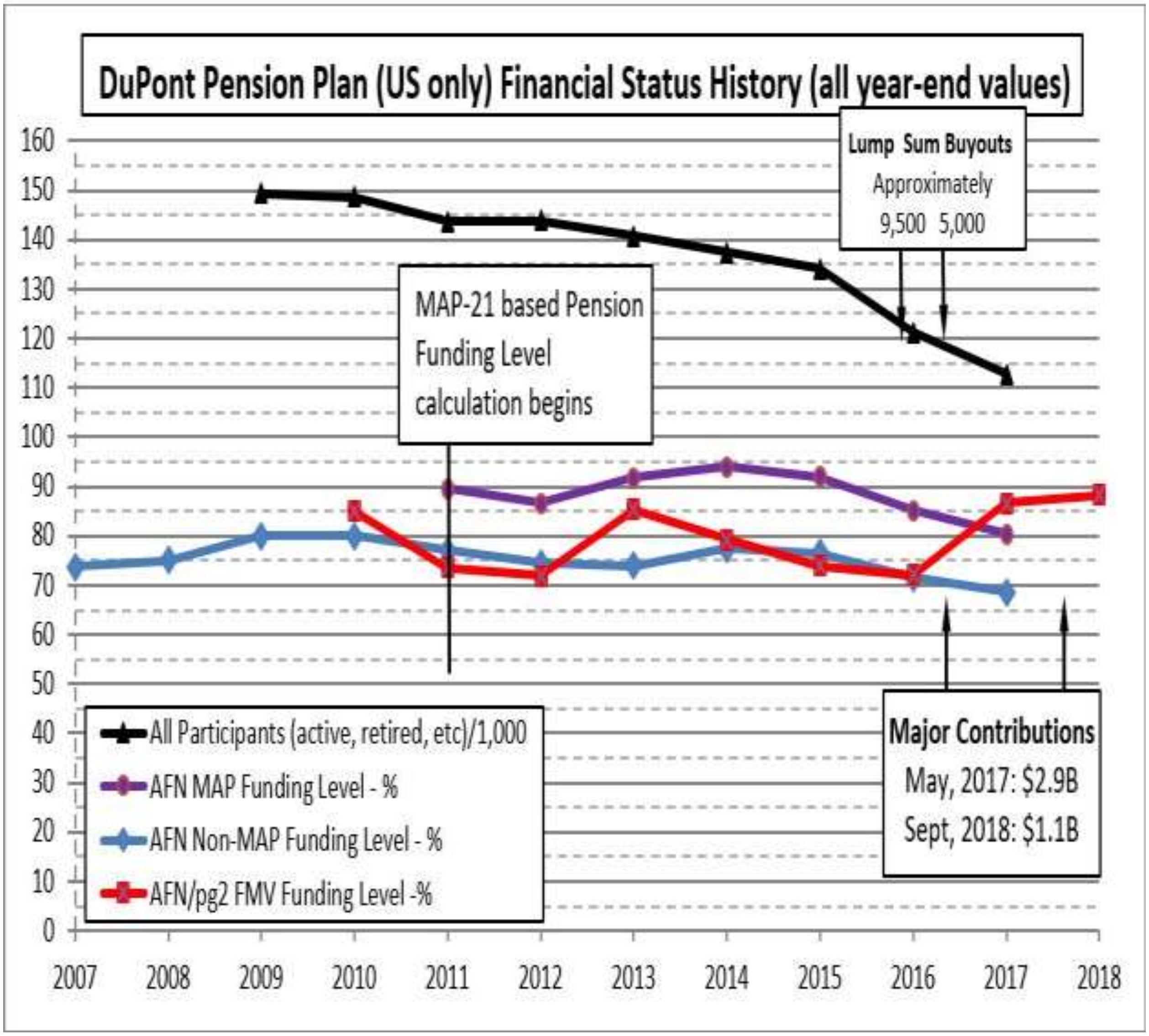
July 31, 2019 ***(May 13, 2019 note with revised graph - Participant population line shifted by 1 year)***

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

As Corteva Agriscience begins to sponsor the former DuPont Defined Benefit Pension Plan (and other post employment benefit programs), starting June 1, 2019, it seems appropriate to review the financial history of the Pension Plan over the last 10-12 years. We all receive the Annual Funding Notice (AFN), which reports the status of the Plan over a rolling 3-year period, but a summary overview of the key parameters, over a longer time frame, as shown in the graph below, provides a better perspective.



US Pension Plan Participants include retirees and survivors drawing pensions, as well as people with vested pension rights, but not yet receiving payments. This group numbered nearly 150,000 in 2010, but is down to about 112,000, due to Lump Sum Buyouts (LSB) in 2017/18 and mortality. As the Plan was frozen, in November, 2018, Participant population (and Plan obligations) will continue to drop at accelerating rates – but recognize the Plan must meet its obligations to all, over an estimated 50 years, to cover the youngest vested employees/spouses, as long as they live.

