of principal and interest related to the loan are credited to the participant's account on a pro-rata basis, based on their selected investment options. The carrying value is cost, which approximates fair value.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

3. Investment Contract with Insurance Company

The financial statement presentation and disclosure of the PESP Fixed Rate Fund (the Fund) complies with FASB Staff Position (FSP) AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* as of December 31, 2008 and 2007.

The Fund is a fully benefit responsive contract and is valued at fair value. Accordingly, the contract meets all of the following criteria:

- a. The investment contract is effected directly between the Fund and the issuer and prohibits the Fund from assigning or selling the contract or its proceeds to another party without the consent of the issuer.
- b. The contract issuer is obligated to (i) repay principal and interest, or (ii) prospective crediting rate adjustments with an assurance the crediting rate will not be less than zero.
- c. The terms of the contract require all permitted participant-initiated transactions with the Fund to occur at contract value with no conditions, limits, or restrictions. Permitted participant-initiated transactions are those transactions allowed by the underlying defined-contribution plan, such as withdrawals for benefits, loans, or transfers to other funds within the Plan.
- d. An event that limits the ability of the Fund to transact at contract value with the issuer (for example, premature termination of the contracts by the Fund, plant closings, layoffs, plan termination, bankruptcy, mergers, and early retirement incentives) and that also limits the ability of the Fund to transact at contract value with the participants in the Fund must be probable of not occurring.
- e. The Fund itself must allow participants reasonable access to their funds.

The estimated fair value of the Fund as of December 31, 2008 and 2007 was \$3,021,566,433 and \$2,964,597,339, respectively. The fair value was calculated using the following methodology:

1. A present value of expected cash flow method was used to develop fair value.
2. Cash flows were estimated based on the termination provisions of the contract. The contract allows for an installment payout over a 5-year period. The balance of the Fund grows over the 5-year period at the expected crediting rate less 50 basis points.

Edgar Filing: PRUDENTIAL FINANCIAL INC - Form 11-K

3. Market rates of interest used to discount the cash flows were based upon the T. Rowe Price Index. The data includes contract rates for major guaranteed investment contract providers over the expected 5-year time period.

The Fund represents fixed dollar accounts of an unallocated group annuity contract. The investment in the contract is presented at fair value. An adjustment is made to the fair value in the statement of net assets available for benefits to present the investment at contract value. Contract value is based upon contributions made under the contract, plus interest credited, and less

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****3. Investment Contract with Insurance Company (Continued)**

participant withdrawals. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

The interest crediting rate is determined annually and during 2008 and 2007 was 5.0% and 5.05%, respectively. The minimum crediting rate is 3.5%. The interest crediting rate is calculated based upon many factors, including current economic and market conditions, the general interest rate environment, and both the expected and actual experience of a reference portfolio within the issuer's general account. Key factors that could influence future interest crediting rates are changes in interest rates, and default or credit failures of the securities underlying the Fund's cash flows.

There is no relationship between future crediting rates and the adjustment to contract value reported in the statement of net assets available for benefits.

The average market yield of the Fund for the years ended December 31, 2008 and 2007 was 5.0%. The average yield earned by the Fund that reflects the actual interest credited to participants for the years ended December 31, 2008 and 2007 was 4.9%. There is no event that limits the ability of the Plan to transact at contract value with the issuer. There are also no events and circumstances that would allow the issuer to terminate the fully benefit-responsive investment contract with the Plan and settle at an amount different from contract value.

4. Investments

The following table presents the Plan's investments that represent five percent or more of the Plan's assets.

	December 31	
	2008	2007
Investments at fair value as determined by quoted market price		
Insurance Company Pooled Separate Accounts		
Core Equity Account	\$	\$ 293,786,605
Small Company Stock Account		376,479,978
Registered Investment Companies		
Jennison Growth Fund		371,542,873
Master Trust		
Prudential Financial, Inc. Common Stock Fund (ESOP and Non-ESOP)	234,076,073	550,358,655
Investments at Contract Value		
PESP Fixed Rate Fund	2,975,581,360	2,973,870,546

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****4. Investments (Continued)**

During 2008, the Plan's investments (including gains and losses on investments bought and sold during the year) depreciated in value by \$1,163,093,322 as follows:

