

# Global Portfolio Strategies, Inc.

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This brochure provides information about the qualifications and business practices of Global Portfolio Strategies Inc. (GPSI). If you have any questions about the contents of this brochure, please contact us at 860.534.7790 or [gpssupport@prudential.com](mailto:gpssupport@prudential.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about GPSI also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

GPSI is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

No material changes that have been made to our brochure since its last annual update.

Currently, our brochure may be requested by contacting us at 860.534.7790 or [gpssupport@prudential.com](mailto:gpssupport@prudential.com). Our brochure is also available free of charge on the SEC web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

GPSI, a unit of Prudential Retirement (PR), was established October 27, 1981. The principal owner of GPSI is Prudential Retirement Financial Services Holding LLC. This brochure will describe the various services provided by GPSI which include:

- **Fiduciary Consulting Services for Defined Benefit Retirement Plans**
- **Fiduciary Consulting Services for Defined Contribution Retirement Plans, Trusts and Charitable Organizations**
- **Individual Investment and Financial Education**
- **Investment Advisory Services**

### **Fiduciary Consulting Services for Defined Benefit Retirement Plans**

GPSI provides fiduciary consulting services to retirement plans. GPSI's principal investment advisory service consists of providing asset allocation advice to defined benefit retirement plans. We seek to determine a long-term asset class mix for each plan's investment portfolio that is designed to achieve the highest rates of expected return consistent with each client's risk tolerance. Our clients are holders of variable insurance contracts issued by our affiliates, Prudential Retirement Insurance and Annuity Company (PRIAC) and The Prudential Insurance Company of America (PICA). These contracts are funded by insurance company separate accounts of PRIAC and PICA. Contracts may also be funded by the insurance company general account of PRIAC. With respect to the assets held in such accounts, PRIAC and PICA receive advice from various related and unrelated registered investment advisers that manage these assets on a day-to-day basis. In some cases, client assets for which we provide asset allocation advice are not limited to PRIAC and PICA separate account contracts. For example, clients may choose to utilize registered mutual funds to fulfill the asset class allocation recommendations set for the plan by GPSI.

We typically offer our asset allocation advice in a standard package of services or in an enhanced service.

### **The Standard Service**

Our standard package of services includes an annual review and ongoing maintenance of the asset allocation strategy as needed.

Our standard consulting services include the following:

- Examination of your plan's objectives and the overall investment goals to be met.
- Development of long-term asset allocation strategy focusing on liabilities as well as assets.

The strategy includes:

- a quantitative asset/liability analysis -- based on a five year holding period -- which is performed to assess the maximum portion of current and projected funds that

should be considered for equity investment.

- a further risk analysis which recommends any adjustments to the maximum equity position depending on your financial and subjective risk tolerance.
  - diversification of your funds among a number of different asset classes, working within the level of equity exposure that has been determined, and also providing for your plan's liquidity needs.
- Implementation of long-term asset allocation strategy through evaluation and selection of asset classes. The implementation process helps you achieve your plan's desired asset mix in an orderly manner, over a reasonable period of time. The flow of funds to each asset class is based on your plan's existing assets and the current asset mix, as well as projected contributions, disbursements, and investment income.
  - Advising clients of appropriate standards for their selection and retention of funds and managers. Standards include specific benchmarks for return and risk of various time periods as well as other important criteria.
  - Evaluation of investment results in light of the plan's overall investment policy.
  - Ongoing consulting as circumstances dictates regarding investment policy, fund selection, investment monitoring, appropriate actions and more.
  - Analysis of various quantitative risk/return calculations to ascertain if adequate diversification is provided.

### **The Enhanced Service**

Our enhanced service includes recommending changes to the plan's asset allocation at pre-defined points as funding status levels change.

