

US pension funding ratios increase over the first quarter of 2018

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 rose over the first quarter of 2018. LGIMA estimates the average funding ratio rose from 84.2% to 87.3% over the quarter.

The Pension Fiscal Fitness Monitor showed that pension funding ratios increased over the quarter primarily due to the change in plan discount rates. Global equity markets decreased by 1.75% and the S&P 500 decreased 2.11%. However, this was offset by plan discount rates rising 44 basis points, as Treasury rates increased by 30 basis points and credit spreads widened by 14 basis points. Overall, liabilities for the average plan fell 5.07%, while plan assets with a traditional “60/40” asset allocation only decreased 1.55%, resulting in a 3.1% increase in funding ratios over the first quarter of 2018.

Ciaran Carr, Senior Solutions Strategist at LGIMA, said, “We estimate that funded ratio levels for the typical plan with a traditional asset allocation increased over the first quarter, as negative asset returns were more than offset by the drop in liabilities over the period. Equity markets experienced moderate headwinds while liability values decreased further due to the rise in plan discount rates.”

Carr added, “We continue to see an uptick in demand for more customized strategies to help hedge interest rate risk and lock in funding ratio gains after benefitting from an increase in discount rates. Liability benchmarking, completion management, and option-based hedging strategies remain in high demand. We have also seen an increase in the demand for custom credit strategies, particularly from plans focusing on a pension risk transfer or self-sufficiency strategies.”

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.

For further information, please contact:

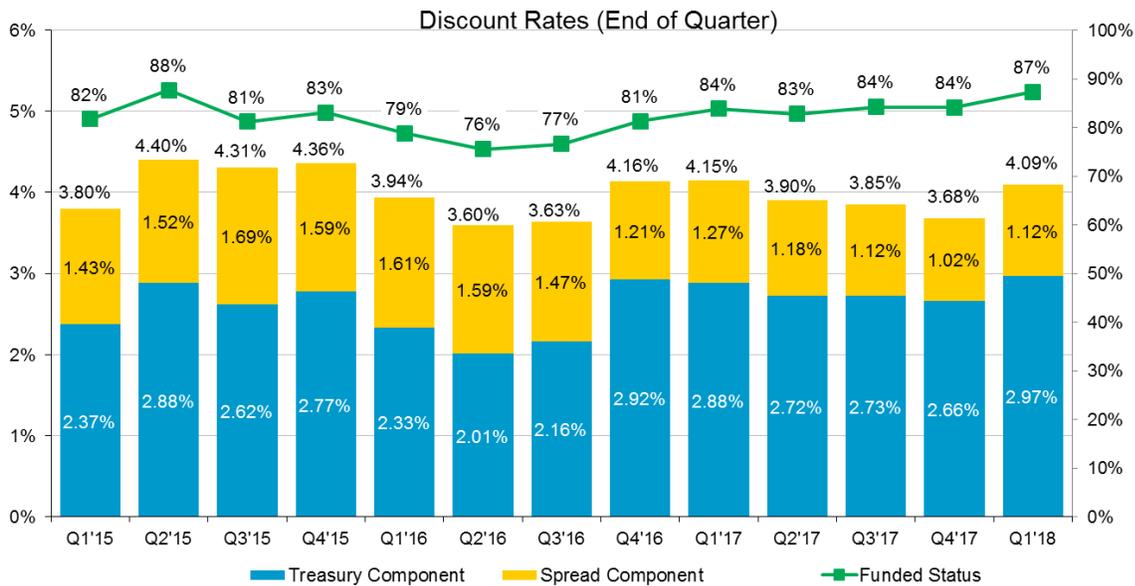
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About LGIMA: Legal & General Investment Management America, Inc. (LGIMA) is a Chicago-based registered investment advisor which specializes in the design and management of investment solutions across active fixed income, index strategies, multi-asset and liability driven investment (LDI) for the US institutional market. With over \$156.5 billion in assets under management, LGIMA is 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 \$1.2 trillion as of June 30, 2017. In May 2014, LGIMA became a wholly owned subsidiary of Legal & General Investment Management US (Holdings), Inc. (LGIMUS(H)) which is wholly owned by LGIM(H).

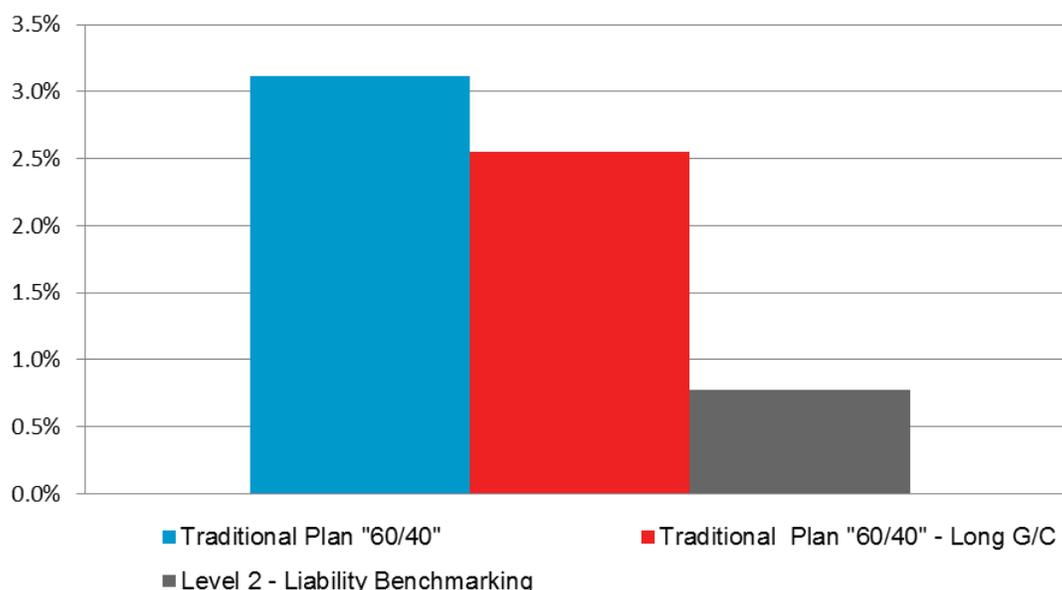
Pension funded status market summary:

- The change in liability values outpaced asset portfolios (composed of a 60/40 mix of global equities and aggregate bonds) as both decreased over the first quarter, leading to funded ratios increasing
- Equity markets decreased, with global equities down 1.75% and the S&P 500 down 2.11%
- Average pension discount rates increased 44 basis points over the first quarter; Treasury rates increased by 30 basis points while credit spreads widened 14 basis points

Funded status risk	1st quarter 2018
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	40% MSCI AC World	33% Barclays Long Credit A-AAA, 27% 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.