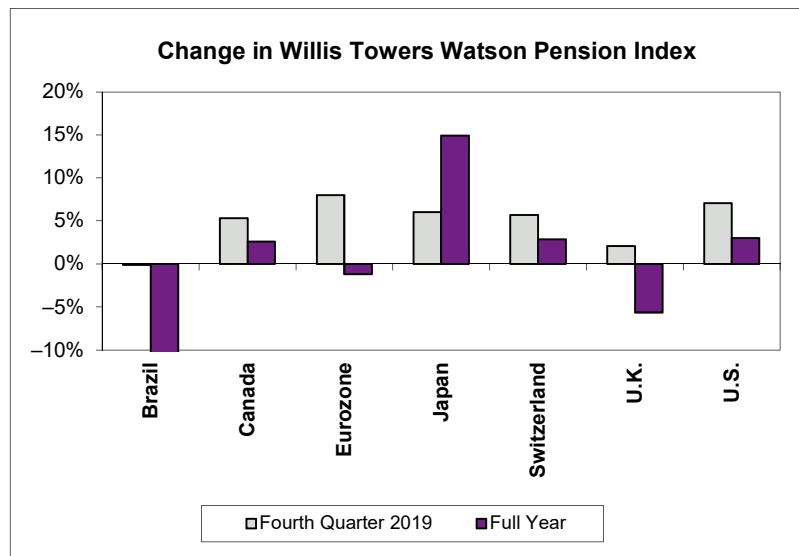


Global Pension Finance Watch Fourth Quarter 2019

Positive Fourth Quarter Index Results

Favorable investment returns and increasing discount rates drove up index results over the fourth quarter in almost all regions. Brazil was the only region that saw a decrease in the pension index due to the declining discount rate in Q4, driving liability value up for this region only. For the full year, sharply declining discount rates were broadly offset by robust asset returns in most locations.

Change in Willis Towers Watson Pension Index	Q4 2019	Full Year
Brazil	-0.1%	-10.9%
Canada	5.3%	2.6%
Eurozone	8.0%	-1.2%
Japan	6.0%	15.0%
Switzerland	5.7%	2.9%
U.K.	2.1%	-5.7%
U.S.	7.1%	3.0%



The Willis Towers Watson Pension Index is the ratio of the market value of assets to the projected benefit obligation (PBO) for a hypothetical benchmark plan.

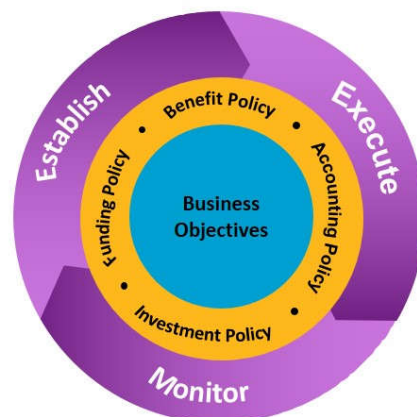
About this report

Global Pension Finance Watch, published quarterly, reviews how capital market performance affects defined benefit pension plan financing in major retirement markets worldwide, with a focus on linked asset/liability results. We cover defined benefit pension plans in Brazil, Canada, the Eurozone, Japan, Switzerland, the U.K. and the U.S. Specific plan results will vary based on such factors as liability characteristics, contribution policy, portfolio composition and management strategy.

The impact of capital markets on these pension plans is twofold:

- Investment performance on fund assets
- Changes in economic assumptions on plan liabilities (as measured under international accounting standards)

If you have questions or comments about this report, please contact Nathan Pavlik in Chicago at nathan.pavlik@willistowerswatson.com or David Finn in London at david.finn@willistowerswatson.com.



Investment returns and liability growth

All regions experienced positive returns in the fourth quarter with the exception of the U.K. The regions with particularly strong results over Q4 were the U.S. and Japan. Over the full year, all regions experienced strongly positive investment returns during 2019.

