PRUDENTIAL FINANCIAL INC
Form DEF 14A
April 19, 2005

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 x

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))**
x 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)

Payment of Filing Fee (Check the appropriate box):

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

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(4) Date Filed:

Prudential Financial, Inc.

751 Broad Street, Newark NJ 07102

April 19, 2005

Dear Fellow Shareholder:

On behalf of your Board of Directors, you are cordially invited to attend the Annual Meeting of Shareholders of Prudential Financial, Inc. Your Company s Annual Meeting will be held on June 7, 2005 at Prudential s Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102 at 2:00 p.m. The location is accessible to handicapped persons, and, upon request, we will provide wireless headsets for hearing amplification.

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

Your vote is important. We urge you to participate in Prudential Financial s Annual Meeting, whether or not you plan to attend, by signing, dating and promptly mailing the enclosed proxy card. You may also vote by telephone or the Internet should you prefer. Regardless of the size of your investment, your vote is important, so please act at your earliest convenience. Finally, if you do plan to attend the meeting, you will need an admission ticket. Please refer to the instructions set forth in the Notice of Meeting, which follows this letter, or those attached to the proxy card.

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

Sincerely,

Arthur F. Ryan

Chairman and Chief Executive Officer

Prudential Financial, Inc.

751 Broad Street, Newark NJ 07102

Notice of Annual Meeting of Shareholders

of Prudential Financial, Inc.

Date: June 7, 2005

Time: 2:00 p.m.

Place: Prudential s Corporate Headquarters

751 Broad Street

Newark, NJ 07102

At the 2005 Annual Meeting, shareholders will act upon the following matters:

1. Election of three Class I Directors;

2. Ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2005;

3. A proposal to amend the Company s Certificate of Incorporation to declassify the Board of Directors;

4. A proposal to approve the Prudential Financial, Inc. Employee Stock Purchase Plan; and

5. Transaction of such other business as may properly come before the meeting.

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

Shareholders of record at the close of business on April 11, 2005 will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

Shareholders will need an admission ticket to attend the Annual Meeting. If you are a Holder of Record, an admission ticket is attached to the enclosed proxy card. If you received shares of Common Stock in our demutualization and such shares are held through EquiServe (or if subsequently you have been issued a certificate for your shares), you are a Holder of Record of those shares. If your shares are not registered in your own name, you need to bring proof of your share ownership to the meeting to receive an admission ticket. Please bring either a copy of your account statement or a letter from your broker, bank or other institution reflecting your share ownership as of April 11, 2005. Please note that the use of photographic and recording devices is prohibited in the building. For your safety, we reserve the right to inspect all personal items prior to admission to the Annual Meeting.

By Order of the Board of Directors,

Kathleen M. Gibson

Vice President, Secretary and Corporate Governance Officer

April 11, 2005

Your vote is important! Please take a moment to complete, sign, date and mail the proxy card in the accompanying envelope. If you prefer, you may also vote by telephone or the Internet. Please see the instructions attached to the proxy card. Your prompt cooperation will save your Company additional solicitation costs.

GENERAL INFORMATION

The Board of Directors of Prudential Financial, Inc. (Prudential Financial or the Company) is providing this proxy statement and soliciting the accompanying form of proxy in connection with the Annual Meeting of Shareholders to be held on June 7, 2005 (the Annual Meeting) at 2:00 p.m. at Prudential Financial s Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102, and at any adjournment or postponement thereof. The Notice of Meeting, this proxy statement, the enclosed proxy card and the enclosed Annual Report for 2004 were first sent to shareholders on or about April 19, 2005.

VOTING INSTRUCTIONS AND INFORMATION

Who Can Vote?

You are entitled to vote or direct the voting of your Prudential Financial Common Stock if you were a shareholder on April 11, 2005, the record date for the Annual Meeting. Shareholders of our Class B Stock, as of April 11, 2005, are also entitled to vote their shares. On that date, approximately 521,700,000 shares of Common Stock and 2,000,000 shares of Class B Stock were outstanding and entitled to notice of and to vote at the Annual Meeting. Each share of Prudential Financial Common Stock and Class B Stock is entitled to one vote, and the Common Stock and Class B Stock vote together as a single class on the matters submitted for a vote at this Annual Meeting.

Who Is the Holder of Record?