Our enhanced services include the following:

- Examination of your plan's objectives and the overall investment goals to be met.
- Seeking to develop an asset allocation strategy with an established "glidepath" (a predetermined change in allocation percentages over time) constructed in a manner that seeks to effectively manage funded status volatility and mitigates undue risk exposure.
- The asset allocation strategy includes:
  - a quantitative asset/liability analysis which is performed to assess the maximum portion of current and projected funds that should be considered for equity investment;
  - a development of a predetermined asset allocation glidepath that gradually becomes more conservative as the plan increases its funded status;
  - a consideration of plan risk tolerance that may consist of financial and other relevant characteristics of the plan sponsor, as well as its risk philosophy for pension assets. Certain business characteristics may reduce the tolerance for

investment return volatility, funded status volatility, and corresponding contribution level-volatility;

- a reflection of any relevant constraints;
  - diversification of your funds among a number of different asset classes, working within the level of equity exposure that has been determined and also providing for your plan's liquidity needs.
- 
- Advising clients of appropriate standards for their selection and retention of funds and managers selection and retention. Standards include specific benchmarks for return and risk over various time periods as well as other important criteria.
  - Evaluation of investment results in light of the plan's overall investment policy.
  - Ongoing consulting as changing circumstances affect policy, fund selection, investment monitoring, appropriate actions and more.
  - Analysis of various quantitative risk/return calculations to ascertain if adequate diversification is provided.

Under our standard and enhanced services packages, the first step is consulting with you about the needs of your plan. We then develop an appropriate asset allocation strategy and you select the investment options for your plan. Once the strategy has been implemented, you are responsible thereafter for monitoring the performance of those investments, and selecting additional or replacement investment options.

We review all requests for asset allocation services that fall outside of the standard and enhanced service packages described above, on a case by case basis. GPSI can provide reporting only service, investment policy statement development or performance monitoring evaluations. The services can be purchased separately or as a package depending on the needs of the defined benefit plan. Reviews and reporting are described below in our response to item 13.

For one client that holds a PRIAC Group Annuity Contract, GPSI provides both asset allocation advice and fund selection advice which GPSI has authority to implement by selecting separate accounts currently made available by PRIAC. This service is not being offered to other clients.

### **Fiduciary Consulting Services for Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

We provide fiduciary consulting services to defined contribution retirement plans and trusts or charitable organizations. These services include, but are not limited to:

- An examination of plan objectives and investment goals.
- Evaluation of investment results in light of the plan's overall investment policy.

- Advising clients of appropriate standards for their selection and retention of funds and managers. Standards include specific benchmarks for return and risk of various time periods as well as other important criteria.
- Evaluation and selection of asset classes and recommended investment options appropriate for each plan.
- Analysis of various quantitative risk/return calculations in order to ascertain whether adequate diversification is provided.

The purpose of our consulting program for sponsors of defined contribution retirement plans is to assist clients in managing their fiduciary responsibilities for plan investment allocation and selections under ERISA or other applicable law. This service is available on an ongoing or a one-time only basis.

For defined contribution retirement plans, trusts and charitable organizations, we may be requested by a client to review a plan's current investments, using qualitative and quantitative review criteria developed jointly by the client and us. Should the review determine that the existing investments do not satisfy these criteria, we will conduct a fund search process, again using criteria developed in conjunction with the client. We will then present for the client's consideration individual securities or specific investment products identified by the fund search process. The client is responsible for selecting, removing and replacing specific plan investments.

### **Individual Investment and Financial Education**

#### **SmartSolution IRA**

In its role as custodian, our related bank, Prudential Bank & Trust, FSB, (PB&T) offers retail customers individual retirement accounts (IRA's) known as "SmartSolution IRAs." These IRAs permit individual customers to direct their own investments among a limited number of mutual funds, as well as interests in a stable value group annuity contract, and individual annuity contracts.

The IRAs are held in brokerage accounts, for which Prudential Investment Management Services, LLC ("PIMS") acts as intermediary for the purchase of these mutual funds, and receives fees in connection with these accounts as described in Item 5.

In those states where it is available, SmartSolution IRA owners can also invest in PruSecure, an interest in a stable value group annuity contract. PruSecure offers a rate of interest that is declared in advance and a guarantee of principal and interest by PICA.

Additionally, where available, SmartSolution IRA owners may invest in the Prudential Retirement Security Annuity (PRSA), a variable annuity contract issued by PRIAC. PRSA allows for investments in one or more portfolios composed of mutual funds managed by Prudential Investments LLC (PI) and AST Investment Services, Inc., (AST) both of which are affiliates of GPSI and registered as investment advisers with the SEC. One important feature of the PRSA is the Prudential IncomeFlex benefit, which guarantees, with certain limitations, withdrawals by the contract owner for life.

### **Financial Education and Guidance**

SmartSolution IRA owners may receive educational and guidance services via a toll-free telephone call center. Call center representatives offer customers assistance and guidance regarding asset allocation and mutual fund selection.

