

The Design of the #1 performing pension plan
in the U.S for the eight years (2002-2009)

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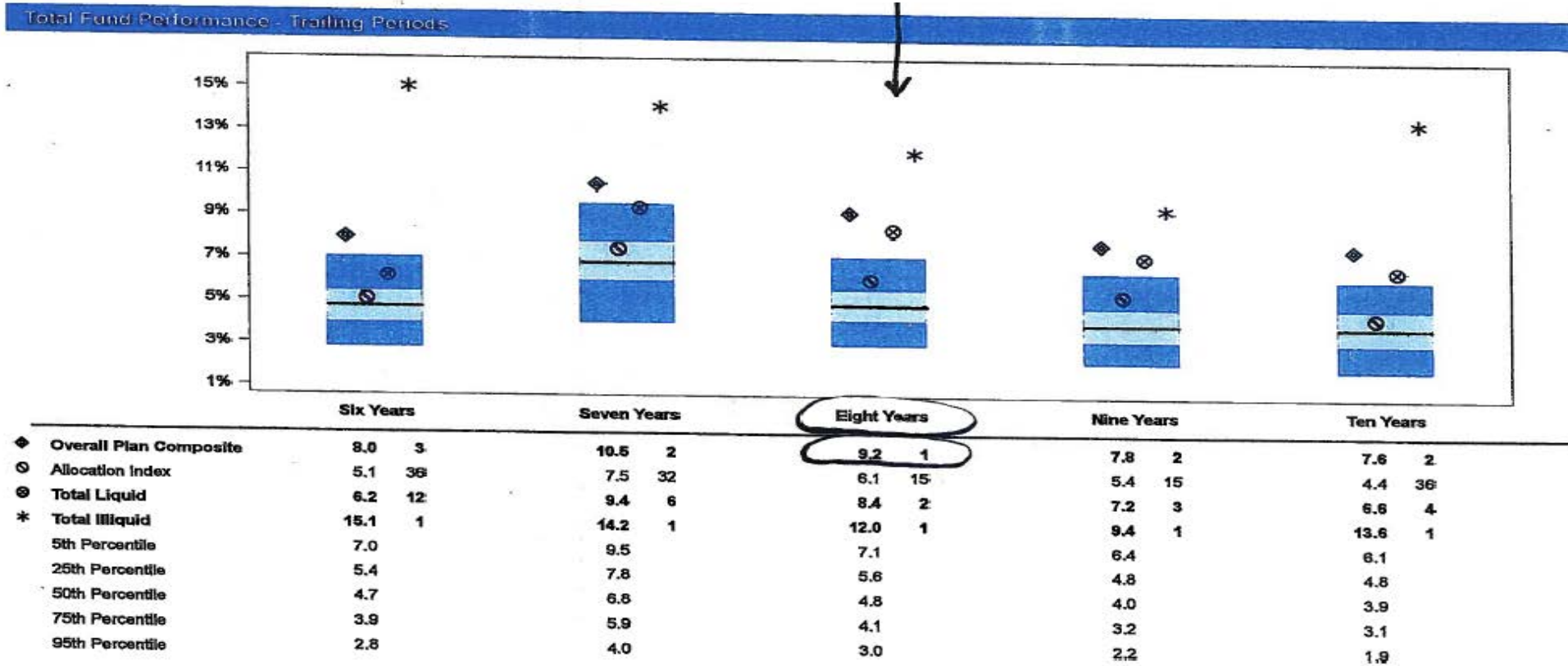
Introduction

- CIO for eight years at the Company (2002 – 2009)
- Company's U.S Plan was the top (1st percentile) performing pension plan during the entire eight year period (2002 – 2009)
- This eight year period included a bull equity market (2003 – 2007) and a bear equity market (2008-2009)
- The return for this eight year period was 9.2% vs. the median plan of 4.8% annualized
- The asset allocation was designed to outperform in all markets, with a lower risk profile, while duration matching the Plan's liabilities

