

**Item 1 – Cover Page**

**Global Portfolio Strategies, Inc.**  
**Services Related to Individual Investment and**  
**Financial Education Guidance**

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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 Joseph Hess 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**

The service explained in this brochure will be discontinued as of April 4, 2017.

There are no material changes to report. 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).

## Item 3 – Table of Contents

### Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance Based Fees and Side-by-side Management .....	2
Item 7 – Types of Clients .....	2
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9 – Disciplinary Information.....	3
Item 10 – Other Financial Industry Activities and Affiliations.....	4
Item 11 – Code of Ethics.....	5
Item 12 – Brokerage Practices .....	6
Item 13 – Review of Accounts.....	6
Item 14 – Client Referrals and Other Compensation .....	6
Item 15 – Custody .....	6
Item 16 – Investment Discretion .....	7
Item 17 – Voting Client Securities.....	7
Item 18 – Financial Information.....	7

## 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 a wholly owned subsidiary of Prudential Financial Inc (PFI). This brochure will describe individual investment and financial education guidance service provided to certain Prudential SmartSolutions IRA Clients by GPSI

In its role as custodian, our affiliated bank, Prudential Bank & Trust, FSB, (PB&T) offers retail customers individual retirement accounts (IRAs) known as Prudential 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 Prudential SmartSolution IRAs are held in brokerage accounts, for which Prudential Investment Management Services LLC (“PIMS”) acts as intermediary for the purchase of mutual funds, and receives fees in connection with the accounts as described in Item 5.

In those states where it is available, Prudential 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 The Prudential Insurance Company of America (PICA).

Additionally, where available, Prudential SmartSolution IRA owners may invest in the Prudential Retirement Security Annuity (PRSA), a variable annuity contract issued by Prudential Retirement Insurance and Annuity Company (PRIAC). PRSA allows for investments in one or more portfolios which in turn invest in mutual funds managed by PGIM Investments LLC 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.

Prudential SmartSolution IRA owners may receive education and guidance services via a toll-free telephone call center. Call center representatives offer customers education 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 asked 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 Investment Management, LLC, (Morningstar) an unaffiliated 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 Prudential 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.

### **Our Assets under Management:**

For the services listed in this brochure, GPSI does not manage client assets.

## **Item 5 – Fees and Compensation**

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

PB&T serves as custodian for Prudential SmartSolution IRA accounts, and charges an IRA custodial fee based on assets in the Prudential 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 Prudential 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 may also be waived for any calendar quarter if 75% or more of your account balance is invested in the PruSecure stable value group annuity. One quarter of the Prudential SmartSolution fee will be charged quarterly and is based on the total balance of your account at the end of each calendar quarter. The Prudential SmartSolution IRA product invests in Prudential managed funds, and certain Prudential affiliates earn fees for managing those funds. These fees are described in the prospectus for each fund.

Our affiliated broker-dealer, PIMS, receives distribution and service fees called “12b-1” fees in connection with mutual fund assets held in Prudential SmartSolution IRA accounts of up to 0.75%. Our affiliates, PICA and PRIAC may receive from such funds sub-accounting and recordkeeping fees of up to 0.25%.

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 Prudential IncomeFlex charge and the expenses associated with the underlying mutual funds.

## **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 as described in item 5.

## **Item 7 – Types of Clients**

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

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

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

The Form ADV for each adviser to the mutual funds made available to SmartSolution IRAs contains information concerning their respective methods of analysis, sources of information, investment strategies and risks.

### **Risks Related to Regulation:**

Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

### **Certain Risks Related to Cybersecurity and Technology:**

Investment advisors, including GPSI, must rely in part on digital and network technologies to conduct their businesses and to maintain substantial computerized data relating to client account activities. These technologies include those owned or managed by ourselves as well as those owned or managed by others, such as custodians, financial intermediaries, transfer agents, and other parties to which we or they outsource the provision of services or business operations.

Like all businesses that use computerized data, we and our affiliates and the systems we use might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers mounting an attack on computer systems. We and our affiliates maintain an information technology security policy and certain technical and physical safeguards intended to protect the confidentiality of our internal data, and take other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction.

Nevertheless, despite reasonable precautions, cybersecurity incidents could occur, and might in some circumstances result in unauthorized access to sensitive information about us or our clients. In addition, such incidents might cause damage to client accounts, data, systems or affect client services.

Furthermore, these systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or others' control. Technology failures, whether deliberate or not, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties or the inability to transact business.

