

**BARROW, HANLEY, MEWHINNEY & STRAUSS**  
**ESTIMATES PENSION FUNDED STATUS 88.7% AT 4Q19**

***Pension Funded Status Increases in Q4***

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 rose to 88.7% as of December 31, 2019 from 85.0% as of September 30, 2019. Equity driven asset gains outpaced liability increases during the quarter. As of year-end, plans achieved a funded ratio greater than any other year-end level since 2007. Many plans likely achieved their highest funded ratio since adopting liability driven investing. In aggregate, this may lead to asset flows from equities and other return seeking investments into long duration bonds.

***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.

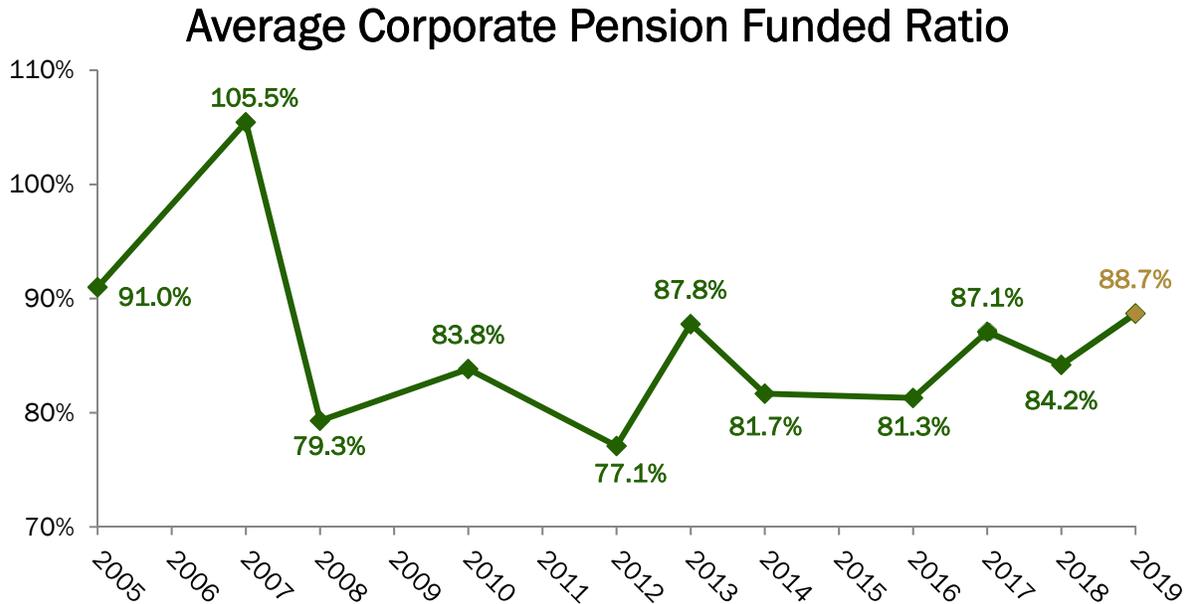
For example, solvency rules require banks to reduce their reported capital by the amount that pensions are underfunded. It is natural then that plans sponsored by Banks were among the best funded with an average funded ratio of 108.4%. By contrast, Airlines, have more lenient funding rules than other corporate pension sponsors and not surprisingly they also have one of the lowest average funded ratios at just 74.9%.

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](http://www.barrowhanley.com).

<b>BHMS Pension Funded Ratio Analysis</b>	
Business Sector/ <i>Industry</i>	December 31, 2019
<b>Overall</b>	<b>88.7%</b>
Financials	101.7%
<i>Banks</i>	108.4%
Consumer Staples	88.5%
Consumer Discretionary	88.3%
Real Estate	87.8%
Materials	87.4%
Industrials	86.5%
<i>Airlines</i>	74.9%
Information Technology	85.6%
Energy	84.9%
Health Care	84.8%
Utilities	84.2%
Communication Services	81.9%

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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. At December 31, 2019, the average funded ratio is the highest year-end value since 2007 when the average was 105.5%.



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 4Q19 Returns			
Asset Class	Index	Allocation	Q4 Return
Equities		43%	8.8%
	65% <i>Russell 3000</i>		9.1%
	35% <i>MSCI EAFE</i>		8.2%
Bonds		38%	-0.8%
	75% <i>Barclays Long Gov/Credit</i>		-1.1%
	25% <i>Barclays Aggregate</i>		0.2%
Real Estate	<i>FTSE NAREIT Equity</i>	2%	0.1%
Other (Alternatives)		14%	5.0%
	45% <i>HFRI Fund Weighted Composite</i>		1.7%
	35% <i>S&amp;P Listed Private Equity Index</i>		9.4%
	20% <i>Dow Jones UBS Commodity Index</i>		4.4%
Cash		3%	0.4%
<b>Total</b>			<b>4.2%</b>

**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 29 years. As of September 30, 2019, the firm had \$72.2 billion in assets under management. To learn more, visit [www.barrowhanley.com](http://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 an Enrolled Actuary under ERISA and the Chair of the Continuing Education Committee of the Investment Section of the Society of Actuaries.

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**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.

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