These services are offered in conjunction with GoalMaker, an interactive asset allocation tool that can assist customers either online or through our call center in creating a diversified mix of funds in various asset classes. The investor is given a series of questions designed to identify an appropriate asset allocation based on the investor's risk tolerance and investment time horizon (number of years to retirement). A risk tolerance (conservative, moderate or aggressive), combined with a specific time horizon, corresponds to a particular GoalMaker asset allocation portfolio. These asset allocation portfolios were developed by Morningstar Associates, LLC, (Morningstar) an unrelated investment adviser registered with the SEC. We do not provide any discretionary asset allocation services through GoalMaker, our role is limited to the selection of Morningstar.

The GoalMaker tool applies the portfolio allocations to the mutual funds and annuity contract interests available to SmartSolution IRA customers. Where multiple investments are specified for one asset class, allocations are split evenly among the investments. Asset class percentages and the funds available within each asset class are set at the time of enrollment in GoalMaker. GoalMaker automatically rebalances assets every quarter, using the allocation percentages established when the program was selected.

### **Managed Account Solutions**

Our affiliated broker-dealer, PIMS, offers the Managed Account Solutions Program (MAS Program) as an individual product alternative, which consists of a mutual fund asset allocation program called the MAS Strategic Advisers Mutual Fund Portfolio Program (Strategic Advisers Program).

The MAS program uses the Strategic Advisers Program, sponsored by Envestnet Asset Management, Inc. (Envestnet), a registered investment adviser selected by us. Envestnet in turn has selected Strategic Advisers, Inc. (Strategic Advisers), a wholly-owned subsidiary of Fidelity Investments, Inc., as a sub-adviser. Neither Envestnet nor Strategic Advisers is related to us. We do not provide any discretionary asset allocation services under the MAS program; our role is limited to the selection of Envestnet.

In opening an MAS Program account, individual investors open a brokerage account with PIMS, for which PIMS acts as an introducing broker-dealer. National Financial Services, LLC (NFS), an unrelated entity dually registered as a broker-dealer and investment adviser, acts as clearing broker-dealer.

Prior to investing assets under the MAS Program, the investor completes a profile and a questionnaire, which Strategic Advisers uses to determine an appropriate asset allocation portfolio. Strategic Advisers then selects the underlying mutual funds for the investor and retains discretion to



reallocate the portfolios as it deems appropriate. Clients can view their account balances on-line via NFS account access, and through the receipt of quarterly reports.

As part of its selection process, Envestnet has developed and implemented a program to collect and report data on investment style and philosophy, and past performance of money managers, including Strategic Advisers.

Additional information about Envestnet and Strategic Advisers is available in Part 2A of Envestnet's Form ADV and in Part 2A of Strategic Advisers' Form ADV. Copies of these documents are available without charge upon request to us.

### **Investment Advisory Services**

We also offer investment advisory services in conjunction with stable value investment products to one defined benefit retirement plan. For this investment, we have entered into an investment advisory agreement with the client retirement plan to manage a portfolio consisting primarily of fixed income securities. At the direction of the plan sponsor or other plan fiduciary unrelated to us, we have retained related registered investment advisers, such as Prudential Investment Management, Inc. (PIM), Jennison Associates, LLC (Jennison), or Quantitative Management Associates LLC (QMA) and/or an unrelated adviser, to serve as sub-adviser. As described in the investment advisory agreement, GPSI may be directed by the plan sponsor or other fiduciary concerning the transfer of assets among specified sub-advisers. GPSI has discretion under the agreement to determine when the transfer takes place and how much to transfer, subject to parameters set forth in the investment advisory agreement. At the same time as the investment advisory arrangement was entered into, the retirement plan signed a synthetic guaranteed investment group annuity contract (GIC) with PICA that provides book value accounting for the assets managed pursuant to the investment advisory agreement. Together the investment portfolio and synthetic GIC constitute a stable value investment option for the plan.

In this one arrangement, we manage: (a) fixed income securities portfolios that, together with a GIC, provide a stable value investment product for the plan's participants and (b) equity and other securities portfolios. Pursuant to the investment advisory agreement with the client, we are required to rebalance assets among the portfolios managed by the sub-advisers as specifically provided in the agreement or as directed by the client plan. However, all day-to-day discretionary management of the portfolios is delegated to the three related sub-advisers named above. As of December 31, 2011, GPSI managed \$2,130,733,204.00 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Fiduciary Consulting Services for Defined Benefit Retirement Plans**

Our stated fee schedule for new defined benefit retirement plan clients for our standard package of asset allocation services is as follows. All fees are negotiable.

