News Release

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US pension funding ratios rose in the first quarter of 2017

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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 increased over the first quarter of 2017. LGIMA estimates the average funding ratio rose from 81.3% to 83.9% over the quarter.

The Pension Fiscal Fitness Monitor showed funded ratios increased over the quarter as assets grew more than pension liabilities. Global equity markets increased by 7.05% and the S&P 500 increased 6.07%. Plan discount rates fell 1 basis point, as Treasury rates decreased 4 basis points and credit spreads widened 3 basis points. Overall liabilities for the average plan rose 1.27%, while plan assets with a traditional “60/40” asset allocation increased 4.53%, resulting in a funding ratio increase of 2.61%.

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 primarily due to assets outperforming the liabilities. Equity markets experienced a strong rally and fixed income assets remained relatively stable, with liability values increasing slightly. This contributed positively to the funded ratio.”

Andrews added, “We are seeing renewed interest in hedging interest rate risk from many plan sponsors looking to lock in these funding ratio gains after benefitting from a large gain in equities. In particular, plan sponsors are considering customized LDI strategies such as liability benchmarking, completion management and option based hedging 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.

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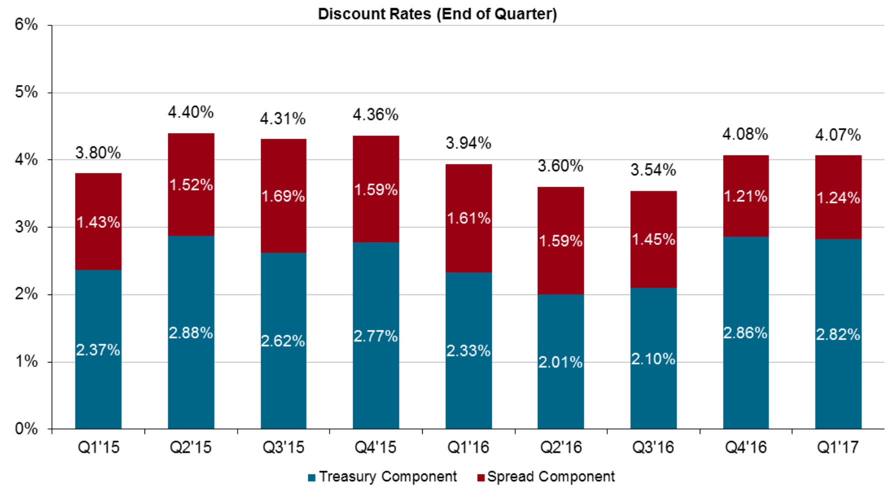
Notes to editors: Legal & General Investment Management America, Inc. (LGIMA) is a Chicago-based registered investment advisor specializing in active fixed income, liability driven investment (LDI) and index strategies for the US institutional market. LGIMA was founded in 2006 as a wholly-owned subsidiary 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 $790 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).

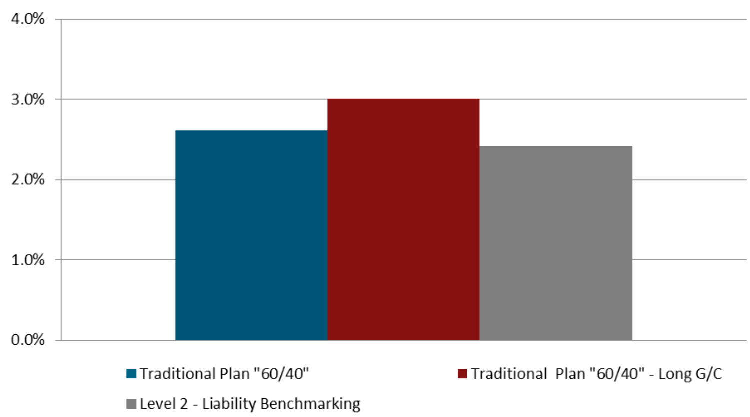
Pension funded status market summary:

- Liability values increased slightly 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 up 7.05% and the S&P 500 up 6.07%
- Average pension discount rate decreased 1 basis point over the first quarter; Treasury rates decreased by 4 basis points while credit spreads widened 3 basis points

Funded status risk	1st quarter 2017
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

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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.