

BARROW, HANLEY, MEWHINNEY & STRAUSS
ESTIMATES PENSION FUNDED STATUS 85.4% AT 3Q17

Pension Funded Status Improves Slightly in Q3

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 85.4% as of September 30, 2017, from 83.3% as of June 30. We estimate that pension assets had a 3.1% return for the third quarter of the year while liabilities were only up 0.5%, resulting in improved funded ratios.

Industry Differences

It may be commonplace in the industry to focus only on the headline average funded ratio, and it is an important indicator of the overall health of U.S. corporate pensions. However, funded status varies significantly by industry – and for good reasons.

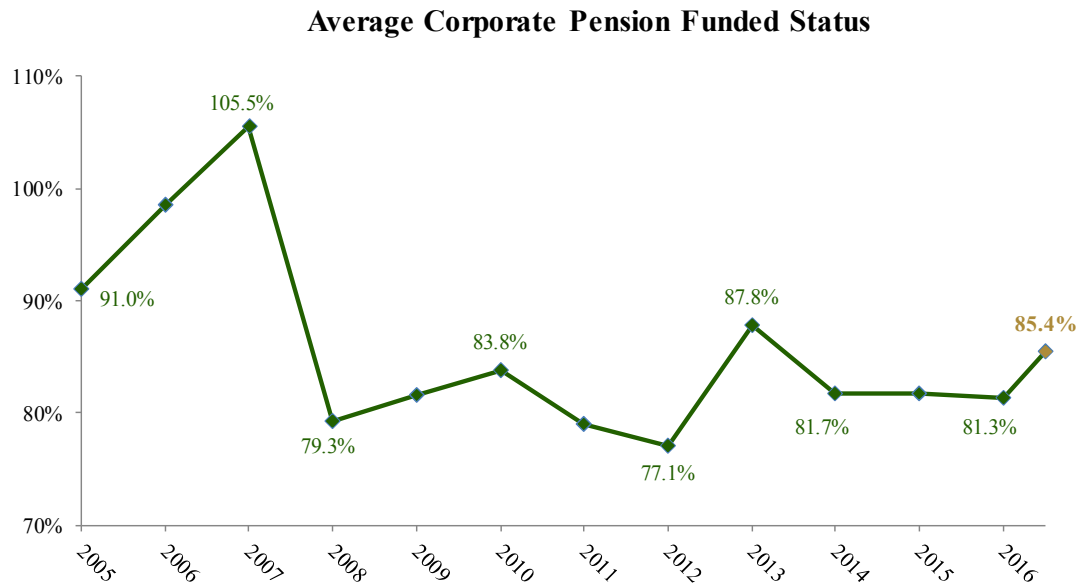
For instance, solvency rules require banks to reduce their reported capital by the amount that their pensions are underfunded. It is to be expected then, that plans sponsored by Banks would be among those with the highest funded ratios, and in fact, Banks had an average funded ratio of 103.8% at the end of the third quarter. In contrast, Airlines have more lenient funding rules than other corporate pension sponsors and, not surprisingly, they also had the lowest average funded status at the end of the quarter, at just 69.0%.

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.

BHMS Pension Funded Status Analysis	
Business Sector/ <i>Industry</i>	September 30, 2017
Overall	85.4%
Financials	95.5%
<i>Banks</i>	<i>103.8%</i>
Industrials	84.5%
<i>Airlines</i>	<i>69.0%</i>
Materials	84.2%
Information Technology	83.8%
Consumer Discretionary	83.2%
Consumer Staples	82.9%
Health Care	82.9%
Utilities	82.7%
Telecommunications	82.3%
Energy	81.6%
Real Estate	81.5%

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(continued)

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 selected asset class indices for each year-end since 2005. At September 30, 2017, the average funded status had continued the climb that began at year-end 2016 but was still below the recent high of 87.8% at year-end 2013.



Asset allocations and the index returns used are shown in the table 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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Asset Allocations and 3Q17 Returns			
Asset Class	Index	Allocation	Q3 Return
Equities		43%	4.9%
	<i>65% Russell 3000</i>		<i>4.6%</i>
	<i>35% MSCI EAFE</i>		<i>5.4%</i>
Bonds		38%	1.4%
	<i>75% Barclays Long Gov/Credit</i>		<i>1.5%</i>
	<i>25% Barclays Aggregate</i>		<i>0.8%</i>
Real Estate	<i>FTSE NAREIT Equity</i>	2%	1.1%
Other (Alternatives)		14%	3.2%
	<i>45% HFRI Fund Weighted Composite</i>		<i>1.7%</i>
	<i>35% S&P Listed Private Equity Index</i>		<i>5.5%</i>
	<i>20% Dow Jones UBS Commodity Index</i>		<i>2.5%</i>
Cash		3%	0.0%
Total			3.1%

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 26 years. As of June 30, 2017, the firm had \$91 billion in assets under management. 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 an Enrolled Actuary under ERISA and the Chairman of the Investment Section of the Society of Actuaries.

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Bloomberg Barclays Capital 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 LP.

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