	<u>Assets</u>	<u>Annual Fee</u>
First	\$2,500,000	0.40%
next	\$2,500,000	0.15%
next	\$2,500,000	0.10%
next	\$2,500,000	0.05%
next	\$90,000,000	0.03%
over	\$100,000,000	negotiable

Our stated fee schedule for new defined benefit retirement plan clients for our enhanced package of asset allocation services is as follows. All fees are negotiable.

	<u>Assets</u>	<u>Annual Fee</u>
First	\$2,500,000	0.45%
next	\$2,500,000	0.35%
next	\$2,500,000	0.10%
next	\$2,500,000	0.05%
next	\$90,000,000	0.03%
over	\$100,000,000	negotiable

There is a minimum fee of \$5,000 and a \$1,000 account setup fee per client in the first year for both the standard and enhanced packages.

For clients with multiple plans:

- total assets are applied to the scale,
- there is an additional charge of \$1,500 for the second and each subsequent plan, and ;
- total charges are allocated by plan based on each plan's share of total client assets.

Clients often prefer to agree on a single blended fee rate that reflects the above schedules.

Each year an annual fee will be billed on May 31 and collectible on or by August 1, that is based on assets under GPSI's management as of the previous December 31. For clients whose contracts are not in force throughout an entire calendar year, fees will be computed on a pro-rata basis except for the account setup fee, which must be paid in full in the first year. (Account setup fees do not apply if cancellation is within 5 business days of contract execution.)

New clients whose contracts are effective between January 1 and April 30 will be billed on May 31, or after the receipt of their first quarterly report, whichever comes later.

New clients whose contracts are effective after the May 31 billing date will be billed on December 31, with fees collectible on or before the following February 1.

All clients electing to discontinue their services will be billed upon receipt of the discontinuance notification, for services provided through the discontinuance date.

Fees for all non-standard asset allocation services will be reviewed on a case by case basis.

## **Fiduciary Consulting Services for Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

Fees for fiduciary consulting services to defined contribution retirement plans range up to \$50,000 annually, depending on the number of services purchased and the frequency of delivery. Fees are billed annually in arrears for all ongoing consulting services. Fees for all one-time services are billed immediately following delivery.

Fees for fiduciary consulting services to trusts or charitable organizations range up to \$25,000 annually, depending on the number of services purchased and the frequency of delivery. Fees are billed annually in arrears for all ongoing consulting services. Fees for all one-time services are billed immediately following delivery.

Fees for fund searches are \$3,000 per asset class.

We may provide advisory services when a client has chosen an investment option for which one of our affiliates provides investment-related services. As is more thoroughly discussed in the Conflicts section in Item 10 below, where this occurs, we will pass through to the customer any fees that GPSI's affiliates receive in connection with these investment options. All clients electing to discontinue their services will be billed upon receipt of the discontinuance notification for services provided through the discontinuance date.

## **Individual Investment and Financial Education**

### **SmartSolution IRA**

There is no direct compensation by SmartSolution IRA customers to GPSI in connection with SmartSolution IRAs, but we do receive a fee of up to 0.05 % of SmartSolution IRA assets from our related entities as compensation for investment advisory services that may be deemed to be included in the SmartSolution IRA product.

PB&T serves as custodian for SmartSolution IRA accounts, and charges an IRA custodial fee based on assets in the SmartSolution IRA. The schedule used to determine this fee is as follows:

<u>Account Balance</u>	<u>Annual Charge</u>
Under \$25,000	1.10%
\$25,000 - \$49,999	0.90%
\$50,000 - \$99,999	0.45%
\$100,000 and above	0.25%

This IRA custodial fee is subject to a \$100 annual minimum and a \$500 annual maximum, and is charged quarterly. The IRA custodial fee does not apply to amounts held in the PRSA, though PRSA assets are a part of the account balance used to determine the annual charge percentage. For example, consider a customer with a \$100,000 total SmartSolution IRA account balance, with \$50,000 invested in mutual funds, and \$50,000 invested in PRSA. The entire \$100,000 balance is used to determine the annual

charge percentage of 0.25%. This percentage is then applied against the non-PRSA assets only (\$50,000), for an annual fee of \$125.