You may own Common Stock either (1) directly in your name as the shareholder of record, which includes shares acquired as part of demutualization and through other demutualization related programs, in which case you are the Holder of Record, or (2) indirectly through a broker, bank or other nominee.

If your shares are registered directly in your name, you are the Holder of Record of these shares, and we are sending these proxy materials directly to you.

How Do I Vote?

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

<u>Holders of Record</u>

By Telephone. You can vote your shares by telephone, by calling 1-800-690-6903. This toll-free number is also on the enclosed proxy card. Telephone voting is available 24 hours a day. If you vote by telephone, you do not need to return the proxy card. Your vote by telephone must be received by 11:59 p.m. EDT, June 6, 2005.

By Internet. You can also vote on the Internet. The website address for Internet voting is www.proxyvote.com and can also be found on the enclosed proxy card. Internet voting is available 24 hours a day. If you vote by Internet, you do not need to return the proxy card. Your vote by Internet must be received by 11:59 p.m. EDT, June 6, 2005.

By Mail. If you choose to vote by mail, mark the enclosed proxy card, date and sign it, and return it in the postage-paid envelope provided. Your vote by mail must be received by the close of voting at the Annual Meeting on June 7, 2005.

By Attending the Annual Meeting. If you attend the Annual Meeting, you can vote your shares in person. You will need to have an admission ticket or other proof of ownership with you at the Annual Meeting. Please refer to the instructions attached to the enclosed proxy card.

Stock Held by Brokers, Banks and Nominees

If your Common Stock is held by a broker, bank or other nominee, you will receive instructions from them that you must follow in order to have your shares voted.

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

How Many Votes Are Required?

A quorum is required to transact business at the Annual Meeting. We will have a quorum and be able to conduct the business of the Annual Meeting if the holders of 40% of the shares entitled to vote are present at the meeting, either in person or by proxy.

If a quorum is present, a plurality of votes cast is required to elect Directors. Thus, a Director may be elected even if the Director receives less than a majority of the shares represented at the meeting. To ratify the selection of independent auditors and approve the Prudential Financial, Inc. Employee Stock Purchase Plan, an affirmative vote of a majority of the votes cast is required.

To approve the proposal to declassify the Board of Directors (the Declassification Amendment), which requires an amendment to the Company s Amended and Restated Certificate of Incorporation (the Certificate of Incorporation), at least 50% of the shares entitled to vote must vote on the proposal and 80% of the votes cast must support the proposal.

How Are Votes Counted?

All shares that have been properly voted, and not revoked, will be voted at the Annual Meeting in accordance with your instructions. If you sign and return the proxy card but do not specify how you wish your shares to be voted, your shares represented by that proxy will be voted as recommended by the Board of Directors: ***for*** all the nominees for Director; ***for*** ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for 2005; ***for*** the Declassification Amendment and ***for*** the proposal to adopt the Prudential Financial, Inc. Employee Stock Purchase Plan (the ESPP Proposal).

A New York Stock Exchange (NYSE) member broker who holds shares in street name for a customer has the authority to vote on certain items if the broker does not receive instructions from the customer. NYSE rules permit member brokers who do not receive instructions to vote on the election of directors, the proposal to ratify the appointment of our independent auditors and the Declassification Amendment, but not on the adoption of the ESPP Proposal because it is a non-discretionary item. Proxies that are counted as abstentions and any proxies returned by brokers as non-votes on behalf of shares held in street names (because beneficial owners discretion has been withheld or brokers are not permitted to vote on the beneficial owners behalf) will be treated as present for purposes of determining whether a quorum is present at the Annual Meeting. However, any shares not voted as a result of an abstention or a broker non-vote will not be counted as voting for or against a particular matter. Accordingly, abstentions and broker non-votes will have no effect on the outcome of a vote, other than with respect to the Declassification Amendment, where abstentions and broker non-votes will not be counted toward meeting the 50% minimum outstanding share vote requirement applicable to that proposal.

How Can I Revoke My Proxy or Change My Vote?

You can revoke your proxy at any time before it is voted at the 2005 Annual Meeting by:

<u>Holders of Record</u>

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

Submitting another timely and later dated proxy by telephone, Internet or mail; or

Attending the 2005 Annual Meeting and voting in person by written ballot.