## **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**

### **Financial Affiliates and Activities including Conflict of Interest:**

We are an indirect, wholly-owned subsidiary of PFI 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 PR. These situations are described more fully below:

- Our clients are holders of variable insurance contracts issued by our affiliates, PRIAC and 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 these insurance company separate accounts and/or general accounts, PRIAC and PICA receive advice from various affiliated and unaffiliated registered investment advisers that manage these assets on a day-to-day basis.
- PRIAC and PICA typically provide various administrative and recordkeeping functions for our clients.
- Prudential SmartSolution IRA accounts are offered to retail customers by our affiliate, PB&T which serves as custodian for the accounts. Certain Prudential 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 Prudential SmartSolution IRA account holders.
- For Prudential 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 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, a variable annuity offered under the Prudential SmartSolutions IRA, allows for investments in one or more portfolios comprised of mutual funds managed by PI and AST, both of which are our affiliates and registered as investment advisers with the SEC.

### **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 generating fees to us or our affiliates. We seek to address these conflict situations in several ways.

The Prudential SmartSolution IRA product invests in Prudential managed funds. PGIM Investments LLC, a Prudential subsidiary, manages the Target Portfolio Fund family, and other available investments within Prudential SmartSolutions IRA and earns fees for managing these accounts. These fees are described in the prospectus for each fund.

The portfolio managers of our affiliated sub-advisers (PGIM, 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 fairest 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.

Like other investment advisers, we are subject to various conflicts of interest in the ordinary course of our business. We strive to identify potential risks, including conflicts of interest, which are inherent in our business, and conduct formalized annual conflict of interest surveys. When actual or potential conflicts of interest are identified, we seek to address such conflicts through one or more of the following methods:

- elimination of the conflict;
- disclosure of the conflict; or
- management of the conflict through the adoption of appropriate policies and procedures.

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 and Personal Trading**

### **Code of Ethics:**

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.

### **Information Barrier Policy:**

The code of ethics also includes the US information barrier standards. The standards prohibit sharing material non-public information (MNPI) with other areas of the company except on a need to know basis. These standards are designed to impose restrictions on communication used with issuer related MNPI. Specifically, employees may not communicate to any employee of another area of the company (whether or not material or nonpublic) with respect to an issuer whose name appears on his or her restricted list or any other identified issuer of publicly traded securities with respect to which he or she has MNPI. In addition, employees may not communicate with any employee of another area of the company for the purpose of eliciting MNPI with respect to an issuer of publicly traded securities and determining whether they have MNPI with respect to particular issuers of publicly traded securities; or determining whether the names of particular issuers of publicly traded securities appear on another Investment Sector's restricted list.

### **Personal Securities Trading Standard:**

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.

In certain classifications we compare personal trading activity versus firm trading and restricted list content as well as the rules listed above, and any matches are investigated by our compliance unit. An ethics committee meets regularly to consider possible violations and take disciplinary action where appropriate.

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.

#### **Gifts & Entertainment Policy:**

Our employees may occasionally give or receive gifts, meals or entertainment of moderate value, subject to compliance with applicable laws and regulations and rules of self-regulatory organizations. We have adopted a policy to address the conflicts of interest related to gifts and entertainment, such as the appearance of having given or received something of value that influenced our business decisions or the business decisions of our clients. The policy requires the reporting and preclearance of gifts, meals and entertainment given or received which exceed certain thresholds. In addition, our employees are prohibited from soliciting the receipt of gifts, meals or entertainment.

#### **Political Contributions:**

Due to the potential for conflicts of interest, we have established policies and procedures relating to political contributions that are designed to comply with applicable federal, state and local law.

### **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 Prudential SmartSolution IRA product we require that customers establish a brokerage account with our affiliated broker-dealer PIMS.

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 are not required as we do not provide ongoing advice.

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

We do not accept or pay referral fees in connection with the individual investment and financial education guidance provided by GPSI as described in this brochure.

### **Item 15 – Custody**

For Prudential SmartSolution IRAs, although we do not have possession of client assets, because our affiliate PB&T serves as IRA custodian, in our opinion the SEC custody rule deems us to have custody over the assets of those clients. We also are deemed to have custody of client’s assets when they are held by PIMS. Prudential 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**

For Prudential SmartSolution Individual Retirement Account clients we do not exercise investment discretion. Please refer to item 4 for further details.

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

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

### **Item 18 – Financial Information**

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