

**BARROW, HANLEY MEWHINNEY & STRAUSS**  
**ESTIMATES PENSION FUNDED STATUS 86.7% AT 1Q18**

*Pension Funded Status Decreases Slightly in Q1*

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 fell slightly to 86.7% as of March 31, 2018, from 87.1% as of December 31, 2017. We estimate that pension assets had a 1.8% loss for the first quarter of the year while liabilities were down 1.3%, resulting in a very slight decrease in funded ratios.

***Industry Differences***

Moreover, 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 status of 102.3%. By contrast, Airlines, have more lenient funding rules than other corporate pension sponsors and not surprisingly they also have the lowest average funded status with an average funded ratio of just 70.1%.

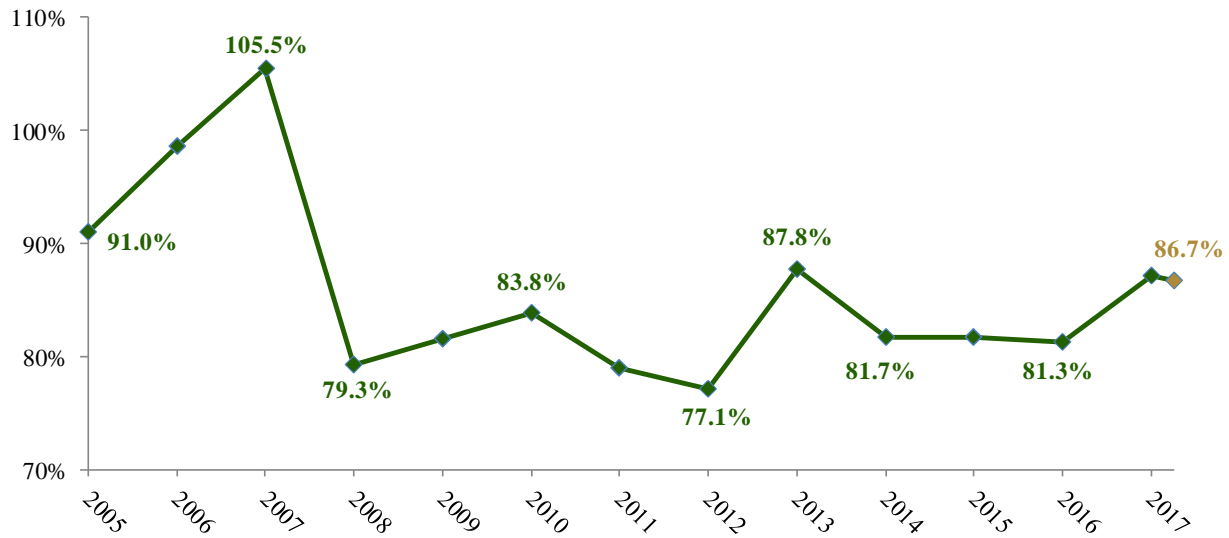
Average funded status by business sector is shown below. Banks and Airlines are industry classifications within the Financials and Industrials sectors, respectively. Detail for each industry is available at [www.barrowhanley.com](http://www.barrowhanley.com).

BHMS Pension Funded Status Analysis	
Business Sector/ <i>Industry</i>	March 31, 2018
<b>Overall</b>	<b>86.7%</b>
Financials	95.2%
<i>Banks</i>	102.3%
Consumer Staples	84.2%
Industrials	83.4%
<i>Airlines</i>	70.1%
Information Technology	83.3%
Materials	83.2%
Consumer Discretionary	82.1%
Energy	81.7%
Real Estate	81.7%
Health Care	81.7%
Utilities	81.4%
Telecommunications	80.8%

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Barrow Hanley has estimated the funded status 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 March 31, 2018, the average funded status fell slightly remaining close to the previous recent high of 87.8% at year-end 2013.

**Average Corporate Pension Funded Status**



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 1Q18 Returns			
Asset Class	Index	Allocation	Q1 Return
Equities		43%	-1.0%
	<i>65% Russell 3000</i>		<i>-0.6%</i>
	<i>35% MSCI EAFE</i>		<i>-1.7%</i>
Bonds		38%	-3.1%
	<i>75% Barclays Long Gov/Credit</i>		<i>-3.6%</i>
	<i>25% Barclays Aggregate</i>		<i>-1.5%</i>
Real Estate	<i>FTSE NAREIT Equity</i>	2%	-6.7%
Other (Alternatives)		14%	-0.9%
	<i>45% HFRI Fund Weighted Composite</i>		<i>0.6%</i>
	<i>35% S&amp;P Listed Private Equity Index</i>		<i>-3.2%</i>
	<i>20% Dow Jones UBS Commodity Index</i>		<i>-0.4%</i>
Cash		3%	0.4%
<b>Total</b>			<b>-1.8%</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 28 years. As of December 31, 2017, the firm had \$91.7 billion in assets under management. To learn more, visit [www.barrowhanley.com](http://www.barrowhanley.com).

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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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This has been prepared using commonly available asset class indices. Each of these is the property of their respective owners as disclosed below. None of these organizations is affiliated with Barrow Hanley.

**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 is made up of exchange-traded futures on physical commodities, each of which are weighted to account for economic significance and market liquidity. It is maintained by Bloomberg Finance LP.

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**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 Hedge Fund Research, Inc.

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