	Year Ended December 31, 2008
Investments - net appreciation (depreciation) in fair value	
Insurance Company Pooled Separate Accounts	
Core Equity Account	\$ (119,035,725)
Small Company Stock Account	(133,216,189)
Prudential Retirement Real Estate Fund	(6,218,254)
Large Cap Value/LSV Asset Management Fund	(63,418,837)
Core Bond Enhanced Index/PIM Fund	267,949
Registered Investment Companies	
American High Income Trust Fund	(9,468,565)
Artisan Mid-Cap Value Fund	(34,314,878)
Dryden Active Allocation Fund	(20,583,720)
Dryden International Equity Fund	(137,587,963)
Dryden Stock Index Fund	(86,987,929)
Fidelity Advisor Government Income Fund	1,365,258
Jennison Growth Fund	(138,368,187)
Jennison Mid-Cap Growth Fund	(42,213,098)
Prudential IncomeFlex	
Aggressive Fund	(3,566,387)
Conservative Fund	(528,305)
Moderate Fund	(1,344,936)
Master Trust (Note 12)	
Prudential Financial, Inc. Common Stock Fund	(367,873,556)
Net depreciation in fair value	\$ (1,163,093,322)

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****4. Investments (Continued)**

The investment options bear expenses related to investment management and other fees. The above appreciation/depreciation on investments reflects these expenses. The expense ratios as a percentage of net assets attributable to each investment option for 2008 were as follows:

	Gross Expense Ratio	Net Expense Ratio	
PESP Fixed Rate Fund	0.04%		
Insurance Company Pooled Separate Accounts			
Core Equity Account		0.00%	
Small Company Stock Account		0.00%	
Prudential Retirement Real Estate Fund		1.51%	
Large Cap Value/LSV Asset Management Fund		0.67%	
Core Bond Enhanced Index/PIM Fund		0.23%	
Registered Investment Companies			
American High Income Trust Fund	0.70%		
Artisan Mid-Cap Value Fund	1.21%		
Dryden Active Allocation Fund	0.90%		
Dryden International Equity Fund	1.15%		
Dryden Stock Index Fund	0.40%		
Fidelity Advisor Government Income Fund	0.51%		
Jennison Growth Fund	0.80%		
Jennison Mid-Cap Growth Fund	0.91%		
			With Spouse Coverage
Prudential IncomeFlex			
Aggressive Fund		1.31%	1.81%
Conservative Fund		1.20%	1.70%
Moderate Fund		1.26%	1.76%
Master Trust			
Prudential Financial, Inc. Common Stock Fund		0.00%	

Gross Expense Ratio: The rate shown is not reduced by any fee or expense waivers. The actual rate may be less.

Net Expense Ratio: The rate shown is reduced for the benefit of any waivers.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), gives the next priority to quoted values based on observable inputs (Level 2 measurements), and the lowest priority to values based on unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No.157 are briefly described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. For example, stocks listed on a recognized exchange or listed mutual funds.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability. An example of a Level 2 is a pooled separate account.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. For example, real estate using an independent appraisal process would be Level 3.

The asset s or liability s fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Edgar Filing: PRUDENTIAL FINANCIAL INC - Form 11-K

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008 and 2007.

PESP Fixed Rate Fund The fair value is based on discounted cash flows assuming termination of the contract, based on current yields of similar instruments with comparable durations and considering the credit worthiness of the issuer.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

5. Fair Value Measurements (Continued)

Insurance Company Pooled Separate Accounts Plan assets are represented by a unit of account and a per unit value whose value is the result of the accumulated values of underlying investments. The underlying investments are valued in the following ways:

Equity securities (stock): Valued at the closing price reported on the active market on which individual securities are traded.

Bonds: Valued based on prices derived by an independent party (Interactive Data) that uses inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent party and/or overridden by the Company if the Company believes such would be more reflective of fair value.

Real estate: Values are determined through an independent appraisal process. The estimate of fair value is based on three approaches; (1) current cost of reproducing the property less deterioration and functional/economic obsolescence; (2) discounting a series of income streams and reversion at a specific yield or by directly capitalizing a single year income estimate by an appropriate factor; and (3) value indicated by recent sales of comparable properties in the market. Each approach requires the exercise of subjective judgment.

Master Trust Valued at the closing price reported on the active market on which individual securities are traded.

IncomeFlex Plan assets are represented by a unit of account and a per unit value whose value is the result of the accumulated values of underlying investments. The underlying investments are valued in the following ways:

Equity securities (stock): Valued at the closing price reported on the active market on which individual securities are traded.

Bonds: Valued based on prices derived by an independent party (Interactive Data) that uses inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent party and/or overridden by the Company if the Company believes such would be more reflective of fair value.

