

Press Release

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US pension funding ratios fell in the first quarter

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Legal & General Investment Management America, Inc. (LGIMA) announced today in its Pension Fiscal Fitness Monitor, a quarterly estimate of the change in health of a typical US corporate defined benefit pension plan, that pension funding ratios decreased over the first quarter of 2016. LGIMA estimates the average funding ratio declined from 83.1% to 78.8% over the quarter.

The Pension Fiscal Fitness Monitor showed funded ratios decreased over the quarter as pension liabilities grew more than assets. Global equity markets increased 0.4% and the S&P 500 increased 1.3%. Plan discount rates fell 42 basis points, as Treasury rates decreased 44 basis points and credit spreads widened 2 basis points. Overall liabilities for the average plan were up 7.1%, while plan assets with a traditional "60/40" asset allocation only increased 1.6%, resulting in a funding ratio decrease of 4.3%.

LGIMA's Head of Solutions Strategy, Don Andrews, said: "We estimate that funded ratio levels for the typical plan with a traditional asset allocation fell about 4.3% this quarter. The decline in interest rates was the main driver of this decrease in funding ratio. Alternatively, funding ratios for plans that have previously implemented liability benchmarking and/or completion management strategies fell only about 0.6% during the quarter."

Andrews added, "Recent volatility in the equity and fixed income markets underscores the importance of establishing a comprehensive de-risking strategy. We continue to see significant interest from plans looking to mitigate funded ratio volatility via implementation of liability benchmarking, completion management, and option based hedging strategies, and would expect this demand to continue."

The Pension Fiscal Fitness Monitor assumes a typical liability profile and 60% global equity/40% aggregate bond ("60/40") investment strategy, and incorporates data from LGIMA research, Bank of America Merrill Lynch and Bloomberg.

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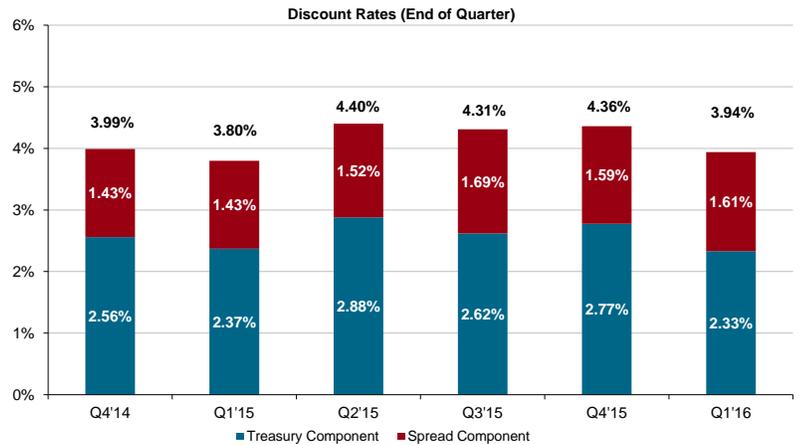
Notes to editors:

Notes to editors: Legal & General Investment Management America, Inc. (LGIMA) is a Chicago-based registered investment advisor specializing in active fixed income liability driven investment (LDI) and index strategies for the US institutional market. LGIMA was founded in 2006 as a wholly-owned subsidiary of Legal & General Investment Management (Holdings) Ltd. (LGIM(H)), which also owns its affiliates Legal & General Investment Management Ltd. and LGIM International Ltd. Legal & General's worldwide assets under management are approximately \$766 billion. In May 2014, LGIMA became a wholly owned subsidiary of Legal & General Investment Management US (Holdings) (LGIMUS(H)) which is wholly owned by LGIM(H).

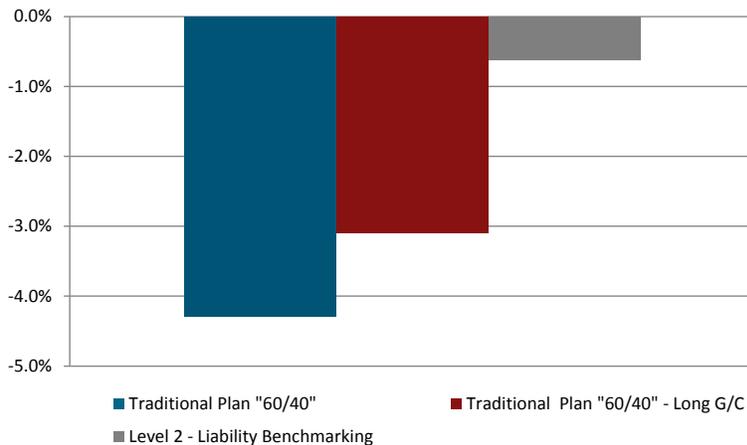
Pension funded status market summary:

- Liability values increased over the quarter while experiencing considerable volatility as asset portfolios (composed of a 60/40 mix of global equities and aggregate bonds) underperformed the return on liabilities, leading to a decrease in funding ratios
- Equity markets increased marginally, with global equities increasing 0.4% and the S&P 500 increasing 1.3% in the first quarter
- Average pension discount rates decreased 42 basis points over the first quarter; Treasury rates decreased 44 basis points while credit spreads widened 2 basis points

Funded status risk	1st quarter 2016
Equities	↑
Interest rates	↓
Credit spreads	↑



Funding ratio performance of select pension investment strategies (over the quarter):



The Pension Fiscal Fitness Monitor measures the historical market-related funding ratio performance of the traditional “60/40” investment strategy and highlights a few different approaches to implementation.

For each of the three approaches to implementation, we analyze how funding ratio performance would have changed for two different levels of equity exposure – 60% and 40%. We define two different LDI approaches as follows:

- Traditional: Allocating 60% to equities and 40% to either aggregate fixed income or Long G/C
- Level 2 LDI: Custom liability benchmark and derivative overlay designed within a total portfolio context

Level 2 implementation shown for comparison purposes and is chosen based upon the funding ratio of “a typical US corporate defined benefit pension plan” as of the beginning of the quarter

Traditional	Equity	LHA
60/40 Aggregate	60% MSCI AC World	40% Barclays Aggregate
60/40 Long G/C	60% MSCI AC World	40% Barclays Long Government/Credit
Level 2		
Level 2: 40% Equities/90% IR Hedge/30% CS Hedge	40% MSCI AC World	38% Barclays Long Credit A-AAA, 22% Treasuries and Futures

Disclaimers

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These results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results in an actual performance record, these results do not represent actual trading. Because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown.