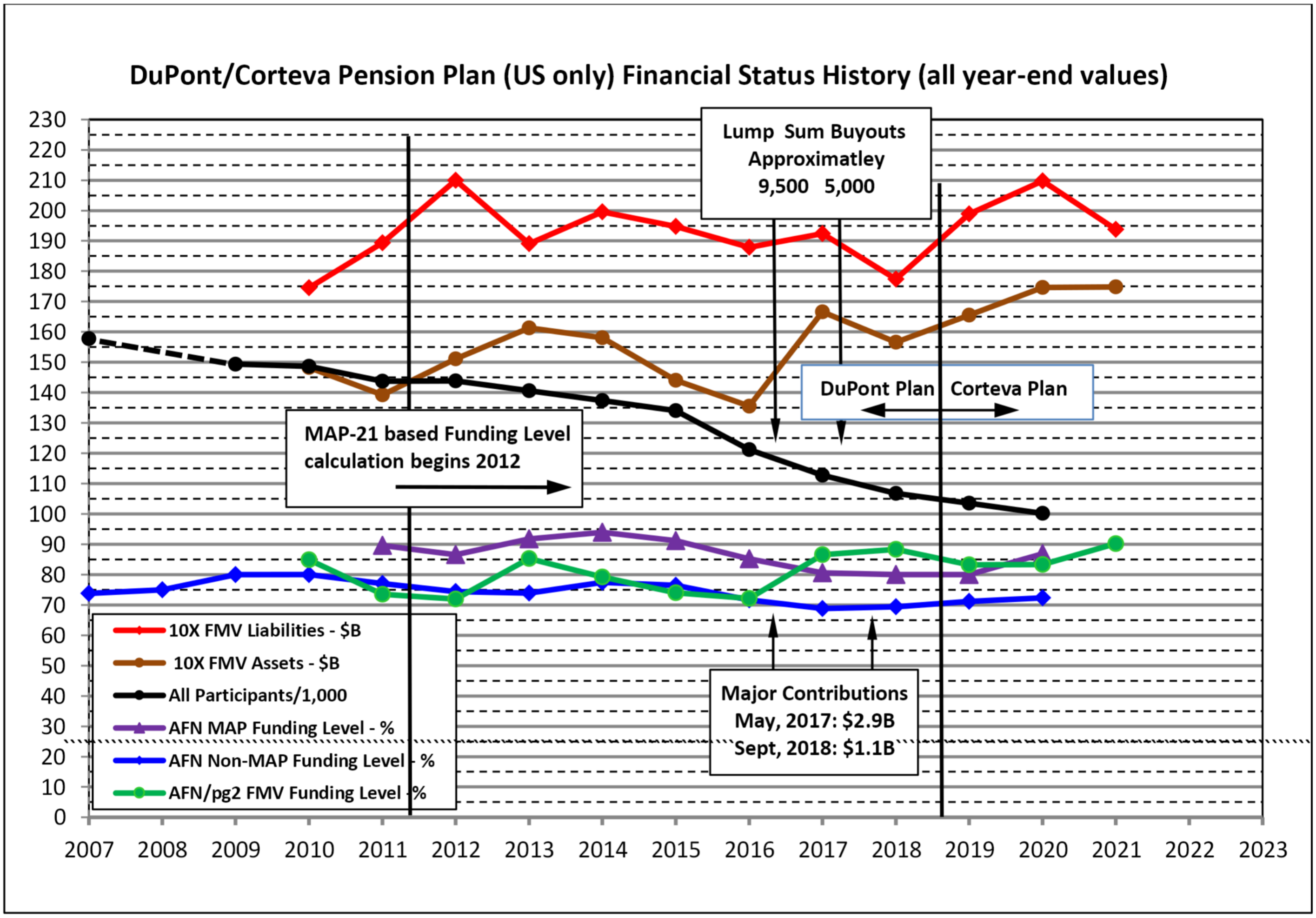
May 3, 2022,

From: Paul Kende
To: NRLN DuPont Retirees Chapter
Subject: DuPont/Corteva Pension Plan Historical Financial Overview

This is an update of the financial history of the former DuPont Pension Plan for which Corteva Agriscience assumed sponsorship on June 1, 2019 – and is based on the April, 2022 Annual Funding Notice (AFN), which reports the status of the Plan over the previous 3-years. In the graph I show Plan Participant population and performance data from AFNs, dating back to 2007, so we can all see and assess the Plan's trends and its current status.



U.S. Pension Plan Participants (retirees, spouses, former employees) numbered about 158,000 in 2007, which is down to about 100,000, due to attrition and Lump Sum Buyouts in 2016/17. About 9,000 Participants' pensions, representing relatively small remaining obligations, were annuitized in late 2021, which is not yet reflected in the population graph (black line). Note the time axis of the graph shows the end-of year dates.

