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AB ACQUISITION LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The actuarial assumptions used to determine net periodic benefit costs for pension plans were as follows:

| | February 28, 2015 | February 20, 2014 |
|---------------------------------|-------------------|-------------------|
| Discount rate | 3.75% | 4.62% |
| Expected return on plan assets: | 6.97% | 7.17% |

The Company has adopted and implemented an investment policy for the defined benefit pension plans that incorporates a strategic long-term asset allocation mix designed to meet the Company's long-term pension requirements. This asset allocation policy is reviewed annually and, on a regular basis, actual allocations are rebalanced to the prevailing targets. The following table summarizes actual allocations for the Safeway Plan which had \$1.9 billion in plan assets at February 28, 2015:

| Asset category | Target | Plan assets |
|----------------|-------------|-------------------|
| | | February 28, 2015 |
| Equity | 65% | 64.9% |
| Fixed income | 35% | 34.1% |
| Cash and other | — | 1.0% |
| Total | <u>100%</u> | <u>100.0%</u> |

Shaw's Plan assets are held in an individual trust and invested in commingled investment vehicles holding domestic and international equity securities, domestic fixed income securities and other investment classes. The Company employs a total-return approach whereby a diversified mix of asset class investments is used to maximize the long-term return of plan assets for an acceptable level of risk. Risk is managed through careful consideration of the plan liabilities, plan funded status and the Company's financial condition. The asset allocation policy is reviewed annually, and allocations are monitored regularly and rebalanced on an as-needed basis. Plan assets are invested using active and passive investment strategies. Passive or "indexed" strategies attempt to replicate the performance of a market benchmark. Monitoring activities to evaluate performance against targets and measure investment risk take place on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The following table summarizes the actual allocations for the Shaw's Plan which had \$240.0 million in plan assets as of February 28, 2015:

| Asset Category | Target | Plan assets | |
|----------------------|-------------|-------------------|-------------------|
| | | February 28, 2015 | February 20, 2014 |
| Domestic equity | 35% | 34.9% | 35.3% |
| International equity | 20% | 20.2% | 15.0% |
| Fixed income | 45% | 44.9% | 49.7% |
| Total | <u>100%</u> | <u>100.0%</u> | <u>100.0%</u> |