

BARROW, HANLEY, MEWHINNEY & STRAUSS
ESTIMATES PENSION FUNDED STATUS 81.4% AT 2Q20

Pension Funded Status Increases in Q2

Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), one of the nation’s leading value-oriented investment managers, has estimated that corporate pension plan funded ratio increased to 81.4% as of June 30, 2020 from 77.9% as of March 31, 2020. Strong equity market performance more than offset pension liability increases.

Industry Differences

Funded status varies significantly by industry. Although people tend to focus on the headline average, funded ratios have good reason to be different from one industry to the next.

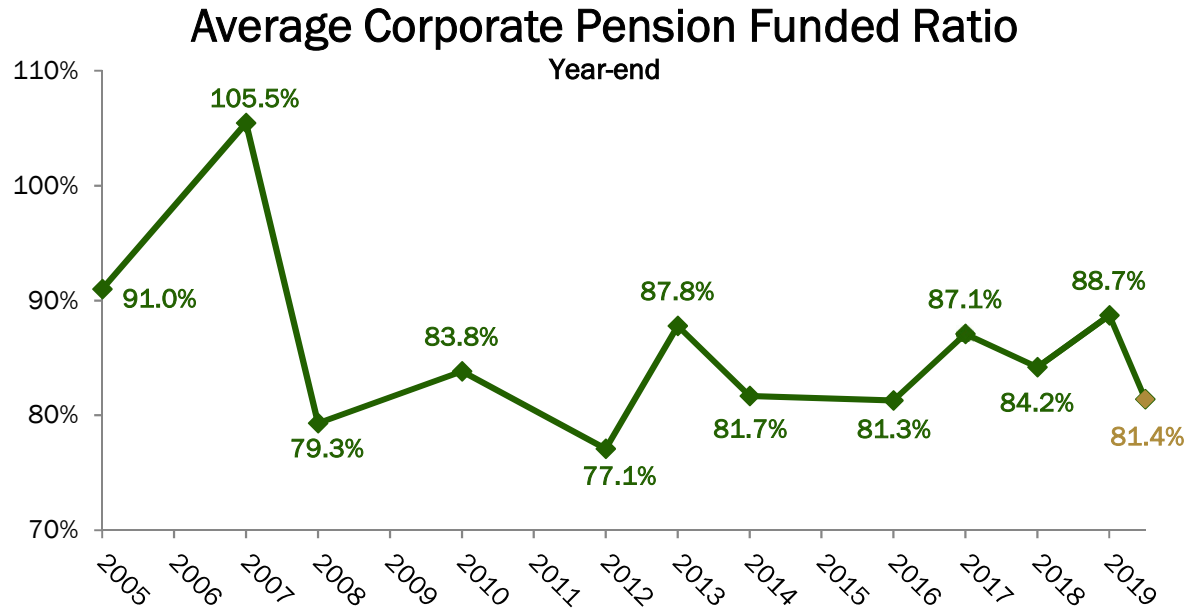
For example, solvency rules require banks to reduce their reported capital by the amount that pensions are underfunded. It is natural then that plans sponsored by Banks were among the best funded with an average funded ratio of 98.3%. By contrast, Airlines, have more lenient funding rules than other corporate pension sponsors and not surprisingly they also have one of the lowest average funded ratios at just 70.2%.

Average funded ratio by business sector is shown below. Banks and Airlines are industry classifications within the Financials and Industrials sectors, respectively. Detail for each industry is available at www.barrowhanley.com.

BHMS Pension Funded Ratio Analysis	
Business Sector/ <i>Industry</i>	June 30, 2020
Overall	81.4%
Financials	92.0%
<i>Banks</i>	98.3%
Consumer Staples	82.3%
Consumer Discretionary	80.5%
Materials	79.9%
Industrials	79.2%
<i>Airlines</i>	70.2%
Information Technology	78.9%
Health Care	78.8%
Real Estate	78.1%
Utilities	77.3%
Communication Services	76.6%
Energy	76.2%

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Barrow Hanley has estimated the funded ratios of corporate pension plans sponsored by companies in the Russell 3000 using information disclosed in SEC Form 10-K and returns for asset class indices for each year-end since 2005. As of June 30, 2020, the average funded ratio had risen back into the 80-90% funded range where it has been since year-end 2013.