Stock Held by Brokers, Banks and Nominees

Please contact the broker, bank or other nominee to obtain instructions to revoke your proxy or to obtain a legal proxy that will permit you to attend the Annual Meeting and vote in person by written ballot.

Who Will Count the Vote?

The Board of Directors has appointed IVS Associates, Inc. to act as the Inspector of Election at the 2005 Annual Meeting.

Who Is the Proxy Solicitor?

D.F. King & Co., Inc. has been retained by Prudential Financial to assist with the Annual Meeting, including the distribution of proxy materials and solicitation of votes, for a fee of $25,000 plus reimbursement of expenses to be paid by the Company. In addition, our Directors, officers or employees, who will receive no additional compensation for soliciting, may solicit proxies for us in person or by telephone, facsimile, Internet or other electronic means.

ITEM 1 ELECTION OF DIRECTORS

Prudential Financial s Board of Directors is divided into three classes of directors whose three-year terms expire at successive Annual Meetings.

At the Annual Meeting, three Class I Directors are to be elected. If the Declassification Amendment discussed in Item 3 is approved by shareholders, these Directors will be elected to hold office until the Annual Meeting of Shareholders to be held in 2006 and until their successors are duly elected or appointed. If the Declassification Amendment is not approved by shareholders, these Directors will be elected to hold office until the Annual Meeting of Shareholders to be held in 2008. The remaining Directors of Prudential Financial will continue to serve the terms for which they were elected.

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

Ida F.S. Schmertz and Glen H. Hiner, who have served as Directors of Prudential Financial since January 2001 and of its subsidiary, The Prudential Insurance Company of America (Prudential Insurance), since 1997, will retire following the Annual Meeting in accordance with the Board of Directors retirement policy.

Messrs. Cullen, Unruh and Bethune currently are Directors, and each has been recommended for re-election to the Board of Directors by the Corporate Governance and Business Ethics Committee and approved and nominated for re-election by the Board of Directors.

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

Nominees for Class I Directors

James G. Cullen was elected as a Director of Prudential Financial in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a Director of Prudential Insurance in April 1994. He served as the President and Chief Operating Officer of Bell Atlantic Corporation (global telecommunications) from December 1998 until his retirement in June 2000. Mr. Cullen was the President and Chief Executive Officer, Telecom Group, Bell Atlantic Corporation from 1997 to 1998 and served as Vice Chairman of Bell Atlantic Corporation from 1995 to 1997. Mr. Cullen s areas of expertise include business operations and sales and marketing. Other Directorships include: Johnson & Johnson and Agilent Technologies, Inc. Age 62.

James A. Unruh was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since April 1996. He became a founding member of Alerion Capital Group, LLC (private equity investment group) in 1998. Mr. Unruh was with Unisys Corporation (information technology services, hardware and software) from 1987 to 1997, serving as its Chairman and Chief Executive Officer from 1990 to 1997. He also held executive positions with financial management responsibility, including serving as Senior Vice President, Finance, Burroughs Corporation, from 1982 to 1987. Mr. Unruh s areas of expertise include finance, business operations, technology and investments. Other Directorships include: Tenet Healthcare, Inc. (since 2004). Age 64.

Gordon M. Bethune was elected as a Director of Prudential Financial, effective February 1, 2005. Mr. Bethune joined Continental Airlines, Inc. (international commercial airline company) in February 1994 as President and Chief Operating Officer. He was elected President and Chief Executive Officer in November 1994 and Chairman of the Board and Chief Executive Officer in 1996. Mr. Bethune retired from Continental on December 31, 2004. Prior to joining Continental, Mr. Bethune held senior management positions with The Boeing Company, Piedmont Airlines, Western Airlines, Inc. and Braniff Airlines. Mr. Bethune s areas of expertise include business operations. Other Directorships include: Honeywell International, Inc., Willis Group Holdings, Ltd. and Sprint Corporation. Age 63.

Continuing Class II Directors Whose Terms Expire in 2006

Frederic K. Becker was elected as a Director of Prudential Financial in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a Director of Prudential Insurance in June 1994. He has served as President of the law firm of Wilentz Goldman & Spitzer, P.A. since 1989 and has practiced law with the firm since 1960. Mr. Becker s primary expertise is in the area of law. Age 69.