The IRA custodial fee also does not apply to SmartSolution IRAs that are invested 75% or more in the PruSecure stable value group annuity.

Our related broker-dealer, Prudential Investment Management Services, LLC (PIMS), receives distribution and service fees called, “12b-1” fees in connection with mutual fund assets held in SmartSolution IRA accounts of up to 0.75% (currently waived down to 0.50%). Another affiliate, PICA, may receive from such funds sub-accounting and recordkeeping fees of up to 0.13% from these mutual funds.

For the PruSecure stable value group annuity contract, PICA does not charge an explicit fee, but instead benefits from earnings based on the difference (or “spread”) between the amount it earns on the underlying contract assets and the fixed, guaranteed rate it pays to customers.

Expenses associated with PRSA include an annual contract charge of up to \$150 (which is currently waived), an asset-based charge to cover expenses and certain insurance risks, a withdrawal charge for certain types of withdrawals from the contract, a Prudential IncomeFlex Charge and the expenses associated with the underlying mutual funds.

### **Managed Account Solutions**

The minimum account size is \$50,000. Per annum total portfolio fees are charged based on a sliding scale:

<u>Asset Range</u>	<u>Total Fee</u>	<u>Fee to Envestnet</u>	<u>Fee to GPSI</u>
\$ 50,000 - \$100,000	1.60%	0.30%	1.30%
\$100,001 - \$250,000	1.50%	0.30%	1.20%
\$250,001 - \$500,000	1.40%	0.30%	1.10%
\$500,001 - \$1,000,000	1.30%	0.26%	1.04%
\$1,000,001 - \$2,000,000	1.26%	0.22%	1.04%
\$2,000,001 - \$5,000,000	1.23%	0.19%	1.04%
Over \$5,000,000	1.21%	0.17%	1.04%

The total fee is charged quarterly in advance based on the value of assets held in the client’s MAS account on the last business day of the prior calendar quarter.

The fee to Envestnet, the investment adviser for the MAS Program, is a portion of the total fee. The difference between the total fee and the fee to Envestnet is retained by us. All investments under the MAS program are held in individual brokerage accounts with our related broker-dealer, PIMS, which serves as an introducing firm. National Financial Services, LLC (NFS) a wholly-owned subsidiary of Fidelity Investments and an affiliate of Strategic Advisers, serves as the clearing firm.

PIMS may receive payments of up to 0.15% on mutual funds (other than funds offered by Fidelity Investments and its affiliates) available on the Strategic Advisers Program. PIMS does not retain this revenue, but rather passes it on to its customers in the form of a discount of 0.15% on the wrap fee described above. For example, a customer with \$60,000 in applicable assets, whose wrap fee would be 1.60% based on the sliding scale above, would instead be charged a wrap fee of 1.45% (assuming PIMS receives a 0.15% payment). This discount will apply regardless of whether or not a payment is actually received by PIMS.

### **Investment Advisory Services**

The investment advisory fee and GIC fee for each client are negotiable. Under the current agreement, all investment management fees are paid directly to the sub-advisers.

## **Item 6 – Performance Based Fees and Side-by-Side Management**

We do not charge performance-based fees. Rather, we charge asset based or flat fees for our fiduciary consulting services to defined benefit retirement plans, defined contribution retirement plans, trusts and charitable organizations

## **Item 7 – Types of Clients**

### **Fiduciary Consulting Services for Defined Benefit Retirement Plans, Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

We provide fiduciary consulting services to retirement plans, including retirement plans of state or municipal government entities. Our principal investment advisory service consists of providing asset allocation advice to defined benefit retirement plans. We also provide fiduciary consulting services to sponsors of defined contribution retirement plans, as well as trusts and charitable organizations.

There are no account minimums.

### **Individual Investment and Financial Education**

#### **SmartSolution IRA**

As described in Item 5, our related bank, PB&T offers individual retirement accounts known as SmartSolution IRAs to retail customers, and we make investment and financial education and guidance available to owners of the SmartSolution IRAs.

There are no stated account minimums, although SmartSolution IRAs are not generally offered to clients with balances below \$30,000. PB&T also reserves the right to close accounts with small balances under \$2,500.

### **Managed Account Solutions**

The MAS Program is offered to individuals.

The minimum account size is \$50,000.

### **Investment Advisory Services**

We offer certain investment advisory services to defined benefit retirement plans in conjunction with stable value investment products. The minimum account size is set by the registered investment adviser hired as the sub-adviser.

