May 4, 2017
To: NRLN DuPont Retirees Chapter Members
Subject: DuPont's plan to contribute $2.9B to its US Pension Plan in 2017

Several Chapter members have asked if we have any thoughts on the views expressed in the Wilmington News Journal article posted online over last weekend and published in the print edition on Monday, May 1. The article reports that DuPont will borrow $2 billion dollars to be used for making contributions to the U.S. DuPont Pension Plan.

In a May 2 SEC filing, DuPont indicated it will make a total of $2.9 billion contribution to the U.S. Pension Plan in 2017. DuPont has NOT indicated their purpose for this financial move. To read the article, visit our DRC webpage http://www.nrln.org/CHAPTERS/DUPONT/duponthome.html and click on the link to the delawareonline article near the top of the right column, which is the repository of all merger-related media articles in chronological order.

The article quotes some DuPont retirees and a Professor of Pension Benefits, speculating about DuPont's intentions, and expressing their concerns. There is little value in commenting on speculations, and it is not our purpose to either refute or endorse the WNJ article and the comments in it about DuPont's announcement. However, in the paragraphs below, we offer some clarifications of pension funding issues and try to define the potential uses of the $2.9B contribution and their ramifications, as we understand them:

1. Pension Plan funding level is the assets of the Fund expressed as a % of its obligations. Because pension obligations are paid out over many years, they are represented by their Present Value, which in turn, depends on the assumed interest/discount rates. The just issued Annual Funding Notice (AFN) provides asset, obligation and funding level values, calculated on both the "traditional" (2-year average U.S. Treasury Bond interest), as well as the "adjusted" (25-year average corporate bond interest) basis, permitted by the MAP-21 corporate pension contribution relief legislation. In pension fund valuations, different interest rate assumptions are made for different purposes (such as minimum contribution requirements, investment management, de-risking, PBGC evaluations, etc.), which result in different calculated funding levels for the same pension plan. In addition to the AFN, the DuPont Annual Report, the Form 5500 Report and the 10K Consolidated Financial Report, issued at different times, all provide different pension plan valuations, and the U.S. Plan is not always fully separated out from the Global DuPont Pension Plan financial summary – all of which can create confusion. For example, depending on the source, the definitions used and the assumptions made, the DuPont U.S. Pension Plan funding level is stated as 68%, 77% or 91% (as of 1/1/2016). We are attempting to review, understand and reconcile the definitions and differences among all these documents and plan to provide you with a fuller report. In any case, Pensions & Investments magazine's Special 2017 Report on Corporate Pension Funds, ranks the 100 largest funds by funding ratio (as of 12/31, 2016) – presumably evaluating them all on the same basis. DuPont's Plan is 91st, at a low funding level of 67.1%, probably based on the unadjusted, pre-MAP-21 interest rates. Dow is 82nd, at 70%. However calculated, the fact that DuPont is now planning to infuse $2.9B into the U.S. Pension Fund, recognizes its underfunded current status.

2. IF some or all of the $2.9B were to be used to boost the funding level of the Plan, this would increase retirees' financial security to some degree. The Pension Benefit

Corporation (PBGC) generally considers plans below 80% funding ratio “at risk”. It is unclear whether the planned $2.9B cash contribution would bring the funding level above 80%, and out of the “at risk” zone.

3. IF some or all of the $2.9B were to be used to fully fund a segment of the Plan, for a selected population of Plan Participants, it could position that segment for potential transfer to an insurance company. Retirees allocated into that segment would presumably receive annuities equal to their pension. However, should the insurance company fail, the PBGC would not guarantee coverage under federal law. There are insurance guaranty funds in every state, in case of insurance company bankruptcy, but the maximum total payouts, ranging from $100K to $500K, are much smaller than the PBGC guaranteed levels; this would represent increased risk for those who are annuitized in this manner. Secondary, “re-insurance” could potentially compensate for this increased risk. And the funding level of the remaining DuPont Pension Plan would also have to be protected, to avoid increased risk for those participants not annuitized. And of course, the remaining part of the DuPont Pension Plan would still be under PGBC’s guarantee (subject to maximum payment limits, set by federal law).

4. IF some or all of the $2.9B were to be used for Lump Sum offers to a selected segment of the Plan Participant population (people already drawing their pension would not be eligible by law) this would reduce overall Pension Plan obligations, raising the funding level and reducing risk correspondingly.

Recognizing that DuPont has not indicated its specific plans for deploying the $2.9B contribution to the Pension Plan, any of the options described in 2, 3 and 4 above seem possible, either separately, or in some combination. There may even be other options we have not considered here. We cannot predict what DuPont will do, nor evaluate the exact financial impact of its possible actions on our pension security. But we want to ensure you are aware of these announcements by the Company, and give you a few thoughts to consider, relative to our pension security. As we learn more, we will try to keep you informed.

Regards to all.......Jim Odle and Paul Kende
odlejk@gmail.com