William H. Gray III was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since September 1991. He has served as the Chairman of the Amani Group, a consulting and advisory firm, since August 2004. He served as President and Chief Executive Officer of The College Fund/UNCF (philanthropic foundation) from 1991 until his retirement in 2004. Mr. Gray was a member of the U.S. House of Representatives from 1979 to 1991. Mr. Gray s areas of expertise include public policy and education. Other Directorships include: JP Morgan Chase & Co., Dell Inc., Pfizer Inc. and Visteon Corporation. Age 63.

Jon F. Hanson was elected as a Director of Prudential Financial in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a Director of Prudential Insurance in April 1991. He has served as Chairman of The Hampshire Companies (real estate investment and property management) since 1976. Mr. Hanson served as the Chairman and Commissioner of the New Jersey Sports and Exposition Authority from 1982 to 1994. Mr. Hanson s areas of expertise include real estate, investments, government and business operations. Other Directorships include: CD&L, Inc., HealthSouth Corporation (since 2002) and Pascack Community Bank. Age 68.

Constance J. Horner was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since April 1994. She has been a Guest Scholar at The Brookings Institution (non-partisan research institute) since 1993, after serving as Assistant to the President of the United States and Director, Presidential Personnel from 1991 to 1993; Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991; and Director, U.S. Office of Personnel Management from 1985 to 1989. Mrs. Horner was a Commissioner, U.S. Commission on Civil Rights from 1993 to 1998. Mrs. Horner s areas of expertise include public policy and government. Other Directorships include: Ingersoll-Rand Company Ltd. and Pfizer Inc. Age 63.

Continuing Class III Directors Whose Terms Expire in 2007

Arthur F. Ryan is Chairman of the Board, Chief Executive Officer and President of Prudential Financial. He joined Prudential Insurance as the Chairman of the Board, Chief Executive Officer and President and as a Director in December 1994. In December 1999, at the time of the Company s incorporation, he was named Director of Prudential Financial; in January 2000 he was named to its first slate of officers as President and Chief Executive Officer; in December 2000 he took his current title. Prudential Financial became a public company in December 2001. From 1972 until he joined Prudential Insurance, Mr. Ryan was with Chase Manhattan Bank, serving in various executive positions including President and Chief Operating Officer from 1990 to 1994. Other Directorships include Regeneron Pharmaceuticals, Inc. Age 62.

Gaston Caperton was elected as a Director of Prudential Financial in June 2004. He has served as the President of the College Board (non-profit membership association of schools, colleges, universities and other educational organizations) since 1999. He was the founder and executive director of Columbia University s Institute on Education & Government at Teachers College from 1997 to 1999 and a fellow at Harvard University s John F. Kennedy Institute of Politics from 1996 to 1997. Mr. Caperton served as the Governor of West Virginia from 1988 to 1996. Prior to his governorship, Mr. Caperton was an entrepreneur in the insurance business and was one of the principal owners of a privately held insurance brokerage firm. Mr. Caperton s areas of expertise include insurance, public policy and education. Other Directorships include: United Bankshares, Inc. and Owens Corning. Age 65.

Gilbert F. Casellas was elected as a Director of Prudential Financial in January 2001 and has been a Director of Prudential Insurance since April 1998. He is President of Casellas & Associates, LLC, a consulting firm. During 2001, he served as President and Chief Executive Officer of Q-linx, Inc. (software development). He served as the President and Chief Operating Officer of The Swarthmore Group, Inc. (investment company) from January 1999 to December 2000. Mr. Casellas was a partner in the law firm of McConnell Valdes LLP from 1998 to 1999; Chairman, U.S. Equal Employment Opportunity Commission from 1994 to 1998; and General Counsel, U.S. Department of the Air Force from 1993 to 1994. Mr. Casellas areas of expertise include law, public policy, investments and education. Age 52.

Karl J. Krapek was elected as a Director of Prudential Financial in January 2004. He served as the President and Chief Operating Officer of United Technologies Corporation (global technology) from 1999 until his retirement in January 2002. Prior to that time, Mr. Krapek held other management positions at United Technologies Corporation, which he joined in 1982. Mr. Krapek s areas of expertise include domestic and international business operations. Other Directorships include: The Connecticut Bank & Trust Co., Lucent Technologies, Inc., Visteon Corporation and Delta Air Lines, Inc. Age 56.