## **Item 8 –Methods of Analysis, Investment Strategies and Risk of Loss**

### **Fiduciary Consulting Services for Defined Benefit Retirement Plans**

For defined benefit retirement plans, we do not offer advice on individual securities or specific investment products, except for one client as described in item 4, where we advise on the selection of separate accounts from those made available by our related entity PRIAC.

We offer asset allocation advice on the following classes of investments (these are not exclusive):

1. Equity
2. Fixed Income
3. Cash
4. Real Estate

We look at plan client liability information from sources including:

1. The most recent actuarial valuation and underlying data; and
2. Face to face interviews with the client regarding risk tolerance and cash flow projections which include projected contributions and disbursements.

We assign an investment strategist to each client. Our investment strategist, many of whom have their Masters in Business Administration (MBA) and hold the Chartered Financial Analyst (CFA) designation, work with clients to determine the asset allocation needed to cover a plan's liabilities and create reserves for disbursements. We then conduct an asset/liability analysis to quantify and manage the risks and opportunities associated with various asset class mixes.

We have a long-term approach to setting asset allocation strategies. We do not recommend strategies that respond to short-term market fluctuations.

Clients should keep in mind that application of asset allocation and diversification concepts does not assure a profit or protect against loss in a declining market. It is possible to lose money by investing in securities.

### **Fiduciary Consulting Services for Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

For defined contribution retirement plans, trusts and charitable organizations, GPSI conducts fund searches by using information generated through the registered mutual fund screening process of Prudential Retirement's Investment Products Group. The fund screening process uses both qualitative and quantitative criteria to narrow down the number of registered mutual funds that should be considered in the selection or replacement of plan investment options.

We use several third-party proprietary databases that contain investment manager and fund information and information from fund sponsors.

For trusts and charitable organizations, we take into account both required and expected disbursements from the following sources:

1. The most recent disbursement schedule; and
2. Face-to-face interviews with the client regarding risk tolerance and projected disbursements.

Clients should keep in mind that application of asset allocation and diversification concepts does not assure a profit or protect against loss in a declining market. It is possible to lose money by investing in securities.

### **Investment Advisory Services**

For one client, we rebalance assets among portfolios managed by sub-advisers as described in our investment management agreement with the client or as otherwise directed by the client. The sub-advisers are responsible for managing the client's portfolio.

The Form ADV for each sub-adviser contains information concerning their respective methods of analysis, sources of information, investment strategies and risks.

## **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of us or the integrity of our management. We have no facts or events to report in response to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

We are an indirect, wholly-owned subsidiary of Prudential Financial, Inc. and part of a full-scale global financial services organization. As such, we have numerous affiliates, including insurance companies, banks, registered broker-dealers and other investment advisers. Those affiliates' products and services are very often offered together with ours, including as part of an integrated product offering by Prudential Retirement. These situations are described more fully below:

- PRIAC and PICA typically provide various administrative and recordkeeping functions for our clients.
- Certain mutual funds included in the fund search process offered to defined contribution retirement plans may include affiliated funds or funds that pay revenue to our related entities.
- SmartSolution IRA accounts are offered to retail customers by our affiliate, PB&T which serves as custodian for the accounts. Certain SmartSolution IRA assets are held in brokerage accounts with our affiliated broker-dealer, PIMS. PIMS acts as intermediary for the purchase of mutual fund shares held by SmartSolution IRA account holders.
- For SmartSolution IRA accounts several of the mutual funds available for selection are members of the PI and Target Portfolio Trust families of mutual funds. Our affiliate Prudential Investments, Inc. ("PI") serves as the investment manager of these funds and receives a management fee for its services. Other related investment advisers registered with the SEC also act as investment sub-advisers to PI and provide day-to-day management of the funds and also receive management fees.
- The PRSA offered under the SmartSolutions IRA allows for investments in one or more portfolios composed of mutual funds managed by PI and AST, both of which are our affiliates and registered as investment advisers with the SEC.
- The mutual funds available under the Strategic Advisers Program may be related to any of the entities providing services, including us.
- Our affiliates PIM, Jennison and QMA serve as sub-advisers with respect to investment advisory services provided to our clients.

### **Conflicts of Interest**

The integrated structure described above can result in an actual or perceived conflict of interest on our part, so that GPSI's asset allocation advice might be regarded as inappropriately paying fees to us or our affiliates. We seek to address these conflict situations in several ways.