Participant Loans Valued at the sum of all outstanding balances without interest accrual.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****5. Fair Value Measurements (Continued)**

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008 and 2007.

	Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
PESP Fixed Rate Fund (Note 3)	\$	\$	\$ 3,021,566,433	\$ 3,021,566,433
Insurance Company Pooled Separate Core Equity Account		153,020,679		153,020,679
Small Company Stock Account		208,823,088		208,823,088
Prudential Retirement Real Estate Fund			18,627,943	18,627,943
Large Cap Value/LSV Asset Management Fund		103,685,407		103,685,407
Core Bond Enhanced Index/PIM Fund		6,892,185		6,892,185
Registered Investment Companies				
American High Income Trust Fund	19,597,533			19,597,533
Artisan Mid-Cap Value Fund	88,189,568			88,189,568
Dryden Active Allocation Fund	49,404,142			49,404,142
Dryden International Equity Fund	144,024,479			144,024,479
Dryden Stock Index Fund	140,426,795			140,426,795
Fidelity Advisor Government Income Fund	24,947,334			24,947,334
Jennison Growth Fund	222,144,966			222,144,966
Jennison Mid-Cap Growth Fund	74,500,196			74,500,196
Prudential IncomeFlex				
Aggressive Fund		15,318,222		15,318,222
Conservative Fund		8,083,557		8,083,557
Moderate Fund		9,459,881		9,459,881
Master Trust (Note 11)				
Prudential Financial, Inc. Common Stock Fund		234,076,073		234,076,073
Participant Loans			39,115,420	39,115,420
Total assets at fair value	\$ 763,235,013	\$ 739,359,092	\$ 3,079,309,796	\$ 4,581,903,901

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****5. Fair Value Measurements (Continued)**

	Assets at Fair Value as of December 31, 2007			
	Level 1	Level 2	Level 3	Total
PESP Fixed Rate Fund (Note 3)	\$	\$	\$ 2,964,597,339	\$ 2,964,597,339
Insurance Company Pooled Separate Accounts				
Core Equity Account		293,786,605		293,786,605
Small Company Stock Account		376,479,978		376,479,978
Prudential Retirement Real Estate Fund			44,607,977	44,607,977
Large Cap Value/LSV Asset Management Fund		158,135,877		158,135,877
Core Bond Enhanced Index/PIM Fund				
Registered Investment Companies				
American High Income Trust Fund	28,411,409			28,411,409
Artisan Mid-Cap Value Fund	127,085,305			127,085,305
Dryden Active Allocation Fund	70,795,080			70,795,080
Dryden International Equity Fund	285,393,303			285,393,303
Dryden Stock Index Fund	229,506,533			229,506,533
Fidelity Advisor Government Investment Fund	8,305,578			8,305,578
Jennison Growth Fund	371,542,873			371,542,873
Jennison Mid-Cap Growth Fund	119,342,398			119,342,398
Master Trust (Note 12)				
Prudential Financial, Inc. Common Stock Fund		550,358,655		550,358,655
Participant Loans			37,603,175	37,603,175
Total assets at fair value	\$ 1,240,382,479	\$ 1,378,761,115	\$ 3,046,808,491	\$ 5,665,952,085

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements**

December 31, 2008 and 2007

5. Fair Value Measurements (Continued)

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2008.

	PESP Fixed Rate Fund	Prudential Retirement Real Estate Fund	Participant Loans
Additions to net assets			
Investment income			
Net depreciation in fair value of investments	\$	\$ (6,218,578)	\$
Interest and dividend income	147,618,108		2,588,558
Total investment income (loss)	147,618,108	(6,218,578)	2,588,558
Investment expenses (Note 6)			
Net investment income (loss)	147,618,108	(6,218,578)	2,588,558
Contributions			
Employer	5,160,927	353,881	
Employee	51,515,207	2,253,612	
Total contributions	56,676,134	2,607,493	
Total additions	204,294,242	(3,611,085)	2,588,558
Net Transfers	43,901,753	(19,846,180)	1,497,349
Deductions from net assets			
Benefits paid to participants	246,504,351	2,522,681	2,573,662
Administrative Expenses	43,540	88	
Total deductions	246,547,891	2,522,769	2,573,662
Net increase (decrease)	1,648,104	(25,980,034)	1,512,245
Net assets at fair value			
Beginning of year	2,973,870,546	44,607,977	37,603,175
End of year	\$ 2,975,518,650	\$ 18,627,943	\$ 39,115,420

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****6. Related Party Transactions**

The Company (or an affiliate of the Company) acts as the investment manager for each of the investment options currently offered by the Plan, except for the American High Income Trust Fund, the Artisan Mid Cap Value Fund, the Fidelity Advisors Government Income Fund, and the Large Cap Value / LSV Asset Management Fund.

