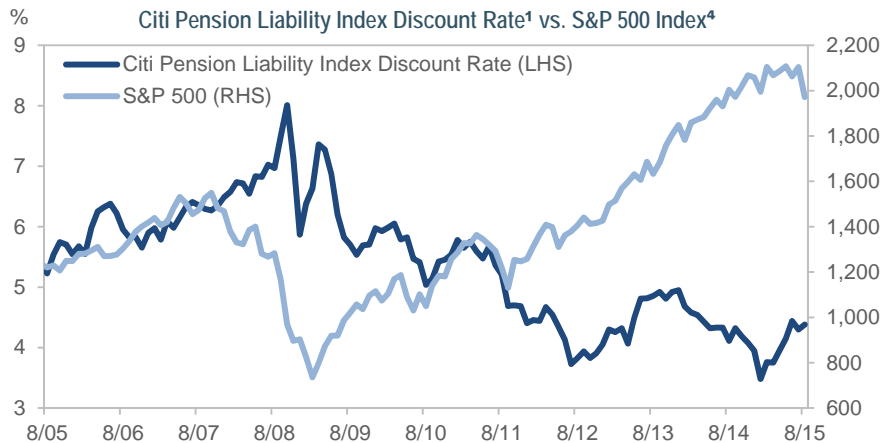


LDI Highlights

- Poor equity performance drove corporate pension funded status 1.5% lower in August to 83.4%¹, despite rising discount rates.
 - The S&P 500 Index returned -6% during August, after being down as much as 11% intra-month⁴, while long corporate rates increased by 13bps to 4.97%³.
- Corporate issuance slowed substantially during the month, as volatility and summer weakness kept issuers on the sidelines – long corporate issuance amounted to only \$6.9bn, the lowest total since August of last year².
- The 10s30s credit spread curve continued to flatten during August, moving 4bps lower to end the month at 38bps – the flattest level year-to-date².

Rates Monitor	8/31/15	7/31/15	12/31/14
Citigroup Pension Discount Rate ¹ (%)	4.38	4.30	3.95
Barclays Long Credit Yield ³ (%)	4.95	4.82	4.40
Barclays Long Corporate Yield ³ (%)	4.97	4.84	4.42
Barclays Long BBB Corporate Yield ³ (%)	5.44	5.28	4.80
30 Year Swap Rate ⁴ (%)	2.66	2.76	2.70
Long BBB Corp. Yield ³ – Citi Pension Discount Rate ¹ (bps)	106	98	85



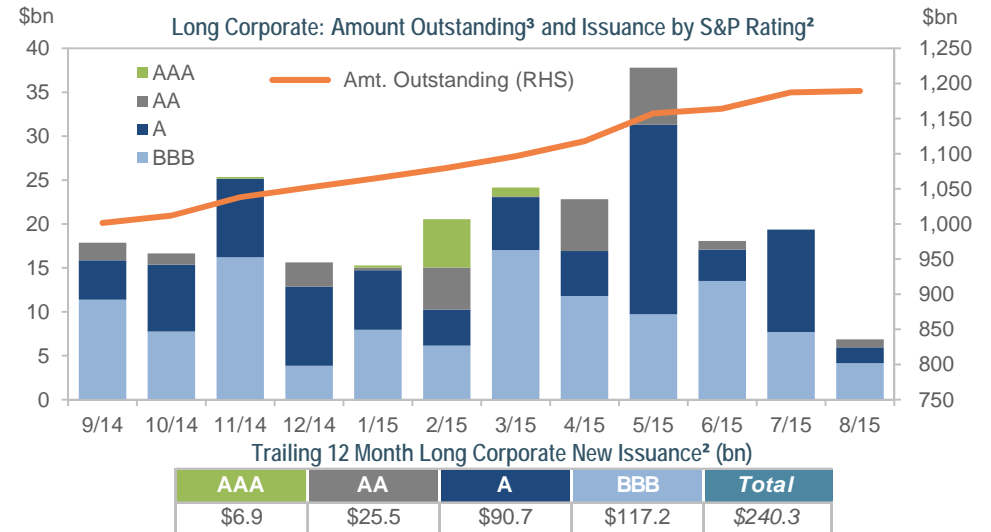
LDI MONITOR

August 31, 2015

IR+M LDI Corner: Living longer...but not until next year

- In 2015, we saw the majority of our defined benefit plan clients adopt updated mortality tables for accounting purposes. In most cases, this led to a 5% - 7% drop in funded status.
- For funding purposes, the story is slightly different. Last month, the IRS made the decision to postpone the adoption of new mortality tables until 2017, delaying the impact on minimum required contributions and lump-sum payouts.
- Moody's analysts estimate that the decision to delay the implementation of updated mortality tables will defer roughly \$18bn in contributions until 2017⁶.
- As a result, plan sponsors that elect to pay only the minimum required contributions will likely progress more slowly along their glidepaths, delaying their transition to lower risk assets.

Glidepath Monitor	8/31/15	7/31/15	12/31/14	8/31/14	8/31/12
Funded Status ¹ (%)	83.4	84.9	81.5	82.7	72.9
Long Credit Rates ⁵ (%)	4.95	4.82	4.40	4.38	4.36
Long Credit Spreads ⁵ (bps)	224	213	185	153	205
Curve ³ (Long Cred - Int. Cred) (bps)	224	224	199	226	229
Curve ³ (Long G/C - Agg) (bps)	173	172	151	166	181



¹Milliman; ²JP Morgan; ³Barclays; ⁴Bloomberg; ⁵Long rates and Long spreads represented by Barclays Long Credit Index yield and spread; ⁶Moody's. All data in the above commentary is as of 8/31/15. Yields are represented as of the aforementioned date and are subject to change. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations for, or projected returns of any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.