Objectives

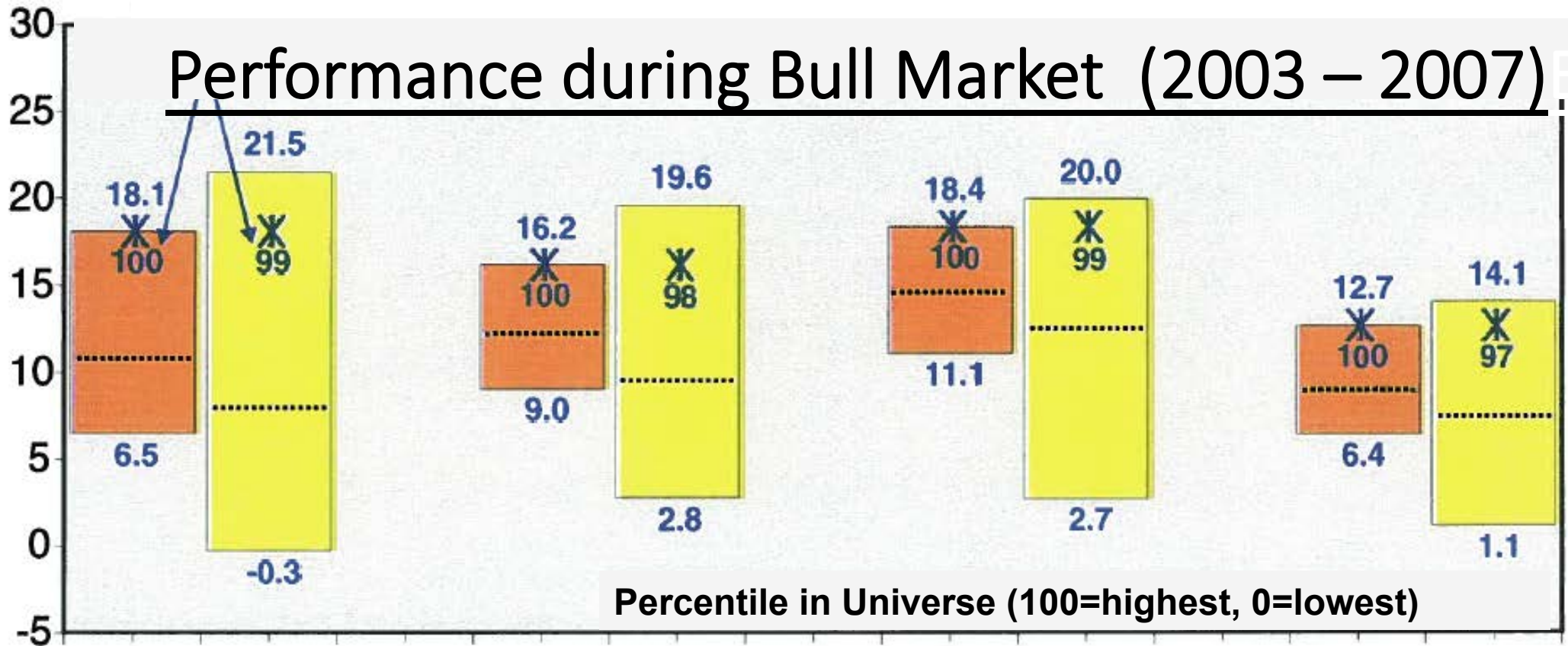
- 9% return assumption
- Utilize risk parity principles
- Lower risk profile (volatility)
- Duration match, assets with liabilities, as much as possible

Eight Year Returns (2002 – 2009)



Total Fund – Universe: Master Trust Funds
 Periods ending December 31, 2009

Performance during Bull Market (2003 – 2007)



Percentile in Universe (100=highest, 0=lowest)