ITEM 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as the Company s independent auditors for 2005. We are not required to have the shareholders ratify the selection of PricewaterhouseCoopers as our independent auditors. We nonetheless are doing so because we believe it is a matter of good corporate practice. If the shareholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers, but may retain such independent auditors. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of Prudential Financial and its shareholders. Representatives of PricewaterhouseCoopers are expected to be present at the Annual Meeting with an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The following is a summary and description of fees for services provided by PricewaterhouseCoopers in 2004 and 2003.

Worldwide Fees

Service	*2004*	*2003*
Audit (A)	$ 37,194,000	$ 30,476,000
Audit-Related (B)	$ 4,539,000	$ 6,577,000
Tax (C)	$ 2,622,000	$ 3,606,000
All Other (D)	$ 77,000	$ 131,000
Total	$ 44,432,000	$ 40,790,000

(A) The aggregate fees for professional services rendered for the audits of the consolidated financial statements of Prudential Financial and, as required, of various domestic and international subsidiaries, the issuance of comfort letters, agreed-upon procedures required by regulation, consents and assistance with review of documents filed with the Securities and Exchange Commission. In 2004, audit fees also include fees for the audits of (i) management s assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

(B) The aggregate fees for assurance and related services including internal control reports, agreed-upon procedures not required by regulation, benefit plan audits and accounting consultation on acquisitions.

(C) The aggregate fees for services rendered by PricewaterhouseCoopers tax department for tax return preparation, tax advice related to mergers and acquisitions and other international, federal and state projects, employee benefit plans, compliance services for expatriate employees and requests for rulings. In 2004, tax compliance and preparation fees total $1,676,000 and tax advisory fees total $946,000 and in 2003, tax compliance and preparation fees totaled $1,736,000 and tax advisory fees totaled $1,870,000.

(D) The aggregate fees for all other services rendered by PricewaterhouseCoopers, including provision of workpapers to third parties, software license fees, assessment of a proposed outsourcing transaction, and attendance in PricewaterhouseCoopers-sponsored educational programs.

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

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

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

The Board of Directors recommends that shareholders vote for ratification of the appointment of PricewaterhouseCoopers as the Company s independent auditors for 2005.

ITEM 3 PROPOSAL TO AMEND THE COMPANY S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

The Board of Directors recommends approval of an amendment to the Company s Certificate of Incorporation that would provide for the phased elimination over three years of the Company s classified Board of Directors. If the Declassification Amendment is approved, the Board s Class I Directors standing for election at this year s Annual Meeting (Messrs. Cullen, Unruh, and Bethune) will stand for election for the term expiring at the Annual Meeting of Shareholders to be held in 2006 and for one-year terms thereafter. The Board s Class II Directors and Class III Directors (who are not standing for election at this year s Annual Meeting) will continue to hold office until the end of the terms for which they were elected and will stand for election for one-year terms thereafter. Accordingly, Class II Directors will continue to serve for the term expiring at the Annual Meeting of Shareholders in 2006, and Class III Directors will continue to serve for the term expiring at the Annual Meeting of Shareholders to be held in 2007. If the Declassification Amendment is approved, all Directors will be elected on an annual basis commencing in 2007. In all cases, each Director will hold office until his or her successor has been elected and qualified or until the Director s earlier resignation or removal, and vacancies that occur during the year will be filled by the Board of Directors to serve until the next annual meeting.

Background

The Company s current classified board structure, in which Directors are divided into three classes serving staggered three-year terms, was included in the Company s Certificate of Incorporation approved by policyholders of Prudential Insurance as part of the demutualization process in 2001. In 2004, a shareholder of the Company, the UNITE Staff Retirement Plan (UNITE), submitted a shareholder proposal at the 2004 Annual Meeting of Shareholders requesting the Board to take steps to declassify the election of Directors, provided that such declassification be phased in so that it does not affect the unexpired terms of the previously elected Directors. UNITE s proposal received support from a majority of the votes cast at the 2004 Annual Meeting.

