Press Release

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US pension funding ratios increase in the fourth quarter

Legal & General Investment Management America, Inc. (LGIMA) announced today in its Pension Fiscal Fitness Monitor, a quarterly estimate of the change in health of typical US corporate defined benefit pension plan, that pension funding ratios increased over the fourth quarter of 2015. LGIMA estimates the average funding ratio rose from 81.2% to 83.1% over the quarter.

The Pension Fiscal Fitness Monitor showed funded ratios increased over the quarter as return seeking assets grew more than the marginal return on liabilities over the quarter. Global equity markets increased 5.1% and the S&P 500 increased 7.0%. Plan discount rates increased 5 basis points, as Treasury rates increased 15 basis points and credit spreads tightened 10 basis points. Overall liabilities for the average plan were up 0.5%, while plan assets with a traditional “60/40” asset allocation increased 2.9%, resulting in a funding ratio increase of 1.9%.

LGIMA’s Head of Solutions Strategy, Don Andrews, said: “We estimate that funded ratio levels for the typical plan with a traditional asset allocation increased about 1.9% this quarter. The positive return in equities was the main driver of this increase in funding ratio. Funding ratios for plans that have previously implemented liability benchmarking and/or completion management strategies increased by 0.7% over 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 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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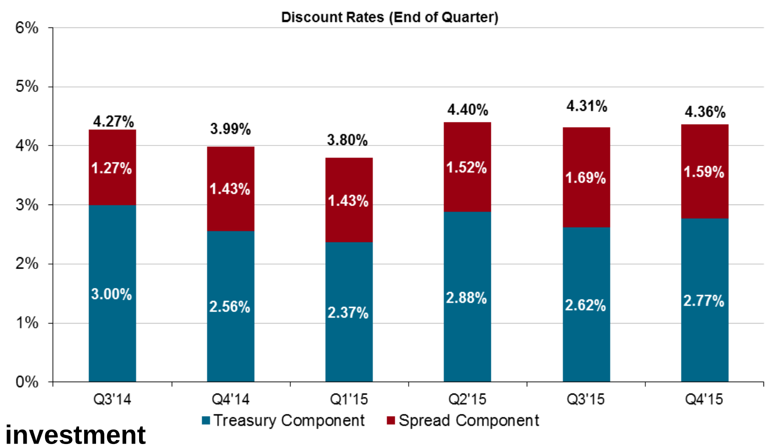
Notes to editors:

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 $760 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).

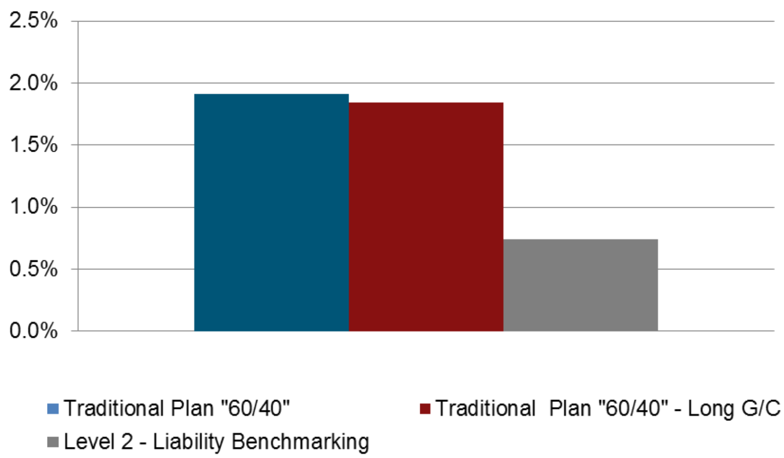
Pension funded status market summary:

- Liabilities increased marginally over the quarter while asset portfolios (composed of a 60/40 mix of global equities and aggregate bonds) outperformed the return on liabilities, leading to an increase in funding ratios
- Equity markets increased, with global equities increasing 5.1% and the S&P 500 increasing 7.0% in the fourth quarter
- Average pension discount rates increased 5 basis points over the fourth quarter; Treasury rates increased 15 basis points while credit spreads tightened 10 basis points

Funded status risk	4th quarter 2015
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 aggregate fixed income
- 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

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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.