1 YR

3 YR

5 YR

10 YR



Peer*

17 peer companies**



MTU*

>300 trusts



Company

** Alcatel (Lucent)
Alcoa
Altria
AT&T

Chrysler
DuPont
ExxonMobil
Ford

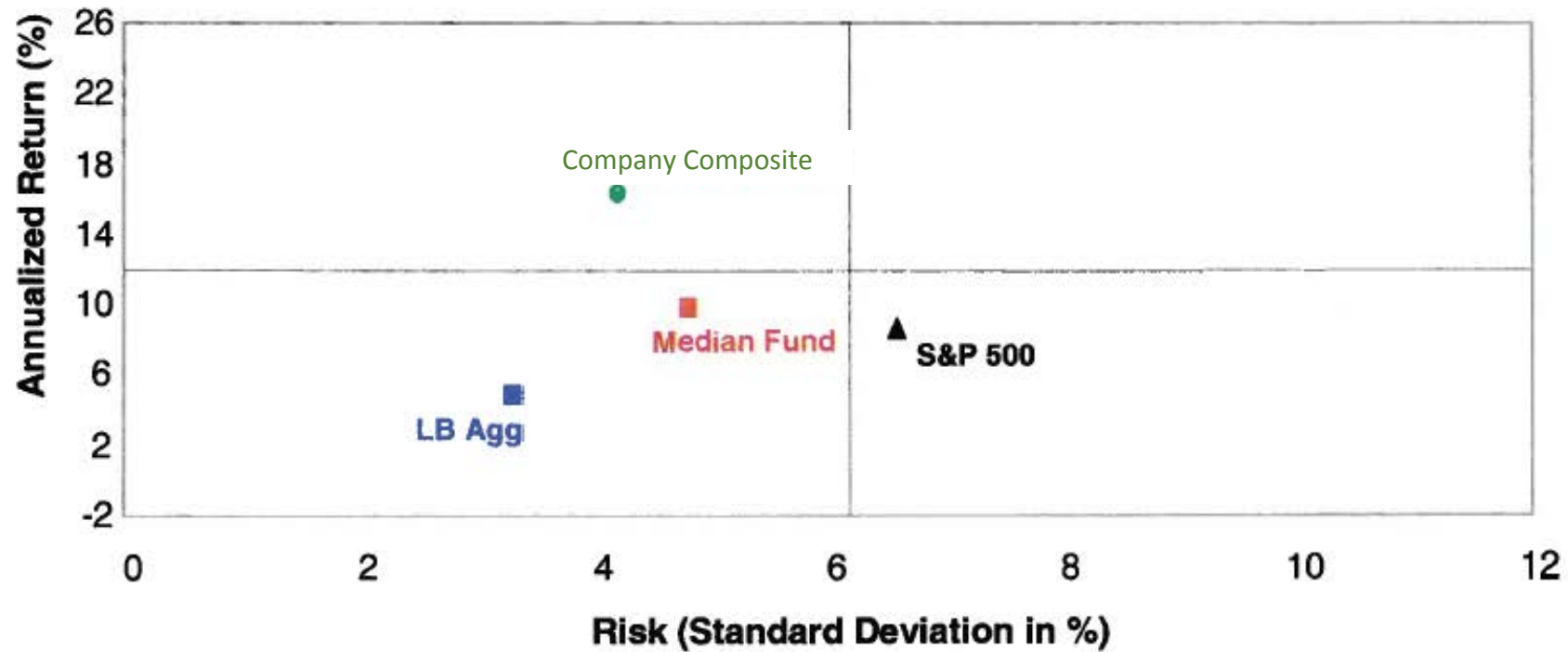
GE
GM
Honeywell

IBM
3M
Shell

United Tech
US Steel
Verizon

* Peer data is net of fees; Mellon Trust Universe (MTU) data less estimated fees of 0.4%.

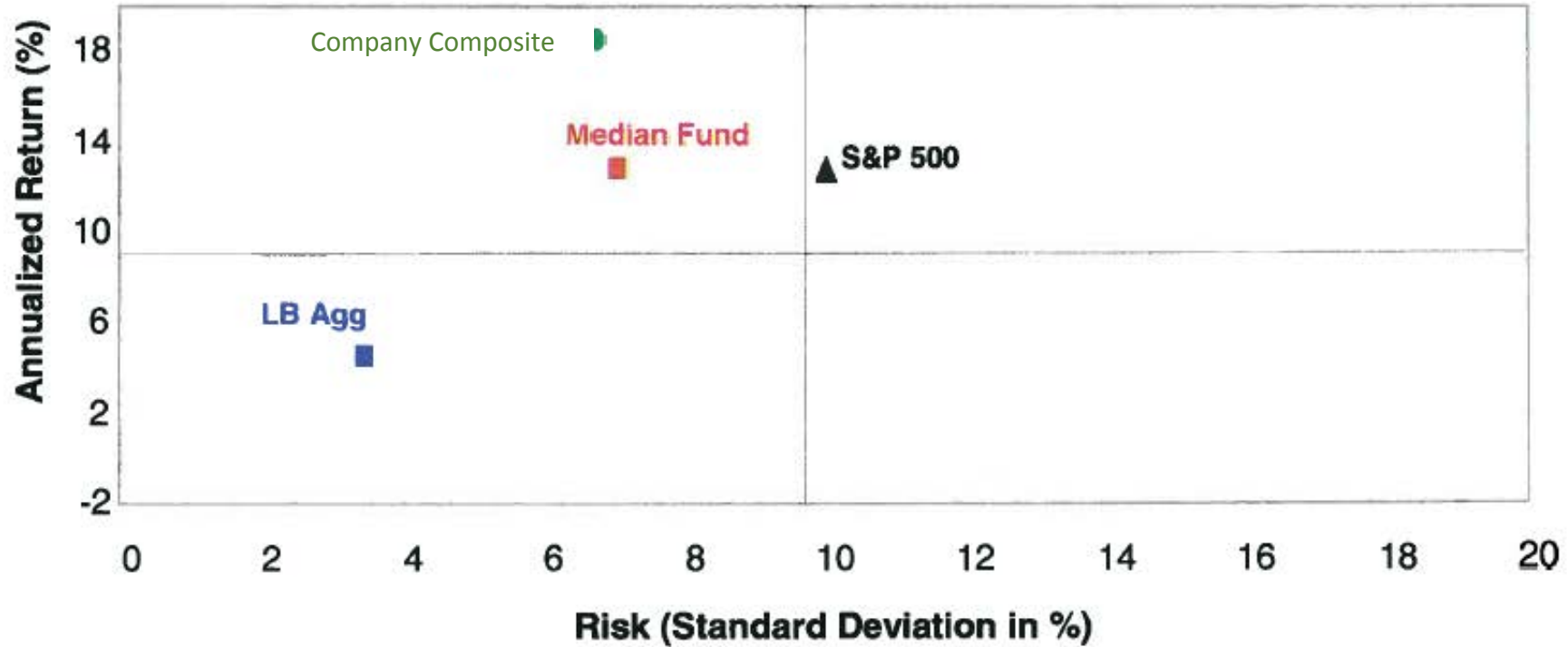
Total Return vs. Risk* - 3 Years Ending 12/31/07