The Company paid certain expenses of the Plan to the Company (or an affiliate of the Company).

The Company paid management fees for the Core Equity Account and the Small Company Stock Account in the amount of \$3,203,254 for the year ended December 31, 2008.

The Company paid trustee fees in the amount of \$2,500 for the year ended December 31, 2008.

The Company paid trustee fees for the Master Trust in the amount of \$2,500 for the year ended December 31, 2008.

The Company is the Plan sponsor, and therefore, these transactions qualify as party-in-interest.

7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of Participant Loans between the financial statements and Form 5500:

	December 31	
	2008	2007
Participant loans per the financial statements	\$ 39,115,420	\$ 37,603,175
Certain cumulative deemed distributions of participant loans	(1,101,800)	(1,033,859)
Participant loans per the Form 5500	\$ 38,013,620	\$ 36,569,316

The following is a reconciliation of benefits paid between the financial statements and Form 5500 (including deemed distributions) for the year ended December 31, 2008:

Total benefits paid to participants per financial statements	\$ 362,400,048
2008 active loan defaults (deemed distributions)	176,948
Prior period active loan defaults foreclosed and adjustments	(109,007)
Total benefits paid and deemed distributions to participants per Form 5500	\$ 362,467,989

Table of Contents**The Prudential Employee Savings Plan****Notes to Financial Statements****December 31, 2008 and 2007****7. Reconciliation of Financial Statements to Form 5500 (Continued)**

The following is a reconciliation of assets between the financial statements and the Form 5500 as of December 31, 2008:

	Prudential IncomeFlex Reallocation				Form 5500
	Aggressive	Conservative	Moderate		
Insurance Company Pooled Separate					
Core Equity Account	\$ 153,020,679	\$ 2,297,733	\$ 565,849	\$ 1,135,186	\$ 157,019,447
Small Company Stock Account	208,823,088	1,378,640	404,178	662,192	211,268,098
Prudential Retirement Real Estate Fund	18,627,943				18,627,943
Large Cap Value/LSV Asset Management Fund					
Core Bond Enhanced Index/PIM Fund	103,685,407	1,531,822	404,178	756,790	106,378,197
	6,892,185	4,595,467	5,254,312	4,256,946	20,998,910
	\$ 491,049,302	\$ 9,803,662	\$ 6,628,517	\$ 6,811,114	\$ 514,292,595
Registered Investment Companies					
American High Income Trust Fund	\$ 19,597,533	\$	\$	\$	\$ 19,597,533
Artisan Mid-Cap Value Fund	88,189,568				88,189,568
Dryden Active Allocation Fund	49,404,142				49,404,142
Dryden International Equity Fund	144,024,479	2,144,551	565,849	1,040,587	147,775,466
Dryden Stock Index Fund	140,426,795				140,426,795
Fidelity Advisor Government Income Fund	24,947,334				24,947,334
Jennison Growth Fund	222,144,966	2,144,551	485,013	1,040,587	225,815,117
Jennison Mid-Cap Growth Fund	74,500,196	1,225,458	404,178	567,593	76,697,425
	\$ 763,235,013	\$ 5,514,560	\$ 1,455,040	\$ 2,648,767	\$ 772,853,380
Prudential IncomeFlex					
Aggressive Fund	\$ 15,318,222	\$ (15,318,222)	\$	\$	\$
Conservative Fund	8,083,557		(8,083,557)		
Moderate Fund	9,459,881			(9,459,881)	
	\$ 32,861,660	\$ (15,318,222)	\$ (8,083,557)	\$ (9,459,881)	\$

8. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and amend or terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their Company matching contributions account.