Investment returns	Q4 2019	Full Year
Brazil	3.5%	18.5%
Canada	2.5%	15.7%
Eurozone	1.7%	17.0%
Japan	4.9%	14.0%
Switzerland	1.5%	13.8%
U.K.	-1.3%	17.1%
U.S.	5.3%	20.6%

Note: All regional financial results are stated on a local currency basis.

Benchmark discount rates increased in all regions during the fourth quarter with the exception of Brazil. The largest discount rate increases during Q4 were in the Eurozone and Switzerland.

Benchmark discount rate*	Dec. 2019	Sep. 2019	Dec. 2018
Brazil	8.65%	8.74%	10.22%
Canada	3.05%	2.84%	3.62%
Eurozone	1.16%	0.89%	1.87%
Japan	0.95%	0.88%	0.86%
Switzerland	0.24%	0.01%	0.82%
U.K.	1.90%	1.76%	2.70%
U.S.	3.45%	3.28%	4.33%

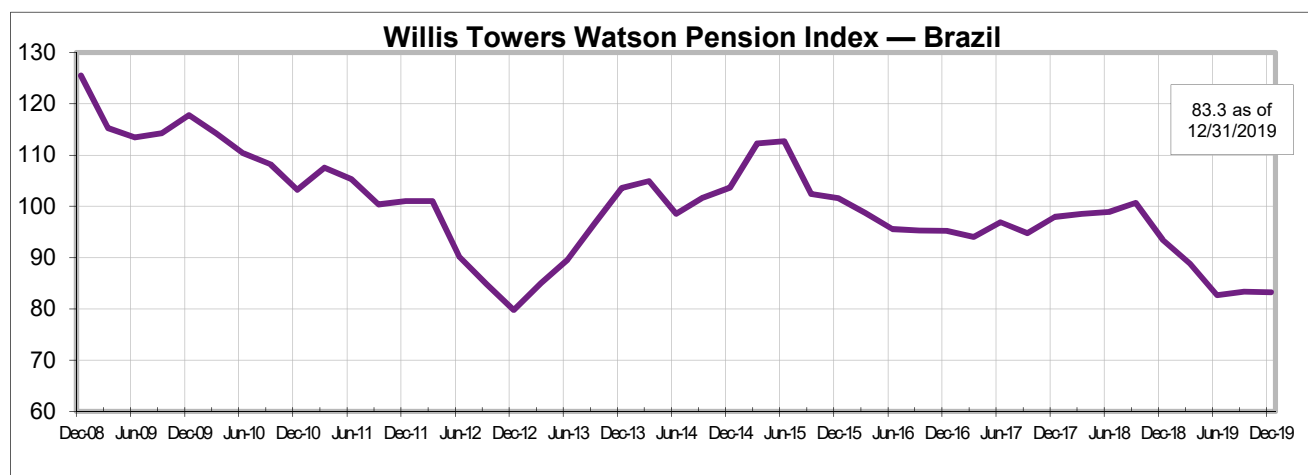
*Discount rates for the benchmark plans were determined using Willis Towers Watson's RATE:Link methodology in those countries where it is available. There is generally more than one acceptable approach for determining the discount rate in each country. The approach used for index purposes is one of several possible approaches; other acceptable methodologies may result in higher or lower discount rates.

Rising discount rates during Q4 drove liability values down in all regions with the exception of Brazil where the declining discount rates continued to decline and increased liabilities. Over 2019, liability values were up in most regions with the most significant increases in Brazil and the U.K, mainly due to the declining discount rates during 2019.

Liability growth factor	Q4 2019	Full Year
Brazil	3.6%	33.0%
Canada	-2.7%	12.8%
Eurozone	-5.9%	18.4%
Japan	-1.1%	-0.9%
Switzerland	-4.0%	10.6%
U.K.	-3.3%	24.1%
U.S.	-1.6%	17.0%

Note: The liability growth factor reflects the net change in the benchmark plan's PBO due to interest accumulation and changes in financial assumptions.

Brazil



Both domestic equities and bonds continued the recent trend and showed positive returns over the quarter. Overall, the benchmark portfolio increased 3.5% over the quarter.