	Annualized Return		Standard Deviation	
	Value	Rank	Value	Rank
Company	16.2	1	4.2	25
S&P 500 Index	8.6		6.6	
LB Aggregate Index	4.6		3.3	
Median Corporate Fund	9.7		4.8	

* Based on Independent Consultants Cooperative (ICC) universe, in which NEPC is a member and founding firm. As of 12/31/2007 the Total Corporate Funds universe represented 250 funds with \$661b in assets.

Total Return vs. Risk* - 5 Years Ending 12/31/07



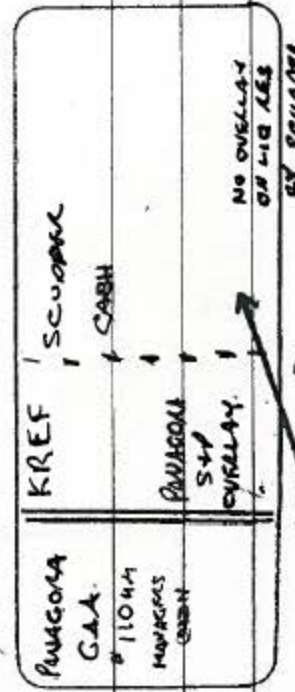
	Annualized Return		Standard Deviation	
	Value	Rank	Value	Rank
Company	18.4	1	6.7	31
S&P 500 Index	12.8		10.0	
LB Aggregate Index	4.4		3.4	
Median Corporate Fund	12.7		7.0	

* Based on ICC universe, in which NEPC is a member and founding firm. As of 12/31/2007 the Total Corporate Funds universe represented 250 funds with \$661b in assets.

How did we do it?

OVERLAY TRUSTS

SOURCES -
 BGA
 GOLDMAN
 (AND OTHER)
 ON / MANDATE



FC, I, AA
 GAIN OR LOSS ON FUTURES INTEREST ON MARGIN STP
 NET RAINIUS OF PA TRUST PORTFOLIO ALPHA INCOME ALLOCATED MONTHLY
 RELATE EARNINGS ACCOUNT
 BOOK ENTRY

GAA DAN R. CORA
 MANAGER CASH

OVERLAY MANAGERS

ZRLO'S BRIDGEWATER	ZRLO'S ALLIANCE	RIDOO QA ADVISORS
F	A	Z 540

TEMPORARY FUNDING
 CONTRIBUTION ACCOUNT (STIP OR BALANCE)

PA TRUST "RATONAL ALPHA"
 TRUST X

PA UNITS POS STIP INCOME ALLOCATED MONTHLY
 BOOK ENTRY

PAR =
 LIQUIDITY RESERVE
 FOR MARKET TO MARKETS

SWEEP LIQ RES.