Table of Contents

The Prudential Employee Savings Plan

Notes to Financial Statements

December 31, 2008 and 2007

9. Employee Stock Ownership Plan (ESOP)

The Employee Stock Ownership Plan (ESOP) portion of the Plan was established in accordance with sections 401(a), 4975(e)(7) of the IRC and section 407(d)(6) of ERISA. The ESOP invests primarily in qualifying employer securities in accordance with IRC section 4975(e)(8). An ESOP account is established for each participant in the Plan, and is invested in the PFI Common Stock Fund. To fund the ESOP, the recordkeeper, at the close of each plan year as determined, transfers (sweeps) to the ESOP portion all of the participant s fully vested amounts in the non-ESOP portion of the PFI Common Stock Fund. Participants may redirect the amounts credited to the ESOP account into any other investment option except for certain limitations including, but not limited to, the provisions of the Company s personal securities trading policy. Funds that are swept into the ESOP portion are treated the same as funds in the non-ESOP portion for purposes of distributions, reallocations, and transfers. Dividends are paid to the ESOP, and thereafter, either distributed to participants or reinvested into participants ESOP accounts. All participants have a choice of either reinvesting the dividends into the ESOP account or receiving cash on a yearly basis. Participants cannot contribute directly to the ESOP.

The trustee of the Plan purchases shares of PFI common stock on behalf of the PFI Common Stock Fund at fair value or by private purchase (including from an affiliate). Voting rights in shares of PFI common stock held by the Plan shall be exercised by the trustee in a timely manner and by the direction of the participants. Dividends and other income credited to the PFI Common Stock Fund are allocated to all participants with units in the PFI Common Stock Fund when such amounts are received by the Plan.

10. Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated July 30, 2002, that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). Although the Plan has been amended since the receipt of the letter, the Plan administrator and the Company s tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, and no provision for income tax is necessary. The Plan will be submitted to the Internal Revenue Service for a determination on its continued tax-qualified status during the determination letter program cycle applicable to the Plan.

11. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect participants account balances and the amounts reported in the statement of net assets available for benefits.

12. Interest in Master Trust

A portion of the Plan s investments are in the Master Trust which was established for the investment of assets of the Plan and other Prudential Company sponsored defined contribution plans. The assets of the Master Trust are held by Prudential Trust Company (the Trustee). As of December 31, 2008 and 2007, the Plan s interest in the net assets of the Master Trust was 100%.

13. Subsequent Events

Effective January 1, 2009, the guaranteed rate of return for the PESP Fixed Rate Fund will be reset quarterly.

Table of Contents**The Prudential Employee Savings Plan****Schedule of Assets Held for Investment Purposes****Supplemental Information****December 31, 2008****Schedule I**

Identity of issue, borrower lessor or similar party	Description of investment	Cost	Current Value
* PESP Fixed Rate Fund	Prudential Insurance Co.		
	General Account	\$ 2,975,581,360	\$ 2,975,581,360
* Core Equity Account	Insurance Co.		
	Pooled Separate Account	180,961,549	157,019,447
* Small Company Stock Account	Insurance Co.		
	Pooled Separate Account	178,017,612	211,268,098
* Prudential Real Estate Fund	Insurance Co.		
	Pooled Separate Account	21,290,569	18,627,943
* Large Cap Value/LSV Asset Management Fund	Insurance Co.		
	Pooled Separate Account	170,161,549	106,378,197
* Core Bond Enhanced Index/PIM/Fund	Insurance Co.		
	Pooled Separate Account	22,710,348	20,998,910
American High Income Trust Fund	Mutual Fund	28,517,379	19,597,533
Artisan Mid-Cap Value Fund	Mutual Fund	127,644,104	88,189,568
Dryden Active Allocation Fund	Mutual Fund	66,665,659	49,404,142
Dryden International Equity Fund	Mutual Fund	231,282,839	147,775,466
Dryden Stock Index Fund	Mutual Fund	190,686,000	140,426,795
Fidelity Advisor Government Income Fund	Mutual Fund	23,726,779	24,947,334
Jennison Growth Fund	Mutual Fund	305,319,859	225,815,117
Jennison Mid-Cap Growth Fund	Mutual Fund	88,137,869	76,697,425
* Prudential Financial, Inc. Common Stock Fund	Master Trust Investment Account	307,773,024***	234,076,073
* Participant Loans	4.00% - 9.50%**		38,013,620
		\$ 4,918,476,499	\$ 4,534,817,028

* Party-in-interest.

** Represents range of annual interest rates on outstanding loans.

*** No cost was attributed to the PFI common stock that the Plan received as a result of demutualization. The value of the shares was credited to eligible participants' accounts as units in the Prudential Financial, Inc. common stock fund on April 26, 2002.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee (or other persons who administer the Prudential Employee Savings Plan) has duly caused this annual report to be signed on their behalf by the undersigned thereunto duly authorized.

THE PRUDENTIAL EMPLOYEE SAVINGS PLAN

By: /s/ Kevin Prue

Kevin Prue

Vice President, Human Resources

Chairperson of the Administrative Committee

Dated: June 26, 2009