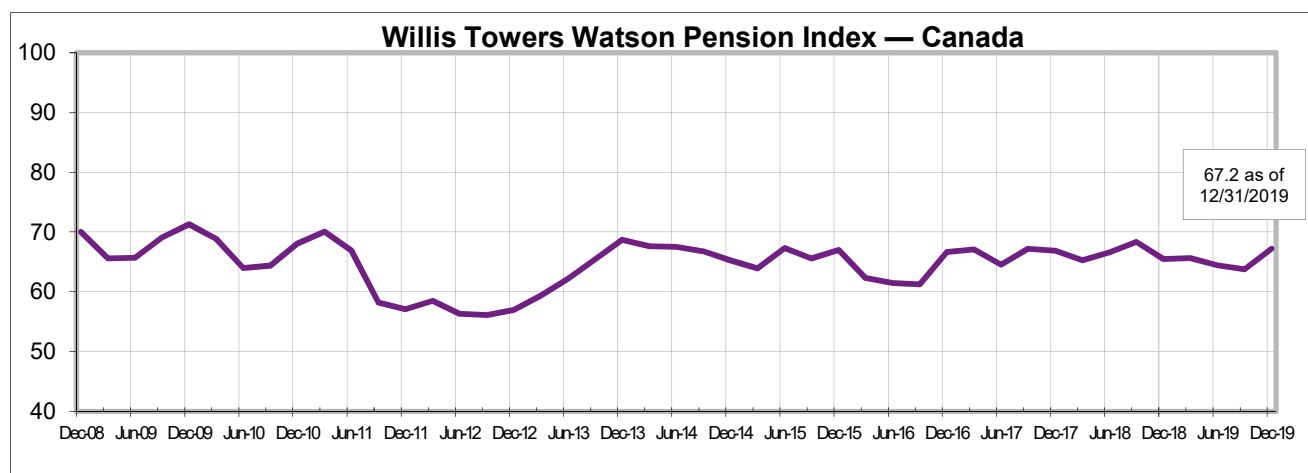
The nominal benchmark discount rate decreased 8 basis points over the quarter. This change combined with interest accumulation resulted in a liability increase of 3.6% over the fourth quarter.

The combined asset and liability effect was a 0.1% decrease in the pension index for the quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	10.9%	32.9%
International equity	NA	NA
Domestic fixed income	1.7%	15.0%
International fixed income	NA	NA
Benchmark portfolio	3.5%	18.5%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year govt. bond (real)	3.48%	3.56%	4.97%
10-year govt. bond (real)	2.25%	2.55%	4.43%
Three-month govt. bond (nominal)	4.35%	5.04%	6.37%
Long-term AA-rated corporate bond	NA	NA	NA
Benchmark discount rate (nominal)	8.65%	8.74%	10.22%

Canada



Equities showed positive returns over the quarter, while domestic bonds were negative. Overall, the benchmark portfolio increased 2.5% over the quarter.

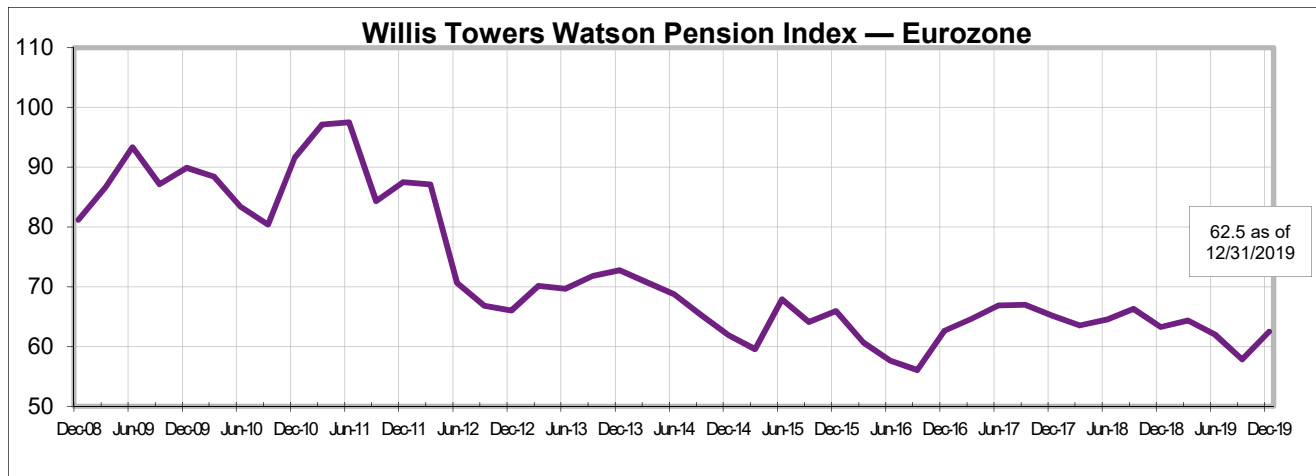
The benchmark discount rate increased by 21 basis point over the quarter. This change combined with interest accumulation decreased the liability by 2.7% over the quarter.

