

November 20, 2017

To: DuPont Retirees Chapter Members

Conference Call with Pension Benefit Guaranty Corporation

Jim Odle and I had an excellent telephone conference with some of the senior staff at the Pension Benefit Guaranty Corporation (PBGC) to discuss the PBGC's role in the Defined Benefit Pension Plan arena. They answered our questions and gave us a better understanding of the boundaries of their responsibilities and authorities. I share with you a summary of our conversation with PBGC:

1. The PBGC is the Federal Government's Pension Plan Insurance organization, which takes over Participant benefit payments, operating under the Employee Retirement Income Security Act (ERISA) of 1974, to back up failed private Pension Plans. The PBGC is not a regulatory agency, but is connected with the Treasury/IRS, and the Dept. of Labor, who are. The PBGC may monitor major corporate restructuring activities that potentially imperil their pension plans, and therefore represent risk to the PBGC's overall insurance program. The PBGC has no authority to proactively compel action, but it does have some influence on Plan sponsors. Beyond general monitoring, engagement with Plan sponsors begins after a corporate transaction indicates some increased risk, and can involve negotiated remedies.
2. Calculating and making minimum contributions to defined benefit pension plans are legally required and monitored/enforced by the Treasury/IRS. The AFN, 5500 and 10K reports are also mandated annual disclosures about the financial status of pension plans, each serving a different purpose and providing a different view of these plans. The AFN and 5500 reports are largely actuarial views of averaged pension assets and obligations, while the 10K report is a market value based accounting for these plans – which accounts for the large differences among their reported values. The PBGC is generally focused on assessing the terminal market value of (potentially failed) pension plans, which they may need to take over, and therefore the sponsors' 10K reports are the most useful documents for them.
3. In view of 1 above, I believe the PGBC will probably not review the proposed allocations to our SpinCos to guide DowDuPont to minimize risk, ensure fairness, etc. – but would evaluate these after the allocation decisions and seek remedy as appropriate. In any case, until the allocation decisions are made, they would not have the information to assess it, nor the mandate to be involved in negotiating or advising the Company in the allocation decision making process.
4. A sponsor's "Pension Contribution Plan" is a required disclosure but is not a binding commitment for them or for their successors, because it can be revised – therefore, it is unclear to us what value such contribution plan serves. Many sponsors have stated Pension Plan Contribution Policies, but this is not required, or enforced by the PBGC, or by any other government agency.
5. When successor organizations inherit pension obligations, they are legally bound to fulfill them. If the successor fails, the PBGC is one of the creditors, with a claim against the remaining assets; they can even reach back to the original sponsor for remedies. However, it remains unclear what happens if the original sponsor no longer exists. It

would obviously be best for DowDuPont to position the SpinCos with adequate financial resources to be able to meet their inherited pension obligations, as DuPont's statements imply they will be; but if they should fail, the backstop would have to be the PBGC insurance program, as DowDuPont will no longer exist to provide potential remedies. If the PBGC takes over a plan, it covers pension benefits up to a federally set limit, as indicated on their website: <https://www.pbgc.gov/wr/benefits/guaranteed-benefits/maximum-guarantee#2017>

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