SWEEP

TEMPORARY CASH AT HELMUD
 (TRANSFER TO CHECK BOOK)

PANAGORA STP BOO OVERLAY

CHECKED UP BY HELMUD CREDIT LINE

SWEEP MANAGER CASH

EQUITY MANAGERS

ABSOLUTE RETURN PA MANAGERS

WYSAK PRATE RYR	BARON FEN	SEWNA FEN	A VLO GORON	FUROR	SARON BLOON	OLING UATK	RODAD ABRE	SYN MANT	FAD	ZACKS
MFA AB.		CONVULTS		INTEREST RATE		LONG/SHORT				
				CASH HELD AT HELMUD		CASH HELD AT HELMUD		CASH LONGS HELD AT HELMUD		

GAINS / LOSSES
 STIP AS EXPENSE

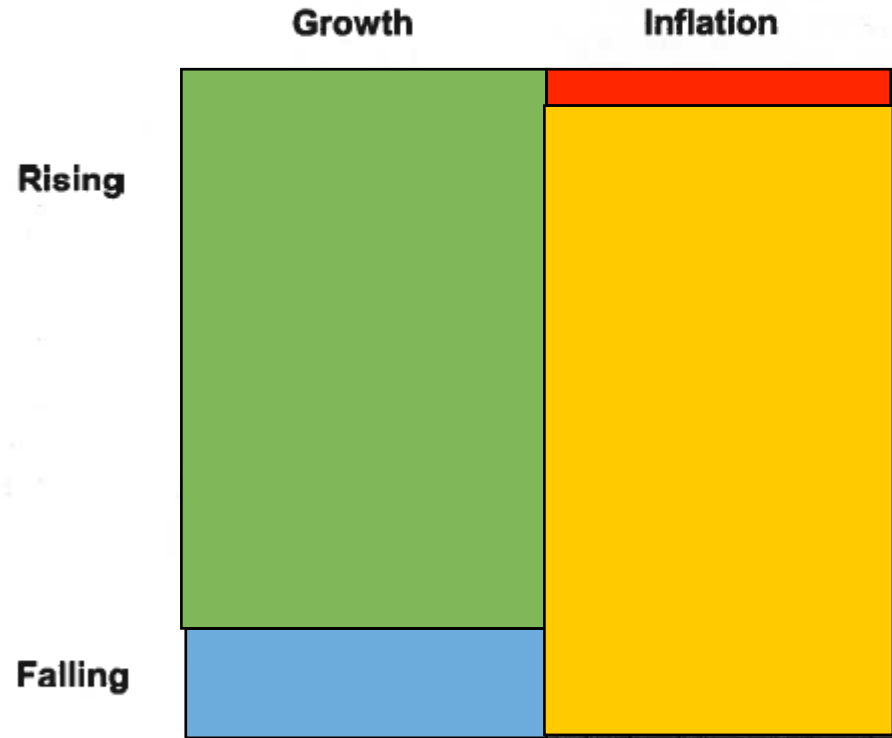
ORIGINAL FUNDING

Process

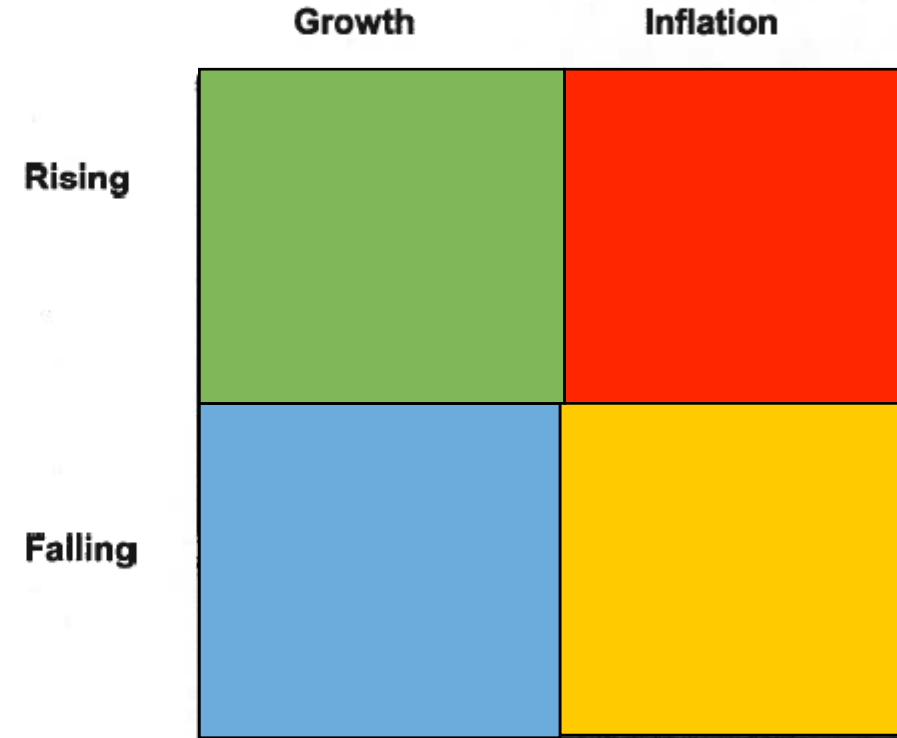
- Combined mean variance optimization with risk parity principles
- Create returns (including alpha), risk (volatility) and correlations for each asset class
- Perform mean variance optimization
- Select all portfolios that have at least 9% return assumption (including alphas) with reasonable risk
- Select portfolios that have the best risk balance using risk parity principles
- If possible, adjust to 25% of risk in each quadrant. (Example: Needed more rising inflation assets other than commodities, we levered the U.S tips portfolio 2:1)
- As a check, had third party Asset Manager perform mean variance optimization on final asset allocation using their assumptions to verify for comparative purposes and reasonableness