The Funding Level is the primary indicator of the Pension Plan's status and health; it is the Plan's assets, expressed as a % of the

Plan's as total obligation (it is also called Funded Status and Funding Target Attainment Percentage, or FTAP). Because obligations are fulfilled over the life expectancy of Plan Participants, present values of these liabilities are calculated using an appropriate discount rate. The higher the Funding Level, the healthier the Pension Plan.

Ideally, the Funding Level should be 100%, so that current assets, growing at the discount rate, would generate sufficient funds to pay all obligations. However, actual Funding Levels are affected by sponsor contributions to the Plan, investment performance of the assets, the mortality experience of the Participant group, and different methods of determining the discount rates used in calculating the present value of future obligations. The graph shows 3 different curves for the Funding Level - each is correct on its own terms, but they use different discount rates, as determined under MAP-21, Traditional/Non MAP-21, and Fair Market value methodologies. All values shown are taken from DuPont's AFN reports. Although the graph above shows only the financial status of the US Pension Plan, it represents about 80% of the Global DuPont Pension Plans.

As discussed in my previous reports in more detail, the discount rates, traditionally used each year for present value calculations, were based on U.S. Treasury Bond yields, averaged over the last 2 years - a conservative estimate of Pension Plan asset performance. To relieve the contribution requirements for Pension Plan Sponsors, in the low earnings environment following the 2008 financial crisis, Congress passed the 2012 MAP-21 legislation (extended in 2015, to run until 2020), allowing Sponsors to use the 25-year average of high quality corporate bond yields to determine discount rates. The much higher interest rates, assumed under MAP-21 rules, reduced present value calculations of long-term Pension Plan obligations, raised their apparent Funding Levels, and reduced the corresponding contribution requirements, as well as the variable rate PBGC insurance premiums. While the AFN reports are required to show both the higher MAP-21 based Funding Levels, as well as the lower, unadjusted, traditional Non-MAP-21 Plan status, both are based on actuarial, averaged values of assets and liabilities. However, a third way of indicating Pension Plan financial status is also included on page 2 of the AFN reports: the Fair Market Value (FMV) of the Plan's assets, as well as its obligations, as of December, 31 of the previous year, avoiding the use of actuarial averaging.

Accepting that all 3 approaches to Funding Level calculations accurately reflect the Pension Plan's financial status for different purposes and under different accounting standards, what is the most appropriate way to assess the plan from retirees' viewpoint? Using long-term average corporate bond yields to determine the present value of future obligations (MAP-21), is reasonable because the pension payout is also over a long time-frame. On the other hand, the Pension Plan is for the benefit of older retired people, by definition, and therefore, it is also appropriate to use lower yield, but more secure investment based planning (traditional, Non-MAP-21). In addition, because excess Sponsor contributions, beyond the minimum requirements, go into the so-called Credit Balance, these funds do not affect the reported Funding Level; however, the FMV calculations do recognize all contributions, as indicated by its sharp increase in 2017/18. I believe the most appropriate retiree vantage point, for assessing the security of our DuPont Pension Plan, is the one provided by the Fair Market Value-based calculation, which is also the basis of the 10K SEC reports, issued in February each year, indicating the Plan's financial status, as of 12/31 of the prior year.

Many Pension Plan Participants have asked about additional Lump Sum Buyout offers, as well as the likelihood of Corteva converting the Pension Plan to an annuity, provided by a commercial insurance company. Of course, I cannot predict what Corteva might do, but a few comments may be helpful, as we speculate about the future:

- The large credit balance in the Pension Plan (estimated at $4 B, at year-end 2018) reduces Corteva's need for making required contributions to the Plan for some years, although I hope they will contribute, as this would further increase our pensions' financial security. However, further contributions are unlikely to provide significant corporate tax-deduction benefits, as the last ones did for the 2017 tax-year.

- The closer the Plan comes to 100% Funding Level, the easier it would be to annuitize our pensions through an insurance company (often called "de-risking").
- The recent Lump Sum Buyouts in 2017/18 were offered only to Participants who have not yet begun receiving their pensions. This was probably based on IRS advisories that planned legislation would legally bar LSB offers for retirees; however, under the current administration, the IRS has withdrawn this advisory, opening the door for potential LSB to retirees, which Sponsors have been reluctant to offer until now.
- Reducing the Participant group size through LSBs would make it easier to bring the remaining Plan's Funding Level higher, which, in turn, would reduce the barriers to transferring it to an insurance company. An LSB offer may or may not be a good option for a Participant, depending personal circumstances.
- Annuities from an Insurance company, at the same benefit levels to all Participants, would lose the protection of the Pension Benefit Guaranty Corporation against failure of Pension Plan Sponsor to pay. State-based Insurance Association guarantees are much less than our current protections by the federal PBGC guarantees. Secondary insurance coverage would be required to keep our pension security risks at the current levels.

Your comments and questions are always welcome………

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