The Funding Target Attainment Performance (FTAP %) is a key indicator of Plan status and security. Ideally, this Funding Level should be 100%, so that current assets, growing at expected rates of return, would generate sufficient funds to pay all obligations. Actual Funding Level is affected by contributions, investment performance of Plan assets and mortality projections. The Funding Levels represent assets, as a % of the Present Value (PV) of Liabilities.

The graph shows 3 different Funding Level (FTAP %) curves, based on different Liability discount rates used in calculating the present value of future obligations. Prior to 2011, FTAP-s, represented by the blue line, were calculated using the 2006 Pension Protection Act discount rate formula, based on the 2-yr average Treasury Bill yield, which shows a slide in performance from 80.2% at year-end 2010, to 72.4% at year-end 2020.

The 2008 financial crisis and the ensuing recession led to super low interest rates which increased Plan Liabilities, driving FTAPs lower and requiring companies to make higher contributions to keep their plans from sinking to low, “at-risk” funding levels. Congress passed the 2012 MAP-21 legislation, allowing Plan Sponsors to use 25-year average high-quality corporate bond yields to create higher discount rates. This, in turn, reduced present value calculations of long-term pension plan obligations, raising their apparent Funding Levels and reducing the corresponding contribution requirements. The purple line shows the much higher, MAP-21 rules-based Funding Levels, with a similar long-range pattern. Plans at 80% or below, are added to the Pension Benefit Guarantee Corporation’s “watch list” for potential plan termination. MAP-21 has been extended twice, and is now projected to expire in 2025, which would again increase liabilities, reduce Funding Levels and increase minimum corporate contribution requirements in the current difficult financial environment.

The two FTAP calculations discussed above are based on actuarial data as of January 1 of the plan year (but displayed here as the December 31 value of the previous year, to synchronize all data). This is 16 months old information when the AFN-s are published in April. The third way of evaluating the Pension Plan financial status is expressed in the narrative on page 2 of the AFN reports. There we find the Fair Market Value (FMV) of the Plan’s assets and expected obligations as of December, 31 of the plan-year, making it the most recent information. We feel the FMV data is also the most accurate of the three because it measures plan assets at market value and, although liabilities are projected actuarially, it is a snapshot of the plan’s net worth at year-end. The green FMV-based Funding Level graph indicates a Funding Level of 90.2% at year-end 2021, reflecting good recent investment performance.

Excess Sponsor contributions, beyond the minimum requirements, go into the so-called “Prefunding Credit Balance”, which cannot be included in the reported MAP and Non-MAP Funding Level calculations. In 2016 and 2017, DowDuPont put $4B into the Pension Prefunding Credit balance, which can be used to make contributions to Plan Assets, provided the prior year Funding Level is above 80%. However, the FMV calculations do recognize all contributions, as indicated by its sharp increase in 2017/18 Funding Levels. We believe the most appropriate retiree vantage point, for assessing the security of our DuPont/Corteva Pension Plan, is the one provided by the Fair Market Value-based calculation, which is also the basis of the February “10K” reports submitted to the SEC, indicating our Plan’s financial status on 12/31 of the prior year.

Pension Plan Participants have asked about the likelihood of additional Lump Sum Buyout offers, and/or transferring the Pension Plan to an insurance company for annuities. A few comments on these issues are summarized below:

- E. I. DuPont (EID), now a wholly owned subsidiary of Corteva, is the Plan’s Sponsor; EID, with Corteva behind it, must comply with ERISA rules, fund the Plan and fulfill its obligations to the Plan Participants, in the same way as our former employer, E.I. DuPont was.

- The closer the Plan comes to 100% Funding Level, the easier it would be to annuitize our pensions through an insurance company, which would require eliminating some or all of the current $2B MAP-21 based Plan shortfall ($5B non-MAP), and pay a fee to the insurance Company. If this were to happen, our pensions would no longer be guaranteed by the Federal Government’s Pension Benefit Guaranty Corporation (PBGC); instead, state-based Insurance Associations would provide some coverage against potential insurance company failure, but at a much lower maximum level than the PBGC would. In our view, additional secondary insurance, with an independent insurer, would be essential to compensate for the loss of the PBGC, avoiding increased retiree financial risk. While we have no specific information that Corteva is considering this, we cannot rule it out.

- A Lump Sum Buyout (LSB), offered to Participants, is a possible option for Corteva. And, depending on the discount rate used to determine the present value of each lifelong pension, as well as personal circumstances, it may or may not be advantageous to Participants. Previously, LSB could be offered only to vested employees not yet drawing pensions; however, 2019 IRS rulings have made it possible to offer LSB options to retirees as well. While we have no specific information that Corteva is considering this, we cannot rule it out.

Your comments and questions are welcome.

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