RISK EXPOSURE IMBALANCE

Typical Institutional Portfolio* Economic Environment Risk Exposures



Balanced Economic Environment Risk Exposures

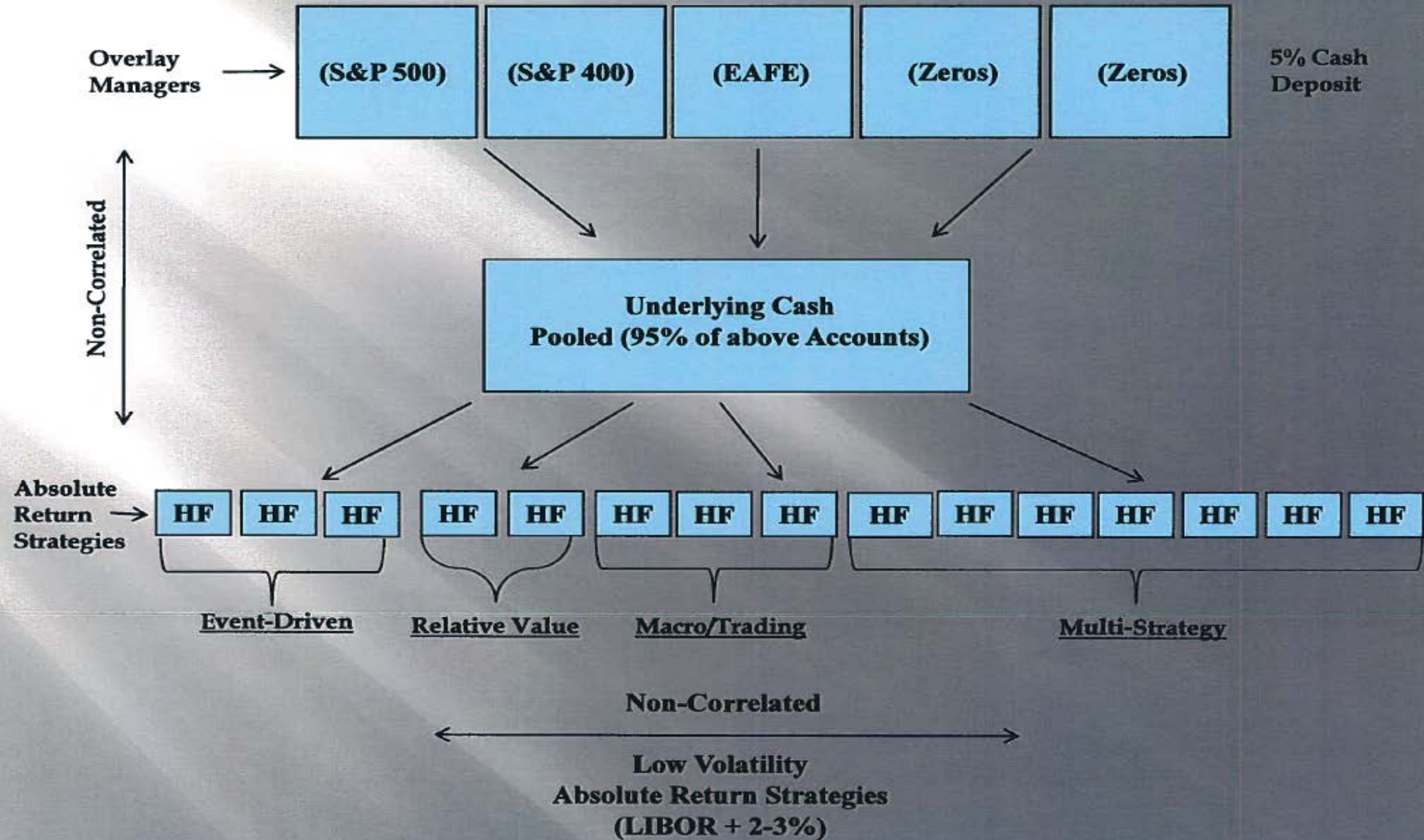


* 60/40 Domestic Equities/Bonds mix

Balanced Risk

	GROWTH	INFLATION
RISING	<ul style="list-style-type: none">- Equities- Corp/Mortgage Spreads- EMD Spreads- Commodities	<ul style="list-style-type: none">- Commodities- IL Bonds
FALLING	<ul style="list-style-type: none">- Nominal Bonds- IL Bonds	<ul style="list-style-type: none">- Equities- Nominal Bonds

