Legal & General
INVESTMENT MANAGEMENT
AMERICA

71 South Wacker Drive
Suite 800
Chicago, IL 60606
www.lgima.com

US pension funding ratios increased over the fourth quarter of 2019

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 fourth quarter of 2019. LGIMA estimates the average funding ratio increased from 79.2% to 83.2% over the quarter based on market movements.

The Pension Fiscal Fitness Monitor showed that pension funding ratios rose over the quarter. Equity markets exhibited a strong close to the year, with Global Equities increasing 9.07% and the S&P 500 also rising 9.07%. Plan discount rates were estimated to have increased 3 basis points, as Treasury rates climbed 26 basis points on average and credit spreads tightened 23 basis points. These changes had a minimal impact on plan liabilities. Overall, plan assets with a traditional "60/40" asset allocation rose 5.45%, resulting in a 4.0% increase in funding ratios over the fourth quarter of 2019.

Katie Launspach, Senior Solutions Strategist at LGIMA, said, "We estimate that funding ratio levels for the typical plan with a traditional asset allocation increased over the fourth quarter, primarily due to a strong equity market propelling plan assets to increase at a faster pace than plan liabilities."

Launspach added, "The fourth quarter saw an increase in equity returns into year-end which was the main driver of improved funded status for pension plans. As such, funded status for the average plan ends the year at a similar level compared to the start of 2019 due to market moves. However, funded status fluctuated significantly throughout the year mainly due to a volatile interest rate environment. Understanding and controlling funded status volatility is one of the main objectives of a well-designed LDI strategy. Adopting a Completion framework is one-way pension plans can manage uncompensated risk more effectively through volatile market environments"

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:

Name:	Kristina Pereira Tully
Company:	Caliber Corporate Advisers
Email:	kristina@calibercorporateadvisers.com
Tel:	888-550-6385 xtn 5

About LGIMA: Legal & General Investment Management America, Inc. (LGIMA) is a registered investment advisor specializing in designing and managing investment solutions across active fixed income, index strategies, multi-asset, liability driven investment, and sustainable investment strategies for the US institutional market. With over $210 billion in assets under management as of September 30, 2019, LGIMA is a wholly-owned subsidiary of Legal & General Investment Management US (Holdings) Inc., which is in turn, wholly owned by Legal & General Investment Management (Holdings) Ltd. (LGIM(H)). LGIM(H) also owns our affiliates Legal & General Investment Management Ltd. and LGIM International Ltd. Legal & General's worldwide assets under management are approximately $1.4 trillion as of June 30, 2019. For more information on LGIMA, visit http://www.lgima.com/.