Asset allocation averages and the index returns used are shown in the tables below.

Asset Class	Index	Allocation
Long Bonds	Barclays Long Government/Credit	29%
US Equity	Russell 3000	28%
International Equity	MSCI EAFE USD	15%
Core Bonds	Barclays Aggregate	10%
Hedge Funds	HFRI Fund Weighted Composite	6%
Private Equity	S&P Listed Private Equity Index	5%
Commodities	Dow Jones UBS Commodity Index	3%
Cash		3%
REITS	FTSE NAREIT Equity	2%

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Average Asset Allocation and 2Q20 Returns			
Asset Class	Index	Allocation	2Q20 Return
Equities		43%	19.5%
	65% <i>Russell 3000</i>		22.0%
	35% <i>MSCI EAFE</i>		14.9%
Bonds		38%	5.4%
	75% <i>Barclays Long Gov/Credit</i>		6.2%
	25% <i>Barclays Aggregate</i>		2.9%
Other (Alternatives)		16%	13.4%
	39% <i>HFRI Fund Weighted Composite</i>		7.0%
	31% <i>S&P Listed Private Equity Index</i>		27.5%
	18% <i>Bloomberg Commodity Index</i>		2.9%
	13% <i>FTSE NAREIT Equity</i>		13.2%
Cash		3%	0.0%
Total			12.6%

About Barrow, Hanley, Mewhinney & Strauss

Founded in 1979 in Dallas, Texas, Barrow Hanley is a Delaware limited liability company and SEC-registered investment adviser. Barrow Hanley is considered one of the most respected value-oriented asset managers in the country, providing investment strategies to institutional investors, mutual funds, and family offices. Barrow Hanley has been managing long duration bond portfolios for corporate pensions for more than 30 years. To learn more, visit www.barrowhanley.com.

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Scott is the Co-head of Fixed Income at Barrow Hanley (BHMS) and the lead Portfolio Manager responsible for Long Duration strategies. He joined BHMS in 1995. He is also a generalist in investment grade fixed income credit research. He is a member of the CFA Institute and the CFA Society of Dallas-Fort Worth.

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Jeff is an investment actuary facilitating Liability Driven Investing (LDI) solutions for the firm's fixed income clients. Jeff joined Barrow Hanley in 2014. He is a member of the CFA Institute and the CFA Society of Dallas-Fort Worth, a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and the former Chair the Investment Section of the Society of Actuaries.

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Bloomberg Barclays Long Gov/Credit Bond Index is an index of bonds with maturities greater than 10 years and is comprised of U.S. Treasury, U.S. Corporate and Non-Corporate Credit bonds that are dollar-denominated. It is maintained by Bloomberg Finance LP.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based index and is often used to represent the universe of investment grade bonds being traded in United States. It is maintained by Bloomberg Finance LP.

Bloomberg Commodity Index aims to provide broadly diversified representation of commodity markets as an asset class. It comprises exchange-traded futures on physical commodities, each are weighted to account for economic significance and market liquidity. It is maintained by Bloomberg Finance LP.

FTSE Russell NAREIT Equity Index is an index that contains all equity REITs not designated as timber REITs or infrastructure REITs and is a copyright of the London Stock Exchange Group, PLC.

HFRI Fund Weighted Composite Index is an equal-weighted index of over 2,000 single-manager funds that report performance to Hedge Funds Research (HFR). Constituent funds report monthly net of all fees performance and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. It excludes Funds of Hedge Funds. It is a trademark of HFR, Inc.

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