The combined effect of the asset and liability movements was a 5.3% increase in the pension index over the fourth quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	3.2%	22.9%
International equity	6.5%	20.7%
Domestic fixed income	-0.9%	6.9%
International fixed income	NA	NA
Benchmark portfolio	2.5%	15.7%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year govt. bond	1.76%	1.53%	2.18%
10-year govt. bond	1.70%	1.37%	1.96%
Three-month govt. bond	1.66%	1.66%	1.65%
Long-term AA-rated corporate bond	2.80%	2.73%	3.44%
Benchmark discount rate	3.05%	2.84%	3.62%

Eurozone



Equities showed positive returns over the quarter, while domestic bonds valuations fell. Overall, the benchmark portfolio increased 1.7% over the quarter.

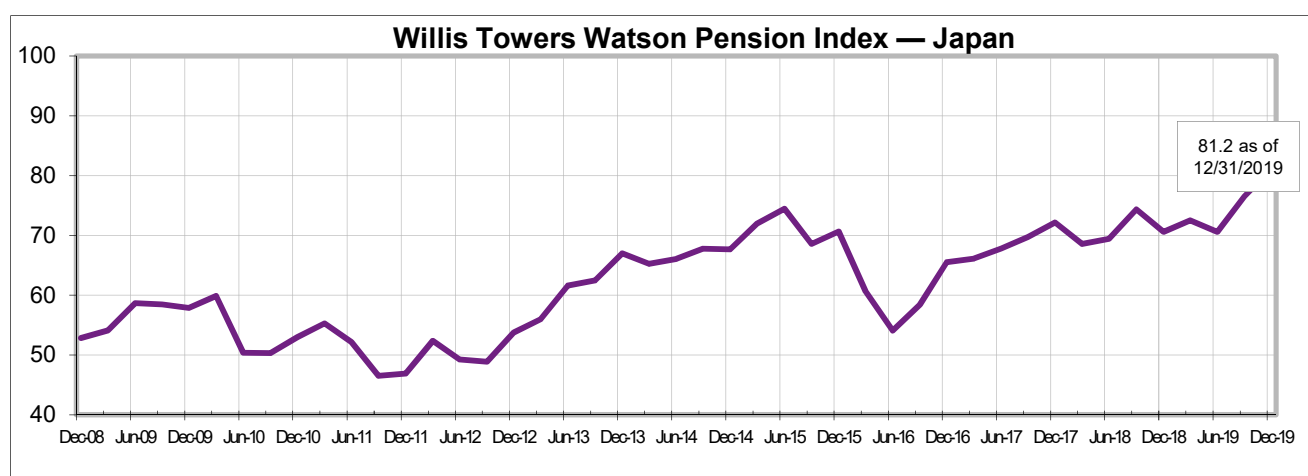
The benchmark discount rate increased by 27 basis points over the quarter. This change combined with interest accumulation decreased the liability by 5.9% over the fourth quarter.