In light of shareholder support for the UNITE proposal, the Board and its Corporate Governance and Business Ethics Committee have reconsidered the merits of retaining a classified board. The Board continues to believe that a classified board structure may enhance shareholder value in the event of a hostile change in control attempt by providing the independent Board members with the time and leverage necessary to consider an offer, explore alternatives and, if

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appropriate, negotiate the best price without the threat of imminent replacement of the entire Board in a single election. However, the Board acknowledges the sentiment of the Company s shareholders in favor of annual elections evidenced by the shareholders approval of UNITE s proposal. The Board of Directors, upon the recommendation of the Corporate Governance and Business Ethics Committee, has thus determined that it is appropriate to propose declassifying the Board over a three-year phase in period, as suggested by the UNITE proposal. If adopted, the Declassification Amendment would allow shareholders the opportunity each year, beginning with the annual meeting of shareholders held in 2007, to register their vote with respect to each member of the Board of Directors.

The Declassification Amendment and Ancillary Changes

If the Declassification Amendment is approved, the Company s Certificate of Incorporation will be amended to eliminate the classification of the Board in the manner noted above and to make certain ancillary changes to the Company s Certificate of Incorporation and By-laws to reflect the absence of a classified Board, as follows:

The present Certificate of Incorporation contains supermajority shareholder voting requirements providing that the affirmative vote of at least 80% of the votes cast at a shareholders meeting (at which at least 50% of outstanding shares vote) is required to amend the provisions of the Certificate of Incorporation and By-laws establishing the classified board structure. Pursuant to the Declassification Amendment, the Certificate of Incorporation will be amended to delete the supermajority voting requirements applicable to the classification of the Board in order that, if shareholders in the future wish to reestablish a classified Board, such reestablishment would need the affirmative vote of only a majority of the votes cast at a meeting at which a quorum is present, and the Board will adopt corresponding amendments to the Company s By-laws.

Currently, our By-laws permit removal of Directors only for cause (as required by New Jersey law for corporations with classified boards) and require (unless otherwise required by law) the affirmative vote of at least 80% of the votes cast at a meeting of shareholders provided that at least 50% of the outstanding shares approve. Our Certificate of Incorporation and By-laws will be amended so that, upon adoption of the Declassification Amendment, these requirements will continue to apply to the Class II and Class III Directors during the remainder of their terms. Upon adoption of the Declassification Amendment, our By-laws will be amended to provide that, consistent with New Jersey law for corporations without classified boards, Directors elected at the Annual Meeting and future Annual Meetings will be removable with or without cause upon the affirmative vote of a majority of the votes cast at a meeting at which a quorum is present.

The terms of the proposed Declassification Amendment are set forth in Appendix A to this proxy statement, with deletions indicated by strike-outs and additions indicated by underlining.

Vote Required

For the Declassification Amendment to become effective, at least 50% of the shares entitled to vote must vote on the proposal and the proposal must receive the affirmative vote of at least 80% of the votes cast. The Board has already provisionally approved the amendments to the Company s By-laws discussed above, subject to shareholder approval of the Declassification Amendment.

If the Declassification Amendment is not approved by the Company s shareholders, the present classification of the Board of Directors will continue, and the Company s Class I Directors will be elected pursuant to Item 1 above to a three-year term expiring at the Annual Meeting of Shareholders in 2008, and the Class II and Class III Directors will continue to serve the terms for which they were elected.

The Board of Directors recommends that shareholders vote for the Declassification Amendment.

ITEM 4 PROPOSAL TO APPROVE THE PRUDENTIAL FINANCIAL, INC. EMPLOYEE STOCK PURCHASE PLAN

The Board of Directors believes that encouraging stock ownership by employees of Prudential Financial and its affiliates is an effective method of aligning the interests of employees and Prudential Financial shareholders in a way that is beneficial to employees, shareholders and the Company. Prudential Financial first acted on this belief by providing an Associates Grant of stock options to most non-executive employees at the time of demutualization. The Board is further encouraging share ownership by adopting the Prudential Financial, Inc. Employee Stock Purchase Plan (the ESPP), subject to shareholder approval.

Eligibility. The ESPP is a broad-based plan designed to meet the requirements of Section 423 of the Internal Revenue Code (the Code) by offering almost all employees the opportunity to buy shares of Prudential Financial Common Stock at a discount from the prevailing fair market value. Generally, all employees of Prudential Financial and any of its affiliates that are authorized to participate in the ESPP, worldwide, will be eligible to join the ESPP. However, the plan administrator has discretion to exclude certain employees from joining the ESPP. Excludable employees include those employees whose customary employment is 20 hours or less per week, certain temporary or seasonal employees, those employees who have been employed for less than two years and certain highly compensated employees. The Company intends to exclude Senior Vice Presidents and above and their equivalents from participating in the ESPP.