First, where our asset allocation service clients select general account and separate account investments of PRIAC, or other funding options offered by PICA or PRIAC, we make sure that clients are fully informed in advance of the exact investment fees retained by our affiliates, and that our client agree to those fees.



Also, there may be situations where one of our affiliates receives a fee with regard to an investment option selected by GPSI (such as an investment management fee for a mutual fund). In that event, GPSI will pass through to clients any fees paid to GPSI's affiliates by the client. In other words, we ensure that the total fees received by us and our affiliates are the same regardless of the investment options the plan selects.

More generally, the portfolio managers of our related sub-advisers (PIM, Jennison, and QMA) are often responsible for managing multiple accounts, including accounts of affiliates, institutional accounts, mutual funds, insurance company separate accounts and various pooled investment vehicles, such as commingled trust funds and unregistered funds. These affiliations and portfolio management responsibilities may cause potential and actual conflicts of interest. We and our affiliated sub-advisers aim to conduct ourselves in a manner we consider to be the most fair and consistent with our fiduciary obligations to all of our respective clients.

For a description of our sub-advisers, potential and actual conflicts of interest, as well as the policies and procedures they have in place to mitigate these potential and actual conflicts, please see their respective investment adviser brochures.

We follow PFI's policies on business ethics and personal securities trading by investment personnel, and have adopted a code of ethics, supervisory procedures, and conflicts of interest policies, among other policies and procedures, which are designed to ensure that clients are not harmed by potential or actual conflicts of interests. However, there is no guarantee that such policies and procedures will detect and ensure avoidance or disclosure of each and every potential conflict that may arise.

Please see Item 17 for a discussion regarding proxy voting.

## **Item 11 – Code of Ethics**

### **Code of Ethics**

#### **General**

We maintain a code of ethics as required by applicable SEC rules. Our code of ethics requires employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. In addition, the code of ethics requires employees to put client interests ahead of our own and disclose actual and potential meaningful conflicts of interest. The code of ethics incorporates our personal securities trading policies that are described in greater detail below. Our employees are required to report any violation of the code of ethics promptly to our chief compliance officer.

We will provide a copy of our code of ethics to clients or prospective clients upon request.

#### **Personal Securities Trading Policy**

We maintain a personal securities trading policy that governs the trading activities of our employees. Depending upon their classification under the policy, employees may be required by the policy to:

- report personal securities transactions to our corporate compliance unit;
- maintain brokerage accounts only with certain approved brokers that report transaction information to our corporate compliance unit; and
- annually report securities holdings to our corporate compliance unit.

Employees receive periodic training regarding our personal securities trading policies. In addition, employees must annually confirm that they have read and understand our code of ethics, including the personal securities trading policy.

## **Item 12 – Brokerage Practices**

Except as described below, we do not require customers to conduct any transactions through brokerage firms chosen by us. We do not recommend that customers use any specific brokerage firms, nor do we receive any consideration from any brokerage firm in connection with client transactions.

For the SmartSolution IRA product we require that customers establish a brokerage account with our affiliated broker-dealer PIMS.

For the MAS Program, we require that customers establish a brokerage account at National Financial Services, an unrelated broker-dealer.

GPSI has no “soft dollar” arrangements in place with any other firm. We do not select or recommend any brokerage firms to customers based on client referrals we might receive from those firms.

## **Item 13 – Review of Accounts**

### **Account Reviews**

#### **Fiduciary Consulting Services for Defined Benefit Retirement Plans, Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

Our standard and enhanced packages of asset allocation services and any nonstandard package of services, typically includes an annual review and quarterly performance reports. During each annual review, completed at the end of a plan year upon receipt of underlying data, our investment strategist responsible for an account reviews analyzes the rationale for the long-term asset allocation strategy. For the nonstandard services, the performance of the funds selected for the plan may also

be reviewed. Reports for one-time services will be delivered at a date agreed upon by GPSI and the client.

For new clients receiving the standard or enhanced package of asset allocation service for defined benefit retirement plans, in the absence of additional demographic data each strategist will evaluate the client's existing allocation and will implement a strategy based upon the information available to the strategist. Upon receipt of the additional data and discussions to evaluate the client's risk tolerance, a new strategy may be set and implemented. Annual reviews are conducted thereafter as described above.