The combined effect of the asset and liability movements was a 8.0% increase in the pension index over the quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	5.8%	26.9%
International equity	5.6%	31.3%
Domestic fixed income	-2.3%	6.0%
International fixed income	NA	NA
Benchmark portfolio	1.7%	17.0%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year govt. bond	0.35%	-0.06%	0.92%
10-year govt. bond	-0.17%	-0.58%	0.27%
Three-month govt. bond	-0.42%	-0.44%	-0.33%
Long-term AA-rated corporate bond	0.77%	0.47%	1.57%
Benchmark discount rate	1.16%	0.89%	1.87%

Japan



Equities showed positive returns over the quarter, while both domestic and international bond returns were negative. This resulted in a 4.9% increase in the benchmark portfolio over the quarter.

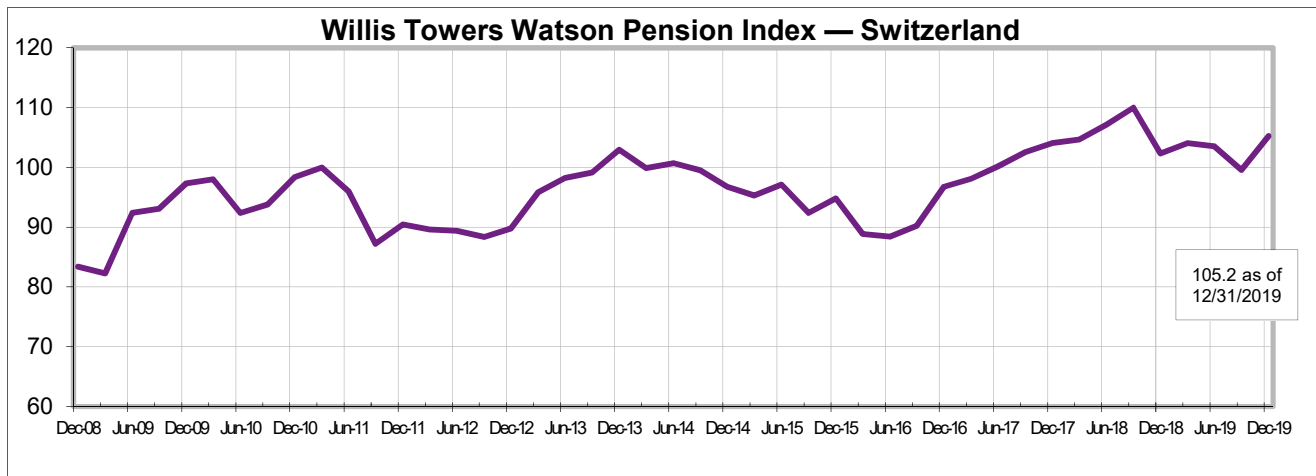
The benchmark discount rate increased by 7 basis points over the quarter. This change combined with interest accumulation decreased the liability by 1.1% over the quarter.

The combined effect of the asset and liability movements was a 6.0% increase in the pension index over the quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	8.4%	18.3%
International equity	9.3%	27.2%
Domestic fixed income	-1.1%	1.5%
International fixed income	-0.1%	4.5%
Benchmark portfolio	4.9%	14.0%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year gov. bond	0.41%	0.36%	0.72%
10-year gov. bond	-0.02%	-0.21%	0.01%
Three-month gov. bond	-0.11%	-0.34%	-0.15%
Long-term AA-rated corporate bond	NA	NA	NA
Benchmark discount rate	0.95%	0.88%	0.86%

Switzerland



Domestic equities showed positive returns over the quarter, while domestic bonds were negative. Overall, the benchmark portfolio increased 1.5% over the quarter.