Portable Alpha Program



Q4 2008 to Q1 2009 The Need For Liquidity

Portable Alpha	Fixed Income	Hedge Funds	Private Equity	Real Estate
Equities				

Gated

Gated

Cash Calls

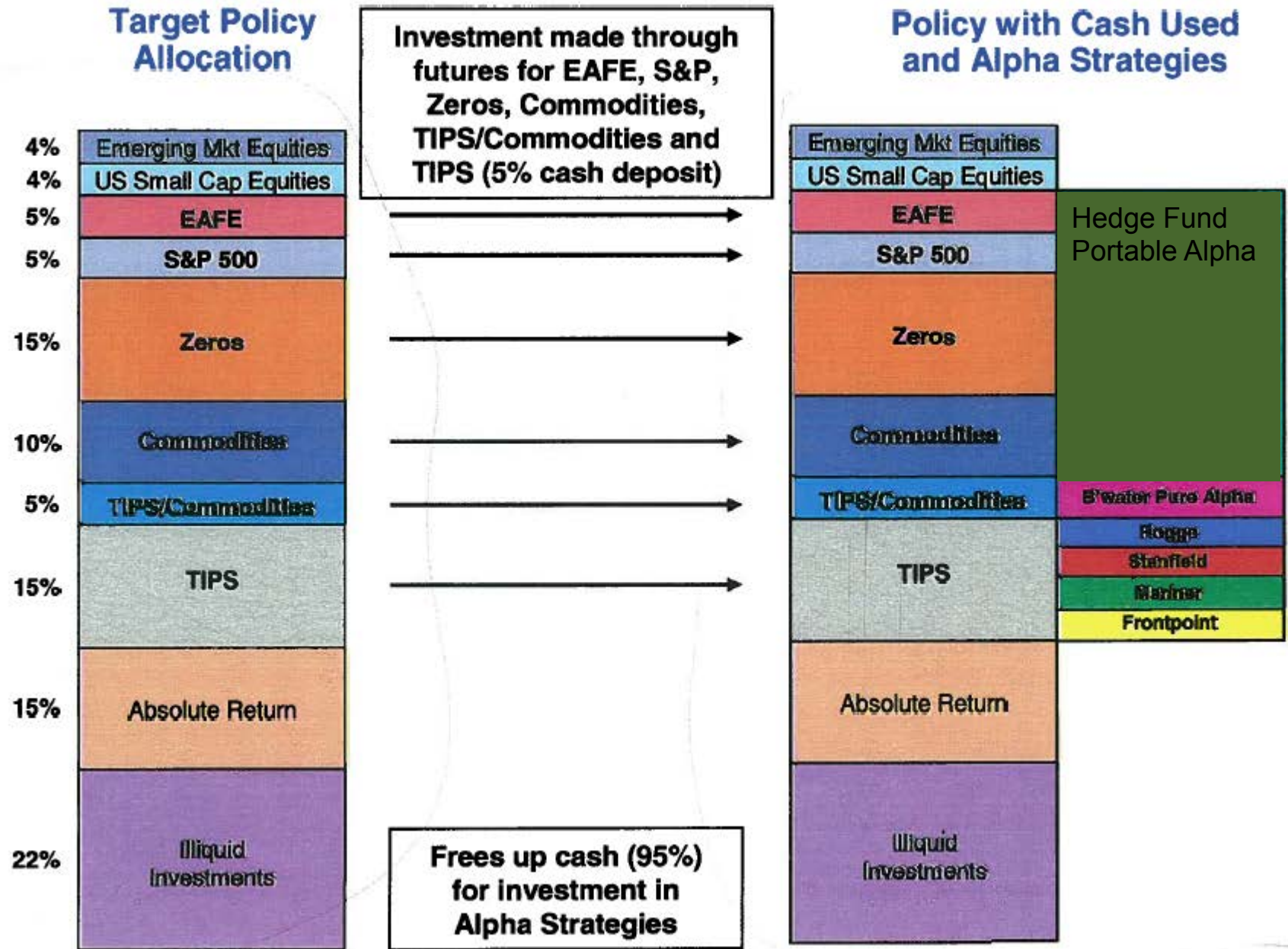
Cash Calls

Cash
Calls