Shares Authorized for Issuance. The ESPP authorizes the issuance of 26,367,235 shares of Prudential Financial s Common Stock, which represent 5% of the shares of Common Stock outstanding on December 31, 2004. The shares to be issued under the ESPP may be authorized but unissued shares or may be treasury shares. Upon the occurrence of certain events that affect Prudential Financial s capitalization, appropriate adjustments will be made in the number and kind of shares that may be issued under the ESPP in the future and in the number and kind of shares and price per share under all outstanding grants made before the event to maintain equivalent rights, value and features of grants before and after the event. If any granted options are canceled, terminated or otherwise settled without the issuance of some or all of the shares subject to the grant, these unissued shares will again be available for future grants under the ESPP.

Purchase Price for the Shares. Under the ESPP, participating employees are granted options, each with a term of not more than 2 years, to purchase shares of Common Stock of Prudential Financial at a price determined by the plan administrator. The price will be at least equal to (i) 85% of the share s fair market value as of the date of grant or (ii) 85% of the share s fair market value as of the exercise date or (iii) the lesser of the two prices. The phrase fair market value is generally defined by the ESPP as the last trade, regular way, in Prudential Financial s Common Stock on the NYSE on the date on which fair market value is being determined.

Administration. The ESPP generally will be administered by a committee of at least three members comprised solely of Directors or employees of Prudential Financial or any of its affiliates selected by the committee of the Board of Directors that is responsible for overseeing the ESPP. This administrative committee called the plan administrator will have the discretion to determine a number of the important terms of the offering of stock for purchase under the ESPP, within the general parameters established under the ESPP. For example, when options are granted to employees pursuant to the ESPP, the plan administrator will determine whether the exercise price to purchase shares will be based on the price prevailing at the time of grant, will be based on the price prevailing at the time the shares are purchased or will be based on whichever of such prices is lower. The plan administrator will also determine, with respect to each grant of options under the ESPP, whether to exclude from participation those employees who may be excluded under the terms of the ESPP, the length of each offering period under the ESPP (up to the maximum 2-year option term), and when the amounts that are accumulated under the ESPP by employees for the purchase of stock will be applied to actually purchase shares of Prudential Financial Common Stock.

Employee Contributions. An employee may join the ESPP by authorizing after-tax payroll contributions to be deducted from gross wages. Additionally, if an employee is making payroll contributions, the plan administrator may also permit such employee to make cash contributions within the limits established for

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such offering period. The maximum amount that an employee may contribute during a calendar year under the ESPP is $25,000 (or a lesser amount that the plan administrator determines). An employee may reduce the amount of payroll contributions under the ESPP and, if permitted by the plan administrator, may increase such contributions. An employee also has the right to completely cease participating in the ESPP at any time.

Purchase of Shares. Shares may be purchased by employees under the ESPP on an exercise date or dates established by the plan administrator. There will be at least one exercise date during each offering period and, if any offering period lasts for more than one year, at least one exercise date each year. Prior to any exercise date, each employee may elect to withdraw the contributions made to the employee s account during that offering period. Unless an employee elects such a withdrawal, the cash balance in the employee s account under the ESPP on any exercise date will be used to purchase the maximum number of whole shares of Common Stock that can be purchased with the account balance at the exercise price established for that offering period. Purchased shares will be held by the plan custodian until such time as the participating employee either requests a distribution or terminates employment.

Termination of Employment. Generally, if an employee who is employed with Prudential Financial or any of its affiliates terminates his employment for any reason other than death or permanent disability, any outstanding options granted to him will terminate and any funds (and previously purchased Common Stock) in his individual account will be returned to him. If an employee s employment terminates due to death or permanent disability, the employee or his designated beneficiary, as applicable, will have the option to elect either to have the employee s contributions distributed or to have the employee s options exercised at the next date of exercise.

Amendment and Termination. The Compensation Committee of Prudential Financial s Board of Directors may terminate, suspend or amend the ESPP at any time, but such termination, suspension or amendment may not adversely affect any options then outstanding under the ESPP without the consent of the recipients of those options.