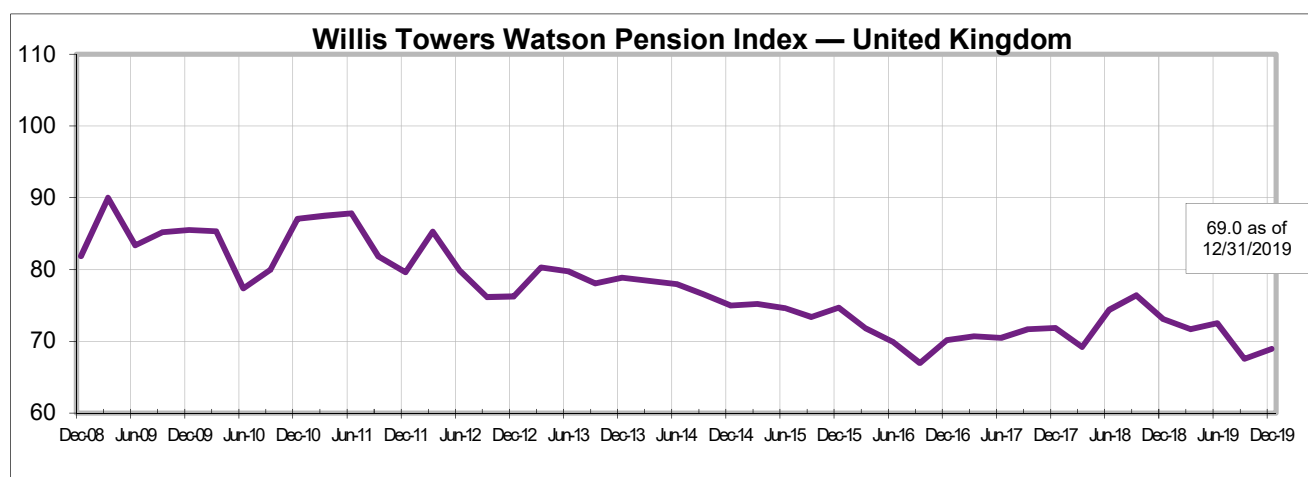
The benchmark discount rate increased 23 basis points over the quarter. This change combined with interest accumulation decreased the liability by 4.0% over the quarter.

The combined effect of the asset and liability movements was a 5.7% increase in the pension index over the quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	4.9%	30.4%
International equity	NA	NA
Domestic fixed income	-1.7%	3.0%
International fixed income	NA	NA
Benchmark portfolio	1.5%	13.8%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year govt. bond	-0.15%	-0.38%	0.37%
10-year govt. bond	-0.44%	-0.74%	-0.18%
Three-month govt. bond	NA	NA	NA
Long-term AA-rated corporate bond	NA	NA	NA
Benchmark discount rate	0.24%	0.01%	0.82%

United Kingdom



Equities showed positive returns during the fourth quarter, while domestic bonds were negative. Overall, the benchmark portfolio decreased 1.3% over the quarter.

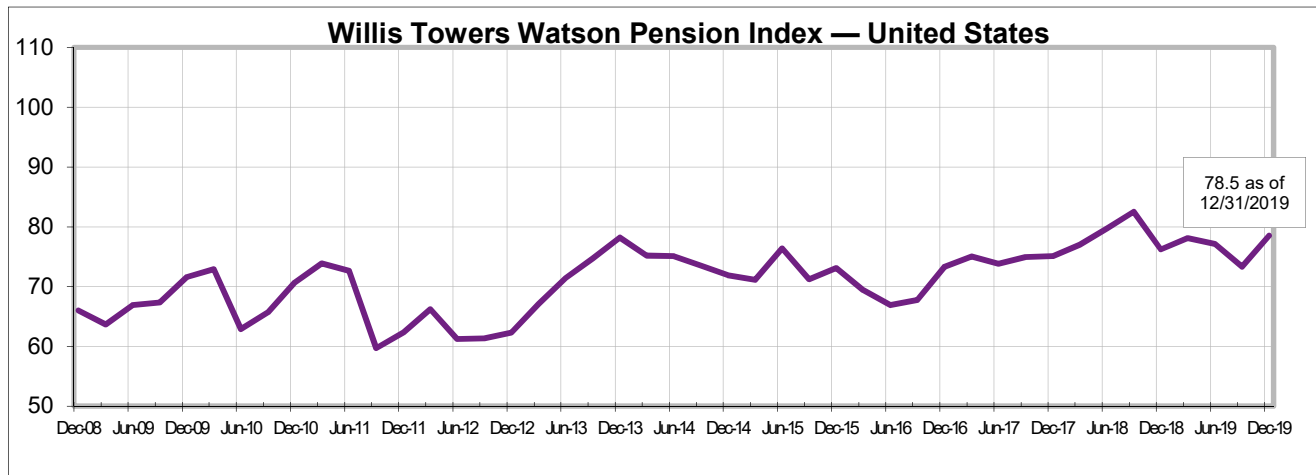
The benchmark discount rate increased 14 basis points over the quarter. Overall, this change combined with interest accumulation drove decreased the liability by 3.3% over the fourth quarter.

The combined effect of the asset and liability movements was a 2.1% increase in the pension index over the quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	3.0%	18.1%
International equity	1.4%	22.6%
Domestic fixed income	-6.6%	12.0%
International fixed income	NA	NA
Benchmark portfolio	-1.3%	17.1%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year govt. bond	1.33%	0.97%	1.82%
10-year govt. bond	0.82%	0.49%	1.28%
Three-month govt. bond	0.71%	0.77%	0.70%
Long-term AA-rated corporate bond	2.00%	1.81%	2.76%
Benchmark discount rate	1.90%	1.76%	2.70%

United States



Both equities and bonds showed positive returns during the fourth quarter. Overall, the benchmark portfolio increased 5.3% over the quarter.

The benchmark discount rate increased 17 basis points for the quarter. This change combined with interest accumulation decreased the liability by 1.6% over the fourth quarter.

The combined effect of the asset and liability movements was a 7.1% increase in the pension index for the quarter.

Investment returns	Q4 2019	Full Year
Domestic equity	8.9%	30.7%
International equity	8.2%	22.0%
Domestic fixed income	0.2%	7.9%
Benchmark portfolio	5.3%	20.6%

Interest rates	Dec. 2019	Sep. 2019	Dec. 2018
30-year govt. bond	2.39%	2.12%	3.02%
10-year govt. bond	1.92%	1.68%	2.69%
Three-month govt. bond	1.55%	1.88%	2.45%
Long-term AA-rated corporate bond	3.15%	3.06%	4.15%
Benchmark discount rate	3.45%	3.28%	4.33%

General comments

In order to obtain a general indication of pension plan performance in various countries, we defined a benchmark pension plan that is intended to be representative of the pension liabilities and plan assets (including asset mix) that are typically found in each global market. Note that certain simplifying assumptions are made about cash contributions made to the benchmark plan and other characteristics.

Liability measurement

Pension plan liabilities under many commonly used international accounting standards (including ASC 715, CICA 3461, CVM 371, FRS 17 and IAS 19) are measured using a discount rate that is set based on yields available on high-quality corporate bonds as of the date that liabilities are measured.

While the discount rate is the most commonly quoted assumption, liability and expense calculations depend on a number of additional assumptions, both economic (such as expected salary increases and expected benefit increases) and demographic. Other financial assumptions are adjusted so as to remain consistent with changes in the discount rate.

Asset smoothing

ASC 715 and CICA 3461 allow plan sponsors to use smoothing mechanisms to buffer the effects of year-to-year investment performance. Plans using these approaches will see the effect of investment return experience spread over a period of years.

Currency effects

The results presented in this document are in local currency. Changes in relative currency values may have a significant impact on asset and liability measurements. The effect of currency movements depends on the company’s reporting currency and its global allocation of assets and liabilities. The accompanying table shows the value of foreign currency that equates to one U.S. dollar at various measurement dates.

Exchange rates (currency per US\$1)	Dec. 2019	Sep. 2019	Dec. 2018
Brazil	4.04	4.16	3.88
Canada	1.31	1.32	1.36
Eurozone	0.89	0.91	0.87
Japan	109.06	108.0	110.34
Switzerland	0.97	0.99	0.98
U.K.	0.76	0.81	0.79

Local regulatory requirements

This update reviews financial results for pension plans based on measurements defined by international accounting standards. Local accounting or funding requirements may be based on significantly different types of asset or liability measures in some locations.

Eurozone benchmark plan

The results shown for the Eurozone are based on typical funded plans found in Belgium and the Netherlands.