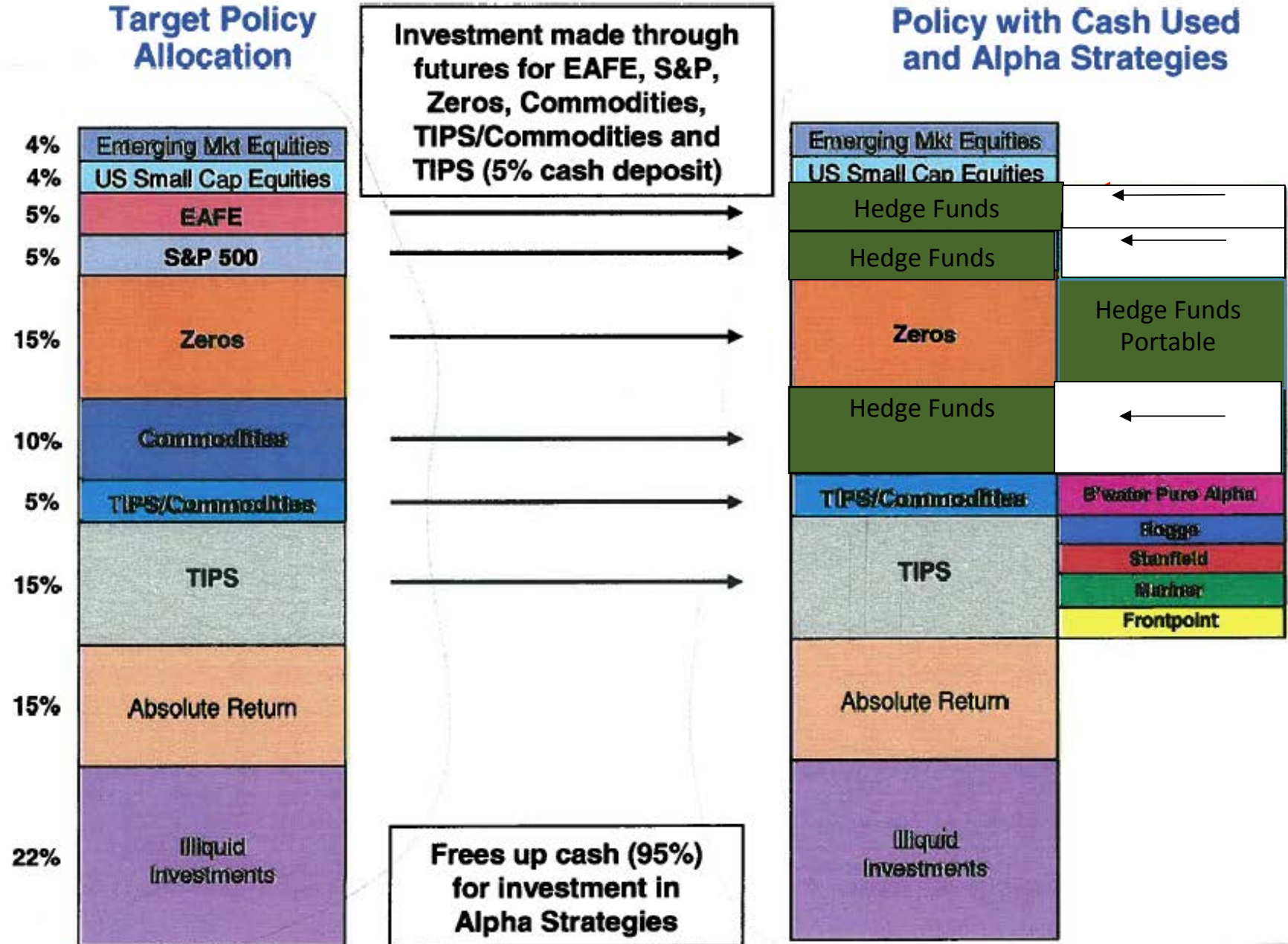
Forced to Sell
Equities at Bottom
of Market

Portable Alpha ↓	US Treasuries ↑	Hedge Funds ↓	Private Equity ↓	Real Estate ↓	Benefits
Equities ↓	Credit ↓				

July 2008



November 2008



April 2009

