9/18/2017

Comments on DuPont Pension Plan Status and Outlook

By now you all should have received your personal copy of Ed Breen's letter to DuPont Pension Plan Participants, along with a Fact Sheet/FAQ. Overall, Ed Breen's communication is the most explicit assurance of the security of our pensions. It reiterates the May DRMS luncheon talks by Ed and Nick Fanandakis, but this goes a little further and puts it in writing, directly to Pension Plan Participants. Some of the pension issues and concerns we have raised with senior management, in the last year and a half, are addressed here; however, the 10 FAQ's in this document still leave unanswered questions, and therefore leave room for concerns. Our key remaining questions focus on:

1. The allocation of Pension Plan assets and obligations, across the intended successor businesses, and personal assignment of all participants to one these successors.
2. Commitment of DowDuPont and their successors, to future contribution plans, ensuring the future Plan Sponsors' capacity to fulfill their financial obligations to pensioners. With the news conference and official reports on the Comprehensive Portfolio Review announced by DowDuPont on 9/12/17, the 3-way split plan is reaffirmed, with significant portfolio realignment between the Materials Science and the Specialty Products businesses (see our 12/13/17 letter to DRC Membership, covering these announcements). With the merger complete, and the outlines of the spin-off plan clear, the organizational and capital structure planning can now proceed, including Pension Plan assets and obligations, based on fully shared Dow and DuPont business and financial information. DowDuPont continues to say that all of this may take up to 18 months.

Our notes below reference Ed Breen's Fact Sheet/FAQ paragraph numbers, where we have comments or observations.

- **FAQ 2 –** Commitment to satisfy legal minimum contribution requirements is, to state the obvious, minimal support of the Pension Plan. DuPont is promising to continue to make contributions to the Plan – indicating its successors will make good on these promises, since DuPont itself is no more.
- **FAQ 5 –** This re-states that DowDuPont's successors will own the "old" DuPont's legal obligations to pensioners, and that each is expected to be an industry leader with a strong balance sheet and suggests, by implication, that they will be in a good position fulfill those obligations. We can only speculate whether our pensions will be more or less secure with one or more of DuPont's successor(s) inheriting DuPont's pension plan assets and obligations.
- **FAQ 6 –** It is hard to visualize a 3-way split of the pension plan; assigning all assets and obligations to one of the successor organizations would seem to be simpler, but all options are apparently being considered. There is a statement here that "if one company takes on more underfunded pension liabilities, it will have less financial debt"- implying that, in such a case, that company would be set up with appropriate additional financial resources to compensate for carrying more unfunded pension liabilities. After several requests for clarification, over the last year and a half, we now have a written comment

from Mr. Breen that all Plan Participants will be accounted for in the allocation process. This is good and important, because most pension plan participants may not have any employment history with the business of the successor organization to which they might be assigned; however, SEC filings, including the most recent one on 9/12/17, do not recognize this. We are continuing to seek clarification on this point.

- **FAQ 9 -** There is no new information here on the pension plan contribution plan, other than the very general comment discussed in FAQ 2 above. Further contributions will depend on DowDuPont, and its successor companies, and their financial structure and capacity – all yet to be decided. However, the $2.9 Billion contribution in May, went $2.7B beyond the minimum required, in order to take advantage of expected tax benefits to DuPont. DuPont made this large contribution, which reduced the Pension Plan shortfall to about $3.5B (based on the February, 2017 10 K report for 12/31/2016). This is still a significant shortfall, but it reduces the successor companies' future minimum contribution requirements, as well as Plan Participant risk by $2.9 B.

Your questions and comments are always welcome.

Paul Kende and Jim Odle