Definition of terms

Bond yields

- Government bond yields are based on published information. Government bond yields for the Eurozone are based on German government bonds. Due to the lack of marketable securities, Brazilian government bond yields are real rates, except for the three-month government bond yield, which is a nominal rate (i.e., includes inflation).
- Corporate bond yields reflect the FTSE TMX Corporate Bond Index for Canada, iBoxx EURO Corporates AA 10+ for the Eurozone, iBoxx 15+ AA Corporate Bond Index for the U.K. and ML 10+ High-Quality Index in the U.S.
- Benchmark discount rates are determined for the average plan based on yields available on high-quality corporate bonds as of the date that liabilities are measured. Discount rates for Canada, the Eurozone, Japan, Switzerland, the U.K. and the U.S. are based on our RATE:Link methodology. Discount rates for Brazil are a proxy for the yield on corporate bonds, developed from the real yield on 30-year government bonds with an adjustment to account for liquidity characteristics and the addition of a long-term inflation assumption. Higher or lower discount rates might be appropriate for other plans.

Benchmark investment returns

- Benchmark investment returns reflect the combined effect of price changes and interest or dividend income. This will typically differ from the daily results published in financial journals, which are based solely on price changes.
- Investment returns have been based on commonly quoted local benchmarks, as detailed below:
 - For Brazil, domestic equity returns are based on the FTSE All-World Brazil index, and domestic fixed-income returns on the iBoxx GEMX Brazil index.
 - For Canada, domestic equity returns are based on the S&P/TSX Composite, international equity returns on 50% S&P 500 (in Canadian dollars), 50% MSCI EAFE Total Return Index Net Dividends (in Canadian dollars) and domestic fixed-income returns on the FTSE TMX Universe Bond Total Return.
 - For the Eurozone, domestic equity returns are based on the MSCI Eurozone market index, international equity returns on the MSCI World ex-EMU total return index and domestic fixed-income returns on the iBoxx EUR Overall index.
 - For Japan, domestic equity returns are based on the FTSE All-World Japan index, international equity returns on the MSCI World (ex-Japan) Index with net dividends reinvested, domestic fixed-income returns on the FTSE Japan Government Total index and international fixed-income returns on the FTSE Global Government Bond index.
 - For Switzerland, portfolio returns are based on the Pictet Index 2005 BVG-40+ index.
 - For the U.K., domestic equity returns are based on the FTSE All Share, international equity returns on the FTSE All-World ex-U.K. and domestic fixed-income returns on the FTSE Over 15 Years Gilts.
 - For the U.S., domestic equity returns are based on 80% S&P 500 Index and 20% Russell 2500, international equity returns on the MSCI EAFE Index, and domestic fixed-income returns on 87.5% Barclays Capital Aggregate Bond Index and 12.5% three-month T-bills.
- Benchmark portfolio returns have been based on a typical diversified portfolio in each country. Benchmark portfolio returns for this quarter have been based on the following asset allocations:
 - Brazil: 20% domestic equity and 80% domestic fixed income
 - Canada: 60% equity (30% domestic, 30% international) and 40% domestic fixed income
 - Eurozone: 50% equity (30% domestic, 20% international) and 50% domestic fixed income
 - Japan: 60% equity (35% domestic, 25% international) and 40% fixed income (30% domestic, 10% international)
 - Switzerland: 30% equity (10% domestic, 20% international), 50% fixed income (30% domestic, 20% international), 10% real estate and 10% other assets (5% hedge funds, 5% private equity)
 - U.K.: 60% equity (35% domestic, 25% international) and 40% domestic fixed income
 - U.S.: 60% equity (50% domestic, 10% international) and 40% domestic fixed income

Willis Towers Watson Pension Index

- The Willis Towers Watson Pension Index is a measure of the PBO funded ratio, or the ratio of the market value of assets to the PBO for a benchmark plan. Asset values change from quarter to quarter based on the investment performance of the benchmark portfolio, assumed contributions and benefit payments. Liability values change with accumulated service cost and interest, benefit payments and the effect of any changes in financial assumptions. Contributions are assumed to be equal to the service cost for each benchmark plan, so that the Index captures the impact of capital market results.

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

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