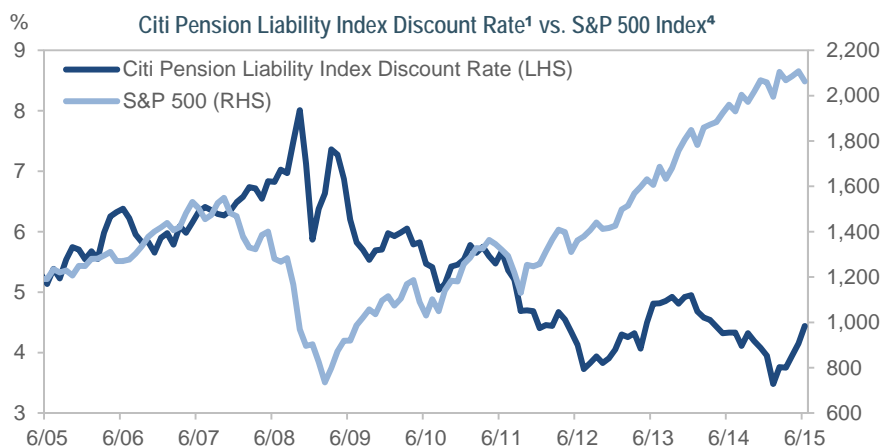


LDI Highlights

- Corporate pension funded status ended the first half of 2015 on a positive note, rising to 85.6%¹, on the back of a roughly 50bps increase in pension discount rates; equities were mostly flat year-to-date.
- Long corporate spreads widened 16bps in the first half of 2015, largely driven by robust issuance in the primary market.
 - Year-to-date 2015 long corporate issuance has surpassed \$141bn, the highest first-half total in the past 15 years.
 - Long corporate issuance has comprised over 21% of total corporate issuance so far this year, roughly 7% greater than the 15-year average.
- The 10s30s credit-spread curve flattened 10bps during June to 42bps², retracting to the beginning of year level.

Rates Monitor	6/30/15	5/31/15	12/31/14
Citigroup Pension Discount Rate ¹ (%)	4.44	4.15	3.95
Barclays Long Credit Yield ³ (%)	4.90	4.58	4.40
Barclays Long Corporate Yield ³ (%)	4.93	4.60	4.42
Barclays Long BBB Corporate Yield ³ (%)	5.32	4.97	4.80
30 Year Swap Rate ⁴ (%)	2.92	2.63	2.70
Long BBB Corp. Yield ³ – Citi Pension Discount Rate ¹ (bps)	88	82	85



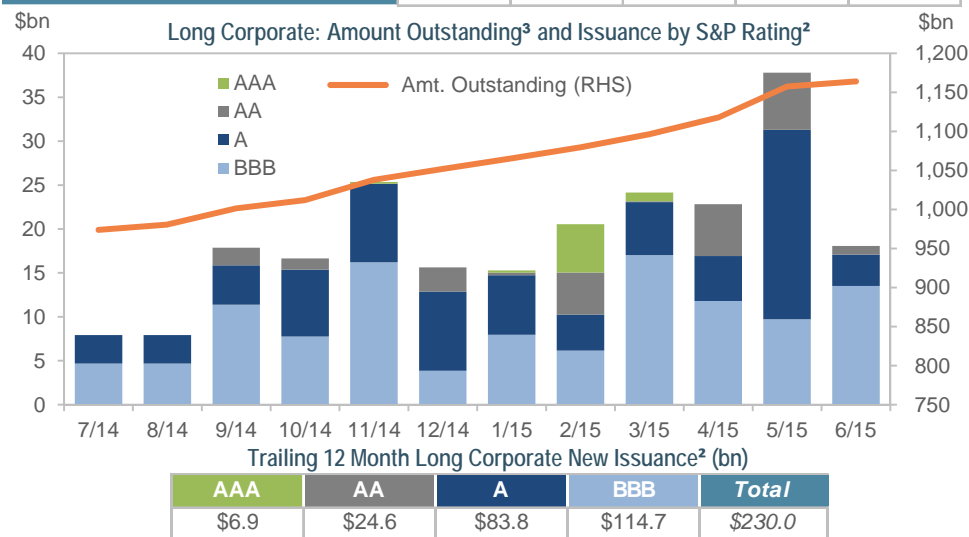
LDI MONITOR

June 30, 2015

IR+M LDI Corner: The Rate Wait

- Plan sponsors are increasingly linking the timing of de-risking to interest rates, either directly through rate triggers, or indirectly through funded-status triggers. For some sponsors, de-risking steps are pre-defined, while for others they are less set in stone.
- During June, discount rates rose by nearly 30bps, and average funded status improved by 1.5%. Many investors may now be asking how much further rates need to rise to bring about the expected large scale de-risking.
- Recent highs in funded status occurred in late 2013, when long corporate yields were close to 5.25% (currently 4.93%). Some sponsors may be waiting for rates to approach those prior highs to take their next steps; others may move sooner to avoid the regret of a missed opportunity.
- The likelihood is that sponsors will act at different rate levels depending on their own risk and return preferences. Understanding this demand will be critical for plan sponsors as they look to stay ahead of the crowd when sourcing the best bonds for their portfolios.

Glidepath Monitor	6/30/15	5/31/15	12/31/14	6/30/14	6/30/12
Funded Status ¹ (%)	85.6	84.1	81.5	84.2	76.0
Long Credit Rates ⁵ (%)	4.90	4.58	4.40	4.56	4.69
Long Credit Spreads ⁵ (bps)	202	193	185	148	228
Curve ³ (Long Cred - Int. Cred) (bps)	234	227	199	243	224
Curve ³ (Long G/C - Agg) (bps)	181	172	151	187	177



¹Milliman; ²JP Morgan; ³Barclays; ⁴Bloomberg; ⁵Long rates and Long spreads represented by Barclays Long Credit Index yield and spread. All data in the above commentary is as of 6/30/15. 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.