

PRUDENTIAL MUTUAL FUNDS

Insurance Cluster

August 13, 2006

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Attention: Ms. Nancy M. Morris

Re: File Number: S7-03-04

Members of the Commission:

On behalf of the Board of Directors of the Prudential Insurance Cluster Mutual Funds, I am writing in response to your request for comments on the two rule amendments previously approved by the Commission and set aside by a federal appeals court on April 7, 2006. These amendments, if adopted, would mandate that fund boards be led by an independent chair and be comprised of directors at least 75% of which are independent of fund management. We understand that you have solicited comments on the “current cost data . . . for funds that have voluntarily complied with either or both” of the amendments and on the “additional provisions designed to achieve the underlying purpose of the amendments, which is the protection of funds and fund shareholders.”¹

Our Board oversees 76 mutual funds with almost \$58 billion in assets under management. Seven of our nine Directors are independent and this ratio of independent to interested directors has existed since 2003, when our Board was reconstituted, following the acquisition by Prudential Financial Inc. of American Skandia Inc. I have served as the independent chair of the Board since that time. Prior to the Skandia acquisition, four of our seven independent directors served as independent directors of the Prudential Mutual Funds, which had been led by an independent chair for many years.

Independent Chair Proposal

If the independent chair proposal is adopted, our Board would not incur any costs in complying with the proposal given that we already have an independent chair. Our current annual cost for having an independent chair is \$50,000, which is the additional compensation that I, as the Board chair, receive for serving in that capacity. That represents 0.00086% of current assets under management. Obviously enough of the cost is immaterial to our Fund shareholders. Further, even this minimal cost is perhaps overstated because, if we did not have an independent chair, we would have a lead director who presumably would receive compensation in excess of that received by the other independent directors. Our Board does not retain staff to provide additional support beyond that provided by the management organization, Fund counsel and counsel to the independent directors.

¹ Investment Company Governance, Investment Company Act Release No. 27395 (June 2006).

In addition to sharing our views on the costs associated with complying with the independent chair proposal, we would like to respond to the Commission's request for comment on the underlying purpose of that proposal. Since the Commission first announced the proposal, there has been vigorous debate over the benefits and detriments of having an independent chair. Many have argued that having an independent chair does not prevent compliance or other operational failures. While having an independent chair may not prevent the occurrence of events that are detrimental to shareholders, I respectfully submit that, in our experience, it does enable the independent directors to more effectively undertake the responsibilities with which they are charged.

First, the chair of any board is primarily responsible for establishing board meeting agendas. Why should that function lie with a senior officer of the principal service provider to the company? That type of governance framework is unheard of in the operating company realm. Shouldn't it be just as much of an anomaly in the fund industry? The answer to this seems particularly obvious when one considers that mutual funds are fertile ground for conflicts of interest, which independent directors are charged with monitoring.

Second, empowering the independent directors, and especially the chair, with control of the agenda ensures that the independent directors are not an after-thought in the development and structuring of board meetings. We are not suggesting that a foregone conclusion of having an interested chair is that the independent directors will be sidelined. We do believe, though, that unless there is an independent chair, it is possible (and depending on the fund complex, maybe even probable) that independent directors will have to participate in meetings whose focus and pace they don't control.

Third, a fundamental premise underlying the importance of independent directors is that they are not affiliated with management and are, therefore, able to protect shareholder interests without the pressures of contending, and sometimes conflicting, interests. We strongly believe that independent fund directors can best fulfill these duties if they are led by a director who is independent of management. Any other result does not seem to be in the best interest of fund shareholders.

75% Proposal

The Funds that our Board oversees would not experience added costs in complying with the proposal that at least 75% of a board be independent since, as noted, we already conform to the 75% standard. To the extent that other complexes have boards that do not already meet that threshold, we understand that a low-cost method of reaching the threshold is to request interested directors to resign. Boards that pursue that alternative would incur small, if any, costs in complying with the 75% proposal.

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Our Board strongly endorses the independent chair requirement and the 75% proposal. We sincerely hope that the Commission will continue to support these initiatives and to recognize that they are cornerstones in the important work of independent directors.

Sincerely,

/s/ Thomas T. Mooney

Thomas T. Mooney, Independent Chair,
Prudential Insurance Cluster Mutual Funds