Shareholder approval is required for any amendment that would increase the number of shares available for issuance under the ESPP, lower the minimum exercise price at which options may be granted or change the class of affiliates whose employees are eligible to participate in the ESPP.

U.S. Federal Income Tax Consequences. The grant of an option under the ESPP will not have any U.S. federal tax consequences to either the employee or Prudential Financial or any of its affiliates. The exercise of an option also will not have any immediate U.S. federal tax consequences to the employee. Any determination of U.S. federal tax consequences will depend on whether the option shares are disposed of after the expiration of one year after the date the option shares are transferred to the employee and two years after the date of grant of the option (referred to below as the holding periods). If the exercise price for the shares is less than the fair market value of the shares at the date of grant, a portion of the amount realized by the employee on the disposition of the shares may be categorized as ordinary income. If the holding periods are met and the price of the option is fixed at the date of grant (so that the price is based on the fair market value of the shares on that date and is not less than 85% of such value), the amount of any such discount from the fair market value of the stock (or, if less, the excess, if any, of the sales proceeds over the aggregate exercise price of such shares) will be treated as ordinary income and any additional gain will be treated as long-term capital gain. If the holding periods are met and the exercise price is not fixed on the date of grant (that is, the purchase price of the stock may be based on the value of the stock at the time of exercise), the amount of any discount from the fair market value of the stock at the date of grant (or, if less, the excess, if any, of the sales proceeds over the aggregate exercise price of such shares) will be treated as ordinary income and any additional gain will be treated as long-term capital gain. Neither Prudential Financial nor any unconsolidated affiliate employing the participant will be entitled to any U.S. federal tax deduction with respect to the amount treated as long-term capital gain or as ordinary income as a result of the rules described above for shares disposed of after the holding periods. If the shares are disposed of prior to the expiration of the holding periods described above (a disqualifying disposition), generally the excess of the fair market value of such shares at the time of exercise over the aggregate exercise price will be ordinary income at the time of such disqualifying disposition and Prudential Financial (or the unconsolidated affiliate employing the participant) will be entitled to a U.S. federal tax deduction in a like amount. Any disposition proceeds in excess of the value of the shares at the date of exercise will result in capital gain (or loss) to the participant and will not be deductible to Prudential Financial.

New Plan Benefits. The actual amount of benefits provided to executives and other employees of Prudential Financial or its affiliates under the ESPP will vary depending upon the actual purchase prices established under the ESPP, the fair market value of Prudential Financial Common Stock at various future dates, and the extent to which employees choose to participate in the ESPP through future payroll contributions. Thus, it is not possible to determine currently the total dollar amount of benefits that would

be received by participants in the ESPP if the ESPP is approved by shareholders.

The full text of the ESPP is available at www.investor.prudential.com. You may also request a copy of the ESPP, which will be provided without charge, by calling 1-877-998-ROCK (7625).

The Board of Directors recommends that shareholders vote for the Employee Stock Purchase Plan.

EQUITY COMPENSATION TABLE

The following table provides information as of December 31, 2004, regarding securities issued under our equity compensation plans that were in effect during fiscal 2004. All outstanding awards relate to our Common Stock. For additional information about our equity compensation plans see Note 15 to the Consolidated Financial Statements included in our 2004 Annual Report on Form 10-K.

	(a)	*(b)*	*(c)*
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	***Weighted-average exercise price of outstanding options, warrants and rights***	***Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in (a))***
Equity compensation plans approved by security holders Omnibus Plan Stock Options	22,206,295	$ 34.05	(1)
Equity compensation plans approved by security holders Omnibus Plan Restricted Stock and Restricted Stock Units	2,934,926	N/A	(1)

Equity compensation plans approved by security holders Omnibus Plan Performance Shares(2)	726,377	N/A	(1)
Total equity compensation plans approved by security holders Omnibus Plan	25,867,598	N/A	57,856,334
Equity compensation plans approved by security holders Board of Directors(3)	N/A	N/A	444,950
Total equity compensation plans approved by security holders	25,867,598	N/A	58,301,284
Equity compensation plans not approved by security holders MasterShare(4)	356,291	N/A	486,335
Grand Total	26,223,889	N/A	58,787,619