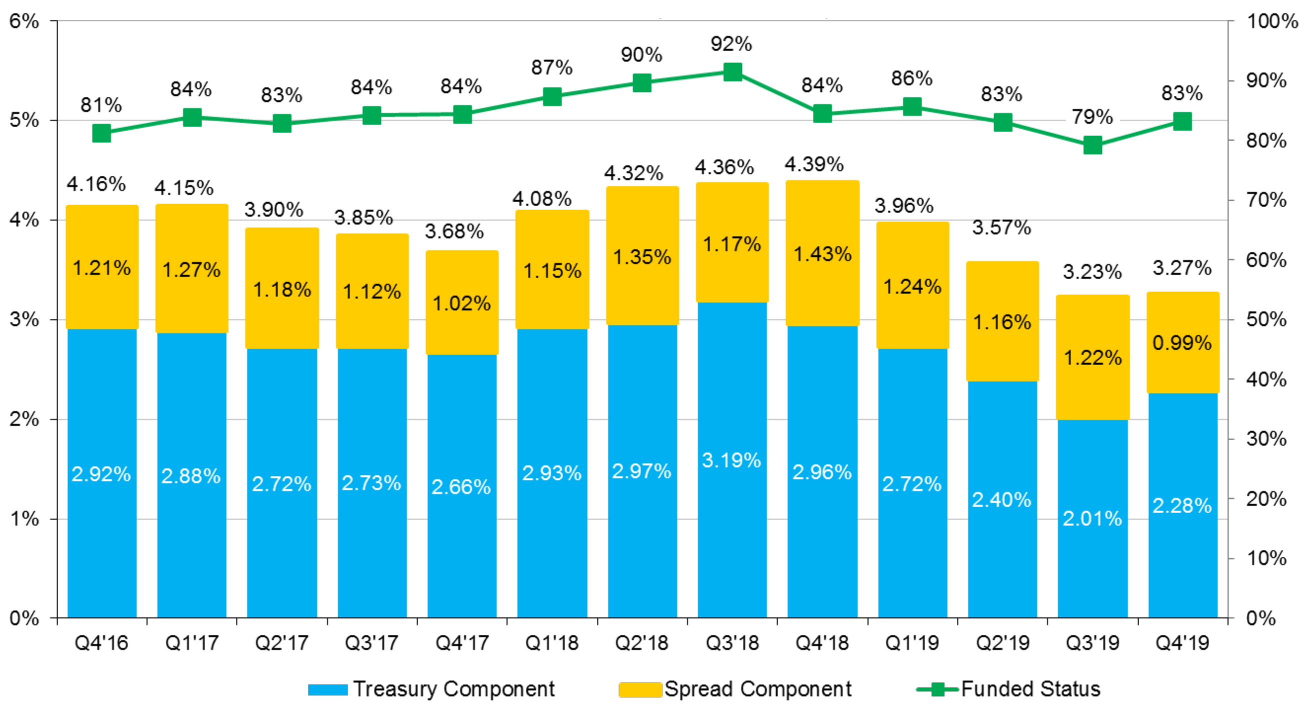
Pension funded status market summary:

- Positive asset portfolio returns (composed of a 60/40 mix of global equities and US Aggregate bonds) outpaced muted Liability gains, resulting in increasing funding ratios
- Equity markets were strong, with global equities up 9.07% and the S&P 500 also up 9.07%
- Treasury rates increased by 26 basis points as credit spreads tightened 23 basis points

Funded status risk	Q4 2019
Equities	↑
Interest rates	↑
Credit spreads	↓

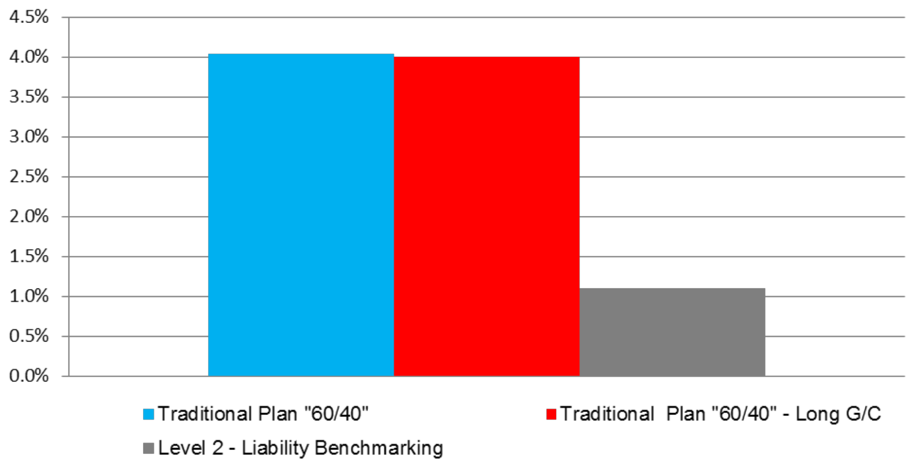
Source: LGIMA, ICE indices, and Bloomberg

Discount rates (end of quarter)



Source: LGIMA, ICE indices, and Bloomberg

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



Source: LGIMA, ICE indices, and Bloomberg as of December 31, 2019

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