FRS Investment Plan Detailed Fund Operations
Prudential U.S. Fixed Income Enhanced Index Fund (B10)

Asset Class and Objective	Core broad bond fund	
Fund Benchmark	Lehman Aggregate Bond Index	
Investment Manager	Prudential Fixed Income, a unit of Prudential Investment Management, Inc, 2 Gateway Center, 4th Floor, Newark, NJ 07102-5096	
Marketing Company	Prudential Retirement Services	
Restrictions on Transfers	**Investment funds in the FRS Investment Plan are subject to excessive trading restrictions as detailed in the FRS Investment Plan Summary Plan Description and FRS Excessive Fund Trading Policy.**	
Investment Philosophy	Prudential Fixed Income's objective is to consistently achieve total return of 15-20 bps over a broad market index through active security selection and trading across government, mortgage and corporate bonds.	
Research Process	Research is a major competitive advantage for Prudential Fixed Income. A 31 person in-house research staff, with senior members averaging 14 years of investment experience, conducts intensive, fundamental credit research. Fifteen domestic and foreign analysts are dedicated to investment grade corporate research. These analysts cover approximately 40 corporate subsectors as well as structured and asset-backed products. They follow 800 investment grade U.S. and Yankee issuers, with approximately 350 of those receiving priority coverage.	
Security Selection	The bulk of Prudential Fixed Income's deviations from the benchmark in individual security weightings will be in the corporate market. They begin by assigning priority coverage to the top 350 issuers in the corporate bond market. A financial analysis is developed, with projections, and each analyst assigns a credit score based on their rating option. This credit score is one of six factors loaded into Prudential Fixed Income's corporate Bond Relative Value Matrix. The Matrix also considers yield spread, liquidity, equity performance and equity volatility when assigning an overall ranking to each issue and subsector in their universe. The overall ranking is one of the tools used in security selection.	
Portfolio Construction	Portfolio Guidelines and Rules: Sector allocation: +/- 2% from the benchmark. Corporate subsector allocation: +/- 3% from the benchmark. The yield curve is divided into 10 different duration "cells" (1-3 years, 3-5 years, etc.) keeping each within +/-3% of the benchmark. Duration: +/- one-tenth of a year of the benchmark. Individual Issue Weightings: one-half of one percent over or under the (corporates) benchmark weight. Quality: +/- 3% for AAA, +/- 2% for AA-BAA.	
Sell Discipline	For corporate bonds, Prudential Fixed Income's sell decisions are generally predicated on one of three factors: 1) A bond has reached its target price set when it was purchased. 2) The company's fundamentals seem likely to deteriorate. 3) There is an opportunity to improve the overall portfolio. For U.S. Government and mortgage-backed securities, a security is generally sold if the models indicate that the security has become rich to fair value, and a cheaper alternative security can be identified.	
Portfolio Manager(s)	**Investment Experience**	**Experience Last 5 Years**
Jim Herbst	16 years	Portfolio Manager of the fund
Kay Willcox	21 years	Portfolio Manager of the fund

MyFRS Financial Guidance Program

IMPORTANT NOTE: The information on investment philosophy, research process, security selection, portfolio construction, sell discipline and personnel was provided to the FRS by product marketing companies or investment managers. The FRS has taken this information as given for the purposes of this document.