

STABLE VALUE

# A MULTIPURPOSE INVESTMENT OPTION



This guide provides a concise overview of Stable Value, including what it is, its key differentiators, and Prudential's commitment.



Prudential

## What is Stable Value?

The aging of America's workforce, along with the investing preferences of the generally risk-averse millennials, is bringing Stable Value to the forefront of safe<sup>1</sup> asset classes for many defined contribution plans. In fact, Stable Value assets have more than tripled since 2000.<sup>2</sup>

Stable Value is an investment product designed for safety of principal, liquidity,<sup>3</sup> and steady, competitive rates of return. It provides these features generally by combining an investment in high-quality, intermediate-term fixed income securities with an insurance contract that guarantees the return of principal and accrued earnings for benefit-responsive transactions.

### Stable Value key benefits

#### Safety—Provides peace of mind for participants

- Guarantees of both principal and accumulated earnings. Unlike bond funds, participant account balances do not fluctuate with the change in interest rates
- Smooth consistent crediting rates over time—providing participants with protection from market volatility
- Stable Value products exhibit low correlation to other asset classes and can therefore increase diversification and reduce volatility within a retirement portfolio
- Our Stable Value portfolios are designed to provide safety through all interest rate cycles
  - Our portfolios consist of highly diversified, conservative, high-quality, intermediate duration fixed income investment portfolios
  - Prudential is a leader in Stable Value as well as asset management with strong credit analysis, quantitative research, and risk-management capabilities
  - Prudential product guarantees are made through highly rated Prudential Financial companies

#### Liquidity—Provides book value liquidity for participant activity, separate from market value fluctuations

- Allows for daily participant transactions and benefit responsive payments at book value (principal plus accumulated interest) during a rising rate environment
- Book value liquidity is the ability to transact without realizing any market value losses as you may have with a bond fund

#### Crediting rate performance—Participants enjoy competitive long-term returns

- Over the long term, Stable Value products have outpaced other products, such as money market funds or short-term bond funds<sup>4</sup>
- Crediting rates trail changes in more volatile interest rate markets, providing consistent returns over time
- Stable Value products' crediting rates are guaranteed not to fall below a contractual floor, unlike bond funds which can have negative returns

<sup>1</sup> A "safe" investment option is one that contains certain safeguards and protections that are not present in other investments. No inference should be drawn that a "safe" investment is free of risk.

<sup>2</sup> Stable Value Investment Association's Annual Investment Policy Surveys, 2000-2022.

<sup>3</sup> Stable Value investments may have liquidity restrictions.

Participants appreciate the certainty and peace of mind of a guaranteed crediting rate and the knowledge that their account balances do not fluctuate due to changes in the market value of the portfolios that support them.

## Stable Value market

Throughout the years, Stable Value has delivered on its guarantees and continues to prove its ability to perform as designed in an array of market conditions. Its growing role in the defined contribution marketplace reflects an increased understanding among plan sponsors and intermediaries of its strong value proposition.

In the DC market today:

- More than \$882 billion is invested in Stable Value funds<sup>5</sup>
- Stable Value is offered in approximately 3 out of 4 defined contribution plans according to the Alight Solutions Trends & Experience in Defined Contribution Plans survey<sup>4</sup>
- Stable Value continues to represent approximately 10% of the total defined contribution market<sup>5</sup>

As the benefits of Stable Value are increasingly recognized, there are opportunities for Stable Value to expand its reach within defined contribution plans, for example in asset allocation vehicles such as target-date and target-risk funds.

## Prudential: A leader in Stable Value

Prudential's diverse suite of Stable Value solutions comprises general account, separate account, synthetic GIC and traditional GIC products, with solutions available on multiple platforms serving a diversity of needs. The flexibility and diversity of our offerings enables us to provide products for multiple plan types and markets, including 401(k), 403(b), 457, 529, Health Savings Account (HSA), and nonqualified, while our client base includes corporate, tax-exempt, Taft-Hartley, and nonqualified plans of all sizes.

Prudential is recognized as a Stable Value thought leader and innovator, demonstrated through white papers and conference presence as well as product developments such as our entrance into the Bank-Owned Life Insurance (BOLI), Voluntary Employee Benefits Associations (VEBAs), and 529 markets. Defined contribution and defined benefit plans that choose Prudential's Stable Value products are investing with a company at the forefront of the industry, whose \$71 billion<sup>6</sup> in Stable Value assets represents an estimated 16% share<sup>6</sup> of the Stable Value market.

Through our extensive asset management experience, we deliver strong credit analysis capabilities and a depth of quantitative and risk management expertise. Bringing more than 50 years of Stable Value knowledge and a consultative, client-oriented approach to the development of unique Stable Value investment solutions, Prudential provides guarantees that are backed by the well-diversified, fixed income portfolios of highly rated Prudential Financial companies.

<sup>4</sup> "Stable Value at a Glance," March 24, 2024, [stablevalue.org](http://stablevalue.org).

<sup>5</sup> Stable Value Industry Association Quarterly Characteristics Survey Covering Stable Value Assets as of 4Q2023.

<sup>6</sup> Valerian Capital Group, Stable Value Wrap Providers, as of December 31, 2023.



## Prudential financial's key strength in Stable Value



Stable Value assets as of 12/31/2023

**\$71 BILLION<sup>7</sup>**

Market share

**16%**



- Pioneer and a leading provider in the Stable Value market with over **50 years experience**
- **Ranked 1st** in Stable Value assets<sup>7</sup>
- **Delivers custom solutions** using a consultative, client-oriented approach
- Prudential Financial is one of the **leaders in the asset management business**, with strong credit analysis, quantitative and risk-management capabilities
- Provides guarantees through **highly rated** Prudential Insurance companies

<sup>7</sup>Valerian Capital Group, Stable Value Wrap Providers, as of December 31, 2023.

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