

AERP Benefit Formula – Additional Information

Some AERP retirees have asked about the AERP investment return and its impact on the AERP unit value and annual benefit payments. In response, we have compiled some information to share with all participants to help you better understand how your pension works.

Under the AERP, you accrued both fixed benefits and variable benefits during your career. Your fixed benefit increases every year by a Cost of Living (COLA) adjustment of up to 2% every year (based on the consumer price index); the variable benefit (which is related to both the number of units you've earned during your career and the unit value) changes every year (up or down) depending upon the investment return on the AERP assets. The variable unit value has increased an average of 3.7% on an annualized basis since fiscal year 2009. (Note that benefits that increase during retirement (through COLA or unit value increases) are not common in corporate pensions plans and increase the value of your pension benefit.)

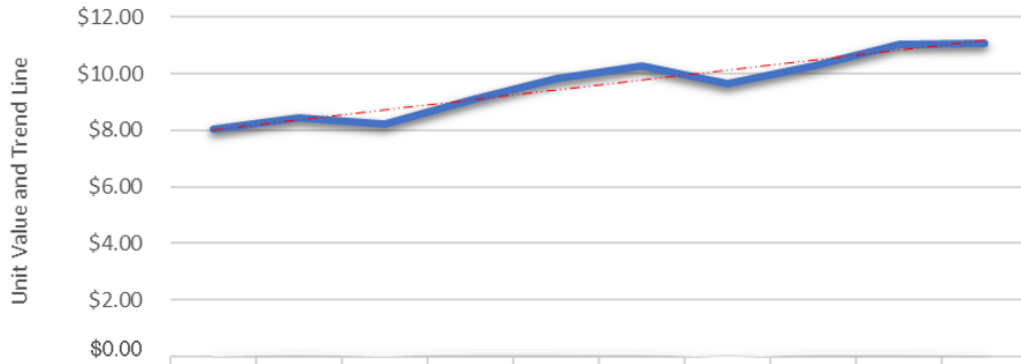
The AERP benefit structure was designed to both mitigate downside risk by providing a portion of the benefit that increases over time (via the fixed benefit) and to allow for growth potential albeit with some downside risk (via the variable benefit). The structure has worked as designed, with the average retiree seeing annualized growth of 3% - 4% in their benefit payments over time. There will be some fluctuation in benefit payments on a year over year basis due to the variable benefit.

The AERP unit value increases or decreases each year based on the return on assets in the variable benefit portfolio of the AERP trust in excess of or less than 4% (the hurdle rate). A hurdle rate in this range is a common feature of variable benefit plans of this nature. The assets in the variable unit portfolio returned 4.5% this year, due to strong returns in US equity markets offset by weaker returns in non-US equity (due to slowing international growth, trade tensions and a strong US dollar) and lower fixed income returns due to increasing interest rates.

See below for a graph of the Variable Portfolio investment returns and resulting Variable Unit Values.



AERP Variable Unit Value



	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Unit Value	\$8.03	\$8.45	\$8.21	\$9.07	\$9.84	\$10.28	\$9.63	\$10.25	\$11.04	\$11.09
Total Variable Fund Return	1.3%	9.5%	1.0%	14.9%	12.8%	8.7%	-2.6%	10.8%	12.0%	4.5%

The annualized growth rate in the unit value has been 3.7% since FY09