Each strategist is responsible for setting, maintaining, implementing and reviewing the allocation strategy, and where applicable, the plan's fund selection. Each strategist is generally responsible for no more than 100 clients.

#### **Investment Advisory Services**

On a monthly basis, we monitor balances in accounts with sub-advisers to determine whether rebalancing is appropriate in light of the parameters set forth in the investment management agreement, and send an electronic report to the client.

#### **Client Reports**

#### **Fiduciary Consulting Services for Defined Benefit Retirement Plans**

A client with our standard or enhanced package of asset allocation services typically receives quarterly performance reports and an annual report. The quarterly report may include rates of return, status of assets, strategy summary, performance comparisons and an asset allocation update. The annual report includes the asset allocation strategy, and for the combined package client, the fund selection, and may include a liability analysis. Depending on the services the client has selected, reports may include an investment policy statement, quarterly updates or performance results, and an annual performance report.

#### **Fiduciary Consulting Services for Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

A client with our standard package of fund evaluation services receives quarterly performance reports with quarterly updates or performance results. Reports may include an investment policy statement if that service was also selected.

For the one-time service option, one set of reports which may include an investment policy statement and performance results will be delivered at a date agreed to by GPSI and the client.

#### **Investment Advisory Services**

Day-to-day discretionary management of advisory client portfolios is delegated to the sub-advisers. We review, or cause the sub-advisers to review, quarterly reports prepared by the custodian for the

advisory client's portfolios. We provide the advisory client with a monthly asset balance summary report and such other reports and information as is requested.

#### **Item 14 – Client Referrals and Other Compensation**

We do not accept or pay referral fees.

#### **Item 15 – Custody**

We do not take physical custody of the assets of our clients to whom we provide fiduciary consulting or investment advisory services. Client assets are generally held in custodial accounts with banks, broker-dealers or other qualified custodians retained by our clients under arrangements negotiated by them. With respect to SmartSolution IRAs, although we do not have possession of client assets, because our affiliate PB&T serves as IRA custodian, the SEC nevertheless deems us to have custody over the assets of those clients. We are also deemed to have custody of client's assets when they are held by PIMS. SmartSolution IRA account holders will receive account statements from PB&T no less frequently than quarterly, and should carefully review those statements.

#### **Item 16 – Investment Discretion**

##### **Fiduciary Consulting Services for Defined Benefit Retirement Plans**

We do not determine individual securities to be bought or sold for defined benefit retirement plans. Rather, we determine the amounts to rebalance, and implement the rebalancing by asset class and by fund, based on the funds selected by the client to implement and maintain the asset allocation.

For one client that holds PRIAC separate accounts, GPSI provides both asset allocation advice and fund selection advice that GPSI has authority to implement from among separate accounts currently made available by PRIAC.

##### **Fiduciary Consulting Services for Defined Contribution Retirement Plans, Trusts and Charitable Organizations**

For defined contribution retirement plans, trusts and charitable organizations, we may identify for a client's consideration individual securities or specific investment products through a fund search when the current plan investments do not meet qualitative and quantitative review criteria. The client is responsible for selecting, removing and replacing plan investments.

##### **Individual Investment and Financial Education**

### **SmartSolution IRA**

See Item 4.

### **Managed Account Solutions**

Neither we nor any of our related entities provides discretionary asset allocation services under the Strategic Advisers program.

### **Investment Advisory Services**

With respect to its investment advisory services, day-to-day discretionary management of an advisory client's portfolios is delegated to the sub-advisers.

## **Item 17 – Voting Client Securities**

Currently, we do not take any action or render any advice regarding the voting of proxies relating to the securities held in investment advisory clients' accounts. Rather, we have delegated all day-to-day discretionary management of these portfolios, including proxy voting, to the sub-advisers. A client holding these accounts should contact the sub-adviser on the account to obtain a copy of the sub-adviser's proxy voting policy, or the proxy voting record for the client's account.

For SmartSolution IRA accounts, the client is responsible for voting proxies. All proxies are sent to the client by Broadridge, an outside vendor we have contracted with to provide this service.

For the MAS Program, Envestnet delegates proxy voting on MAS accounts to a third party proxy voting service. To obtain a copy of Envestnet's proxy voting policy, or the proxy voting record for your MAS account, please contact Envestnet.

To obtain a copy of our proxy voting policy, please contact us at 860-534-7790.

## **Item 18 – Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients.